

ATTACHMENT II:

**SUMMARY OF
GENERAL FUND RECEIPTS**

SUMMARY OF GENERAL FUND RECEIPTS

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SUMMARY OF GENERAL FUND REVENUE AND TRANSFERS IN

Category	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2004 Actual Receipts	Over the FY 2004 Revised Budget Plan	
					Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	\$1,396,533,630	\$1,494,186,763	\$1,498,835,203	\$1,500,565,811	\$1,730,608	0.12%
Personal Property Taxes - Current and Delinquent ¹	466,495,383	477,170,195	471,623,857	472,958,029	1,334,172	0.28%
Other Local Taxes	373,594,301	372,943,906	390,144,560	408,231,887	18,087,327	4.64%
Permits, Fees and Regulatory Licenses	27,743,163	26,851,322	26,902,515	28,675,370	1,772,855	6.59%
Fines and Forfeitures	11,046,988	12,044,433	12,778,263	13,272,803	494,540	3.87%
Revenue from Use of Money/Property	20,742,288	16,372,803	18,233,375	17,917,632	(315,743)	-1.73%
Charges for Services	40,549,148	38,148,727	41,941,708	42,529,744	588,036	1.40%
Revenue from the Commonwealth and Federal Government ¹	126,674,608	115,818,200	130,523,639	140,196,638	9,672,999	7.41%
Recovered Costs/ Other Revenue	5,424,424	5,395,848	6,052,139	6,393,432	341,293	5.64%
Total Revenue	\$2,468,803,933	\$2,558,932,197	\$2,597,035,259	\$2,630,741,346	\$33,706,087	1.30%
Transfers In	3,925,732	1,396,150	1,396,150	1,396,150	0	0.00%
Total Receipts	\$2,472,729,665	\$2,560,328,347	\$2,598,431,409	\$2,632,137,496	\$33,706,087	1.30%

¹ The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

General Fund Revenues and Transfers In for FY 2004 are \$2,632,137,496, an increase of \$33,706,087, or 1.3 percent, over the *FY 2004 Revised Budget Plan* estimate. The \$33.7 million increase in FY 2004 receipts over the *FY 2004 Revised Budget Plan* is due primarily to variances in the revenue categories discussed on the following pages of this Attachment.

Historically, the County's revenue forecasts have been very accurate with an average difference between actual revenue and the Revised Budget (from FY 1993 through FY 2004) of 0.7 percent, well within forecasting standards. Looking back, the County's revenue forecasts have tended to be less accurate after a period of sluggish economic growth. For example, after the slowdown of the early 1990's actual revenues were 1.2 percent higher, on average, than projected in the Revised Budget for FY 1993 through FY 1995. After the transition to a growing economy, the average percent difference between actual and the Revised Budget was only 0.4 percent for the period FY 1996 through FY 2002. During the recovery of the last two years, the variance has again been higher, with differences of 1.1 and 1.3 percent in

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FY 2003 and FY 2004, respectively. The 1.3 percent variance in FY 2004 is primarily the result of accelerated economic growth realized late in the fiscal year. Growth in revenue late in the fiscal year was also experienced by the Commonwealth of Virginia. When reporting that Virginia's General Fund collections exceeded the budget estimate by \$323.8 million, or 2.8 percent. Governor Warner said "Virginia's economy has rebounded solidly in the last four months, and the revenue results reflect that recent rebound."

FY 2005 Revenue Adjustments

Administrative Adjustments to FY 2005 General Fund revenues totaling \$2,706,733 have been made. Revenue from the vehicle rental tax has been increased \$1,116,733 in FY 2005 based on a Memorandum of Understanding with the City of Fairfax for tax payments due to Fairfax County that were erroneously distributed by the Virginia Department of Motor Vehicles to the City of Fairfax. The balance due will be paid to the County in annual installments of \$116,733 through 2013. Additional federal revenue of \$0.7 million associated with the Help America Vote Act is anticipated in FY 2005 as funds were not received by year-end FY 2004. This funding will reimburse the County for one voting machine per polling place to provide access for the visually impaired. Lastly, Revenue from the Commonwealth for Sheriff expenses are increased \$0.9 million based on State notification. Aside from the adjustments mentioned above and adjustments associated with expenditure increases, as noted in the Administrative Adjustment section, no other revenue adjustments have been made to FY 2005 revenue estimates.

Staff is closely monitoring all revenue categories to determine if the recent upturn in economic growth will be sustained. Several economic indicators have recently experienced a "softening". On the national level, consumer spending declined in June as did, housing starts and industrial production. The pace of job growth also weakened in June. The July issue of the *Fairfax County Economic Index* reported that the County's May Leading Index which is designed to forecast the performance of the County's economy 9 to 12 months in advance, decreased for only the second time in eight months. Stephen Fuller, the author of the Index, states that the County's economic growth could experience some moderation over the summer. All revenue categories will be reviewed during the fall of 2004 after several months of actual FY 2005 collections have been received. Any necessary adjustments will be made as part of the fall revenue review or during the *FY 2005 Third Quarter Review*.

REAL PROPERTY TAXES

Total Real Estate Taxes in FY 2004 are \$1,500,565,811, an increase of \$1,730,608, or 0.1 percent, over the *FY 2004 Revised Budget Plan*. Both Current and Delinquent Real Estate Tax collections were higher than anticipated.

REAL ESTATE TAX-CURRENT

FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$1,387,669,725	\$1,487,307,525	\$1,491,385,606	\$1,492,840,682	\$1,455,076	0.10%

Current Real Estate Property Taxes in FY 2004 are \$1,492,840,682, an increase of \$1,455,076, or 0.1 percent, over the *FY 2004 Revised Budget Plan*. This increase is primarily due to lower than anticipated exonerations and tax relief offset by a reduction in the collection rate. FY 2004 exonerations are lower than estimated, resulting in additional revenue of \$0.4 million. The *FY 2004 Revised Budget Plan* included a projected revenue loss of \$14.6 million for expected tax relief for the elderly and disabled. Actual FY 2004 Tax relief is \$12.7 million, a revenue increase of \$1.9 million. The *FY 2004 Revised Budget Plan* estimate included a collection rate of 99.65 percent. The actual FY 2004 collection rate was 99.60 percent which represents a revenue decrease of \$0.8 million. The FY 2005 Adopted Budget incorporates a collection rate of 99.65 percent, a rate similar to 99.67 percent experienced in FY 2003. In FY 2005, every 0.1 percentage point change in the collection rate yields a revenue change of \$1.6 million.

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REAL ESTATE TAX-DELINQUENT

FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$8,863,905	\$6,879,238	\$7,449,597	\$7,725,130	\$275,533	3.70%

FY 2004 Delinquent Real Estate Taxes are \$7,725,130, an increase of \$275,533, or 3.7 percent, over the *FY 2004 Revised Budget Plan* due to significant tax collection activity by the Department of Tax Administration.

PERSONAL PROPERTY TAX

Total Personal Property Taxes in FY 2004 are \$472,958,029, a net increase of \$1,334,172, or 0.3 percent, over the *FY 2004 Revised Budget Plan*. Delinquent Personal Property Tax collections, which were up \$4,137,302, are partially offset by a decrease of \$2,803,130 in Current Personal Property Taxes.

PERSONAL PROPERTY TAX-CURRENT

FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$457,188,347	\$468,581,636	\$461,331,985	\$458,528,855	(\$2,803,130)	-0.61%

Actual FY 2004 collections for Current Personal Property Taxes are \$458,528,855, a decrease of \$2,803,130, or 0.6 percent, from the *FY 2004 Revised Budget Plan* estimate. Of the total FY 2004 revenue, \$261.6 million is paid locally and \$196.9 million is the portion reimbursed by the Commonwealth of Virginia under the Personal Property Tax Relief Act. The FY 2004 revenue decrease is primarily the result of lower than anticipated collections from Public Service Corporations (PSC) and a decrease in the local collection rate, partially offset by higher than projected local levy. Actual FY 2004 Personal Property levy was \$0.9 million higher than anticipated primarily due to an increase in vehicle levy offset by higher than anticipated exonerations. A decrease of \$1.9 million in revenue is associated with several bankruptcy filings of Public Service Corporations throughout the State and a decrease of \$1.7 million is due to the reduction in the anticipated collection rate on local (non-PSC) levy. The *FY 2004 Revised Budget Plan* included an overall collection rate of 97.45 percent. This rate was comprised of an anticipated 100 percent collection rate on PSC properties and 97.30 percent on locally assessed properties. Actual FY 2004 collection rates were 92.75 percent for PSC properties and 96.9 percent for locally assessed properties. Overall, the Personal Property Tax collection rate is 96.68 percent. Absent the PSC bankruptcies, the FY 2004 collection rate would have been 97.1 percent. Every 0.1 percentage point change in the *FY 2005 Adopted Budget Plan* estimated collection rate of 97.45 percent represents a revenue change of \$0.5 million.

PERSONAL PROPERTY TAX-DELINQUENT

FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$6,179,447	\$8,588,559	\$10,291,872	\$14,429,174	\$4,137,302	40.20%

Actual FY 2004 collections for Delinquent Personal Property Tax revenue represent an increase of \$4,137,302, or 40.2 percent, over the *FY 2004 Revised Budget Plan*. Of this increase, \$2.7 million is due to a June 2004 payment from a Public Service Corporation that was in bankruptcy in FY 2003. In addition, collection efforts have been enhanced due to the collaboration between the Department of Tax Administration and the Virginia Department of Motor Vehicles whereby a "hold" is placed on State vehicle license renewals until Delinquent Personal Property Taxes are paid.

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OTHER LOCAL TAXES

Actual FY 2004 collections for Other Local Taxes are \$408,231,887, a net increase of \$18,087,327, or 4.6 percent, over the *FY 2004 Revised Budget Plan* estimate of \$390,144,560. This increase is primarily due to increases in Business, Professional and Occupational Licenses, Sales Tax Receipts, Deed of Conveyance and Recordation Taxes, and the Mobile Telecommunications Tax.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$93,427,421	\$93,117,590	\$95,763,107	\$101,997,399	\$6,234,292	6.51%

Actual FY 2004 revenue from Current Business, Professional, and Occupational License (BPOL) Tax receipts are \$101,997,399, an increase of \$6,234,292, or 6.5 percent, over the *FY 2004 Revised Budget Plan*. This increase is primarily due to a higher than anticipated BPOL levy. No changes were made to BPOL estimate during the *FY 2004 Third Quarter Review*, since little information about current collections was available as businesses file and pay their BPOL taxes simultaneously on March 1. Nearly all of the over 47,000 BPOL tax payments are received by mail. Once received, each BPOL filing is processed and reviewed for accuracy; therefore, it is several weeks after the due date that aggregated BPOL information becomes available.

Actual FY 2004 BPOL receipts increased 9.2 percent over FY 2003, significantly higher than the growth experienced in FY 2002 and FY 2003 of only 2.3 percent each year. The FY 2004 increase in various BPOL categories reflects strong or improving sectors of the economy. BPOL receipts from Real Estate Brokers and Money Lenders remained strong in FY 2004 rising a combined 17.6 percent over FY 2003. The Retail category, which represents approximately 22 percent of total BPOL receipts, increased 6.9 percent, while the Consultant category (23 percent of total FY 2004 receipts) rose 20.5 percent in FY 2004.

LOCAL SALES TAX

FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$126,785,250	\$126,246,519	\$135,026,291	\$140,070,124	\$5,043,833	3.74%

Actual FY 2004 revenue from Sales Tax receipts are \$140,070,124, an increase of \$5,043,833, or 3.7 percent, over the *FY 2004 Revised Budget Plan*. During the Third Quarter Review, the estimate for Sales Tax revenues was increased \$4.4 million, reflecting anticipated growth of 6.5 percent in FY 2004. During the final four months of FY 2004, however, Sales Tax Receipts grew at a rate of 13.6 percent, resulting in year-end FY 2004 growth of 10.5 percent over FY 2003. The 10.5 percent growth experienced in FY 2004 is a sharp change from the last two fiscal years. In FY 2002, Sales Tax receipts, reflecting the slow economy, fell 5.9 percent. In FY 2003, Sales Tax collections turned around but grew at a rate of only 1.0 percent over FY 2002.

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RECORDATION/DEED OF CONVEYANCE TAXES

FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$27,005,707	\$16,329,979	\$27,005,707	\$30,865,542	\$3,859,835	14.29%

Actual FY 2004 revenue from Recordation and Deed of Conveyance taxes is \$30,865,542, an increase of \$3,859,835, or 14.3 percent, over the *FY 2004 Revised Budget Plan* estimate. Recordation and Deed of Conveyance Taxes are levied in association with the sale or transfer of real property located in the County. Recordation taxes are also levied when mortgages on property located in the County are refinanced, making revenues more sensitive to interest rate fluctuations.

The estimates for Deed of Conveyance and Recordation Tax revenues were not adjusted during the *FY 2004 Third Quarter Review* because Deed of Conveyance Tax revenue collections had moderated considerably and Recordation Tax collections had dropped an average of 16.2 percent from November 2003 through January 2004. Since Third Quarter, collections for these categories reversed course and increased an average of 12.9 percent during the last four months of FY 2004.

Recordation and Deed of Conveyance Taxes will be closely monitored in FY 2005 as mortgage refinancing is expected to decline over the next year. In late June 2004, the Federal Reserve raised key short-term interest rates for the first time in four years. It is anticipated that in the coming months, there will be fewer mortgages refinanced as those homeowners with a financial incentive to refinance have already done so. Any necessary FY 2005 adjustments to these revenue categories will be made at the fall 2004 revenue review or at the *FY 2005 Third Quarter Review*.

MOBILE LOCAL TELECOMMUNICATIONS TAX

FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$0	\$9,500,000	\$5,500,000	\$8,313,833	\$2,813,833	51.16%

Actual FY 2004 revenue from the Mobile Local Telecommunications Tax is \$8,313,833, an increase of \$2,813,833, or 51.2 percent, over the *FY 2004 Revised Budget Plan* estimate of \$5,500,000. During the fall 2003 review of revenue, the estimate for the Mobile Local Telecommunications Tax revenue was reduced \$4.0 million to \$5,500,000 as a result of delays in implementing the tax by mobile telephone service providers due to complicated software changes and the lack of data on the number of mobile telecommunication service users in Fairfax County. At the end of February, five months after the tax was implemented, collections were \$3.4 million and actual revenue was not expected to exceed the budget estimate. During the last four months of the fiscal year; however, \$4.9 million in Mobile Telecommunication taxes was collected. The *FY 2005 Adopted Budget Plan* estimate of \$7.7 million will be evaluated during the fall 2004 revenue review.

PERMITS, FEES AND REGULATORY LICENSES
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PERMITS, FEES AND REGULATORY LICENSES

FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$27,743,163	\$26,851,322	\$26,902,515	\$28,675,370	\$1,772,855	6.59%

Actual FY 2004 revenue from Permits, Fees and Regulatory Licenses is \$28,675,370, an increase of \$1,772,855, or 6.6 percent, over the *FY 2004 Revised Budget Plan* estimate of \$26,902,515. This increase is primarily due to growth of

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\$1,386,354 in fees charged by the Department of Public Works and Environmental Services (DPWES) for planning, building, and site permits.

Actual FY 2004 DPWES fee revenue is \$22.4 million, an increase of \$1.4 million, or 6.6 percent over the *FY 2004 Revised Budget Plan* estimate. FY 2004 fees represent a slight increase of 0.4 percent over actual FY 2003 receipts.

FINES AND FORFEITURES

FINES AND FORFEITURES					
FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$11,046,988	\$12,044,433	\$12,778,263	\$13,272,803	\$494,540	3.87%

Actual FY 2004 revenue from Fines and Forfeitures is \$13,272,803, an increase of \$494,540, or 3.9 percent, over the *FY 2004 Revised Budget Plan* estimate of \$12,778,263. This growth is primarily due to increased collections for General District Court Fines partially offset by a decrease in Parking Violations and Alarm Ordinance Violations.

Actual FY 2004 revenue from General District Court Fines is \$6.3 million, an increase of \$1.2 million, or 24.3 percent over the *FY 2003 Revised Budget Plan* estimate of \$5.1 million. Partially offsetting the growth in General District Court Fines are declines of \$0.2 million in Alarm Ordinance Violations and \$0.4 million in Parking Violations. While revenue from Parking Violations is down from the FY 2004 estimate, collections are \$3.2 million, \$0.5 million higher than the level collected in FY 2003.

REVENUE FROM THE USE OF MONEY AND PROPERTY

Actual FY 2004 Revenue from the Use of Money and Property is \$17,917,632, a decrease of \$315,743, or 1.7 percent, from the *FY 2004 Revised Budget Plan* estimate of \$18,233,375 and is primarily due to a decline in Interest on Investments.

INTEREST ON INVESTMENTS					
FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$25,424,651	\$13,433,065	\$15,147,062	\$14,758,923	(\$388,139)	-2.56%

Actual FY 2004 Interest on Investments is \$14,758,923, a decrease of \$388,139, or 2.6 percent, from the *FY 2004 Revised Budget Plan*. This decrease is primarily the result of a lower than anticipated average yield partially offset by a higher than projected portfolio. The average actual FY 2004 portfolio of \$1,795.4 million earned a yield of 1.04 percent compared to the FY 2004 estimated portfolio and yield of \$1,699.9 million and 1.18 percent, respectively. Total FY 2004 interest on pooled cash for all funds is \$18.6 million.

No change has been made to the *FY 2005 Adopted Budget Plan* estimate of \$18,122,686. The FY 2005 estimate includes an estimated yield of 1.4 percent and investment instruments are currently being purchased with an average yield ranging from 1.3 percent to 1.6 percent. The Federal Reserve raised the Federal Funds rate 25 basis point to 1.25 percent in June 2004 and indicated a willingness to increase rates further in order to keep inflation low. This category will be closely monitored since the yield earned on the County's portfolio and the availability of investment instruments are quickly affected by changes in interest rates made by the Federal Reserve.

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CHARGES FOR SERVICES

CHARGES FOR SERVICES

FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$40,549,148	\$38,148,727	\$41,941,708	\$42,529,744	\$588,036	1.40%

Actual FY 2004 revenues from Charges for Services are \$42,529,744, an increase of \$588,036, or 1.4 percent, over the *FY 2004 Revised Budget Plan*. This increase is primarily due to higher than anticipated receipts from County Clerk Fees. Actual FY 2004 County Clerk Fees are \$11.1 million, \$0.5 million higher than anticipated in the *FY 2004 Revised Budget Plan* and is a result of continued strong mortgage refinancing and home sale activity.

REVENUE FROM THE COMMONWEALTH AND FEDERAL GOVERNMENT

REVENUE FROM THE COMMONWEALTH AND FEDERAL GOVERNMENT¹

FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2004 Actual Receipts	Increase/ (Decrease)	Percent Change
\$312,786,161	\$115,818,200	\$130,523,639	\$140,196,638	\$9,672,999	7.41%

¹ Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998. See the "Personal Property Tax - Current" heading in this section.

Actual FY 2004 revenues from the Commonwealth and Federal Government are \$140,196,638, a net increase of \$9,672,999, or 7.4 percent, over the *FY 2004 Revised Budget Plan*. This increase is primarily due to additional revenue of \$9.6 million associated with public assistance programs. Additional pass-through funding received late in the fiscal year of \$3.9 million was for the Child Care Assistance and Referral Program. One time funding of \$2.3 million is due to revenue maximization efforts for State child care funding. In addition, Foster Care and Adoption funding increased \$2.2 million over the *FY 2004 Revised Budget Plan*. Funding for various public assistance programs is based not only on County expenditures, but also the availability of State funding. The State Department of Family Services reviews unspent funds by localities across the State and adjusts funding appropriations late in the fiscal year.

FY 2004 ABC profits were \$1.4 million, an increase of \$0.4 million more than anticipated. In addition, an increase of \$0.4 million is related to Medicaid Reimbursement for FASTRAN services. These increases are partially offset by Federal funding of \$0.7 million associated with reimbursement for one voting machine per precinct to provide access for the visually impaired. This funding was not received in FY 2004, but is anticipated in FY 2005.