

FY 2011

ADOPTED BUDGET PLAN



This section includes:

- **Household Tax Analysis (Page 216)**
- **Demographic Trends (Page 220)**
- **Economic Trends (Page 224)**

Trends and Demographics

Trends and Demographics

HOUSEHOLD TAX ANALYSES

The following analyses illustrate the impact of selected County taxes on the "typical" household from FY 2005 to FY 2011. This period provides five years of actual data, estimates for FY 2010 based on year-to-date experience, and projections for FY 2011. Historical dollar amounts are converted to FY 2011 dollar equivalents for comparison purposes using the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Baltimore area. While the Washington metropolitan area experienced average annual inflation of 4.4 percent from FY 2005 to FY 2008, slight deflation occurred in FY 2009 due to the economic downturn. Moderate inflation is expected to return in 2010 as evidenced by the 2.3 percent increase reported for the area in March 2010. Projections for inflation in FY 2010 and FY 2011 are based on a forecast of 2.3 percent in FY 2010 and 2.5 percent in FY 2011 using the January 2010 issue of the *Blue Chip Economic Indicators*, and adjusting for a somewhat higher rate of inflation that has occurred in the Washington area, compared nationally.

HOUSEHOLD TAXATION TRENDS: SELECTED CATEGORIES FY 2005 - FY 2011

The charts on the following pages show the trends in selected taxes (Real Estate Taxes, Personal Property Taxes, Sales Taxes and Consumer Utility Taxes) paid by the "typical" household in Fairfax County. The Real Estate Tax analysis includes the adopted FY 2011 Real Estate tax rate of \$1.09 per \$100 of assessed value. It is important to note that the following data are not intended to depict a comprehensive picture of a household's total tax burden in Fairfax County.

The "typical" household in Fairfax County is projected to pay \$5,388.73 in selected County General Fund taxes in FY 2011, \$180.79 less than in FY 2010 after adjusting for inflation. This reduction is the result of lower Real Estate taxes due to the decline in the mean assessed value of property, and a projected decline in consumer spending that will impact Sales Taxes. From FY 2005 to FY 2011, the inflation adjusted County taxes paid by the "typical" household have declined \$244.72. Note that taxes paid in FY 2005 through FY 2011 reflect the Commonwealth's Personal Property Tax Relief Act, which reduces an individual's Personal Property Tax liability on vehicles valued up to \$20,000 (see the section entitled "Personal Property Tax per Typical Household" for more information.)

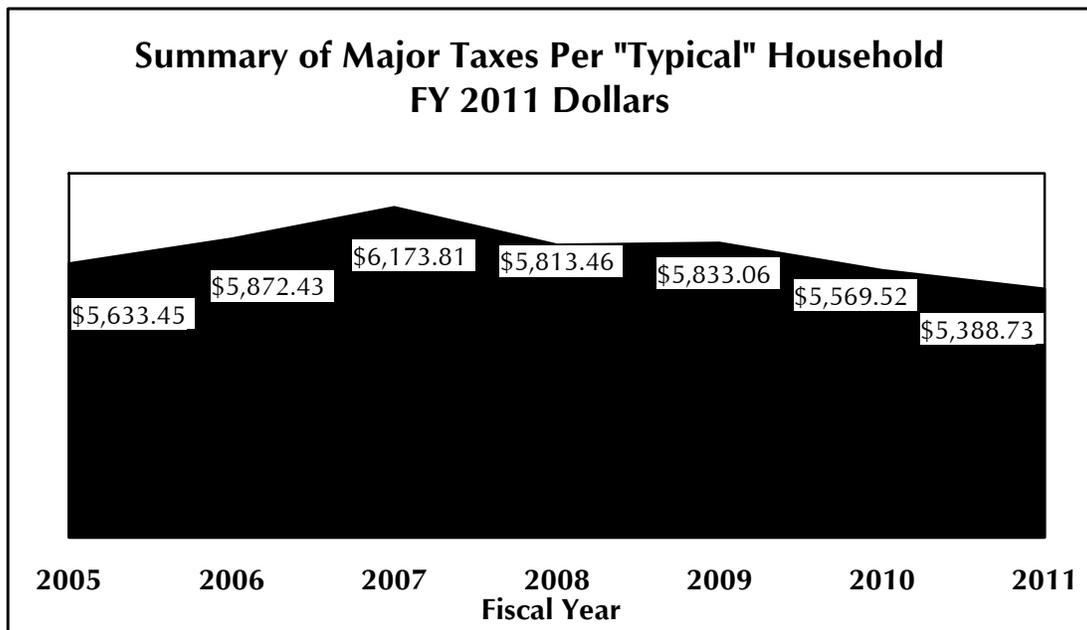
Summary of Major Taxes Per "Typical" Household

	Number of Households	Real Estate Tax in FY 2011 Dollars	Personal Property Tax in FY 2011 Dollars ¹	Sales Tax in FY 2011 Dollars	Consumer Utility Tax in FY 2011 Dollars	Total Taxes in FY 2011 Dollars ¹
FY 2005	376,717	\$4,822.57	\$279.92	\$463.34	\$67.62	\$5,633.45
FY 2006	378,990	\$5,066.18	\$287.05	\$454.46	\$64.74	\$5,872.43
FY 2007	381,227	\$5,323.82	\$326.71	\$458.80	\$64.48	\$6,173.81
FY 2008	381,686	\$5,015.62	\$299.87	\$437.86	\$60.11	\$5,813.46
FY 2009	383,244	\$5,065.89	\$288.42	\$420.95	\$57.80	\$5,833.06
FY 2010²	385,995	\$4,881.19	\$242.19	\$387.07	\$59.07	\$5,569.52
FY 2011²	388,889	\$4,713.59	\$242.54	\$374.82	\$57.78	\$5,388.73

¹ Personal Property Taxes paid incorporate reductions in Personal Property Tax bills sent to citizens under the state's Personal Property Tax Relief program. FY 2005 through FY 2006 include a 70.0 percent reduction. Due to the Commonwealth capping the Personal Property Tax Relief program's reimbursement to localities, the reductions were 66.67 percent in FY 2007, 67.0 percent in FY 2008, 68.5 percent in FY 2009, and 70.0 percent in FY 2010 and FY 2011. The difference in revenue will be paid to the County by the Commonwealth.

² Estimated.

Trends and Demographics



Real Estate Tax Per "Typical" Household

	Mean Assessed Value of Residential Property	Tax Rate per \$100	Tax per Household	Tax per Household in FY 2011 Dollars
FY 2005	\$361,334	\$1.13	\$4,083.07	\$4,822.57
FY 2006	\$448,491	\$1.00	\$4,484.91	\$5,066.18
FY 2007	\$544,541	\$0.89	\$4,846.41	\$5,323.82
FY 2008	\$542,409	\$0.89	\$4,827.44	\$5,015.62
FY 2009	\$525,132	\$0.92	\$4,831.21	\$5,065.89
FY 2010¹	\$457,898	\$1.04	\$4,762.14	\$4,881.19
FY 2011¹	\$432,439	\$1.09	\$4,713.59	\$4,713.59

¹ Estimated.

As shown in the preceding table, Real Estate Taxes per "typical" household are projected to decline \$48.55 between FY 2010 and FY 2011 to \$4,713.59, not adjusting for inflation. This drop is the result of the decrease of 5.56 percent in the mean assessed value of residential properties within the County due to a declining real estate market, partially offset with the adopted increase in the FY 2011 General Fund Real Estate Tax rate to \$1.09 per \$100 of assessed value.

Since FY 2005, Real Estate Taxes have increased \$630.52, or an average annual increase of 2.4 percent per year, not adjusting for inflation. Adjusted for inflation, Real Estate Taxes per "typical" household are \$108.98 less than in FY 2005, an average annual decrease of 0.4 percent.

Trends and Demographics

Personal Property Tax Per "Typical" Household

	Personal Property Taxes Attributed to Individuals	Number of Households	Tax per Household	Tax per Household in FY 2011 Dollars	After PPTRA	
					Adjusted Tax per Household ¹	Adjusted Tax per Household in FY 2011 Dollars ¹
FY 2005	\$297,598,959	376,717	\$789.98	\$933.06	\$236.99	\$279.92
FY 2006	\$321,026,237	378,990	\$847.06	\$956.84	\$254.12	\$287.05
FY 2007	\$340,181,270	381,227	\$892.33	\$980.23	\$297.41	\$326.71
FY 2008	\$333,823,546	381,686	\$874.60	\$908.69	\$288.62	\$299.87
FY 2009	\$334,648,575	383,244	\$873.20	\$915.62	\$275.06	\$288.42
FY 2010²	\$304,014,672	385,995	\$787.61	\$807.30	\$236.28	\$242.19
FY 2011²	\$314,402,492	388,889	\$808.46	\$808.46	\$242.54	\$242.54

¹ Personal Property Taxes paid incorporate reductions in Personal Property Tax bills sent to citizens under the state's Personal Property Tax Relief program. FY 2005 through FY 2006 include a 70.0 percent reduction. Due to the Commonwealth capping the Personal Property Tax Relief program's reimbursement to localities, the reductions were 66.67 percent in FY 2007, 67.0 percent in FY 2008, 68.5 percent in FY 2009, and 70.0 percent in FY 2010 and FY 2011. The difference in revenue will be paid to the County by the Commonwealth.

² Estimated.

Personal Property Taxes paid by the "typical" household are shown in the preceding chart. Personal Property Taxes paid reflect the Commonwealth of Virginia's Personal Property Tax Relief Act (PPTRA), which reduced an individual's Personal Property Tax payment by 70.0 percent in FY 2005 through FY 2006. Beginning in FY 2007, statewide reimbursements were capped at \$950 million. Each locality receives a percentage allocation from this fixed amount determined by the locality's share of statewide tax year 2005 collections. Each year, County staff must determine the reimbursement percentage based on the County's fixed reimbursement of \$211.3 million and an estimate of the number and value of vehicles that will be eligible for tax relief. As the number and value of vehicles in the County vary, the percentage attributed to the state will fluctuate. Based on a County staff analysis, the effective state reimbursement percentage was 66.67 percent in FY 2007, 67.00 percent in FY 2008, 68.50 percent in FY 2009, and 70.0 percent in FY 2010. The reimbursement percentage increased in FY 2010 due to fewer new vehicle purchases coupled with the depreciation of existing vehicles which reduced the overall total value of vehicles in the County's tax base. The FY 2011 reimbursement percentage has been set at 70.0 percent, the same level as FY 2010.

The tax per household analysis shown above assumes that the "typical" household's vehicle(s) are valued at \$20,000 or less in order to qualify for a reduction under the PPTRA. Personal Property Taxes per "typical" household are projected to increase \$0.35 between FY 2010 and FY 2011 to \$242.54 based on a 70.00 percent state share. The FY 2011 Personal Property Tax per "typical" household is \$5.55 higher than what was paid in FY 2005, not adjusting for inflation. When adjustments are made for inflation, the "typical" household is projected to pay \$37.38 less in FY 2011 than FY 2005. There have been no changes to the Personal Property Tax rate of \$4.57 per \$100 of assessed value for individuals during the FY 2005 to FY 2011 period, except for mobile homes and boats which are taxed at the prevailing Real Estate Tax rate each fiscal year.

Vehicle Registration Fee

The FY 2011 Adopted Budget Plan also includes an annual Vehicle Registration Fee on motor vehicles. The fee will be levied at \$33 for passenger vehicles that weigh 4,000 pounds or less and \$38 on passenger vehicles that weight more than 4,000 pounds. The fee for motorcycles is \$18. This fee was levied prior to FY 2007 at \$25 for all passenger vehicles regardless of weight and at \$18 for motorcycles.

Trends and Demographics

Sales Tax Per "Typical" Household

	Total Sales Tax	Number of Households	Tax per Household	Tax per Household in FY 2011 Dollars
FY 2005	\$147,781,944	376,717	\$392.29	\$463.34
FY 2006	\$152,475,529	378,990	\$402.32	\$454.46
FY 2007	\$159,224,006	381,227	\$417.66	\$458.80
FY 2008	\$160,855,221	381,686	\$421.43	\$437.86
FY 2009	\$153,852,596	383,244	\$401.45	\$420.95
FY 2010¹	\$145,763,329	385,995	\$377.63	\$387.07
FY 2011¹	\$145,763,329	388,889	\$374.82	\$374.82

¹ Estimated.

As shown in the table above, FY 2011 Sales Tax paid per household is estimated to be \$374.82, or \$17.47 less than FY 2005, not adjusting for inflation. This represents an average annual decrease of 0.8 percent since FY 2005. Adjusting for inflation, Sales Tax paid per household has decreased \$88.52 during the same period, representing an average annual decrease of 3.5 percent.

Because this analysis assumes all Sales Taxes are paid by individuals living in Fairfax County, the impact on the typical household is somewhat overstated. A segment of the County's Sales Tax revenues are paid by businesses and non-residents who either work in the County or are visiting. As the County becomes more of a major employment hub in the region, the contribution of non-residents to the County's Sales Tax revenues will continue to expand.

Consumer Utility Taxes - Gas & Electric Per "Typical" Household

	Total Consumer Utility Taxes Paid by Residential Consumers	Number of Households	Tax per Household	Tax per Household in FY 2011 Dollars
FY 2005	\$21,565,442	376,717	\$57.25	\$67.62
FY 2006	\$21,718,201	378,990	\$57.31	\$64.74
FY 2007	\$22,376,664	381,227	\$58.70	\$64.48
FY 2008	\$22,081,309	381,686	\$57.85	\$60.11
FY 2009	\$21,124,481	383,244	\$55.12	\$57.80
FY 2010¹	\$22,246,183	385,995	\$57.63	\$59.07
FY 2011¹	\$22,468,578	388,889	\$57.78	\$57.78

¹ Estimated.

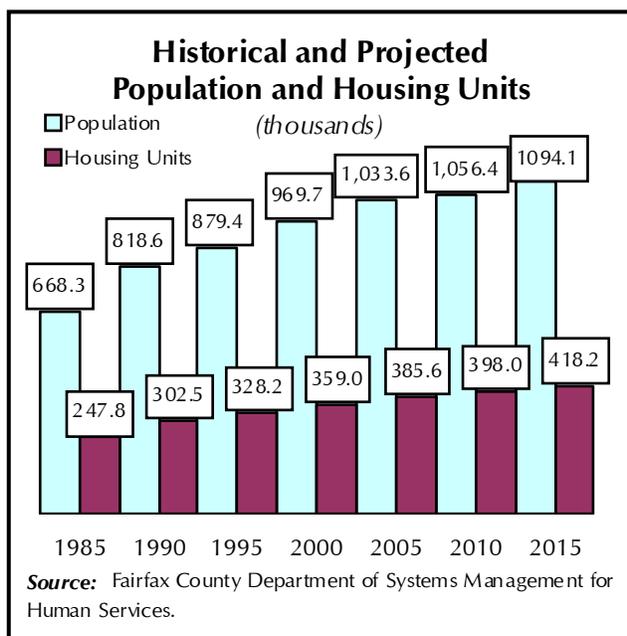
Based on data from the utility companies, it is estimated that residential consumers pay approximately 43.0 percent of the Electric Taxes and 73.0 percent of the Gas Taxes received by the County. Utility Taxes per household have remained relatively stable from FY 2005 through FY 2011. In FY 2011, the "typical" household will pay an estimated \$57.78 in Consumer Utility Taxes, a modest \$0.53 more than in FY 2005, without adjusting for inflation. From FY 2005 to FY 2011, the "typical" household has experienced an average annual decrease of 2.6 percent, or \$9.84 over the period, adjusted for inflation.

Trends and Demographics

DEMOGRAPHIC TRENDS

Demographic trends strongly influence Fairfax County's budget. Changing demographics or population characteristics affect both the cost of government services provided as well as tax revenues. The descriptions and charts contained in this section provide some examples of how various demographic trends affect the Fairfax County budget. Although these trends are discussed separately, the interactions between these demographic trends ultimately influence the direction of expenditures and revenues. While certain demographic trends may suggest reduced expenditures in a program area, other demographic trends may increase program expenditures at the same time. The following information is based on the most recent data available at the time of publication.

Population and Housing

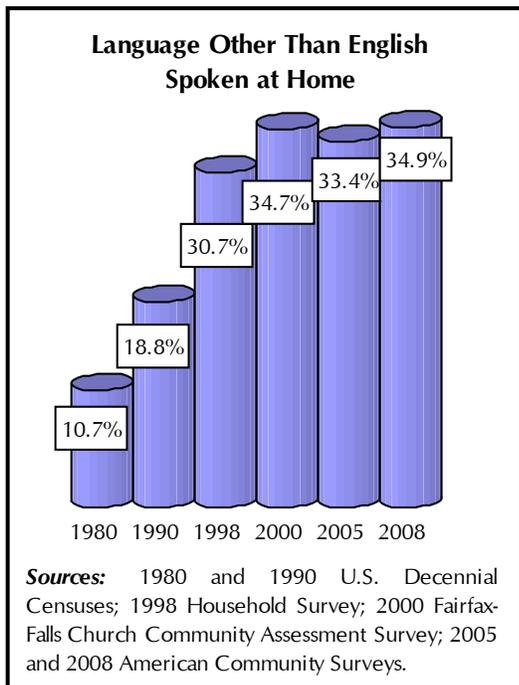


Some of the strongest demographic influences on Fairfax County expenditures and revenues are those associated with the growth in total population and housing units. During the 1980s, the County went through a period of notable population growth, adding over 220,000 residents. Growth moderated during the 1990s and the County's population expanded by 150,000 residents. Even though population growth in the 1990s was not as brisk as in the 1980s, the increase in Fairfax County's population between 1990 and 2000 is comparable to adding more than the entire population of the City of Alexandria to the County. The County's population growth has continued to decelerate, adding nearly 64,000 residents between 2000 and 2005. In 2009, Fairfax County had an estimated population of 1,050,198 residents. Between 2010 and 2015, the population of Fairfax County is expected to increase over 37,000 residents to 1,094,128.

From 1980 to 1990, the number of housing units in Fairfax County rose at a faster rate (40 percent) than population (37 percent). This was due to the construction boom of the 1980s. Between 1990 and 2000, housing units grew 18.7 percent, just slightly above population growth of 18.5 percent. From 2000 to 2005, this trend continued with population growth at 6.6 percent, lagging housing unit growth of 7.4 percent. From 2010 to 2015, population and housing units are anticipated to grow 3.6 percent and 5.1 percent, respectively. Many County programs, such as fire prevention, transit, water and sewer, are impacted by the number of housing units. Other program areas such as libraries, recreation, and schools, are impacted more by the growth in population.

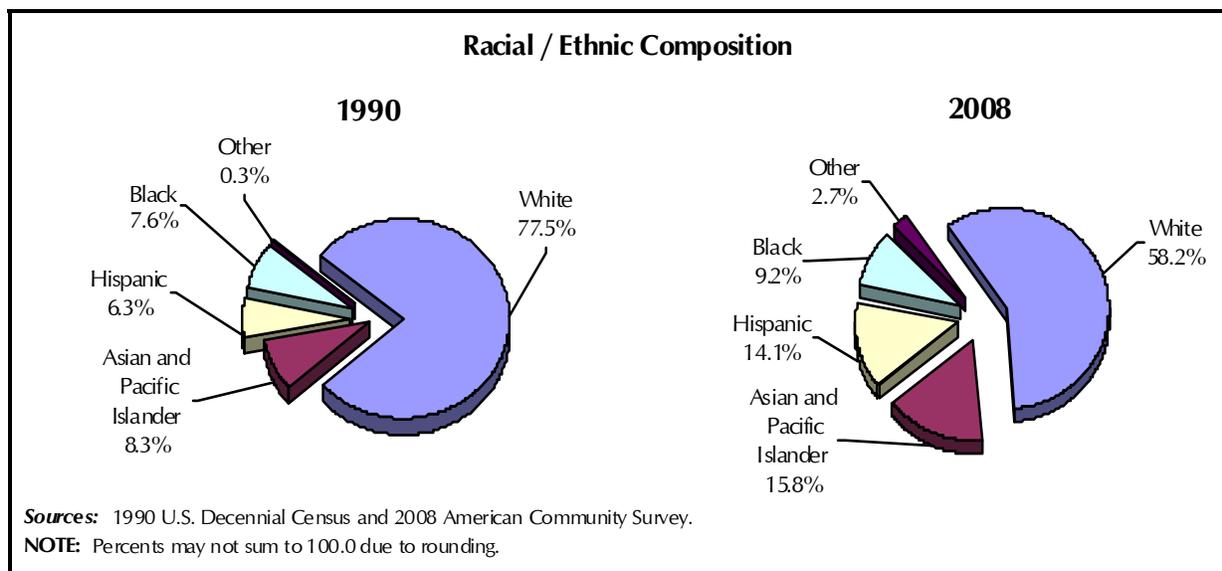
Trends and Demographics

Cultural Diversity



Fairfax County's population is rich in diversity. As of 2008, the number of persons, age five years and older, speaking a language other than English at home is estimated to be almost 330,000 residents. This represents over a third of the County's population. In 1980, less than 11 percent of residents age five years or older spoke a language other than English at home. By 1990, this percentage had risen to nearly 19 percent. The most frequently spoken languages other than English include Spanish, Korean, Vietnamese and Chinese.

These language trends affect many County programs. For example, the Fairfax County Public Schools have experienced rapid growth in English for Speakers of Other Languages (ESOL) programs. Between FY 1999 and FY 2009, total public school membership increased 12.0 percent, while ESOL enrollment grew approximately 83.8 percent. Also, general government services such as the courts, police, fire and emergency medical services, as well as human service programs and tax related programs are impacted by the County's cultural and language diversity. The County continues to develop various means to effectively communicate with residents for whom English is not their native language.



In 1990, racial and ethnic minorities comprised less than a quarter of Fairfax County's population. In 2008, over 40 percent of County's population consisted of ethnic minorities. The fastest growing group is Hispanics, which has more than doubled its share of the County's population between 1990 and 2008. Asians and Pacific Islanders are the next fastest growing ethnic or racial group, having almost doubled their percentage of the County's population since 1990. These two minority groups are anticipated to remain the County's most rapidly expanding racial or ethnic groups during the next five years. In 2008, over 80 percent of Hispanics and almost 65 percent of Asian and Pacific Islanders spoke a language other than English at home. As the County's population continues to become more diverse, the number of persons speaking a language other than English at home is anticipated to continue to grow and impact a wide range of services provided by the County.

Trends and Demographics

Population Age Distribution

Fairfax County's population has grown steadily older since 1980. Between 1980 and 2008, the percentage of children age 19 years and younger became a smaller proportion of the total population, dropping from 32.4 percent to 26.7 percent in 2008. This trend is anticipated to continue through 2015, with the percentage of those 19 years old and younger falling to 25.9 percent.

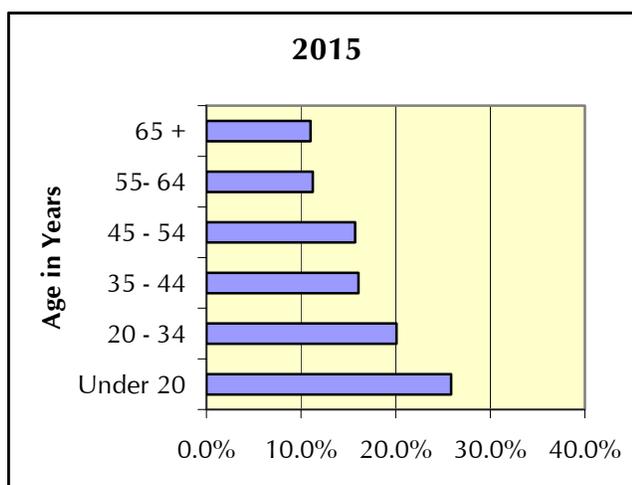
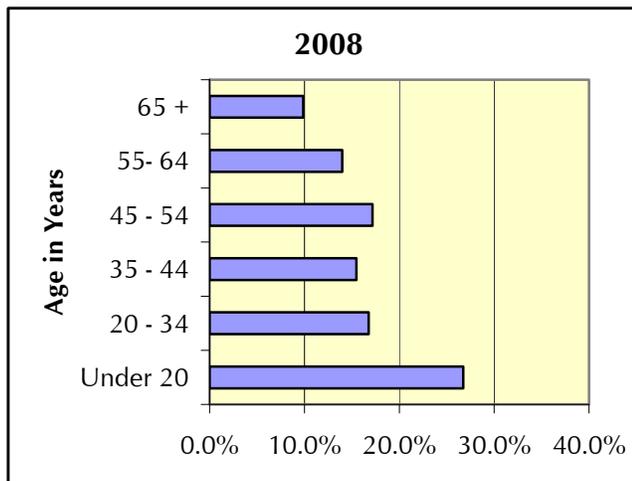
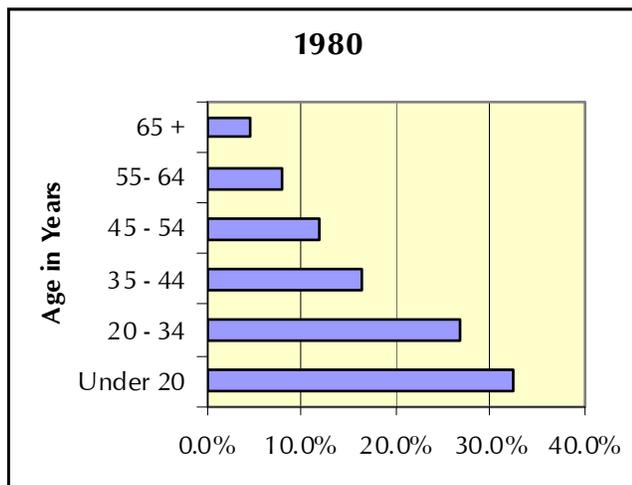
The number of adults age 45 to 54 years expanded rapidly between 1980 and 2008, as the first "baby boomers" began to enter into their fifties. This age group's sharp growth trend will begin to reverse between 2008 and 2015, as the final "baby boomers" enter this age group and the oldest of the "baby boom" generation move to the next age group.

Between 1980 and 2008, the seniors' population, those age 65 years and older, more than doubled in size and was the fastest growing segment of County residents. This age group is expected to continue increasing in size, with its share of the population reaching 11.0 percent by 2015.

The age distribution of Fairfax County's population greatly impacts the demand and, therefore, the costs of providing many local government services. For example, the number, location, and size of school and day care facilities are directly affected by the number and proportion of children. Transportation expenditures for both street maintenance and public transportation are influenced by the number and proportion of driving age adults and their work locations. The growing number of persons age 65 years and older will influence expenditures for programs such as adult day care, senior centers, and health care.

Public safety programs also are impacted by age demographics. Crime rates, for example, are highest among persons age 15 to 34. In addition, the youngest and the oldest drivers have the greatest probability of being involved in traffic accidents.

Population Age Distribution



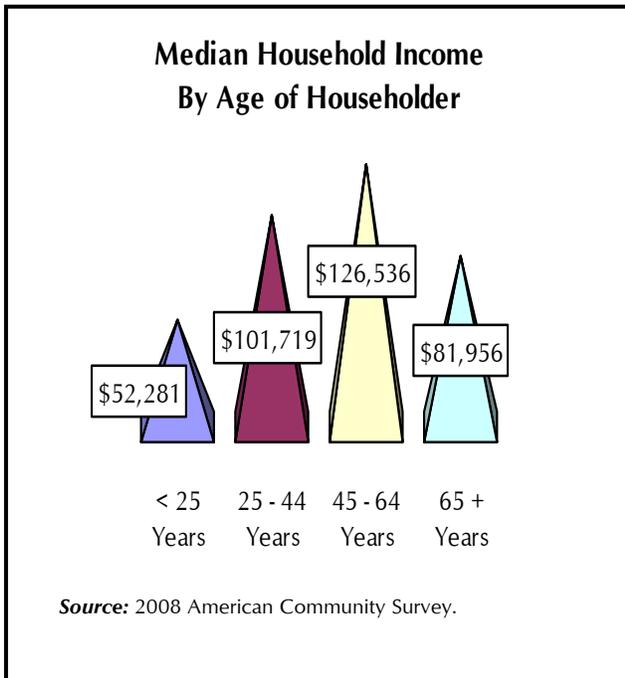
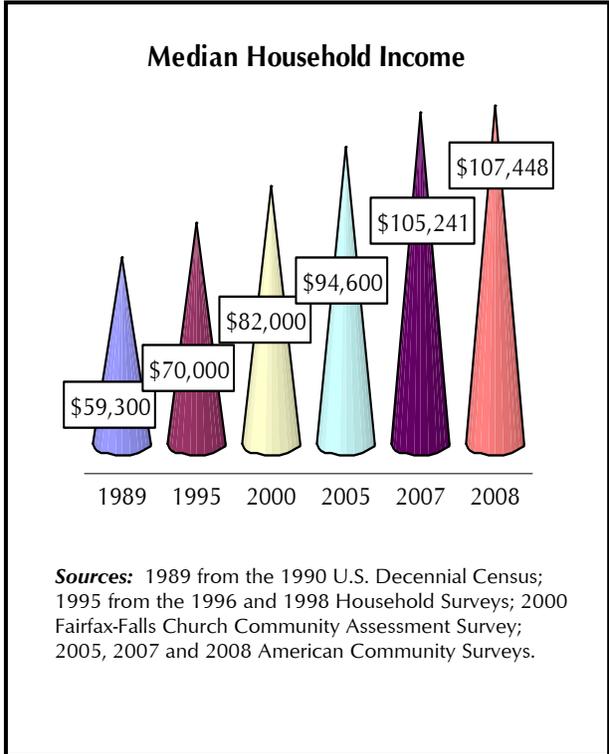
Sources: 1980 U.S. Decennial Census, 2008 American Community Survey and 2015 Fairfax County Department of Systems Management for Human Services estimate.

Trends and Demographics

Household Income

The median household income in Fairfax County was \$107,448 in 2008, the second highest in the nation for counties with a population of 250,000 or more after neighboring Loudoun County. Fairfax County's 2008 median household income increased 2.1 percent over 2007, which is lower than the 4.9 percent increase in inflation experienced during 2008. Consequently, households in Fairfax County had lower discretionary income to spend or save. Since 1989, median household income in the County has risen at a rate of 3.2 percent per year.

Income growth does not directly impact Fairfax County tax revenues because localities in Virginia do not tax income; however, revenues are indirectly affected because changes in income impact the County's economic health. Tax categories affected by income include Sales Tax receipts, Residential Real Estate Taxes and Personal Property Taxes.



Incomes peak among persons aged 45 to 64 years, who are in their prime earning years. As the number of households headed by this age group is projected to shrink during the next 10 years, various tax revenues may be impacted. Sales Tax revenues, for instance, may experience more modest growth. The median income for heads of households between the ages of 45 and 64 was \$126,536 in 2008.

The median household income of households headed by a person age 65 or older drops to \$81,956. A population containing a larger number of seniors, age 65 and older, will put downward pressure on tax revenues. These senior households are typically on a fixed income and have less discretionary money to spend. In addition, persons in this age group own fewer motor vehicles and may qualify for Real Estate Tax Relief.

Trends and Demographics

ECONOMIC TRENDS

Average Sales Price of Housing



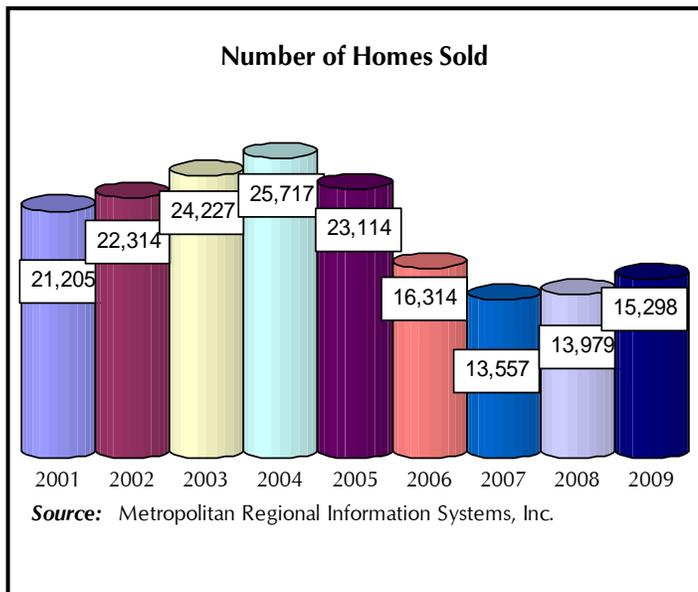
Based on data from the Metropolitan Regional Information Systems, Inc. (MRIS), the average sales price for all types of homes sold in Fairfax County fell 6.4 percent from \$445,451 in 2008 to \$417,099 in 2009. This marks the third consecutive year of declining home values in the County. The stagnant sales price encountered in 2006 signaled a rapid turnaround from the double-digit increases in sales price appreciation experienced during the preceding five years. In 2005, the average sales price for housing in Fairfax County was nearly 90 percent higher than the average sales price of a home sold in 2001.

In FY 2011, Real Estate Tax revenue is projected to comprise more than 62 percent of all General Fund Revenues and residential properties make up the majority of the value of the Real Estate Tax base. As a result, the declining residential housing market has a very significant impact on Fairfax County's revenues.

Homes Sold in Fairfax County

After stabilizing in 2008, the number of homes sold in Fairfax County increased in 2009. Based on data from MRIS, the number of homes sold in 2009 was 15,298, a 9.4 percent increase from the 13,979 sold in 2008. From 2001 through 2004, the number of homes sold increased annually and peaked in 2004, when 25,717 homes were sold. In 2009, 40.5 percent fewer homes were sold than in 2004.

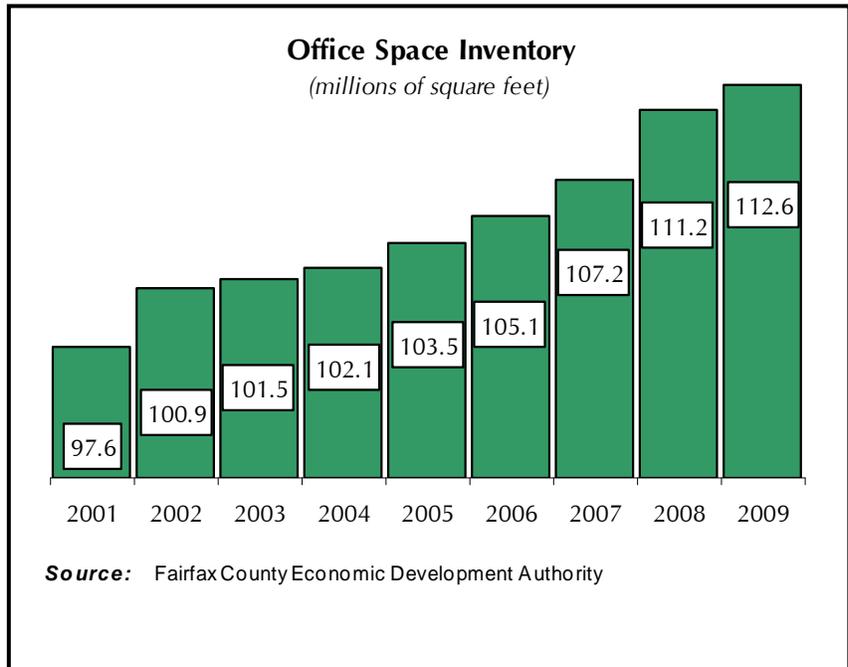
In addition to the increase in the number of homes sold in the County, a home in Fairfax County sold faster in 2009 than in 2008. Based on data from the Metropolitan Regional Information Systems Inc., the average days on the market for active residential real estate listings in Fairfax County was 71 days for all of 2009 – 27 days faster than the 2008 level of 98 days.



Trends and Demographics

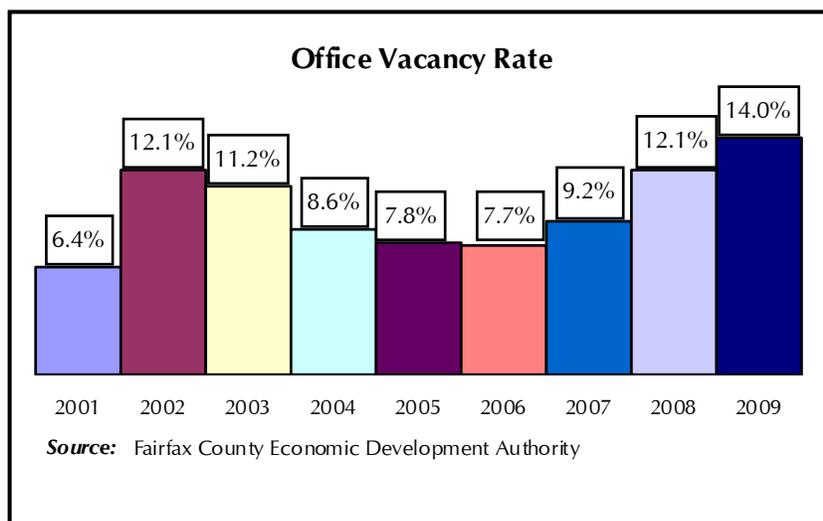
Office Space Inventory

The amount and value of nonresidential space in Fairfax County has a significant impact on revenues and expenditures. Business activity has an effect on Real Estate Taxes, business Personal Property Tax revenues and Business, Professional and Occupational License (BPOL) revenues. Business expansion also influences expenditures for water and sewer services, transportation improvements, police and fire services, and refuse disposal. The largest component of nonresidential space in the County is office space. Since 2001, the total inventory of office space in Fairfax County has risen 15.0 million square feet to 112.6



million square feet as of year-end 2009. The worldwide financial crisis and the lack of available credit put a damper on new office development, which will impact the County's nonresidential tax base. The County revenues will also be influenced by factors such as vacancy rates and the income generating ability of the nonresidential space. The Fairfax County Economic Development Authority (EDA) anticipates that new office development for the immediate future will be limited to "built-to-suit" projects. Due to commercial lending remaining tight, developers will be expected to secure significant pre-leasing in exchange for loans for new office development. In the Tysons Corner area, whose development has been closely monitored in advance of the Metrorail line extension to Dulles Airport, significant new office development may not begin until mid-year 2011.

Office Vacancy Rates

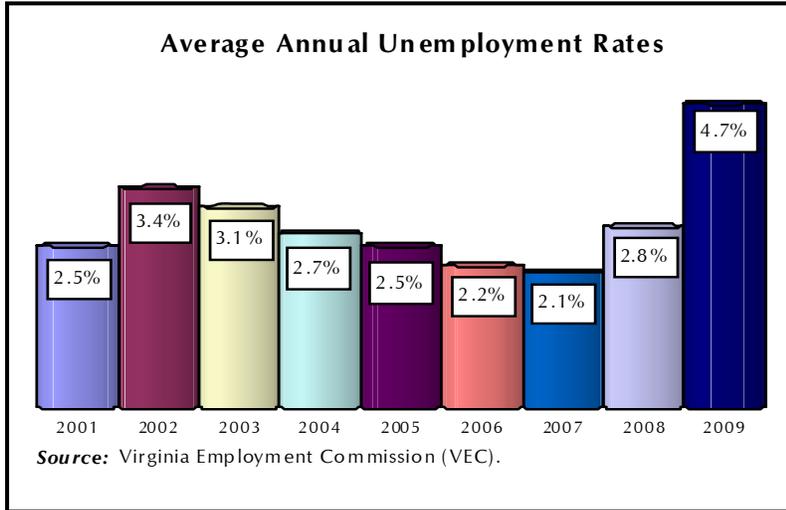


In 2001, the County's office vacancy of 6.4 percent was up significantly from the 15-year low of 3.5 percent reported in 2000. By 2002, the office vacancy rate had almost doubled to 12.1 percent as a result of the economic slow-down, particularly in the technology sector. Since the peak in 2002, office vacancy rates gradually improved through 2006. However, at the end of 2007, the office vacancy rate increased to 9.2 percent. This trend continued and accelerated in 2008, with the office vacancy rate rising to 12.1 percent. By year-end 2009, the direct office vacancy

rate increased to 14.0 percent, the highest on record since 1992. Including sublet space, the office vacancy rate was 16.4 percent, up from 14.5 percent at year-end 2008 and the highest on record since 2003. This trend is expected to rise at least through mid-year 2010, albeit at a much slower rate as a result of limited building deliveries in the pipeline.

Trends and Demographics

Employment



Unemployment rates show the strength of the Fairfax County economy by indicating how many Fairfax County residents are actively seeking but are unable to obtain employment. During the last decade, residents of Fairfax County have experienced low unemployment rates even during economic recessions. The annual unemployment rate in 2001 was 2.5 percent before rising to 3.4 percent in 2002 due to the effects of the September 11 attacks and a decline in the technology sector. As the economy improved and the availability of jobs grew – mainly

driven by an increase in federal procurement – the unemployment rate dropped in 2003 and 2004. The rate continued to fall through 2007. The impact of the economic recession on the local economy was evidenced in the rise of the average unemployment rate for Fairfax County in 2008, which was 2.8 percent. This trend significantly accelerated in 2009, as indicated by the average unemployment rate of 4.7 percent. In the last three recessions, the unemployment rate never exceeded 4.0 percent.

At place employment serves as a gauge of the number of jobs created by businesses located in Fairfax County. Growth in both employment and the number of businesses generate increased tax revenues and additional expenditures for Fairfax County. According to data from the Bureau of Labor Statistics, the number of jobs in Fairfax County expanded at a rate of over 5.0 percent per year from 1998 to 2001. However, when the economy slowed, the number of jobs fell in 2002 and 2003 a total of 15,100. Employment growth rebounded in 2004 and rose 2.0 percent, or 11,150 jobs. Job growth peaked in 2005 with an increase of 21,500 net new jobs, a 3.9 percent increase. Job growth slowed to rates of 2.0 percent and 1.8 percent in 2006 and 2007, respectively, and was essentially flat in 2008. As of June 2009, the estimated number of jobs in the County totals 576,481. This represents a decrease of approximately 15,400 jobs from 2008, or 2.6 percent.

