FY 2011
ADVERTISED BUDGET PLAN

General Fund Revenue Overview

This section includes:

- Summary of General Fund Revenue (Page 106)
- Major Revenue Sources (Page 110)
- Real Estate Tax (Page 111)
- Personal Property Tax (Page 118)
- Local Sales Tax (Page 122)
- Business, Professional and Occupational License Tax (Page 127)

SUMMARY OF GENERAL FUND REVENUE

Category	FY 2009 Actual	FY 2010 Adopted Budget Plan	FY 2010 Revised Budget Plan[1]	FY 2011 Advertised Budget Plan	Over the FY 2010 Revised Budget Plan: Increase/ (Decrease)	Over the FY 2010 Revised Budget Plan: Percent Change
Real Estate Taxes - Current and Delinquent	$2,047,846,868	$2,113,373,891	$2,113,946,342	$2,009,434,786	($104,511,556)	-4.94%
Personal Property Taxes - Current and Delinquent[2]	527,727,380	492,194,596	494,370,727	498,624,865	$4,254,138	0.86%
Other Local Taxes	460,416,709	449,147,701	447,117,254	474,881,301	$27,764,047	6.21%
Permits, Fees and Regulatory Licenses	24,494,049	32,575,391	27,676,152	27,719,593	$43,441	0.16%
Fines and Forfeitures	16,444,077	17,426,083	16,770,919	16,772,801	$1,882	0.01%
Revenue from Use of Money/Property	40,013,890	14,162,838	23,696,206	18,309,869	($5,386,337)	-22.73%
Charges for Services	61,862,075	62,150,200	62,871,212	64,905,308	$2,034,096	3.24%
Revenue from the Commonwealth and Federal Governments[2]	144,409,928	125,412,801	122,557,754	119,190,266	($3,367,488)	-2.75%
Recovered Costs/ Other Revenue	8,449,508	7,522,999	7,659,321	8,035,781	376,460	4.92%
Total Revenue	**$3,331,664,484**	**$3,313,966,500**	**$3,316,665,887**	**$3,237,874,570**	**($78,791,317)**	**-2.38%**
Transfers In	44,984,635	11,622,151	12,122,151	6,729,399	(5,392,752)	-44.49%
Total Receipts	**$3,376,649,119**	**$3,325,588,651**	**$3,328,788,038**	**$3,244,603,969**	**($84,184,069)**	**-2.53%**

[1]The FY 2010 revenue estimates were revised as part of a fall 2009 review of revenues. Explanations of these changes can be found in the following narrative. The *FY 2010 Third Quarter Review* wil contain further adjustments, as necessary.

[2]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.

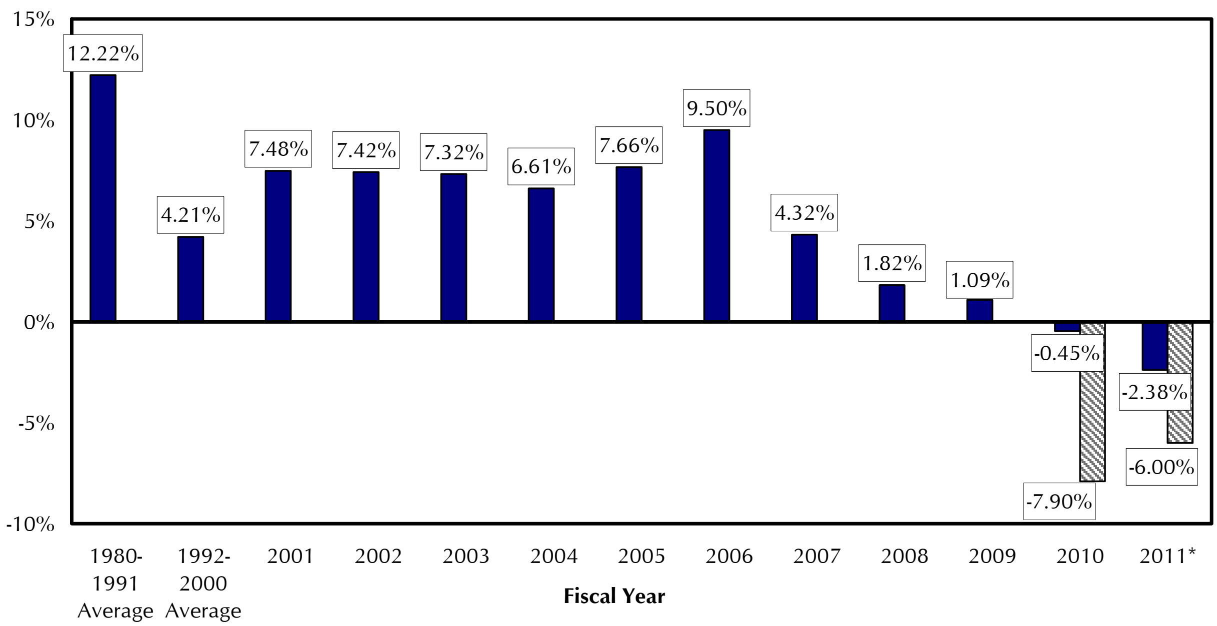
As reflected in the preceding table, FY 2011 General Fund revenues are projected to be $3,237,874,570, a decrease of $78,791,317, or 2.4 percent, from the *FY 2010 Revised Budget Plan*, and a decrease of $76,091,930, or 2.3 percent, from the FY 2010 Adopted Budget Plan. The net decrease is mainly due to a $104.5 million reduction in Real Estate Tax revenue as a result of a decline in FY 2011 property values. In addition, a decrease of $5.4 million in Revenue from Use of Money and Property is the result of a decline in the projected yield earned on investments and a decrease of $3.4 million is associated with a reduction in state aid. These decreases are partially offset by an increase of $4.3 million in Personal Property Taxes and an increase of $27.8 million in Other Local Taxes, primarily due to a proposal to levy a Vehicle Registration Fee. It should be noted that prior to three revenue enhancements recommended for FY 2011, FY 2011 revenues are $3,116,516,390, a decrease of $197,450,110, or 6.0 percent, below the FY 2010 Adopted Budget Plan.

General Fund Revenue Overview

Incorporating Transfers In, FY 2011 General Fund receipts are anticipated to be $3,244,603,969. The Transfers In to the General Fund total $6.7 million and include $2.7 million from Fund 105, Cable Communications, for use of County rights of way and indirect support provided by the County's General Fund agencies. In addition, in order to offset General Fund expenditure requirements, the FY 2011 Transfers In include $4.0 million from Fund 503, Department of Vehicle Services.

The following chart shows General Fund revenue growth since FY 1980. From FY 1980 to FY 1991, average annual General Fund revenue growth exceeded 12 percent per year. From FY 1992 to FY 2000, however, General Fund revenues grew at an average annual rate of only 4.2 percent. Moderate growth rates ranging from 6.6 percent to 7.7 percent were experienced during the period from FY 2001 to FY 2005. General Fund revenue rose 9.5 percent in FY 2006 due to the strong overall economy – the real estate market, business spending, and a nearly 160 percent increase in interest on investments. Revenue growth moderated in FY 2007 to 4.3 percent as the housing market experienced an abrupt turnaround and decelerated further to 1.8 percent in FY 2008, and 1.1 percent in FY 2009. The FY 2010 Adopted Budget Plan included projected revenue growth of 0.8 percent over FY 2009. Based on revised FY 2010 estimates and due to higher than initially estimated FY 2009 revenue growth, revenue is anticipated to fall 0.45 percent in FY 2010. Based on the decline in Real Estate Tax assessments and other revenue categories, FY 2011 revenue is projected to fall 2.4 percent from the *FY 2010 Revised Budget Plan*.

Annual Percent Change - General Fund Revenue
FY 1980 - FY 2011



*Absent the proposed 5-cent increase in the Real Estate Tax rate, the proposed Vehicle Registration License Fee, and SACC revenue enhancements, FY 2011 would decline 6.0 percent.

Economic Indicators

Many economists believe that the national economy, which slid into recession in December 2007, is now recovering. After the economy contracted in the third and fourth quarters of 2008 at rates of 2.7 percent and 5.4 percent, respectively, the federal government enacted a broad based fiscal stimulus package, the American Recovery and Reinvestment Act of 2009 (ARRA). The Act was designed to create and save jobs in order to jump start economic recovery. There are indications that the ARRA succeeded in stimulating economic growth but the strength and sustainability of the recovery is not certain. While the first and second quarters of 2009 contracted at annual rates of 6.4 percent and 0.7 percent, respectively, economic growth in the third quarter rose 2.2 percent. As much as 1.5 percentage points of this growth rate was attributed to the Cash for Clunkers program, which boosted vehicle purchases through the end of September. The economy was estimated to have grown 5.7 percent in the fourth quarter of 2009, the fastest rate in six years. However, as this is the advance estimate, it is subject to large revisions. A slowdown in the liquidation of business inventories accounted for nearly 60 percent of the increase. Since this boost from inventories is temporary, this rate of growth is likely an overstatement of the underlying strength of the recovery. Once the impact of government stimulus programs like the first time homeowner tax credit expire in early 2010, continued economic recovery and job growth will depend on the strength of consumer and business expenditures. Consumer spending will continue to be constrained as long as unemployment remains high. In January, the unemployment rate fell from 10.0 percent to 9.7 percent. Since the start of the recession in December 2007, the number of unemployed persons has risen by 8.4 million, and the unemployment rate has risen 4.7 percentage points.

While the region and the County are faring better than much of the country, there are continued signs of economic weakness. Moody's Economy.com estimates that Gross County Product (GCP), adjusted for inflation, fell at a preliminary rate of 0.2 percent in 2009. The County's unemployment rate peaked at 5.2 percent in June 2009, but fell to 4.6 percent as of December 2009, still up 1.2 percentage points from December 2008. The current unemployment rate equates to approximately 27,100 unemployed residents, a 34 percent increase over December 2008. During the last two downturns in 2001 and the mid-1990s, the unemployment rate never exceeded 4.0 percent. Northern Virginia continues to shed jobs but at a significantly slower pace than earlier in the year. In April 2009, the number of jobs had fallen 18,300 from the prior year. As of December, the number of jobs was 1,500 less than December 2008.

The Metropolitan Washington Area Leading Index, which is designed to forecast the performance of the metro area economy six to eight months in advance, experienced its strongest gain in November 2009 since April 2006. According to George Mason University's Center for Regional Analysis, the Index is pointing to recovery; however, it may be the second or third quarter of 2010 before the retail and residential construction sectors show significant gains.

Housing Market

The housing market showed signs of stabilizing in 2009. After rising just 3.1 percent in 2008, the number of homes sold in 2009 in Fairfax County rose 9.4 percent from 13,979 in 2008 to 15,298 based on information from the Metropolitan Regional Information System (MRIS). The average number of days it took to sell a home was lower in every month of 2009 compared to the same month in 2008. However, the price of homes sold during the year fell an estimated 6.4 percent after dropping nearly 18 percent in 2008. Another sign of stabilization is the decline in the number of net foreclosures, which fell in ten out of 12 months in 2009. As of December, the number of properties owned by the mortgage lender totaled 796, down from 2,008 in December 2008, a 60.4 percent reduction.

Nonresidential Market

The direct office vacancy rate as of mid-year 2009 was 12.7 percent, up from 12.1 percent at the end of 2008, and the highest level since mid-year 1993. Including sublet space, the overall office vacancy rate was 15.4 percent, up 0.9 percentage points over the 14.5 percent at year-end 2008, and the highest on record since year-end 2003. The supply of space over the year has outstripped demand. Over the past four years, office space has increased a net 8.0 million square feet to 111.5 million square feet as of mid-year and the amount of direct office space available topped 14.1 million square feet. As of mid-year 2009, 12 projects totaling 1.7 million square feet were under construction. While speculative development has been a driving force in new office development over the past several years, the lack of available credit has brought speculative development to a standstill. Only three of the 12 buildings under construction are 100 percent speculative. Only two new projects have broken ground in 2009. Both of these buildings were build-to-suit and are completely pre-leased. Office vacancy rates were anticipated to rise slightly in late 2009; however, the reduction in office construction activity is expected to favorably impact the office vacancy rate in 2010.

Revenue

Current and Delinquent Real Estate Tax revenue comprises over 61 percent of total County General Fund revenues. Although nonresidential real estate comprises less than one quarter of the total real estate base, the significant decline in nonresidential property makes up over half of the overall decrease in real estate values. FY 2011 Real Estate property values were established as of January 1, 2010 and reflect market activity through calendar year 2009. The Real Estate Tax base is projected to decrease 9.20 percent in FY 2011, and is made up of a 8.98 percent decrease in total equalization (reassessment of existing residential and nonresidential properties), and a decrease of 0.22 percent for new construction.

The FY 2010 and FY 2011 General Fund revenue estimates discussed in this section are based on a review of Fairfax County economic indicators, actual FY 2009 receipts, and FY 2010 year-to-date collection trends. Forecasts of economic activity in the County are provided by Moody's Economy.com and a variety of national economic forecasts are considered. Based on analysis of projected trends, revenue categories are expected to experience little growth through FY 2011.

MAJOR REVENUE SOURCES

The following major revenue categories discussed in this section comprise 98.0 percent of total FY 2011 General Fund revenue. Unless otherwise indicated, comparative data are presented relative to the *FY 2010 Revised Budget Plan*. The revenue estimates for all General Fund Revenue categories are shown in the Summary Schedule of General Fund Revenues in the section of this volume entitled "Financial, Statistical and Summary Tables."

Category	FY 2009 Actual	FY 2010 Adopted Budget Plan	FY 2010 Revised Budget Plan	FY 2011 Advertised Budget Plan	Change from the FY 2010 Revised Budget Plan: Increase/ (Decrease)	Change from the FY 2010 Revised Budget Plan: Percent Change
Real Estate Tax - Current	$2,035,691,953	$2,101,475,867	$2,102,048,318	$1,997,536,762	($104,511,556)	-4.97%
Personal Property Tax Current[1]	516,476,095	482,901,008	485,077,139	489,331,277	4,254,138	0.88%
Paid Locally	305,162,151	271,587,064	273,763,195	278,017,333	4,254,138	1.55%
Reimbursed by Commonwealth	211,313,944	211,313,944	211,313,944	211,313,944	0	0.00%
Local Sales Tax	153,852,596	152,245,787	145,763,329	145,763,329	0	0.00%
Recordation/Deed of Conveyance Taxes	25,035,225	20,767,592	24,714,902	24,714,902	0	0.00%
Gas & Electric Utility Taxes	42,522,776	45,943,336	45,122,776	45,574,004	451,228	1.00%
Communications Sales Tax	53,805,974	55,847,373	52,690,102	52,933,658	243,556	0.46%
Vehicle License Fee	0	0	0	27,000,000	27,000,000	–
Transient Occupancy Tax	18,097,701	19,499,206	18,097,701	18,097,701	0	0.00%
Business, Professional and Occupational License Tax-Current	139,987,138	130,134,489	136,431,465	136,431,465	0	0.00%
Cigarette Tax	9,463,536	9,498,075	9,051,472	9,051,472	0	0.00%
Permits, Fees and Regulatory Licenses	24,494,049	32,575,391	27,676,152	27,719,593	43,441	0.16%
Investment Interest	36,460,012	10,432,972	19,994,610	14,438,339	(5,556,271)	-27.79%
Charges for Services	61,862,075	62,150,200	62,871,212	64,905,308	2,034,096	3.24%
Revenue from the Commonwealth and Federal Governments[2]	144,409,928	125,412,801	122,557,754	119,190,266	(3,367,488)	-2.75%
Total Major Revenue Sources	**$3,262,159,058**	**$3,248,884,097**	**$3,252,096,932**	**$3,172,688,076**	**($79,408,856)**	**-2.44%**

[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 Revenue Overview

REAL ESTATE TAX-CURRENT

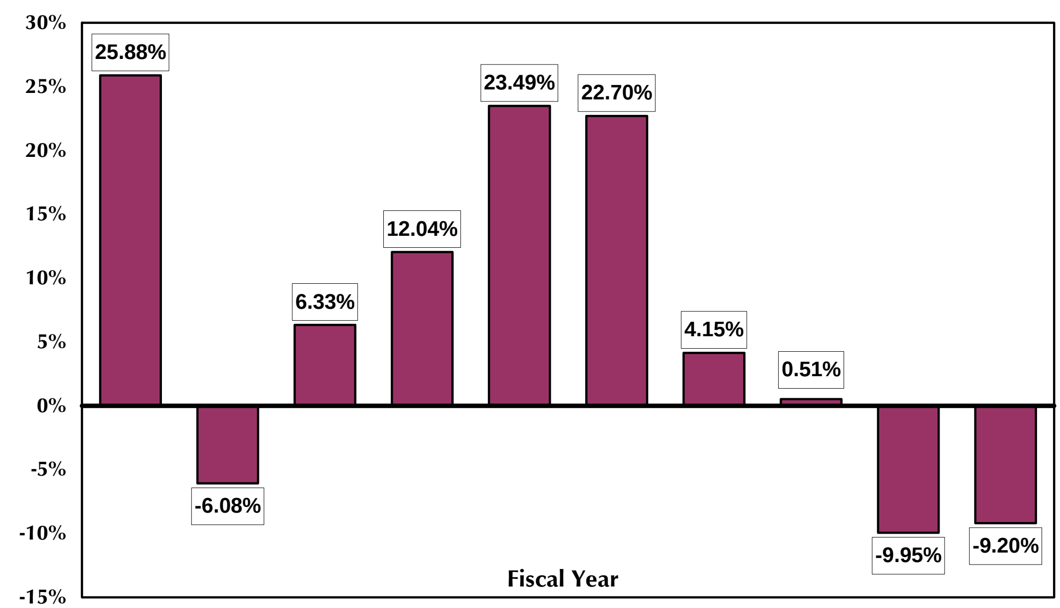
FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$2,035,691,953	$2,101,475,867	$2,102,048,318	$1,997,536,762	($104,511,556)	-4.97%

The FY 2011 Advertised Budget Plan estimate for Current Real Estate Taxes is $1,997,536,762 and represents a decrease of $104,511,556, or 5.0 percent, from the *FY 2010 Revised Budget Plan*. The decrease is the net result of the decrease in the Real Estate Tax base of 9.20 percent, partially offset by a proposed increase in the General Fund Real Estate Tax rate from $1.04 per $100 of assessed value to $1.09 per $100 of assessed value in FY 2011. The total revenue associated with the additional $0.05 increase in the Real Estate Tax rate is $93,358,180, which includes an increase in Real Estate Tax revenue of $92,058,570 and an increase of $1,299,610 in Personal Property Tax receipts. The Real Estate Tax impacts two classes of personal property: mobile homes and non-vehicle Public Service Corporation property.

The FY 2011 value of assessed real property represents a decrease of 9.20 percent, as compared to the FY 2010 Real Estate Land Book, and is comprised of a decrease in equalization of 8.98 percent and a decrease of 0.22 percent associated with growth. The FY 2011 figures reflected in this document are based on final assessments for Tax Year 2010 (FY 2011), which were established as of January 1, 2010. In addition to the revenue shown in the table above, the projected value of one-half penny on the real estate tax rate ($9.34 million) is allocated to The Penny for Affordable Housing Fund. Throughout FY 2011, Real Estate Tax revenues will be adjusted as necessary to reflect changes in exonerations, tax abatements, and supplemental assessments, as well as any differences in the projected collection rate of 99.61 percent.

The following chart shows changes in the County's assessed value base in FY 1990, FY 1993, FY 2000, and from FY 2005 to FY 2011.

Percentage Change in Real Estate Assessed Value
FY 1990 - FY 2011



	1990	1993	2000	2005	2006	2007	2008	2009	2010	2011
Equalization	**18.27%**	**-6.48%**	**2.96%**	**9.54%**	**20.80%**	**19.76%**	**2.47%**	**-1.02%**	**-10.52%**	**-8.98%**
Res	19.01	-3.74	0.77	11.29	23.09	20.57	-0.33	-3.38	-12.55	-5.56
NonRes	16.54	-13.22	9.24	3.74	12.74	16.64	13.57	7.00	-4.51	-18.29
Growth	**7.61**	**0.40**	**3.37**	**2.50**	**2.69**	**2.94**	**1.68**	**1.53**	**0.57**	**-0.22**
	25.88%	**-6.08%**	**6.33%**	**12.04%**	**23.49%**	**22.70%**	**4.15%**	**0.51%**	**-9.95%**	**-9.20%**

General Fund Revenue Overview

The FY 2011 **Main Assessment Book Value** is $187,780,076,910 and represents a decrease of $19,027,936,010, or 9.20 percent, from the FY 2010 main assessment book value of $206,808,012,920. After experiencing the largest drop on record since at least 1962 in FY 2010, FY 2011 marks the second consecutive year with a significant decrease in the main assessment book value. FY 2011 main book assessments are now below FY 2007 levels and are down $41.9 billion, or 18 percent, from FY 2009 peak values. Following a 25.88 percent increase in FY 1990, the assessment base rose 16.8 percent in FY 1991, but then declined 0.96 percent in FY 1992. Assessments continued to fall in FY 1993 and FY 1994 at rates of 6.08 percent and 1.38 percent, respectively. After the recession, the value of real property increased at modest annual rates, averaging 2.5 percent from FY 1995 through FY 1999. During this period, growth in assessments just slightly exceeded the corresponding 2.2 percent average annual rate of inflation. It was not until FY 1999 that the assessment base exceeded its FY 1991 level. In FY 2000 and FY 2001, assessments grew at moderate rates of 6.3 percent and 8.9 percent, respectively. From FY 2002 through FY 2007, the assessment base experienced double digit advances. The deceleration trend began in FY 2008, when the assessment base rose just 4.15 percent, and continued in FY 2009 with a modest increase of 0.51 percent. In FY 2010, the assessment base declined 9.95 percent.

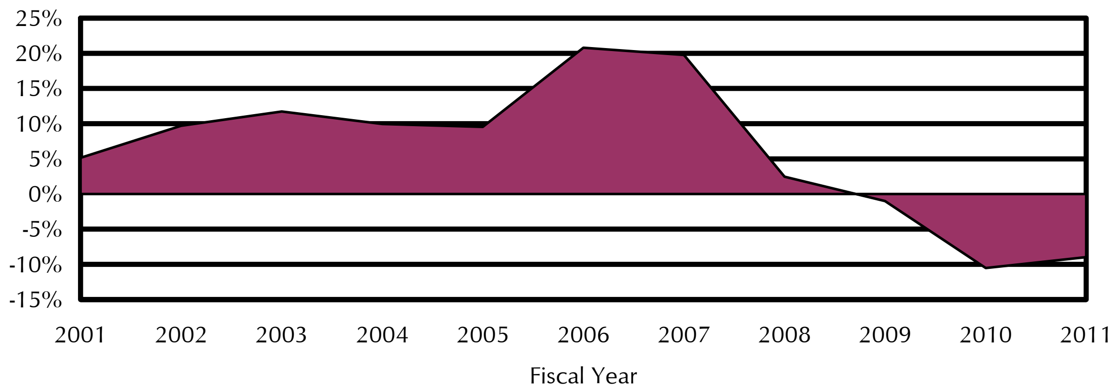
The overall change in the assessment base is comprised of **equalization** and **normal growth.** For reporting purposes, individual properties are identified as being in either the equalization category or the growth category, but not both. Equalization properties are those whose values change due to market fluctuations. Growth is a category of properties whose value changes are also influenced by new construction, remodeling or rezonings. Once growth factors are identified, *the entire property value* is shown in the growth category, even though the property is also influenced by equalization. The FY 2011 assessment base reflects a total equalization decrease of 8.98 percent and a decrease of 0.22 percent associated with the growth component. As a result of changes in equalization and growth, the residential portion of the total assessment base increased from 73.12 percent in FY 2010 to 76.15 percent in FY 2011. The table below reflects changes in the Real Estate Tax assessment base from FY 2004 through FY 2011.

Main Real Estate Assessment Book Base Changes
(in millions)

Assessed Base Change Due To:	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Equalization	$11,428.5	$12,322.2	$30,124.7	$35,328.9	$5,410.2	($2,332.0)	($24,171.5)	($18,570.1)
% Change	9.94%	9.54%	20.80%	19.76%	2.47%	-1.02%	-10.52%	-8.98%
Residential	14.55%	11.29%	23.09%	20.57%	-0.33%	-3.38%	-12.55%	-5.56%
Nonresidential	-2.94%	3.74%	12.74%	16.64%	13.57%	7.00%	-4.51%	-18.29%
Normal Growth	$2,916.1	$3,235.4	$3,889.0	$5,258.1	$3,683.6	$3,502.6	$1,309.6	($457.9)
% Change	2.54%	2.50%	2.69%	2.94%	1.68%	1.53%	0.57%	-0.22%
Residential	2.60%	2.49%	2.62%	3.01%	1.00%	0.77%	0.51%	0.12%
Nonresidential	2.36%	2.54%	2.93%	2.67%	4.38%	4.11%	0.74%	-1.16%
Total % Change	12.48%	12.04%	23.49%	22.70%	4.15%	0.51%	-9.95%	-9.20%

Equalization, or reassessment of existing residential and nonresidential property, represents a net decline in value of $18,570,055,600, or 8.98 percent, in FY 2011. The decline in total equalization is due to a decrease in both residential and nonresidential property values. FY 2011 is the fourth consecutive year that existing residential properties fell in value compared to the prior year. The reduction in residential values corresponds to a continued weakness of the residential housing market that began in calendar year 2006. While the number of homes sold increased in calendar year 2009, median and average home sale prices continued to fall. Changes in the Fairfax County housing market mirror the changes experienced in the region and the nation. Changes in the assessment base as a result of equalization are shown in the following graph.

Real Estate Assessed Value Associated With Equalization
FY 2001 - FY 2011



Residential equalization declined notably from FY 1992 through FY 1994 due to the recession and then remained essentially flat from FY 1995 through FY 2000. Following a moderate increase in FY 2001 of 5.13 percent, residential equalization rose at double digit rates from FY 2002 through FY 2007 due to strong demand but a limited supply of housing. Strong job growth, the easy availability of credit and profit-led speculation contributed to price appreciation in the local housing market. In FY 2008, FY 2009, and FY 2010 overall residential equalization declined 0.33 percent, 3.38 percent, and 12.55 percent, respectively, as the inventory of homes for sale grew and home prices fell in the County as they did throughout the Northern Virginia area. In FY 2011, the majority of residential properties in the County will receive a reduction in value; however, a small number of neighborhoods maintained value or declined only modestly. It should be noted that the County's median assessment to sales ratio is in the low 90 percent range, well within professional standards that assessments should be between 90 percent to 110 percent of the sales prices experienced in a neighborhood.

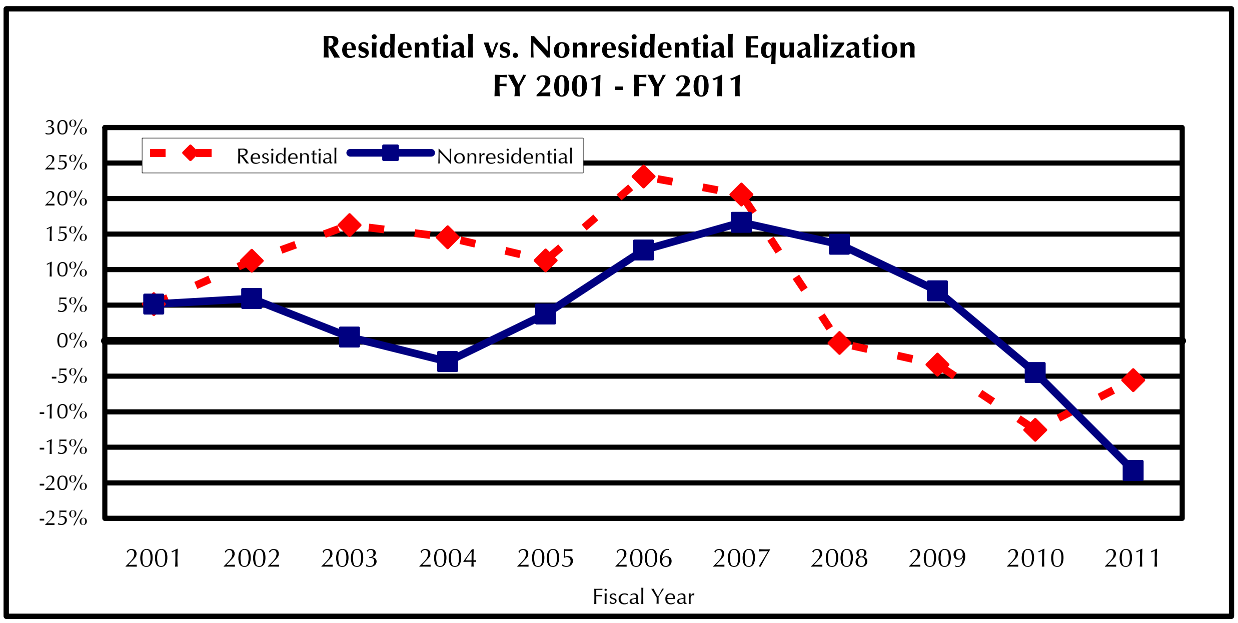
Overall, single family property values declined 5.50 percent in FY 2011. The value of single family homes has the most impact on the total residential base because they represent over 72 percent of the total. The value of condominium properties fell 10.45 percent in FY 2011 due in part to an overabundance of new condos in the area. The value of townhouse properties in FY 2011 fell 4.44 percent. Changes in residential equalization by housing type since FY 2006 are shown in the following table. It should be noted that changes represented in this chart are for the category as a whole. Individual neighborhoods and properties may have increased or decreased by different percentages based on neighborhood selling prices.

Residential Equalization Changes

Housing Type/ (Percent of Base)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Single Family (72.4%)	22.21%	20.37%	-0.43%	-3.12%	-11.34%	-5.50%
Townhouse/Duplex (18.4%)	26.08%	22.69%	0.64%	-4.96%	-16.06%	-4.44%
Condominiums (7.8%)	33.49%	25.97%	-2.23%	-4.54%	-19.51%	-10.45%
Vacant Land (0.9%)	26.32%	25.44%	3.86%	7.66%	-7.08%	-6.68%
Other (0.5%)[1]	5.30%	9.67%	2.97%	6.46%	-4.99%	-3.60%
Total Residential Equalization (100%)	**23.09%**	**20.57%**	**-0.33%**	**-3.38%**	**-12.55%**	**-5.56%**

[1] Includes, for example, affordable dwelling units, recreational use properties, and agricultural and forestal land use properties.

As a result of the decline in residential equalization, the mean assessed value of all residential property in the County is $432,439. This is a decrease of $25,459 from the FY 2010 value of $457,898. At the proposed Real Estate tax rate of $1.09 per $100 of assessed value, the typical residential annual tax bill will decrease, on average, $48.55 in FY 2011 to $4,713.59. In total, the residential portion of the real estate base is down approximately 19 percent from its FY 2008 peak.

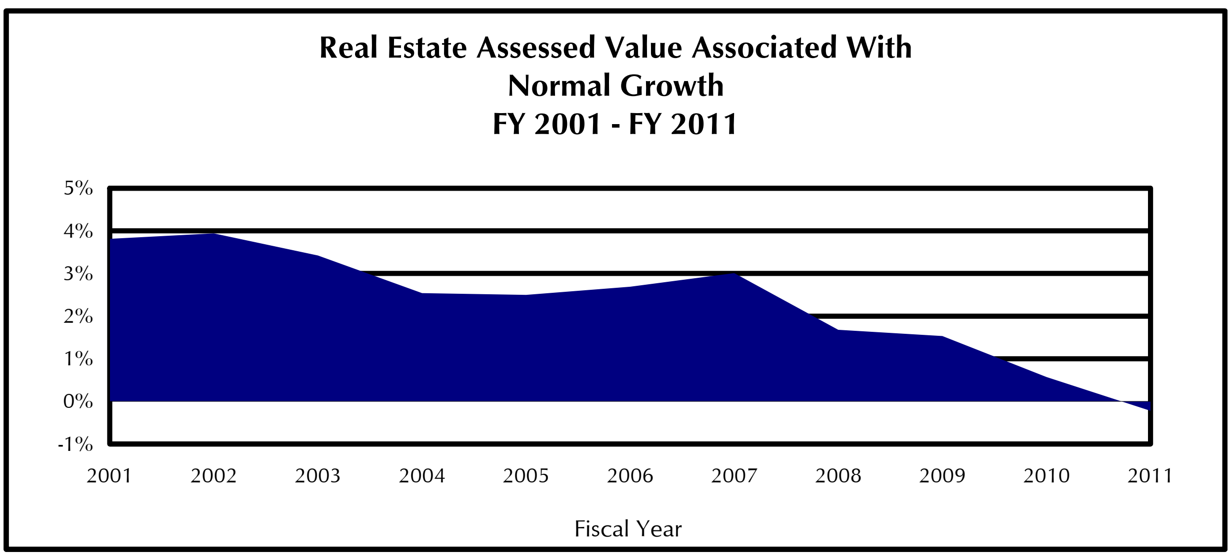


After decreasing 4.51 percent in FY 2010, **nonresidential equalization** fell a record 18.29 percent in FY 2011. All nonresidential categories decreased in value in FY 2011. During calendar year 2009, the lack of available credit for refinancing, construction and sales of commercial property pushed values downward. Businesses stressed from the recession were able to renegotiate leases downward, consolidate space or vacate space altogether lessening demand for retail, industrial, and office space. Office Elevator properties (mid- and high-rises), which comprise 37.6 percent of the total nonresidential tax base, decreased 24.31 percent, compared to the 6.62 percent decrease in FY 2010. Office vacancy rates continued to rise in calendar year 2009. The County's direct office vacancy rate at mid-year 2009 was 12.7 percent, up from 12.1 percent at the end of 2008 and the highest level since mid-year FY 1993. Including sublet space, the overall office vacancy rate was 15.4 percent, up 0.9 percentage points over the 14.5 percent at year-end 2008, and the highest on record since year-end 2003. During the economic downturn, consumers and businesses have cut back on spending and travel which reduces the income streams of hotels, restaurants and retail establishments, resulting in lower property values. Nonresidential equalization changes by category since FY 2006 are presented in the following table.

Nonresidential Equalization Changes

Category (Percent of Base)	FY 2006	FY 2007	FY 2008	2009	2010	2011
Apartments (17.4%)	11.21%	11.65%	22.59%	6.41%	-6.96%	-12.69%
Office Condominiums (4.6%)	18.01%	1.96%	13.76%	4.78%	-1.10%	-7.57%
Industrial (6.6%)	8.89%	12.61%	14.34%	14.08%	-1.08%	-23.48%
Retail (16.0%)	9.84%	15.95%	8.78%	6.47%	-1.74%	-16.07%
Office Elevator (37.6%)	18.81%	24.16%	15.93%	5.68%	-6.62%	-24.31%
Office - Low Rise (4.0%)	17.56%	23.94%	10.18%	9.16%	-3.35%	-23.86%
Vacant Land (4.3%)	10.07%	21.88%	14.99%	7.67%	-3.87%	-26.53%
Hotels (3.5%)	15.34%	25.54%	9.58%	11.28%	-7.06%	-34.03%
Other (6.0%)	8.52%	12.19%	10.05%	7.63%	-2.07%	-12.84%
Nonresidential Equalization (100%)	**12.74%**	**16.64%**	**13.57%**	**7.00%**	**-4.51%**	**-18.29%**

The **Growth** component reduced the FY 2011 assessment base by $457,880,410, or 0.22 percent, from the FY 2010 assessment book value. This "negative growth" reflects the combination of equalization (a negative number for all residential and nonresidential property types in FY 2011), partially offset by the positive contribution from activity such as new construction. While the entire property value is included in the growth category, this is actually a composite number. In FY 2011, the residential property base experienced a 0.12 percent increase due to new construction, while nonresidential properties included in the growth component fell a net 1.16 percent. The nonresidential growth component was also negative in FY 1992 and FY 1993, but at that time the positive contribution of residential growth was more than enough to offset so that the total growth category was positive.



In addition to the final equalization and normal growth adjustments in the Main Assessment Book, the following projected adjustments were made to the FY 2011 Real Estate Tax revenue estimate:

Additional Assessments expected to be included in the new Real Estate base total $281.6 million and include both prorated assessments and additional supplemental assessments. Prorated assessments are supplemental assessments that include assessments which are made during the year for new construction that is completed subsequent to finalizing the original assessment book. The total value of the supplemental assessments will be closely monitored based on new construction and building permit activity.

Exonerations, Certificates and Tax Abatements are anticipated to reduce the Real Estate assessment base by $1,492.9 million in FY 2011 resulting in a reduction in levy of $16.3 million.

Tax Relief for the Elderly and Disabled is projected to reduce the Real Estate assessment base in FY 2011 by $2,534.1 million. The reduction in tax levy due to the Tax Relief program is approximately $27.6 million at the rate of $1.09 per $100 of assessed value. In FY 2011, the income limits of the Tax Relief program provide 100 percent exemption for elderly and disabled taxpayers with incomes up to $52,000; 50 percent exemption for eligible applicants with income between $52,001 and $62,000; and 25 percent exemption if income is between $62,001 and $72,000. The allowable asset limit in FY 2011 is $340,000 for all ranges of tax relief. The table below shows income and asset thresholds for the Tax Relief Program for the Elderly and Disabled since FY 2000.

Real Estate Tax Relief for the Elderly and Disabled

	Income Limit	Asset Limit	Percent Relief
FY 2000	Up to $30,000	$150,000	100%
	Over $30,000 to $35,000		50%
	Over $35,000 to $40,000		25%
FY 2001	Up to $35,000	$150,000	100%
	Over $35,000 to $40,000		50%
	Over $40,000 to $46,000		25%
FY 2002	Up to $40,000	$150,000	100%
	Over $40,000 to $46,000		50%
	Over $46,000 to $52,000		25%
FY 2003	Up to $40,000	$160,000	100%
	Over $40,000 to $46,000		50%
	Over $46,000 to $52,000		25%
FY 2004	Up to $40,000	$190,000	100%
	Over $40,000 to $46,000		50%
	Over $46,000 to $52,000		25%
FY 2005	Up to $40,000	$240,000	100%
	Over $40,000 to $46,000		50%
	Over $46,000 to $52,000		25%
FY 2006	Up to $52,000	$340,000	100%
through	Over $52,000 to $62,000		50%
FY 2011	Over $62,000 to $72,000		25%

The FY 2011 local assessment base of $184,034,602,810 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of $2,005,977,171 is calculated using a tax rate of $1.09 per $100 of assessed value. Based on an expected local collection rate of 99.61 percent, revenue from local assessments is estimated to be $1,998,153,859. In FY 2011, every 0.01 percentage point change in the collection rate on the locally assessed Real Estate Tax levy yields a revenue change of $0.2 million, while every penny on the tax rate yields $18.7 million in revenue.

Added to the local assessment base is an estimated $800,266,285 in assessed value for Public Service Corporations (PSC) property. Using a rate of $1.09 per $100 of assessed value, the tax levy on PSC property is $8,722,903. The collection rate on PSC property is expected to be 100.0 percent.

FY 2011 Estimated Real Estate Assessments and Tax Levy

	Assessed Value	FY 2011 Tax Levy at $1.09/$100 of Assessed Value
FY 2010 Real Estate Book	$206,808,012,920	$2,254,207,341
FY 2011 Equalization	($18,570,055,600)	($202,413,606)
FY 2011 Growth	($457,880,410)	($4,990,896)
TOTAL FY 2011 REAL ESTATE BOOK	**$187,780,076,910**	**$2,046,802,839**
Exonerations	($1,242,279,300)	($13,540,844)
Certificates	($27,910,000)	($304,219)
Tax Abatements	($222,744,000)	($2,427,910)
Subtotal Exonerations	($1,492,933,300)	($16,272,973)
Supplemental Assessments	$281,567,600	$3,069,087
Tax Relief	($2,534,108,400)	($27,621,782)
Local Assessments	**$184,034,602,810**	**$2,005,977,171**
Public Service Corporation	$800,266,285	$8,722,903
TOTAL	**$184,834,869,095**	**$2,014,700,074**

The total assessment base, including Public Service Corporations, is $184,834,869,095, with a total tax levy of $2,014,700,074 at the proposed tax rate of $1.09 per $100 of assessed value. Estimated FY 2011 revenue from the Real Estate Tax, including receipts from Public Service Corporations, totals $2,006,876,762 at the proposed tax rate of $1.09 per $100 of assessed value. Of this amount, the value of one-half cent on the Real Estate Tax rate, $9,340,000, has been directed to Fund 319, The Penny for Affordable Housing Fund. Total General Fund revenue from the Real Estate Tax is $1,997,536,762, which reflects an overall collection rate of 99.61 percent. The total collection rates experienced in this category since FY 1996 are shown in the following table:

Real Estate Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1996	99.47%	**2004**	99.61%
1997	99.56%	**2005**	99.62%
1998	99.54%	**2006**	99.62%
1999	99.50%	**2007**	99.64%
2000	99.63%	**2008**	99.66%
2001	99.53%	**2009**	99.66%
2002	99.65%	**2010 (estimated)**	99.61%
2003	99.67%	**2011 (estimated)[1]**	99.61%

[1] In FY 2011, every 0.1 percentage point change in the collection rate yields a revenue change of $2,005,977.

The Commercial/Industrial percentage of the County's FY 2011 Real Estate Tax base is 19.70 percent, a decrease of 2.97 percentage points from the FY 2010 level of 22.67 percent. Commercial/Industrial property values as a percentage of the Real Estate Tax base decreased significantly as a result of the record decrease of 18.29 percent in nonresidential values and the more moderate decline in residential values. The Commercial/Industrial percentage is based on Virginia land use codes and excludes multi-family rental apartments, which make up 4.15 percent of the County's Real Estate Tax base in FY 2011. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

Commercial/Industrial Percentages

Fiscal Year	Percentage	Fiscal Year	Percentage
1996	19.04%	**2004**	19.14%
1997	19.56%	**2005**	18.20%
1998	20.47%	**2006**	17.36%
1999	21.84%	**2007**	17.22%
2000	24.32%	**2008**	19.23%
2001	25.37%	**2009**	21.06%
2002	24.84%	**2010**	22.67%
2003	21.97%	**2011**	19.70%

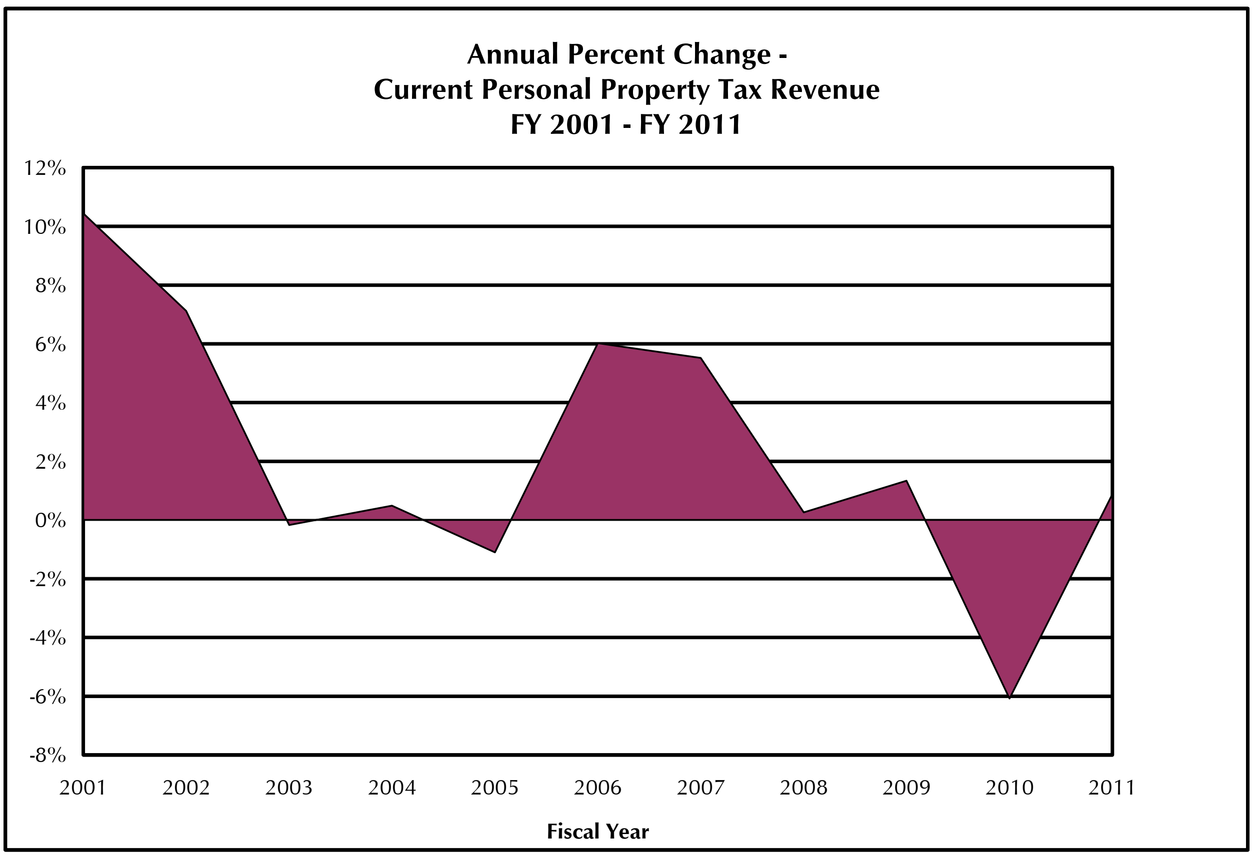
PERSONAL PROPERTY TAX-CURRENT

	FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
Paid Locally	$305,162,151	$271,587,064	$273,763,195	$278,017,333	$4,254,138	1.55%
Reimbursed by State	211,313,944	211,313,944	211,313,944	211,313,944	0	0.00%
Total	$516,476,095	$482,901,008	$485,077,139	$489,331,277	$4,254,138	0.88%

The FY 2011 Advertised Budget Plan estimate for Personal Property Tax revenue of $489,331,277 represents an increase of $4,254,138, or 0.9 percent, over the *FY 2010 Revised Budget Plan*.

The Personal Property Tax consists of two major components: vehicles and business personal property. Both components are sensitive to changes in the national and local economies. The vehicle component represents about 73 percent of the Personal Property Tax base in FY 2011. The vehicle component is also comprised of two parts, that which is paid by citizens locally and that which is reimbursed by the Commonwealth of Virginia to the County as a result of the Personal Property Tax Relief Act (PPTRA) of 1998. The PPTRA reduces the Personal Property Tax paid on the first $20,000 of the value for vehicles owned by individuals. In FY 1999, the first year of implementation, taxpayers were billed for the entire amount of tax levy and received a refund of 12.5 percent of the tax on the first $20,000 of the value of their personal vehicle from the Commonwealth of Virginia. Vehicles valued less than $1,000 were refunded 100 percent. From FY 2000 to FY 2002, the PPTRA reduced the Personal Property Taxes paid by citizens by 27.5 percent, 47.5 percent, and 70 percent, respectively, with an offsetting reimbursement paid to the County by the Commonwealth. Under the original approved plan, taxes paid by individuals were to be reduced by 100 percent in FY 2003. However, due to the State's lower than anticipated General Fund revenue growth, the reimbursement rate remained at 70 percent in FY 2003 and held at this rate through FY 2006. The 2004 General Assembly approved legislation that capped statewide Personal Property Tax reimbursements at $950 million in FY 2007 and beyond. Fairfax County's allocation has been set at $211.3 million based on the County's share of statewide tax year 2005 collections. Each year County staff must determine the reimbursement percentage based on the County's fixed reimbursement from the state 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 vary. Based on a County staff analysis, the effective state reimbursement percentage was 66.67 percent, 67.0 percent, and 68.5 percent in FY 2007, FY 2008 and FY 2009, respectively. The FY 2010 reimbursement percentage was set at 70.0 percent. The FY 2011 reimbursement percentage has not yet been determined, but is estimated at 70.0 percent.

Total Personal Property Tax revenues experienced average annual growth of 8.3 percent in FY 2000 through FY 2002. In FY 2003, Personal Property Taxes dropped a slight 0.2 percent and rose just 0.5 percent in FY 2004. These rates were due to the stalled economy coupled with an enhanced computer depreciation schedule that reduced business levy each year. In FY 2005, Personal Property Tax revenue fell 1.1 percent from the FY 2004 level as a result of faster depreciation of vehicles and a decrease in the business levy due to reduced equipment purchases. FY 2006 Personal Property recovered and receipts grew 6.0 percent. Average vehicle levy rose a robust 8.4 percent due to strong new car purchases. In FY 2007, Personal Property receipts increased 5.5 percent because of a higher than projected collection rate due in part to the change in the method of receiving the State's share of the tax. FY 2007 was the first year that the State's share of the Personal Property Tax was capped at $211.3 million. One hundred percent of these funds are received in scheduled installments and reimbursement is no longer linked to the payment by the individual taxpayer. Prior to the cap, the State's share was only reimbursed to the County after the bill had been paid by the taxpayer. FY 2008 Personal Property receipts rose a slight 0.3 percent as a result of a decrease in vehicle volume and levy as the economy began to decline during the year. In FY 2009, Personal Property Tax receipts increased 1.3 percent, primarily due to an increase in average vehicle levy. FY 2010 Personal Property Tax receipts are anticipated to decrease 6.1 percent as a result of a decline in vehicle purchases and a higher rate of used vehicle depreciation. Annual percentage changes in total Personal Property Tax revenues are shown in the following graph.



Personal Property Tax revenue is projected to increase 0.9 percent in FY 2011. The vehicle component, which comprises 73 percent of total Personal Property levy, is expected to increase 0.8 percent. Total vehicle volume is forecast to increase a modest 0.4 percent in FY 2011. New vehicles may make up a larger portion of the total as the Virginia Automobile Dealers Association reported that new model vehicle registrations in Fairfax County increased 7.4 percent in 2009 due in part to the Cash for Clunkers program. Because more new vehicles are being purchased and existing vehicles in the County's tax base have not depreciated as much as they did in the previous year, the average vehicle levy is expected to increase 0.5 percent based on a preliminary analysis of vehicles in the County valued with information from the National Automobile Dealers' Association (NADA). Changes in vehicle volume and average vehicle levy since FY 2001 are shown in the following table.

Personal Property Vehicles

Fiscal Year	% Change in Vehicle Volume	Average Vehicle Levy	% Change in Average Levy
FY 2001	4.5%	$359	6.9%
FY 2002	2.3%	$369	2.8%
FY 2003	3.0%	$372	0.8%
FY 2004	-0.7%	$389	4.6%
FY 2005	1.4%	$379	-2.6%
FY 2006	-0.9%	$411	8.4%
FY 2007	-0.6%	$431	4.9%
FY 2008	-0.1%	$424	-1.6%
FY 2009	0.8%	$434	2.4%
FY 2010 (est.)	0.1%	$388	-10.6%
FY 2011 (est.)	0.4%	$390	0.5%

Business Personal Property is primarily comprised of assessments on furniture, fixtures and computer equipment. Due to the current economic climate, existing businesses are not anticipated to significantly increase purchases of new equipment; therefore, business levy is projected to remain flat in FY 2011.

In accordance with assessment principles and the Code of Virginia, which require that property is taxed at fair market value, the Department of Tax Administration (DTA) annually reviews the depreciation rate schedule for computer hardware due to the speed with which computer values change. To reflect market trends, the computer depreciation schedule was adjusted in each year from FY 1999 to FY 2001, in FY 2003, and again in FY 2004. Based on current trends, the computer depreciation schedule was not adjusted in FY 2005 through FY 2010 and will not be adjusted in FY 2011. Previous and current computer depreciation schedules are shown in the following table. The percentages from the depreciation schedule are applied to the original purchase price of the computer equipment to determine its fair market value. Personal Property Taxes are then levied on this value.

Computer Depreciation Schedules
FY 1998 - FY 2011
Percent of Original Purchase Price Taxed

Year of Acquisition	FY 1998	FY 1999	FY 2000	FY 2001 and FY 2002	FY 2003	FY 2004 through FY 2011
1	80%	65%	60%	60%	55%	50%
2	55%	45%	40%	40%	35%	35%
3	35%	30%	30%	25%	20%	20%
4	10%	10%	10%	10%	10%	10%
5 or more	10%	2%	2%	2%	2%	2%

General Fund Revenue Overview

Personal Property Tax revenue estimates are based on a tax rate of $4.57 per $100 of valuation for vehicles and business property, and an increased rate of $1.09 per $100 of valuation for mobile homes and non-vehicle Public Service Corporations properties. The following table details the estimated assessed value and associated levy for components of the Personal Property Tax.

FY 2011 Estimated Personal Property Assessments and Tax Levy

Category	FY 2011 Assessed Value	Tax Rate (per $100)	FY 2011 Tax Levy	Percent of Total Levy
Vehicles				
Privately Owned	$8,575,585,192	$4.57	$317,622,366	64.2%
Business Owned	463,308,999	4.57	17,219,349	3.5%
Leased	787,987,328	4.57	26,422,957	5.3%
Subtotal	$9,826,881,519		$361,264,672	73.0%
Business Personal Property				
Furniture and Fixtures	$1,528,816,540	$4.57	$69,813,389	14.1%
Computer Equipment	616,134,098	4.57	28,156,981	5.7%
Machinery and Tools	75,131,866	4.57	3,433,526	0.7%
Research and Development	7,007,361	4.57	320,236	0.1%
Subtotal	$2,227,089,865		$101,724,132	20.6%
Public Service Corporations				
Equalized	$2,576,998,941	$1.09	$28,089,288	5.7%
Vehicles	9,183,597	4.57	419,690	0.1%
Subtotal	$2,586,182,538		$28,508,978	5.8%
Other				
Mobile Homes	$22,465,919	$1.09	$244,879	0.0%
Other (Trailers, Misc.)	12,963,447	4.57	416,708	0.1%
Subtotal	$35,429,366		$661,587	0.1%
Penalty for Late Filing			$2,263,808	0.5%
TOTAL	**$14,675,583,288**		**$494,423,177**	**100.0%**

FY 2011 Personal Property Tax assessments including Public Service Corporations are $14,675,583,288, with a total tax levy of $494,423,177. Personal Property Tax revenue collections are projected to be $489,331,277, of which $211.3 million will be reimbursed from the State. The collection rate associated with the taxpayer's share is estimated to be 98.0 percent. Total collection rates experienced in this category since FY 1996 are shown in the following table:

Total Personal Property Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1996	97.2%	**2004**	96.9%
1997	97.3%	**2005**	97.9%
1998	97.3%	**2006**	98.1%
1999	97.3%	**2007**	98.3%
2000	97.3%	**2008**	98.0%
2001	97.1%	**2009**	97.9%
2002	96.3%	**2010 (estimated)**	98.0%
2003	96.8%	**2011 (estimated)[1]**	98.0%

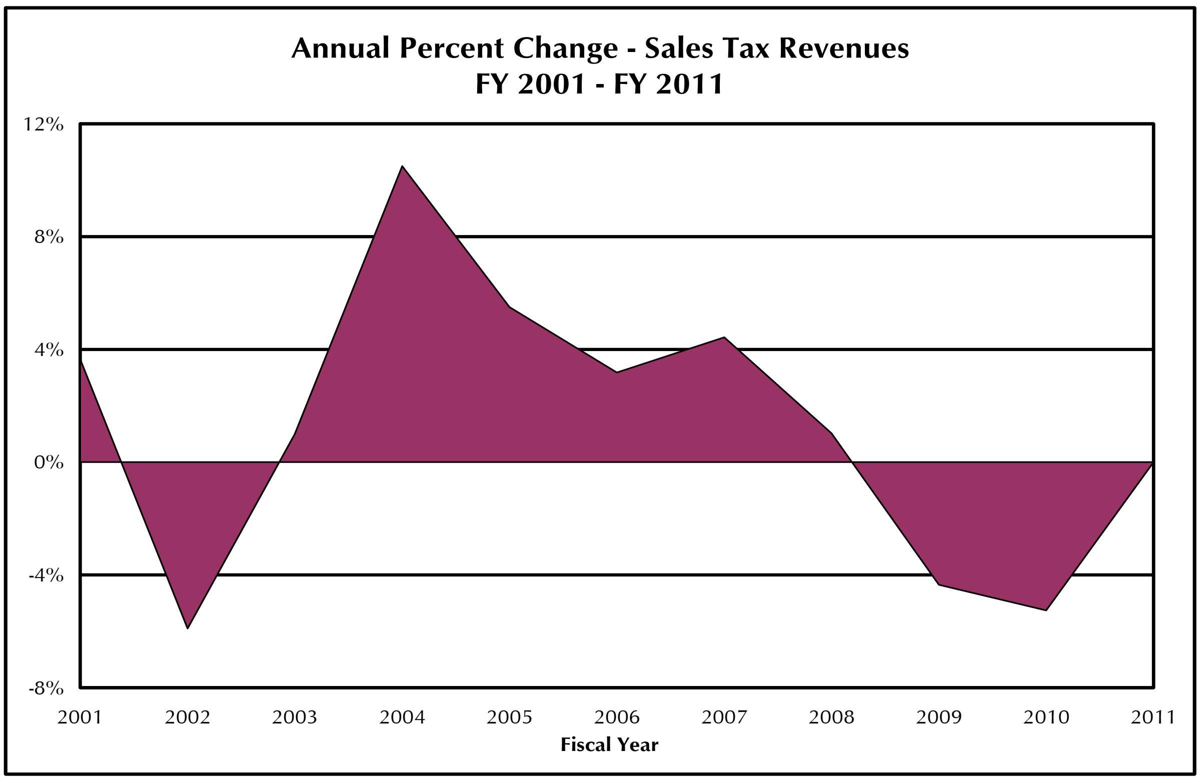
[1] Each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately $0.3 million, and each penny on the tax rate yields a revenue change of $1.0 million.

General Fund Revenue Overview

LOCAL SALES TAX

FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$153,852,596	$152,245,787	$145,763,329	$145,763,329	$0	0.00%

The FY 2011 Advertised Budget Plan estimate for Sales Tax receipts of $145,763,329 represents no change from the *FY 2010 Revised Budget Plan* estimate. This estimate is based on the expectation that the economic recovery will be at best tepid. As the chart below illustrates, from FY 2005 through FY 2007, Sales Tax Receipts experienced moderate growth, increasing at an average annual rate of 4.4 percent. In FY 2008, however, Sales Tax revenue rose at a rate of just 1.0 percent. FY 2009 receipts, which were negatively impacted by declines in virtually all areas of retail sales, from eating out to purchases of big ticket items and rising job losses, fell 4.4 percent. This drop does not reflect the true impact of the economic recession or the drop in consumer spending as receipts in FY 2009 were enhanced by transfers between Fairfax County and other local jurisdictions to rectify incorrect filings by retailers over the past three years. A net increase of approximately $2.2 million was distributed to Fairfax County during FY 2009 as a result of these adjustments. Absent this additional revenue, Sales Tax receipts would have been down 5.7 percent from FY 2008. Sales Tax collections have continued to deteriorate and the FY 2010 estimate for Sales Tax receipts was lowered $6.4 million during the fall 2009 revenue review. During the first five months of the fiscal year, Sales Tax receipts are down 4.6 percent from the same period in FY 2009. This drop is also understated because the Virginia Department of Taxation has indicated that the County has received approximately $1.7 million in FY 2010 as a result of the State's tax amnesty program. Without this influx of revenue, year-to-date receipts would be down 6.8 percent. In response to the economic downturn, consumer spending has declined in favor of increasing savings for unexpected events.



Sales Tax receipts are expected to remain level in FY 2011. Concerns over mounting job losses and foreclosures have caused consumers to change saving and spending habits. The percentage of disposable income that is saved rose from 1.4 percent in 2005 to 2.7 percent in 2008 and to 4.6 percent in the fourth quarter of 2009. Many economists believe that the savings rate will continue to rise and that this may be a long lasting fundamental shift in behavior. While this frugality is beneficial to a household's bottom line, it is expected to keep Sales Tax receipts growth below historical trends.

RECORDATION/DEED OF CONVEYANCE TAXES

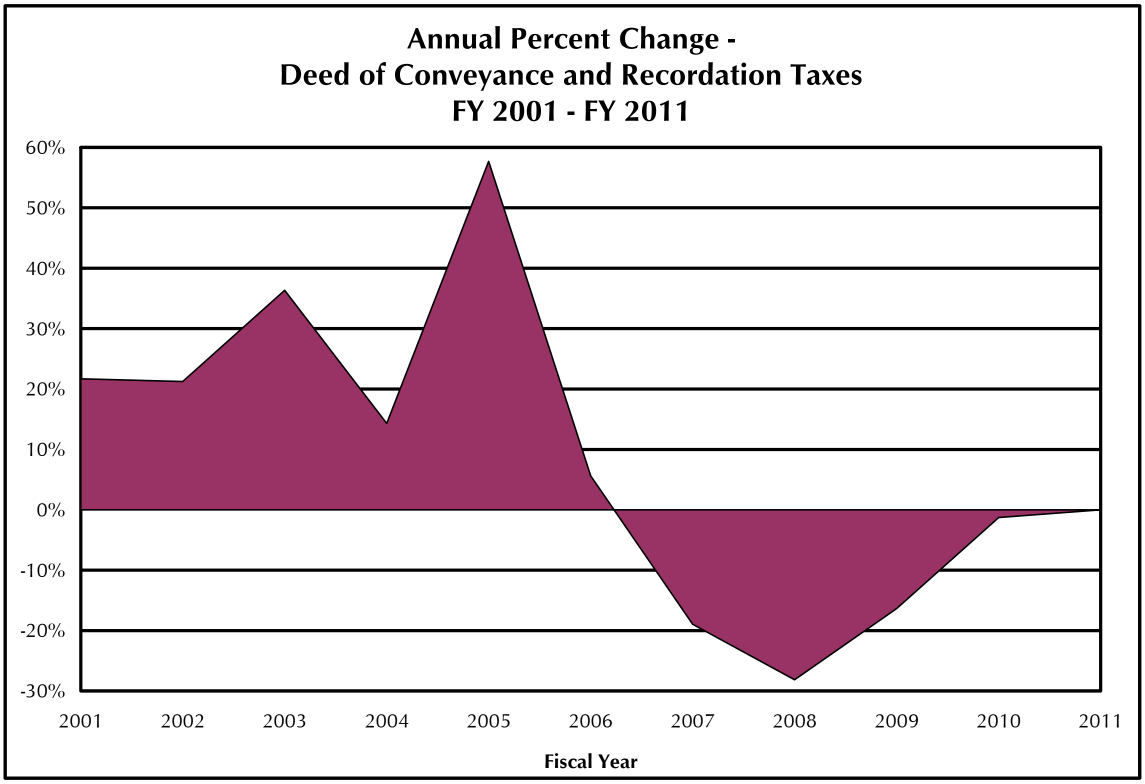
FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$25,035,225	$20,767,592	$24,714,902	$24,714,902	$0	0.00%

The FY 2011 Advertised Budget Plan estimate of $24,714,902 for Recordation and Deed of Conveyance Taxes represents no change from the *FY 2010 Revised Budget Plan*. The FY 2011 Advertised Budget Plan estimate is comprised of $20,145,484 in Recordation Tax revenues and $4,569,418 in Deed of Conveyance Tax revenues. 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 Recordation Tax revenues more sensitive to interest rate fluctuations than Deed of Conveyance Taxes. Home values and interest rate projections are used in an econometric model that assists in developing estimates for these categories.

Between FY 2001 and FY 2005, receipts from Recordation and Deed of Conveyance Taxes increased considerably due to strong home sales and rising home prices. Increased mortgage refinancing due to low mortgage rates also enhanced Recordation collections. During this period, revenues from Recordation and Deed of Conveyance Taxes increased at average annual rates of 27.5 percent and 15.3 percent, respectively. In FY 2006, as the number of home sales declined and prices stabilized, these categories began to moderate and rose a combined 5.6 percent. Due to the housing slump, revenue decreased a combined 18.9 percent in FY 2007, 28.1 percent in FY 2008, and an additional 16.4 percent in FY 2009.

General Fund Revenue Overview

The FY 2010 estimate for Deed of Conveyance and Recordation Taxes was revised upward $3.9 million from the FY 2010 Adopted Budget Plan during the fall 2009 revenue review. Collections through December 2009 were up 7.2 percent due to increased home sales attributable to federal tax credits for homebuyers and favorable mortgage interest rates. Staff will continue to monitor these categories closely and will include any necessary adjustments in the upcoming *FY 2010 Third Quarter Review*. FY 2011 revenue from Deed of Conveyance and Recordation Tax is expected to remain at the FY 2010 level as changes in various aspects of the real estate market are anticipated to be offsetting. The number of home sales may rise, but an expected increase in mortgage interest rates will reduce the volume of mortgage refinancing.



Note: In FY 2005, the Recordation Tax was increased from $0.05 per $100 of value to $.0833 per $100 of value.

CONSUMER UTILITY TAXES - GAS AND ELECTRIC

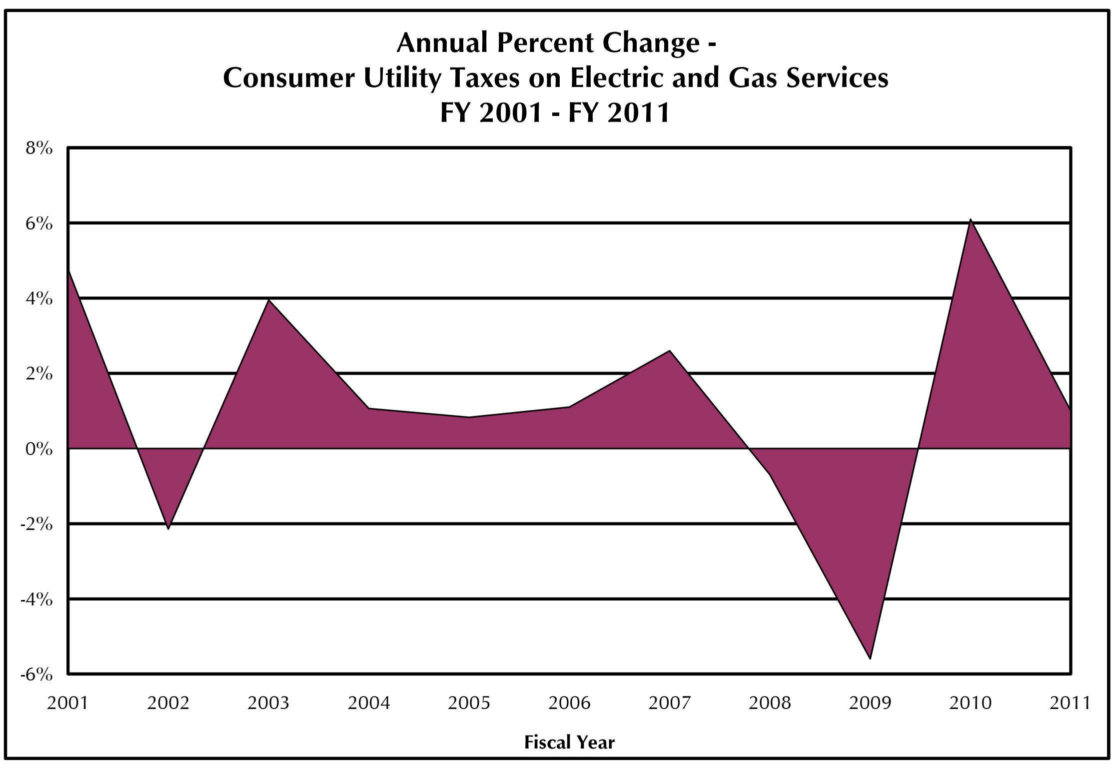
FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$42,522,776	$45,943,336	$45,122,776	$45,574,004	$451,228	1.00%

The FY 2011 Advertised Budget Plan estimate for Consumer Utility Taxes on gas and electric services of $45,574,004 represents an increase of 1.0 percent over the *FY 2010 Revised Budget Plan* estimate. The FY 2011 estimate is comprised of $36,001,484 in taxes on electric service and $9,572,520 in taxes on gas service. County residents and businesses are subject to Consumer Utility Taxes based on their consumption of electricity and gas services. Tax rates by customer class are shown in the table below.

CONSUMER UTILITY TAXES ON ELECTRICITY AND NATURAL GAS

ELECTRICITY		NATURAL GAS	
Electric Power Customer Class	**Monthly Tax FY 2001 - FY 2011**	**Natural Gas Customer Class**	**Monthly Tax FY 2001 - FY 2011**
Residential	$0.00605 per kWh	**Residential**	$0.05259 per CCF
Minimum	+$0.56 per bill	Minimum	+$0.56 per bill
Maximum	$4.00 per bill	Maximum	$4.00 per bill
Master Metered Apartments	$0.00323 per kWh	**Master Metered Apartments**	$0.01192 per CCF
Minimum	+$0.56 / dwelling unit	Minimum	+$0.56 / dwelling unit
Maximum	$4.00 / dwelling unit	Maximum	$4.00 / dwelling unit
Commercial	$0.00594 per kWh	**Nonresidential**	$0.04794 per CCF
Minimum	+ $1.15 per bill	Minimum	+ $0.845 per bill
Maximum	$1,000 per bill	Maximum	$300 per bill
Industrial	$0.00707 per kWh	**Nonresidential Interruptible**	$0.00563 per CCF
Minimum	+$1.15 per bill	Minimum	+$4.50 per meter
Maximum	$1,000 per bill	Maximum	$300 per meter

Revenue from Consumer Utility Taxes on gas and electric services from FY 2001 to FY 2008 grew at an average annual rate of 0.9 percent. Receipts in FY 2009 fell 5.6 percent due to an adjustment to align receipts in the proper fiscal year. While FY 2010 is anticipated to increase 6.1 percent over FY 2009, absent the adjustment, receipts are essentially level with FY 2008 collections. The FY 2011 Advertised Budget Plan estimate reflects an increase of 1.0 percent based on historical collection trends.



COMMUNICATIONS SALES AND USE TAX

FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$53,805,974	$55,847,373	$52,690,102	$52,933,658	$243,556	0.46%

The FY 2011 Advertised Budget Plan estimate for the Communications Sales and Use Tax of $52,933,658 represents an increase of 0.5 percent over the *FY 2010 Revised Budget Plan* estimate. This statewide tax was first implemented in January 2007, after the 2006 Virginia General Assembly session approved legislation that changed the way in which taxes are levied on communications services. Based on this legislation, local taxes on land line and wireless telephone services were replaced with a 5 percent statewide Communication Sales and Use Tax. In addition to the communications services previously taxed, the 5 percent Communication Sales and Use Tax applies to satellite television and radio services, internet calling and long-distance telephone charges. As part of this legislation, local E-911 fees were repealed and replaced with a statewide $0.75 per line fee. These rates were meant to provide revenue neutrality with FY 2006 receipts. All communications taxes are remitted to the state for distribution to localities based on the locality's share of total statewide FY 2006 collections of these taxes. Based on analysis by the Virginia Auditor of Public Accounts, Fairfax County's share has been set at 18.93 percent.

Since its inception, this statewide tax has been fraught with errors in under-reporting by some providers and over-collection by others. The Commonwealth found that revenue during FY 2007 was lower than anticipated due to errors in reporting the tax by two large communications providers which resulted in an under-collection of the statewide tax during FY 2007 and part of FY 2008. These providers remitted back taxes and corrected the errors in FY 2008. In FY 2009, the Virginia Department of Taxation verified that taxes totaling $21.3 million statewide had been collected by service providers from entities that should have been tax exempt. Therefore, refunds were made over four months spanning FY 2009 and FY 2010. Fairfax County's share of the refunds was $4.0 million. Due in part to the refunds, the County's FY 2009 receipts fell 3.9 percent from the FY 2008 level. In addition, the FY 2010 estimate was reduced $2.9 million to $52.7 million during the 2009 fall revenue review to account for these refunds and lower monthly receipts resulting from the correction of the over collection. The FY 2011 Advertised Budget Plan estimate of $52.9 million is based on average monthly receipts since the correction and reflects slight growth of 0.4 percent over FY 2010.

VEHICLE REGISTRATION LICENSE FEE

FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$0	$0	$0	$27,000,000	$27,000,000	--

Included in the FY 2011 Advertised Budget Plan is a proposal to levy an annual Vehicle Registration License Fee on motor vehicles as authorized by Section 46.2-752 of the Code of Virginia. The display of a County decal is not recommended. Fees proposed to be levied are $33 on passenger vehicles that weigh 4,000 pounds or less and $38 on passenger vehicles that weight more than 4,000 pounds. In addition, the fee would be $18 for motorcycles and $25 for buses used for transportation to and from church. These are the maximum rates allowed by the Commonwealth of Virginia and the same rates levied by Alexandria and Fairfax City. Arlington, Loudoun and Falls Church levy a $25 fee on passenger vehicles weighing 4,000 pounds or less and Prince William levies $24. These jurisdictions require the display of a vehicle decal except for Prince William County.

Payment of Vehicle License Registration Fees will be linked to the payment of Personal Property Taxes on October 5 each year. The proposal would exempt vehicles owned by persons who have qualified for property tax relief and for vehicles owned by disabled veterans, members of volunteer fire departments and auxiliary police officers. The revenue generated from the imposition of the Vehicle License Registration Fee is projected to be $27.0 million in FY 2011.

TRANSIENT OCCUPANCY TAX

FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$18,097,701	$19,499,206	$18,097,701	$18,097,701	$0	0.00%

The FY 2011 Advertised Budget Plan estimate for Transient Occupancy Tax of $18,097,701 reflects no change from the *FY 2010 Revised Budget Plan*. Transient Occupancy Taxes are charged as part of a hotel bill and remitted by the hotel to the County. Prior to FY 2005, the Transient Occupancy Tax rate was 2 percent, the maximum allowed by state law. Legislation enacted by the 2004 Virginia General Assembly permitted the Board of Supervisors to levy an additional 2 percent Transient Occupancy Tax beginning in FY 2005. A portion, 25 percent, of the additional 2 percent must be appropriated to a nonprofit convention and visitors' bureau located in the County. The remaining 75 percent must be used by the County to promote tourism. During the fall 2009 revenue review, the FY 2010 estimate for Transient Occupancy Tax was reduced by $1.4 million to the same level of receipts as FY 2009 based on year-to-date collection trends. Based on projections of a struggling economic recovery, receipts are expected to remain at this level in FY 2011.

CIGARETTE TAX

FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$9,463,536	$9,498,075	$9,051,472	$9,051,472	$0	0.00%

The FY 2011 Advertised Budget Plan estimate for Cigarette Tax revenue of $9,051,472 reflects no change from the *FY 2010 Revised Budget Plan*. Fairfax County and Arlington County are the only counties in Virginia authorized to levy a tax on cigarettes. The maximum rate authorized is the greater of 5.0 cents per pack or the rate levied by the Commonwealth. The County's rate was 5.0 cents per pack until September 2004 when the state tax on cigarettes was raised from 2.5 cents to 20 cents per pack and the County followed suit. Likewise, on July 1, 2005, the County raised the rate to 30 cents per pack in concert with the rise in the state rate. As a result of these increases, Cigarette Taxes rose from $1.9 million in FY 2004 to $10.4 million in FY 2006. Cigarette Tax revenue remained relatively flat in FY 2009, declining 0.4 percent from FY 2008. Receipts, however, have fallen 4.4 percent in FY 2010 and the FY 2010 estimate was reduced $0.4 million to $9.1 million during the fall 2009 revenue review to reflect declining receipts. This is the lowest level of collections since the tax was increased in 2005. Cigarette Tax receipts are projected to remain at this reduced level in FY 2011.

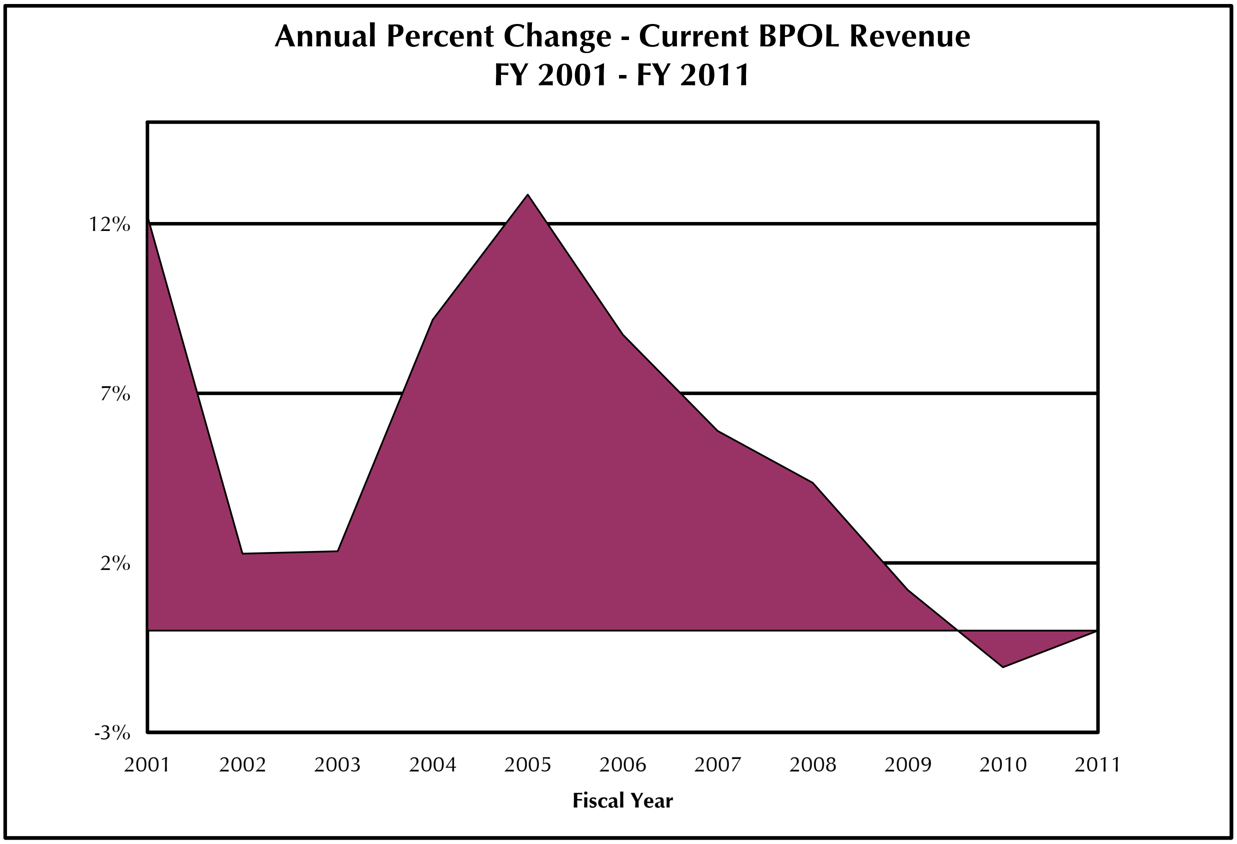
BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$139,987,138	$130,134,489	$136,431,465	$136,431,465	$0	0.00%

The FY 2011 Advertised Budget Plan estimate for Business, Professional and Occupational License Taxes (BPOL) of $136,431,465 reflects no change from the *FY 2010 Revised Budget Plan*.

As shown in the chart below, BPOL receipts experienced healthy growth in FY 2004 through FY 2006, averaging 10.2 percent per year. This strong growth reflected increases in federal government procurement spending, as well as the robust housing market. Growth in BPOL receipts moderated to 5.9 percent and 4.4 percent in FY 2007 and FY 2008, respectively. In FY 2009, BPOL receipts, which were based on the gross receipts of businesses in calendar year 2008, were up just 1.2 percent over FY 2008. This modest rate of growth reflects the downturn in the local economy late in 2008. Revenue from the Business Service Occupations and Consultants, which together represent over 46 percent of total BPOL receipts, grew 5.0

percent in FY 2009. Due to a large number of reclassifications from the Consultant category to the Business Services category, these categories have been combined to provide an accurate picture of the changes in FY 2009 receipts. Professional Occupations, which makes up nearly 12 percent of total BPOL revenue and includes physicians and attorneys, experienced no growth in FY 2009. The Retail category, which represents almost 18 percent of total BPOL receipts, fell 5.1 in FY 2009. Due to the continued decline in the real estate market in calendar year 2008, real estate related categories decreased significantly in FY 2009. The combined Real Estate Broker and Money Lender category (1.8 percent of total BPOL receipts) fell 15.8 percent, while the Builders and Developers component (0.2 percent of total BPOL) declined 55.0 percent in FY 2009.



Since County businesses file and pay their BPOL taxes simultaneously on March 1 each year based on their gross receipts during the previous calendar year, little actual data is available at this time to help estimate FY 2010 receipts; therefore, the County relies on econometric models in order to project BPOL revenue. During the fall 2009 revenue review, the FY 2010 estimate for BPOL was increased $6.3 million which reflects a decrease of 2.5 percent from the FY 2009 level. This estimate is based on an econometric model that uses calendar year Sales Tax receipts and professional employment as predictors. Based on the anticipation that little economic growth will occur in calendar year 2010, the estimate for FY 2011 BPOL receipts is for no change from the FY 2010 level.

PERMITS, FEES AND REGULATORY LICENSES

FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$24,494,049	$32,575,391	$27,676,152	$27,719,593	$43,441	0.16%

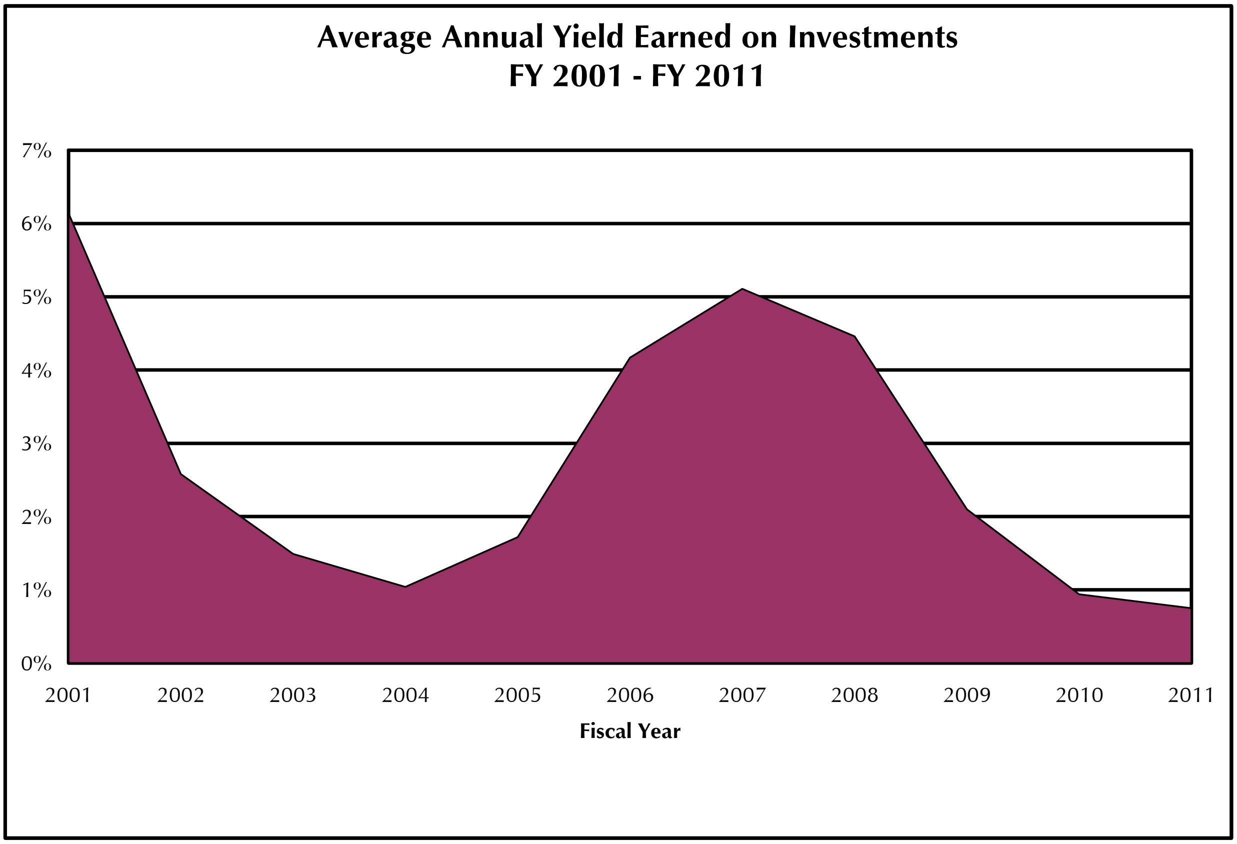
The FY 2011 Advertised Budget Plan estimate for Permits, Fees and Regulatory Licenses of $27,719,593 reflects a slight increase of $43,441, or 0.2 percent, over the *FY 2010 Revised Budget* Plan and is the result of projected modest growth in a few fee categories such as Dog Licenses and Fire Prevention Code Permits. Nearly two-thirds of the Permits, Fees, and Regulatory Licenses category are revenues from Land Development Services (LDS) fees for building permits, site plans, and inspection services. Changes in LDS fee revenue typically track closely to the current conditions of the real estate market and construction industry, as well as the size and complexity of projects submitted to LDS for review. During the first six months of FY 2010, new building permits issued are down 18.8 percent from the same period last year, while alternation and repair permits are experiencing a decline of 9.5 percent. As a result, revenue from LDS fees, which were raised as of July 1, 2009, has not increased to the level expected. Through the first half of FY 2010, LDS fee revenue is up 3.0 percent over the first half of FY 2009. Due to lower than anticipated collections, the FY 2010 revenue estimate for LDS revenue was decreased $4.9 million to $18.0 million during the fall 2009 revenue review. This represents an annual increase of 5.2 percent over FY 2009 receipts. In FY 2011, little change in the construction market is expected and the estimate of LDS revenue has been held at the level as projected FY 2010 receipts.

INVESTMENT INTEREST

FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$36,460,012	$10,432,972	$19,994,610	$14,438,339	($5,556,271)	-27.79%

The FY 2011 Advertised Budget Plan estimate of $14,438,339 for Investment Interest reflects a decline of $5.6 million from the *FY 2010 Revised Budget Plan*. The net decrease from FY 2010 is due to a decline in the anticipated yield earned on the County's investment portfolio. Revenue from this category is a function of the amount invested, the prevailing interest rates earned on investments, and the percentage of the total pooled investment portfolio attributable to the General Fund.

Revenue from Interest on Investments is highly dependent on Federal Reserve actions. From 2001 to 2004, the Federal Reserve reduced interest rates from 6.5 percent to 1.0 percent in order to stimulate economic growth. During this period, revenue from Investment Interest fell from $56.3 million in FY 2001 to $14.8 million in FY 2004. From June 2004 through June 2006, the Federal Reserve increased rates by a quarter point at each of its meetings in an effort to stem inflation. The federal funds rate reached 5.25 percent in June 2006. As a result of higher rates, the annual average yield on County investments was 5.1 percent in FY 2007, and revenue from Interest on Investments was a record high of $92.1 million. In FY 2008, the County's portfolio generated $78.2 million for the General Fund with an average annual yield of 4.46 percent. The federal funds rate has remained unchanged since the end of 2008 when it was set at 0.0 to 0.25 percent, its lowest in history. The yield earned in FY 2009 was 2.1 percent and General Fund revenue from Investment Interest was $36.5 million.



The FY 2010 estimate for Interest on Investments was raised $9.6 million to $20.0 million during the fall 2009 revenue review based on a projected annual yield of 0.94 percent compared to the 0.50 percent included in the FY 2010 Adopted Budget Plan. The average annual yield in FY 2010 has been bolstered by investments that matured early in the fiscal year at rates higher than what are currently available. The yield on investments is expected to remain at this lower level throughout FY 2011. The FY 2011 Advertised Budget Plan estimate for Investment Interest of $14.4 million is based on a projected average yield of 0.75 percent, a portfolio size of $2,482,709,455 and a General Fund percentage of 68.0 percent. All available resources are pooled for investment purposes and the net interest earned is distributed among the various County funds, based on the average dollars invested from each fund as a percentage of the total pooled investment. Total Interest on Investments for all funds is estimated to be $18.6 million in FY 2011.

CHARGES FOR SERVICES

FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
$61,862,075	$62,150,200	$62,871,212	$64,905,308	$2,034,096	3.24%

The FY 2011 Advertised Budget Plan estimate for Charges for Services revenue of $64,843,833 represents an increase of $2.0 million, or 3.2 percent, over the *FY 2010 Revised Budget Plan* estimate. This increase is primarily the result of increased revenue from School Age Child Care (SACC) fees, as well as modest growth projected in other categories.

School Age Child Care (SACC) fees are estimated to be $31.5 million in FY 2011, an increase of $1.8 million over FY 2010 receipts. In FY 2011, existing SACC services will be expanded within current resources to accommodate an additional 400 children in order to address the current waiting list. This will result in additional revenue of $0.5 million. An increase of $0.3 million represents the addition of two new SACC classrooms at Mount Eagle Elementary School. The remaining $1.0 million in SACC revenue reflects a rise in fees of approximately 3.0 percent in order to increase cost recovery of the program. In addition, Emergency Medical Transport fees are projected to increase $145,465 in FY 2011 based on a modest 1.0 percent increase in projected transports.

During the fall 2009 revenue review, the Charges for Services category was increased a net $0.7 million. The FY 2010 estimate for County Clerk Fees was increased $1.9 million as a result of the stabilization of the housing market. Clerk Fees are paid when homes are sold and when mortgages are refinanced. Offsetting this increase is a decrease in Emergency Medical Transports of $1.0 million based on year-to-date collections. A net decrease of $0.2 million is the result of adjustments in various categories to reflect FY 2009 actual receipts and FY 2010 year-to-date collections.

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT[1]

	FY 2009 Actual	FY 2010 Adopted	FY 2010 Revised	FY 2011 Advertised	Increase/ (Decrease)	Percent Change
Baseline Funding	$144,409,928	$130,557,993	$130,912,031	$132,544,543	$1,632,512	1.2%
Reserve for State Cuts	0	(5,145,192)	(8,354,277)	(13,354,277)	(5,000,000)	59.8%
Net Funding	$144,409,928	$125,412,801	$122,557,754	$119,190,266	($3,367,488)	-2.75%

[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.

The FY 2011 Advertised Budget Plan estimate for Revenue from the Commonwealth and Federal Government of $119,190,266 represents a decrease of $3.4 million, or 2.8 percent, from the *FY 2010 Revised Budget Plan.* This decrease is primarily associated with increasing the estimate for state revenue loss.

Baseline Funding

An increase of $0.6 million is associated with the Comprehensive Services Act for contract adjustments for services within the Department of Family Services. An increase of $1.0 million is anticipated as a result of additional revenue that will be received due to the significant increases in the number of people requiring assistance with basic needs such as food stamps, Temporary Aid to Needy Families (TANF), Medicaid and employment. These increases in revenue will be entirely offset with additional expenditure requirements.

Revenue from the Commonwealth

The economic downturn has negatively impacted state revenue and current state budget proposals will significantly reduce aid to localities. The FY 2010 General Fund revenue estimates include an anticipated state revenue loss reserve of $8.4 million. Reductions proposed for FY 2010 include state aid to localities with Police Departments (HB 599) and across the board reductions in state supported salaries from the Compensation Board. The FY 2011 Advertised Budget Plan includes a reserve for state cuts totaling $13.4 million, a further anticipated reduction of $5.0 million. In FY 2011, HB 599 funding is to be reduced further and various Compensation Board reductions have been proposed, including the total elimination of reimbursements for Treasurer's offices, which would include the County's Department of Tax Administration and Finance. These reductions are based on Governor Kaine's proposed budget and do not reflect amendments by Governor McDonnell, who took office in January 2010, or the General Assembly, and are therefore subject to change.

It should be noted that the County Executive has recommended an additional reserve for state revenue reductions of $21.7 million given the likelihood that additional state revenue cuts will be made.