FY 2012
ADVERTISED BUDGET PLAN

General Fund Revenue Overview

This section includes:

SUMMARY OF GENERAL FUND REVENUE

Category	FY 2010 Actual	FY 2011 Adopted Budget Plan	FY 2011 Revised Budget Plan[1]	FY 2012 Advertised Budget Plan	Over the FY 2011 Revised Budget Plan: Increase/ (Decrease)	Over the FY 2011 Revised Budget Plan: Percent Change
Real Estate Taxes - Current and Delinquent	$2,115,971,076	$2,009,434,786	$2,015,748,709	$2,076,449,884	$60,701,175	3.01%
Personal Property Taxes - Current and Delinquent[2]	507,485,566	498,624,865	493,911,058	517,587,911	23,676,853	4.79%
Other Local Taxes	460,148,029	474,881,301	479,649,777	486,643,993	6,994,216	1.46%
Permits, Fees and Regulatory Licenses	28,665,677	27,719,593	27,888,461	27,921,065	32,604	0.12%
Fines and Forfeitures	14,942,650	16,868,801	16,868,801	16,868,801	0	0.00%
Revenue from Use of Money/Property	21,816,673	18,309,869	21,492,015	16,711,665	(4,780,350)	-22.24%
Charges for Services	62,980,797	65,529,312	63,228,869	64,789,101	1,560,232	2.47%
Commonwealth and Federal Governments[2]	132,658,846	118,100,303	120,661,030	125,178,562	4,517,532	3.74%
Recovered Costs/ Other Revenue	5,940,194	8,035,781	8,193,764	8,202,074	8,310	0.10%
Total Revenue	**$3,350,609,508**	**$3,237,504,611**	**$3,247,642,484**	**$3,340,353,056**	**$92,710,572**	**2.85%**
Transfers In	12,122,151	6,729,399	8,059,238	7,478,258	(580,980)	-7.21%
Total Receipts	**$3,362,731,659**	**$3,244,234,010**	**$3,255,701,722**	**$3,347,831,314**	**$92,129,592**	**2.83%**

[1]FY 2011 revenue estimates were increased a net $7.3 million as part of a fall 2010 review of revenues. Explanations of these changes can be found in the following narrative. The *FY 2011 Third Quarter Review* will contain further adjustments as necessary.

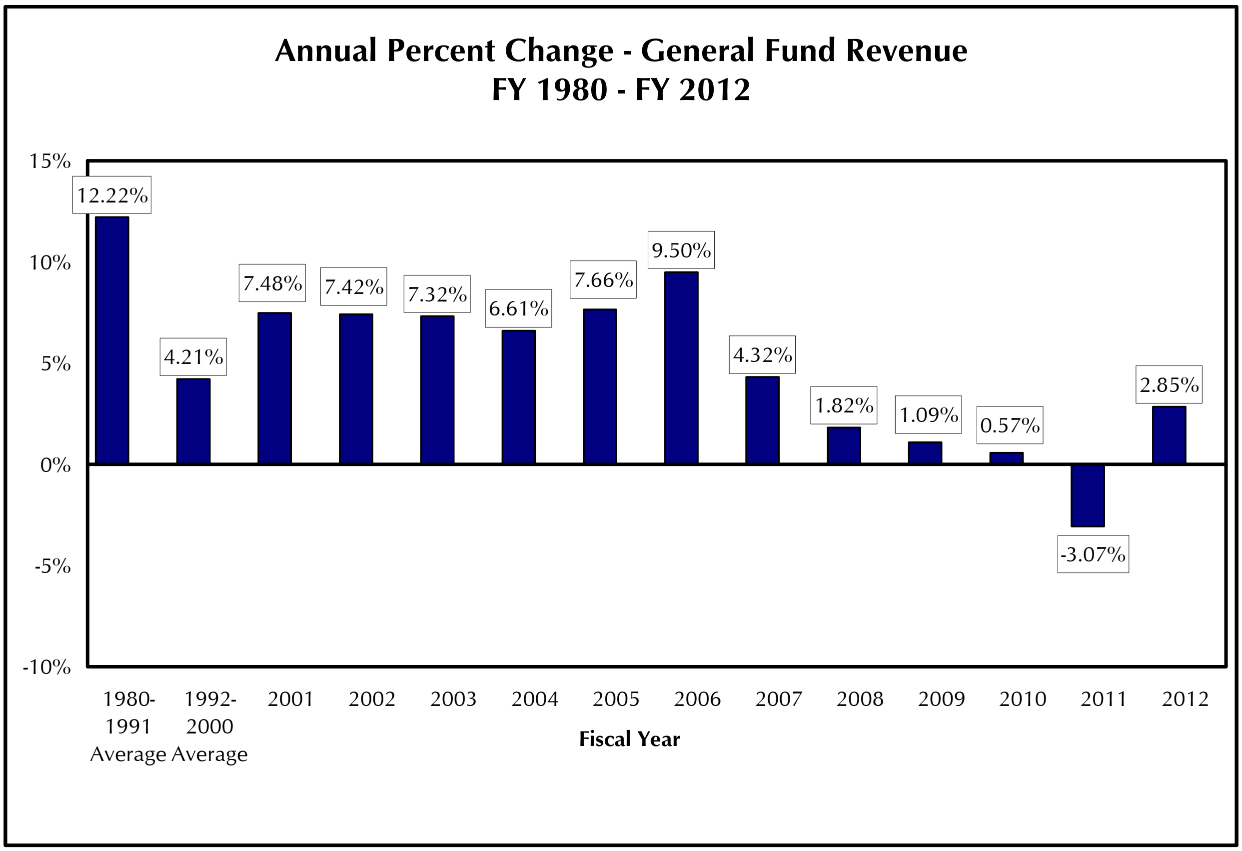
[2]The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

As reflected in the preceding table, FY 2012 General Fund revenues are projected to be $3,340,353,056, an increase of $92,710,572 or 2.9 percent, over the *FY 2011 Revised Budget Plan*. The net increase is primarily the result of a $60.7 million increase in current Real Estate Taxes based on rising assessments and no change in the Real Estate Tax rate of $1.09 per $100 of assessed value. In addition, Personal Property Taxes are projected to increase $23.7 million, mostly due to an increase in vehicle levy, and Other Local Taxes are expected to rise $7.0 million based on modest growth in various categories.

Incorporating Transfers In, FY 2012 General Fund receipts are anticipated to be $3,347,831,314. The Transfers In to the General Fund total $7.5 million and include $3.6 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, the FY 2012 Transfers In include $3.9 million from Fund 090, Public School Operating, for support of school health functions provided by the Fairfax County Health Department and reimbursed by the state.

General Fund Revenue Overview

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. Higher 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, 1.1 percent in FY 2009, and 0.6 percent in FY 2010. Based on current projections, FY 2011 revenue is anticipated to drop 3.1 percent. This decline is predominantly due to a decrease in Real Estate Tax revenue, resulting from a decrease in assessments, partially offset with an increase in the Real Estate Tax rate from $1.04 per $100 of assessed value to $1.09 per $100 of assessed value. Due to an increase in FY 2012 Real Estate Tax assessments, no change in the General Fund Real Estate Tax rate of $1.09 per $100 of assessed value and projected modest growth in other revenue categories, FY 2012 revenue is expected to increase 2.9 percent over the *FY 2011 Revised Budget Plan* estimate.



General Fund Revenue Overview

Economic Indicators

The longest recession since the Great Depression officially ended in June 2009. However, after an 18-month contraction, the expansion has not been as strong as previous economic recoveries. The economy expanded at rates of 1.7 percent and 2.6 percent in the second and third quarters of 2010, respectively. The pace of growth quickened to 3.2 percent in the fourth quarter of 2010 based on the advance estimate. This rate will be revised twice before it is considered final. The unemployment rate fell to 9.0 percent in January 2011, the lowest rate since April 2009. However, nonfarm employment increased by just over 36,000 jobs. The low level of job growth was attributed to severe winter weather across the nation. Pent-up demand drove the consumer during the 2010 holiday season. Based on advance estimates, U.S. retail sales in December 2010 rose 7.9 percent over the previous year. For the year, retail sales rose at preliminary rate of 6.6 percent. This was good news, as consumer spending accounts for 70 percent of the U.S. economy. Whether consumer spending continues to rise at a brisk pace is uncertain. Consumer Confidence rose in January 2011 to a level not seen since the spring of 2010. This pickup in expectations that job growth and the economy will continue to expand may encourage consumers to spend. On the other hand, some economists expect that consumers will return to paying down debt that had reached record levels before the recession. Gasoline prices, which are back to over $3.00 a gallon, may also reduce consumer spending. Concerns increased for a national double dip in housing, as the Case-Shiller home price index for the nation posted a 1.6 percent drop in November from a year earlier. Only four metropolitan areas recorded increases. The Washington Metropolitan Area showed the largest increase, with home prices increasing 3.5 percent over the year.

Other economic indicators also show a stronger recovery on the local level. Moody's Analytics estimates that Gross County Product (GCP), adjusted for inflation, rose at a preliminary rate of 2.6 percent in 2010. After reaching a record high of 5.5 percent in February 2010, the County's unemployment rate dropped to 4.6 percent in September, where it remained through November. This rate is just slightly above the 4.5 percent rate recorded in November 2009. The current unemployment rate equates to approximately 27,800 unemployed residents. A good indication that the County's unemployment rate will decline further is the drop in initial claims for unemployment. For the period November 2010 through the first 3 weeks of January 2011, initial claims for unemployment fell approximately 20.0 percent from the same period a year earlier.

Based on information from the Bureau of Labor Statistics, the Northern Virginia area lost 40,600 jobs from peak employment in April 2008 to its trough in February 2010. Since February, however, the area has experienced job growth each month, and, in November 2010, there were 5,000 more jobs than in November 2009. Still, at this rate of job growth, it would take seven more months to restore the total number of jobs lost.

The Metropolitan Washington Area Leading Index, which is designed to forecast the performance of the metro area economy six to eight months in advance, retreated somewhat in October 2010, after rising on a monthly over-the-year basis for sixteen out of seventeen months. The Metro area has also experienced four consecutive months of strong job growth through November, with 48,000 additional jobs compared to November 2009.

Housing Market

While fewer homes sold in 2010, sales prices rose. Based on preliminary information from the Metropolitan Regional Information System (MRIS), the number of homes sold fell 7.8 percent from 15,298 to 14,100. However, the average price of homes sold during the year rose an estimated 8.9 percent, after dropping 6.4 percent in 2009. The number of net foreclosures rose in 2010. As of December 2010, the number of properties owned by the mortgage lender totaled 842, a 5.8 percent increase from the 796 in December 2009. Serious mortgage delinquencies have declined, which may slow the increase in foreclosures. As of the third quarter of 2010, 2.1 percent of prime loans and 17.5 percent of subprime loans were 90 or more days past due. This is a drop from the second quarter, when the percentages were 2.4 percent and 19.4 percent, respectively.

Nonresidential Market

The direct office vacancy rate at year-end 2010 decreased for the first time since 2006 to 13.3 percent, down from a 16-year high of 13.9 percent at the end of 2009. Including sublet space, the overall office vacancy rate was 15.3 percent, down from 16.4 percent. Office space in the County at the close of 2010 totaled 113.2 million square feet. Lease rates stabilized countywide during 2010. The larger office markets experienced increases in lease rates for higher-end office properties. The incentives that landlords offered tenants during the last half of 2009 and the first half of 2010 were not as prevalent during the last half of the year. Packages were still available but only to larger tenants or tenants willing to sign long-term lease agreements. No new speculative developments broke ground in 2010.

In 2011, the trend seems to be leaning towards cautious optimism. According to the Fairfax County Economic Development Authority (EDA), demand for office space hit an all-time high in 2010 with absorption topping 13.5 million square feet. Signs seem to indicate that the vacancy rate will continue to decrease through 2011. Distressed commercial office sales were minimal through 2010 and cash-rich investors are poised to take advantage of a new round of commercial investment in 2011, if the increased sales activity in 2010 is any indication. Some new speculative office space may be developed during the second half of this year, as developers have positioned a number of properties to break ground as demand increases.

Revenue

Current and Delinquent Real Estate Tax revenue comprises over 62 percent of total County General Fund revenues. FY 2012 Real Estate property values were established as of January 1, 2011 and reflect market activity through calendar year 2010. The Real Estate Tax base is projected to increase 3.27 percent in FY 2012, and is made up of a 2.67 percent increase in total equalization (reassessment of existing residential and nonresidential properties), and an increase of 0.60 percent for new construction.

The FY 2011 and FY 2012 General Fund revenue estimates discussed in this section are based on a review of Fairfax County economic indicators, actual FY 2010 receipts, and FY 2011 year-to-date collection trends. Forecasts of economic activity in the County are provided by Moody's Analytics 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 2012.

MAJOR REVENUE SOURCES

The following major revenue categories discussed in this section comprise 97.7 percent of total FY 2012 General Fund revenue. Unless otherwise indicated, comparative data are presented relative to the *FY 2011 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 2010 Actual	FY 2011 Adopted Budget Plan	FY 2011 Revised Budget Plan[1]	FY 2012 Advertised Budget Plan	Change from the FY 2011 Revised Budget Plan: Increase/ (Decrease)	Change from the FY 2011 Revised Budget Plan: Percent Change
Real Estate Tax - Current	$2,105,601,756	$1,997,536,762	$2,006,056,795	$2,066,757,970	$60,701,175	3.03%
Personal Property Tax Current[2]	495,954,205	489,331,277	484,617,470	508,294,323	23,676,853	4.89%
Paid Locally	284,640,261	278,017,333	273,303,526	296,980,379	23,676,853	8.66%
Reimbursed by Commonwealth	211,313,944	211,313,944	211,313,944	211,313,944	0	0.00%
Local Sales Tax	149,547,338	145,763,329	145,763,329	148,606,488	2,843,159	1.95%
Recordation/Deed of Conveyance Taxes	24,864,943	24,714,902	25,122,266	25,373,488	251,222	1.00%
Gas & Electric Utility Taxes	45,090,887	45,574,004	45,574,004	46,029,744	455,740	1.00%
Communications Sales Tax	52,075,447	52,933,658	52,312,013	52,312,013	0	0.00%
Vehicle License Fee	0	27,000,000	27,000,000	27,270,000	270,000	1.00%
Transient Occupancy Tax	17,815,686	18,097,701	18,097,701	18,459,655	361,954	2.00%
Business, Professional and Occupational License Tax-Current	138,542,613	136,431,465	138,542,613	141,313,465	2,770,852	2.00%
Permits, Fees and Regulatory Licenses	28,665,677	27,719,593	27,888,461	27,921,065	32,604	0.12%
Investment Interest	16,792,303	14,438,339	17,601,597	12,747,824	(4,853,773)	-27.58%
Charges for Services	62,980,797	65,529,312	63,228,869	64,789,101	1,560,232	2.47%
Revenue from the Commonwealth and Federal Governments[2]	132,658,846	118,100,303	120,661,030	125,178,562	4,517,532	3.74%
Total Major Revenue Sources	**$3,270,590,498**	**$3,163,170,645**	**$3,172,466,148**	**$3,265,053,698**	**$92,587,550**	**2.92%**

[1] FY 2011 revenue estimates were increased a net $7.3 million as part of a fall 2010 review of revenues. Explanations of these changes can be found in the following narrative. The *FY 2011 Third Quarter Review* will 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.

General Fund Revenue Overview

REAL ESTATE TAX-CURRENT

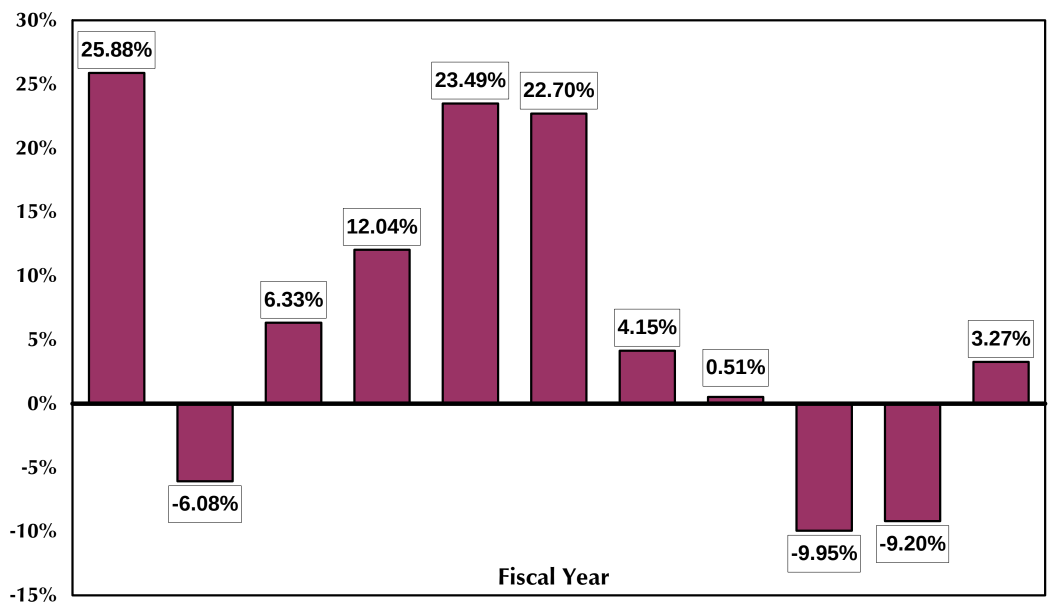
FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
$2,105,601,756	$1,997,536,762	$2,006,056,795	$2,066,757,970	$60,701,175	3.0%

The FY 2012 Advertised Budget Plan estimate for Current Real Estate Taxes is $2,066,757,970 and represents an increase of $60,701,175, or 3.0 percent, over the *FY 2011 Revised Budget Plan*. The increase is the net result of the increase in the Real Estate Tax base of 3.27 percent and the proposed General Fund Real Estate Tax rate of $1.09 per $100 of assessed value, the same as in FY 2011.

The FY 2012 value of assessed real property represents an increase of 3.27 percent, as compared to the FY 2011 Real Estate Land Book, and is comprised of an increase in equalization of 2.67 percent and an increase of 0.60 percent associated with growth. The FY 2012 figures reflected in this document are based on final assessments for Tax Year 2011 (FY 2012), which were established as of January 1, 2011. In addition to the revenue shown in the table above, the projected value of one-half penny on the real estate tax rate ($9.65 million) is allocated to The Penny for Affordable Housing Fund. Throughout FY 2012, 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 2012.

Percentage Change in Real Estate Assessed Value
FY 1990 - FY 2012



	1990	1993	2000	2005	2006	2007	2008	2009	2010	2011	2012
Equalization	**18.27%**	**-6.48%**	**2.96%**	**9.54%**	**20.80%**	**19.76%**	**2.47%**	**-1.02%**	**-10.52%**	**-8.98%**	**2.67%**
Res	19.01	-3.74	0.77	11.29	23.09	20.57	-0.33	-3.38	-12.55	-5.56	2.34
NonRes	16.54	-13.22	9.24	3.74	12.74	16.64	13.57	7.00	- 4.51	-18.29	3.73
Growth	**7.61**	**0.40**	**3.37**	**2.50**	**2.69**	**2.94**	**1.68**	**1.53**	**0.57**	**-0.22**	**0.60**
	25.88%	**-6.08%**	**6.33%**	**12.04%**	**23.49%**	**22.70%**	**4.15%**	**0.51%**	**-9.95%**	**-9.20%**	**3.27%**

General Fund Revenue Overview

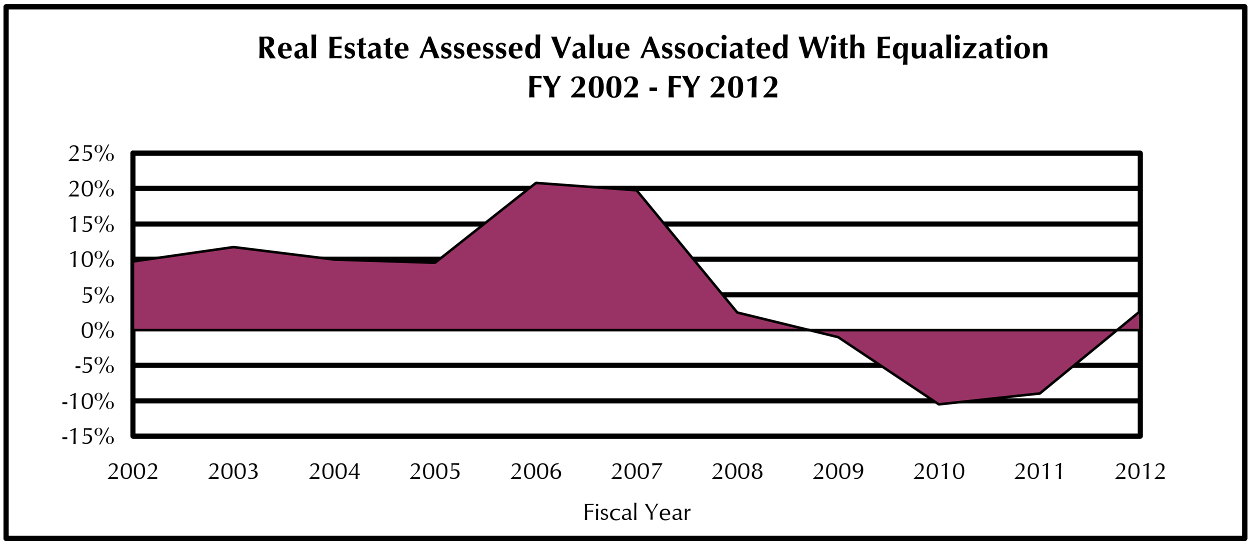
The FY 2012 **Main Assessment Book Value** is $193,918,874,000 and represents an increase of $6,138,797,090, or 3.27 percent, over the FY 2011 main assessment book value of $187,780,076,910. FY 2012 marks the first year in which the main assessment book value increased, after the significant decreases experienced in the previous two years. However, FY 2012 main book assessments remain below FY 2007 levels, and are down $35.8 billion, or 15.6 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. Deceleration 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. Following the financial crisis and a general decline in economic conditions, the FY 2010 assessment base declined 9.95 percent, which was the largest drop on record since at least 1962. The assessment base decreased for a second consecutive year in FY 2011, declining 9.2 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 2012 assessment base reflects a total equalization increase of 2.67 percent and an increase of 0.60 percent associated with the growth component. As a result of changes in equalization and growth, the residential portion of the total assessment base decreased from 76.15 percent in FY 2011 to 75.74 percent in FY 2012. The table below reflects changes in the Real Estate Tax assessment base from FY 2006 through FY 2012.

Main Real Estate Assessment Book Value and Changes
(in millions)

Assessed Base Change Due To:	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Equalization	**$30,124.7**	**$35,328.9**	**$5,410.2**	**($2,332.0)**	**($24,171.5)**	**($18,570.1)**	**$5,015.3**
% Change	20.80%	19.76%	2.47%	-1.02%	-10.52%	-8.98%	2.67%
Residential	23.09%	20.57%	-0.33%	-3.38%	-12.55%	-5.56%	2.34%
Nonresidential	12.74%	16.64%	13.57%	7.00%	-4.51%	-18.29%	3.73%
Normal Growth	**$3,889.0**	**$5,258.1**	**$3,683.6**	**$3,502.6**	**$1,309.6**	**($457.9)**	**$1,123.5**
% Change	2.69%	2.94%	1.68%	1.53%	0.57%	-0.22%	0.60%
Residential	2.62%	3.01%	1.00%	0.77%	0.51%	0.12%	0.37%
Nonresidential	2.93%	2.67%	4.38%	4.11%	0.74%	-1.16%	1.31%
Total Change	**$34,013.7**	**$40,587.0**	**$9,093.8**	**$1,170.6**	**($22,861.9)**	**($19,028.0)**	**$6,138.8**
% Change	23.49%	22.70%	4.15%	0.51%	-9.95%	-9.20%	3.27%
Total Book	$178,818.4	$219,405.4	$228,499.2	$229,669.8	$206,808.0	$187,780.1	$193,918.9

Equalization, or reassessment of existing residential and nonresidential property, represents an increase in value of $5,015,308,270, or 2.67 percent, in FY 2012. Both residential and nonresidential property values rose in FY 2012. After falling four consecutive years, existing residential properties increased in FY 2012 reflecting a stabilization of the residential housing market that began in calendar year 2010. While the number of homes sold decreased in calendar year 2010, median and average home sale prices increased. Changes in the assessment base as a result of equalization are shown in the following graph.



Residential equalization rose at double digit rates from FY 2002 through FY 2007 due to high 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, FY 2010, and FY 2011, overall residential equalization declined 0.33 percent, 3.38 percent, 12.55 percent, and 5.56 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 2012, the majority of residential properties in the County will receive a modest increase in value. 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 increased 2.10 percent in FY 2012. 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 increased 2.53 percent in FY 2012, while that of townhouse properties rose 3.73 percent. Changes in residential equalization by housing type since FY 2007 are shown in the following table. 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.

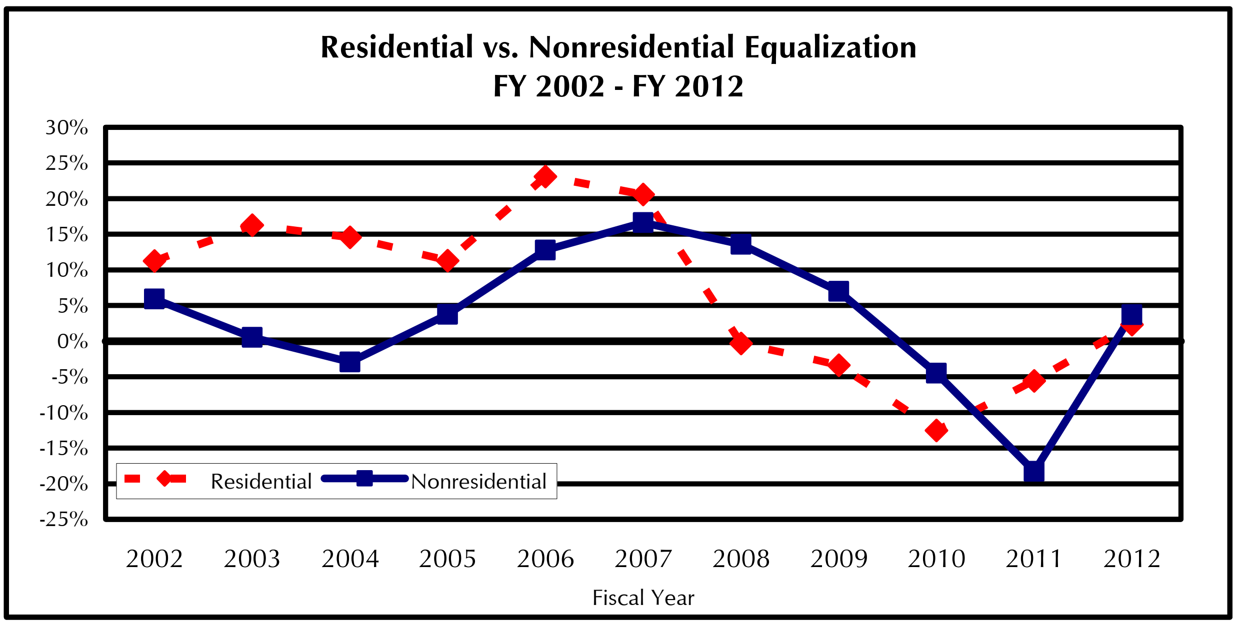
General Fund Revenue Overview

Residential Equalization Changes

Housing Type/ (Percent of Base)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Single Family (72.5%)	20.37%	-0.43%	-3.12%	-11.34%	-5.50%	2.10%
Townhouse/Duplex (18.8%)	22.69%	0.64%	-4.96%	-16.06%	-4.44%	3.73%
Condominiums (7.9%)	25.97%	-2.23%	-4.54%	-19.51%	-10.45%	2.53%
Vacant Land (0.6%)	25.44%	3.86%	7.66%	-7.08%	-6.68%	-3.50%
Other (0.2%)[1]	9.67%	2.97%	6.46%	-4.99%	-3.60%	2.69%
Total Residential Equalization (100%)	**20.57%**	**-0.33%**	**-3.38%**	**-12.55%**	**-5.56%**	**2.34%**

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

As a result of the increase in residential equalization, the mean assessed value of all residential property in the County is $443,551. This is an increase of $10,142 over the FY 2011 value of $433,409. At the proposed Real Estate tax rate of $1.09 per $100 of assessed value, the typical residential annual tax bill will rise, on average, $110.55 in FY 2012 to $4,834.71.



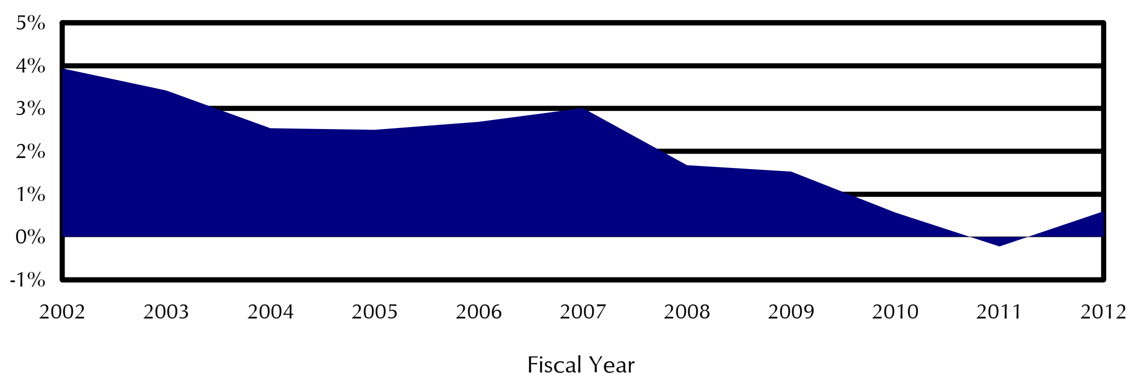
After experiencing a record decline of 18.29 percent in FY 2011, **nonresidential equalization** increased 3.73 percent in FY 2012. Much of this increase was the result of multi-family apartment properties, which make up nearly 20 percent of the nonresidential base. Apartment values rose 14.54 percent, reflecting strong rental income and high occupancy rates. Hotel properties also experienced double digit growth in FY 2012 at 11.35 percent. Office Elevator properties (mid- and high-rises), the largest component of the nonresidential tax base (36.2 percent), experienced a modest rise of 1.88 percent after falling over 24 percent in FY 2011. During the past year, lease rates stabilized and office vacancy rates declined. The direct office vacancy rate as of year-end 2010 decreased for the first time since 2006 to 13.3 percent, down from a 16-year high of 13.9 at the end of 2009. Including sublet space, the overall office vacancy rate was 15.3 percent, down from 16.4 percent at year-end 2009. Nonresidential equalization changes by category since FY 2007 are presented in the following table.

Nonresidential Equalization Changes

Category (Percent of Base)	FY 2007	FY 2008	2009	2010	2011	2012
Apartments (19.7%)	11.65%	22.59%	6.41%	-6.96%	-12.69%	14.54%
Office Condominiums (4.6%)	1.96%	13.76%	4.78%	-1.10%	-7.57%	-1.53%
Industrial (6.7%)	12.61%	14.34%	14.08%	-1.08%	-23.48%	-0.31%
Retail (16.0%)	15.95%	8.78%	6.47%	-1.74%	-16.07%	1.90%
Office Elevator (36.2%)	24.16%	15.93%	5.68%	-6.62%	-24.31%	1.88%
Office - Low Rise (3.9%)	23.94%	10.18%	9.16%	-3.35%	-23.86%	0.49%
Vacant Land (3.5%)	21.88%	14.99%	7.67%	-3.87%	-26.53%	-2.07%
Hotels (3.7%)	25.54%	9.58%	11.28%	-7.06%	-34.03%	11.35%
Other (5.7%)	12.19%	10.05%	7.63%	-2.07%	-12.84%	2.37%
Nonresidential Equalization (100%)	**16.64%**	**13.57%**	**7.00%**	**-4.51%**	**-18.29%**	**3.73%**

The **Growth** component increased the FY 2012 assessment base by $1,123,488,820, or 0.60 percent, over the FY 2011 assessment book value. New construction increased the residential property base by 0.37 percent and nonresidential properties by 1.31 percent.

Real Estate Assessed Value Associated With Normal Growth FY 2002 - FY 2012



In addition to the final equalization and normal growth adjustments in the Main Assessment Book, the following projected adjustments were made to the FY 2012 Real Estate Tax revenue estimate:

Additional Assessments expected to be included in the new Real Estate base total $290.9 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 $1,152.8 million in FY 2012, resulting in a reduction in levy of $12.6 million.

Tax Relief for the Elderly and Disabled is projected to reduce the Real Estate assessment base in FY 2012 by $2,618.4 million. The reduction in tax levy due to the Tax Relief program is approximately $28.5 million at the proposed rate of $1.09 per $100 of assessed value. In FY 2012, 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 2012 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 2012	Over $62,000 to $72,000		25%

The FY 2012 local assessment base of $190,438,588,273 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of $2,075,780,611 is calculated using a proposed 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 $2,067,685,067. In FY 2012, 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 $19.3 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.

General Fund Revenue Overview

FY 2012 Estimated Real Estate Assessments and Tax Levy

	Assessed Value	FY 2012 Tax Levy at $1.09/$100 of Assessed Value
FY 2011 Real Estate Book	$187,780,076,910	$2,046,802,838
FY 2012 Equalization	$5,015,308,270	$54,666,860
FY 2012 Growth	$1,123,488,820	$12,246,028
TOTAL FY 2012 REAL ESTATE BOOK	**$193,918,874,000**	**$2,113,715,726**
Exonerations	($959,262,762)	($10,455,964)
Certificates	($21,551,533)	($234,912)
Tax Abatements	($171,998,378)	($1,874,782)
Subtotal Exonerations	($1,152,812,673)	($12,565,658)
Supplemental Assessments	$290,878,310	$3,170,574
Tax Relief	($2,618,351,364)	($28,540,030)
Local Assessments	**$190,438,588,273**	**$2,075,780,611**
Public Service Corporation	$800,266,285	$8,722,903
TOTAL	**$191,238,854,558**	**$2,084,503,514**

The total assessment base, including Public Service Corporations, is $191,238,854,558, with a total tax levy of $2,084,503,514 at the proposed tax rate of $1.09 per $100 of assessed value. Estimated FY 2012 revenue from the Real Estate Tax, including receipts from Public Service Corporations, totals $2,076,407,970 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, $9,650,000, has been directed to Fund 319, The Penny for Affordable Housing Fund. Total General Fund revenue from the Real Estate Tax is $2,066,757,970, which reflects an overall collection rate of 99.61 percent. The total collection rates experienced in this category since FY 1997 are shown in the following table:

Real Estate Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
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**	99.71%
2003	99.67%	**2011 (estimated)**	99.61%
2004	99.61%	**2012 (estimated)**[1]	99.61%

[1] In FY 2012, every 0.1 percentage point change in the collection rate yields a revenue change of $2,075,780.

The Commercial/Industrial percentage of the County's FY 2012 Real Estate Tax base is 19.64 percent, a slight decrease of 0.06 percentage points from the FY 2011 level of 19.70 percent. The Commercial/Industrial percentage is based on Virginia land use codes and includes all nonresidential property except multi-family rental apartments, which make up 4.62 percent of the County's Real Estate Tax base in FY 2012, up from 4.15 percent in FY 2011. Multi-family rental apartments experienced a double digit increase in value in FY 2012, while other nonresidential property rose at more moderate rates or decreased slightly, resulting in an overall decrease in the Commercial/Industrial percentage. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

Commercial/Industrial Percentages

Fiscal Year	Percentage	Fiscal Year	Percentage
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%
2004	19.14%	**2012**	19.64%

FY 2011 Real Estate Revenue

The FY 2011 Real Estate estimate was increased $8.0 million during the fall 2010 revenue review. This increase was the result of a lower level of projected exonerations and a decrease in expected tax relief. The FY 2011 Adopted Budget Plan included estimated exonerations of $16.2 million, a slight increase from the $16.0 million experienced in FY 2010. Appeals and Board of Equalization cases had declined significantly and estimated FY 2011 exonerations were reduced to $10.3 million, a revenue increase of $6.0 million. The estimate for Tax Relief was reduced from $27.6 million to $25.4 million, a revenue increase of $2.1 million. In addition, the revenue from Public Service Corporations was reduced $0.1 million based on final state assessments.

PERSONAL PROPERTY TAX-CURRENT

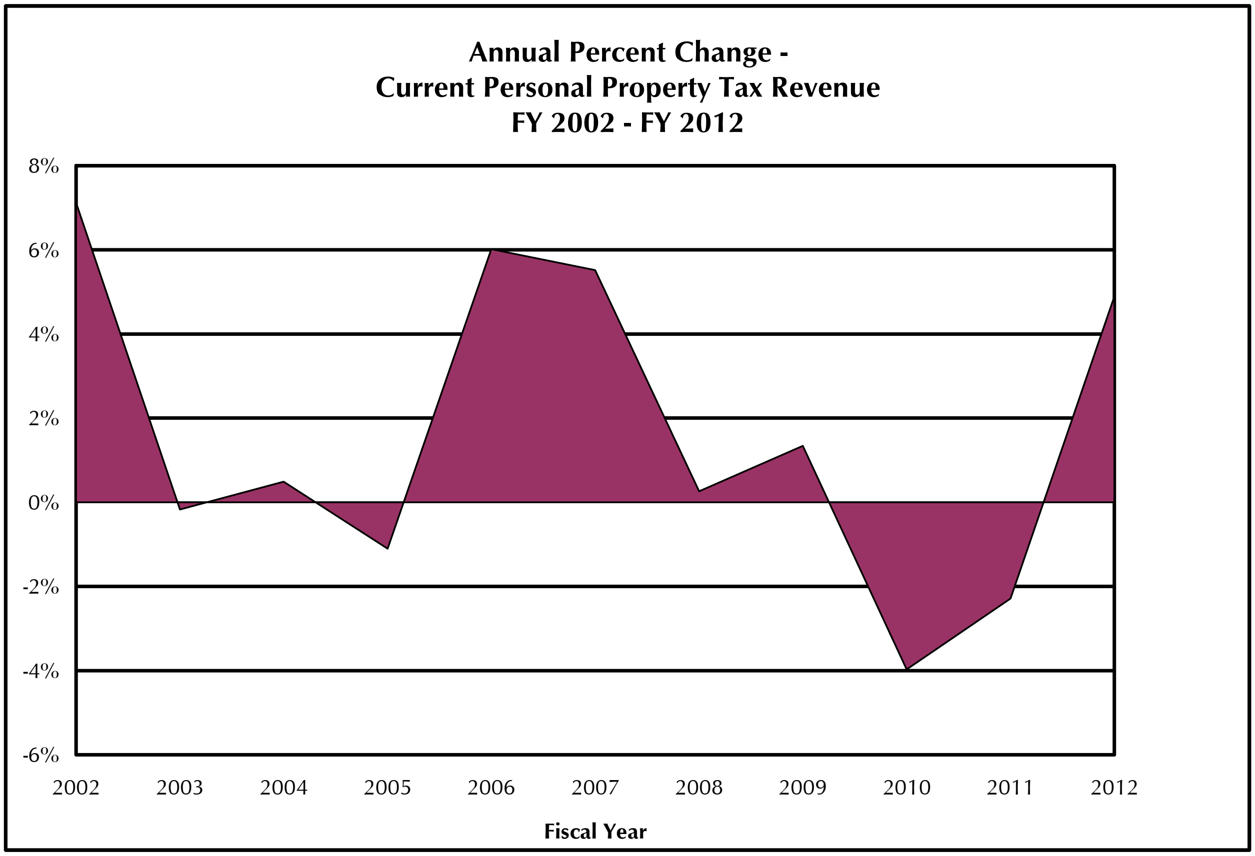
	FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
Assessed & Paid Locally	$256,269,887	$249,508,355	$252,117,732	$269,539,042	$17,421,310	6.9%
Public Service Corp.	$28,370,374	$28,508,978	$21,185,794	$27,441,337	$6,255,543	29.5%
Reimbursed by State	211,313,944	211,313,944	211,313,944	211,313,944	0	0.0%
Total	$495,954,205	$489,331,277	$484,617,470	$508,294,323	$23,676,853	4.9%

The FY 2012 Advertised Budget Plan estimate for Personal Property Tax revenue of $508,294,323 represents an increase of $23,676,853, or 4.9 percent, over the *FY 2011 Revised Budget Plan*. Of this increase, $17.4 million is based on an increase in locally assessed property, while $6.3 million is due to a potential statewide refund in FY 2011 of state assessed Public Service Corporation property.

The Personal Property Tax is levied on vehicles owned by individuals and businesses, as well as on business personal property such as furniture and computer equipment. Personal Property Taxes paid on property owned by Public Service Corporations (PSC) is assessed by the state for all localities. Due to a statewide appeal of PSC assessments over a multi-year period, the County could potentially lose $7.4 million in FY 2011. The FY 2011 PSC estimate was revised during the fall 2010 revenue review to reflect the final state assessment and this potential loss. Partially offsetting this decrease in FY 2011 is an increase of $2.6 million as a result of an increase in vehicle volume and levy based on partial year assessments. In total, the FY 2011 Personal Property Tax estimate was reduced a net $4.7 million during the fall 2010 revenue review.

The Personal Property Tax on vehicles represents about 71 percent of the total assessment base in FY 2012. The vehicle component is comprised of two parts, that which is paid 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 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 reimbursement percentage was set at 70.0 percent in both FY 2010 and FY 2011. The FY 2012 reimbursement percentage has been set at 68.0 percent.

Total Personal Property Tax revenue increased 7.1 percent in FY 2002, before it dropped a slight 0.2 percent in FY 2003 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 decreased 4.0 percent mainly as a result of a decline in the average vehicle levy. FY 2011 Personal Property Tax receipts are anticipated to decrease 2.3 percent due to a decrease in the business volume and average business levy, coupled with a decrease in the Public Service Corporations (PSC) property revenue due to the potential refund discussed above. Without this refund, FY 2011 Personal Property Taxes would have dropped a more modest 0.8 percent. Annual percentage changes in total Personal Property Tax revenues are shown in the following graph.



Personal Property Tax revenue is projected to increase 4.9 percent in FY 2012. Absent the refund discussed above, growth in FY 2012 would be 3.3 percent. The vehicle component, which comprises almost 71 percent of total Personal Property levy, is expected to increase 3.8 percent. Total vehicle volume is forecast to increase a modest 0.3 percent in FY 2012. 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 19.5 percent in 2010. Because more new vehicles are being purchased and existing vehicles' depreciation has moderated, the average vehicle levy is expected to increase 4.5 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 2002 are shown in the following table.

Personal Property Vehicles

Fiscal Year	% Change in Vehicle Volume	Average Vehicle Levy	% Change in Average Levy
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	0.1%	$387	-10.8%
FY 2011 (est.)	0.9%	$396	2.3%
FY 2012 (est.)	0.3%	$414	4.5%

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 at the FY 2011 level in FY 2012.

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 studies by an outside firm, the computer depreciation schedule has not been adjusted since FY 2004. 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
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 2012
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%

Personal Property Tax revenue estimates are based on a tax rate of $4.57 per $100 of valuation for vehicles and business property, and a tax 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 2012 Estimated Personal Property Assessments and Tax Levy

Category	FY 2012 Assessed Value	Tax Rate (per $100)	FY 2012 Tax Levy	Percent of Total Levy
Vehicles				
Privately Owned	$8,535,825,349	$4.57	$322,244,084	62.6%
Business Owned	424,536,186	4.57	15,805,426	3.1%
Leased	783,495,373	4.57	26,432,872	5.1%
Subtotal	$9,743,856,908		$364,482,382	70.8%
Business Personal Property				
Furniture and Fixtures	$1,825,309,047	$4.57	$83,352,475	16.2%
Computer Equipment	694,244,262	4.57	31,721,920	6.2%
Machinery and Tools	76,560,282	4.57	3,498,805	0.7%
Research and Development	10,566,864	4.57	482,906	0.1%
Subtotal	$2,606,680,455		$119,056,106	23.2%
Public Service Corporations				
Equalized	$2,477,349,817	$1.09	$27,003,113	5.2%
Vehicles	9,589,147	4.57	438,224	0.1%
Subtotal	$2,486,938,964		$27,441,337	5.3%
Other				
Mobile Homes	$20,765,488	$1.09	$252,426	0.1%
Other (Trailers, Misc.)	16,811,015	4.57	649,747	0.1%
Subtotal	$37,576,503		$902,173	0.2%
Penalty for Late Filing			$2,531,947	0.5%
TOTAL	**$14,875,052,830**		**$514,413,946**	**100.0%**

FY 2012 Personal Property Tax assessments including Public Service Corporations are $14,875,052,830, with a total tax levy of $514,413,946. Personal Property Tax revenue collections are projected to be $508,294,323, of which $211.3 million will be reimbursed from the state. The collection rate associated with the taxpayer's share is estimated to be 97.8 percent. Total collection rates experienced in this category since FY 1997 are shown in the following table:

Total Personal Property Tax Collection Rates

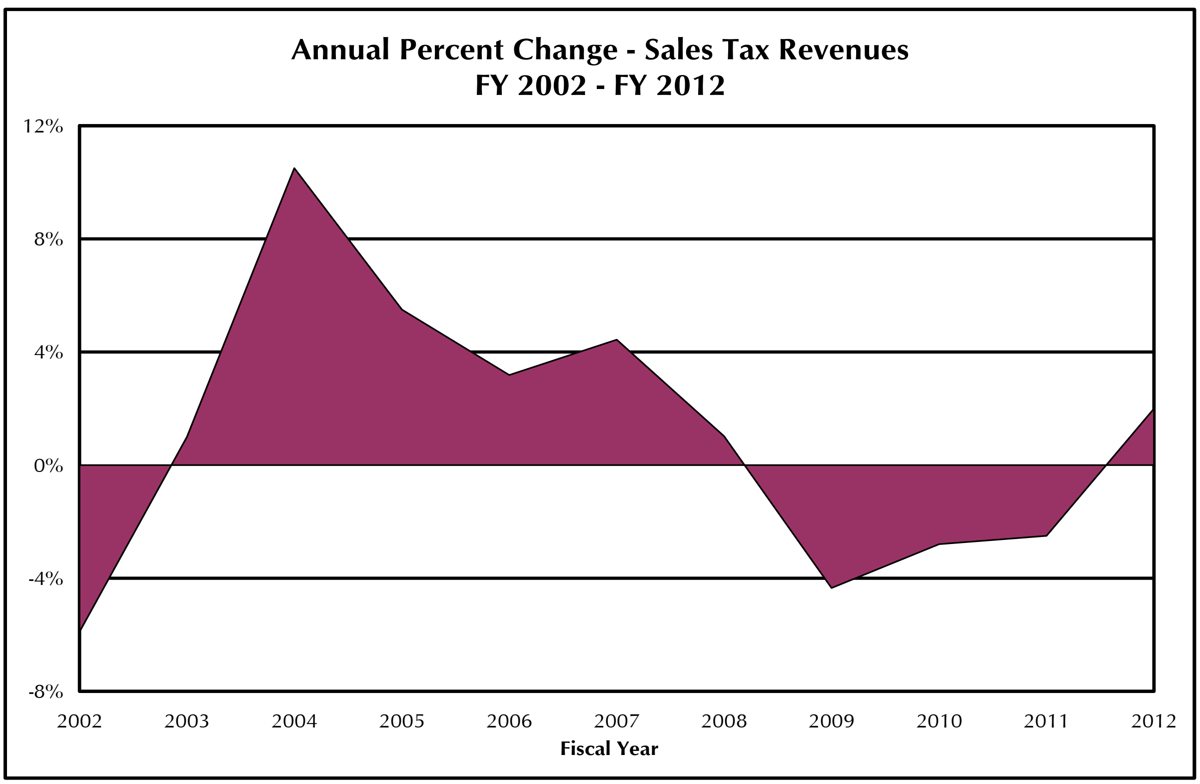
Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1997	97.3%	**2005**	97.9%
1998	97.3%	**2006**	98.1%
1999	97.3%	**2007**	98.3%
2000	97.3%	**2008**	98.0%
2001	97.1%	**2009**	97.9%
2002	96.3%	**2010**	97.8%
2003	96.8%	**2011 (estimated)**	97.8%
2004	96.9%	**2012 (estimated)[1]**	97.8%

[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 $1.1 million.

LOCAL SALES TAX

FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
$149,547,338	$145,763,329	$145,763,329	$148,606,488	$2,843,159	2.0%

The FY 2012 Advertised Budget Plan estimate for Sales Tax receipts is $148,606,488, or 2.0 percent over the *FY 2011 Revised Budget Plan*. This estimate is based on the expectation that the economic recovery will take hold by mid-2011. The chart below illustrates that the level of Sales Tax receipts has varied with economic conditions. From FY 2005 through FY 2007, Sales Tax Receipts experienced moderate growth, increasing at an average annual rate of 4.4 percent. The national recession began in December 2007 and FY 2008 Sales Tax revenue rose just 1.0 percent, followed by a decline of 4.4 percent in FY 2009. This was the first decline since FY 2002 and only the third decrease in over 30 years. While the national recession was reported to have reached its trough in December 2009, job losses continued and Sales Tax collections fell 2.8 percent in FY 2010. The FY 2011 estimate for Sales Tax receipts has not been adjusted from the FY 2011 Adopted Budget Plan, which represents a decrease of 2.5 percent from the FY 2010 level. In the first five months of FY 2011, Sales Tax receipts are up 0.9 percent. Holiday sales have a significant impact on total receipts for the fiscal year and taxes on retail sales in December will not be received until late February. In addition, it is likely that January 2011 revenue will represent a decline because January 2010 receipts were overstated by $1.7 million as a result of back taxes received from the state's tax amnesty program. The 2.0 percent reduction in the payroll tax that began in January 2011 is expected to have a positive impact on retail sales; however, the extent of the impact will not be known for several more months. Sales Tax receipts will be reviewed during the *FY 2011 Third Quarter Review* to determine if an adjustment to the current estimate is necessary. Sales Tax receipts are expected to rise a modest 2.0 percent in FY 2012, reflecting improving, albeit tepid, economic growth.



General Fund Revenue Overview

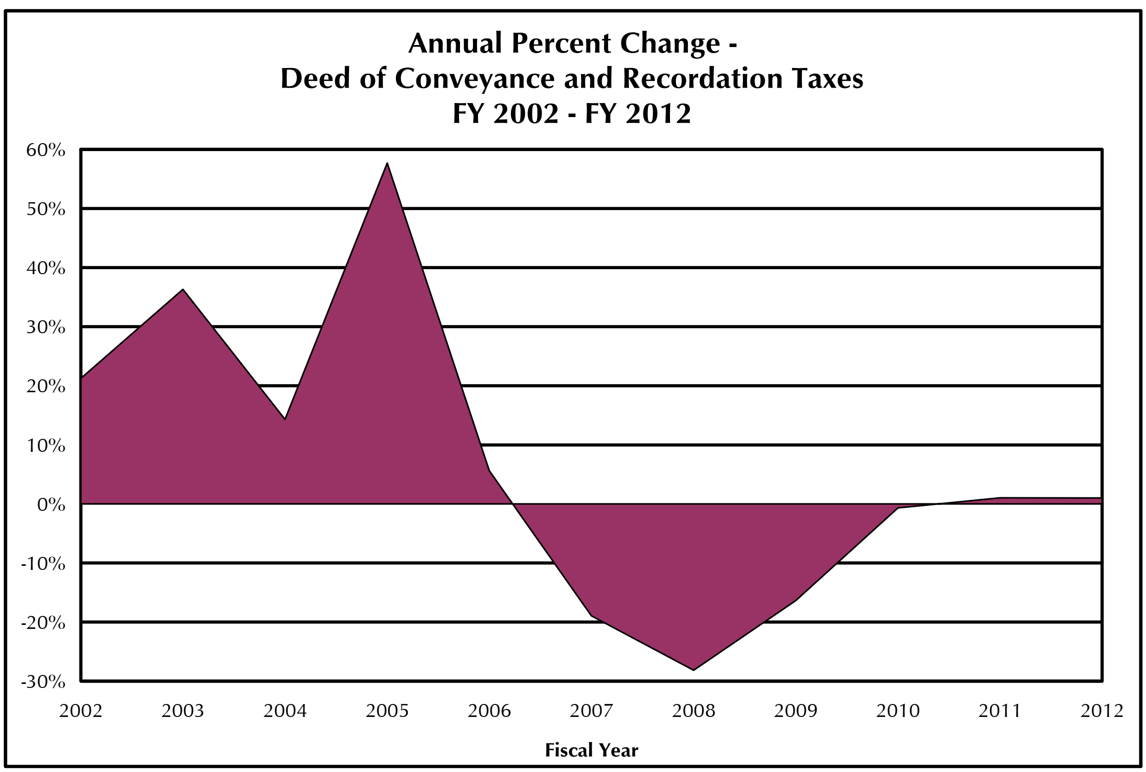
RECORDATION/DEED OF CONVEYANCE TAXES

FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
$24,864,943	$24,714,902	$25,122,266	$25,373,488	$251,222	1.0%

The FY 2012 Advertised Budget Plan estimate for Recordation and Deed of Conveyance Taxes is $25,373,488, or 1.0 percent over the *FY 2011 Revised Budget Plan*. The FY 2012 estimate is comprised of $20,758,376 in Recordation Tax revenues and $4,615,112 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 2002 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 37.8 percent and 25.5 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 in recent years, revenue decreased a combined 18.9 percent in FY 2007, 28.1 percent in FY 2008, 16.4 percent in FY 2009, and a slight 0.7 percent in FY 2010.

Based on collection trends, the FY 2011 estimate for Deed of Conveyance and Recordation Taxes was revised upward during the fall 2010 revenue review and represents a modest increase over the FY 2010 level. Based on forecasts that Fairfax County home sales will increase in calendar years 2011 and 2012, FY 2012 revenue from Deed of Conveyance and Recordation Tax is expected to increase 1.0 percent over the projected FY 2011 level.



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

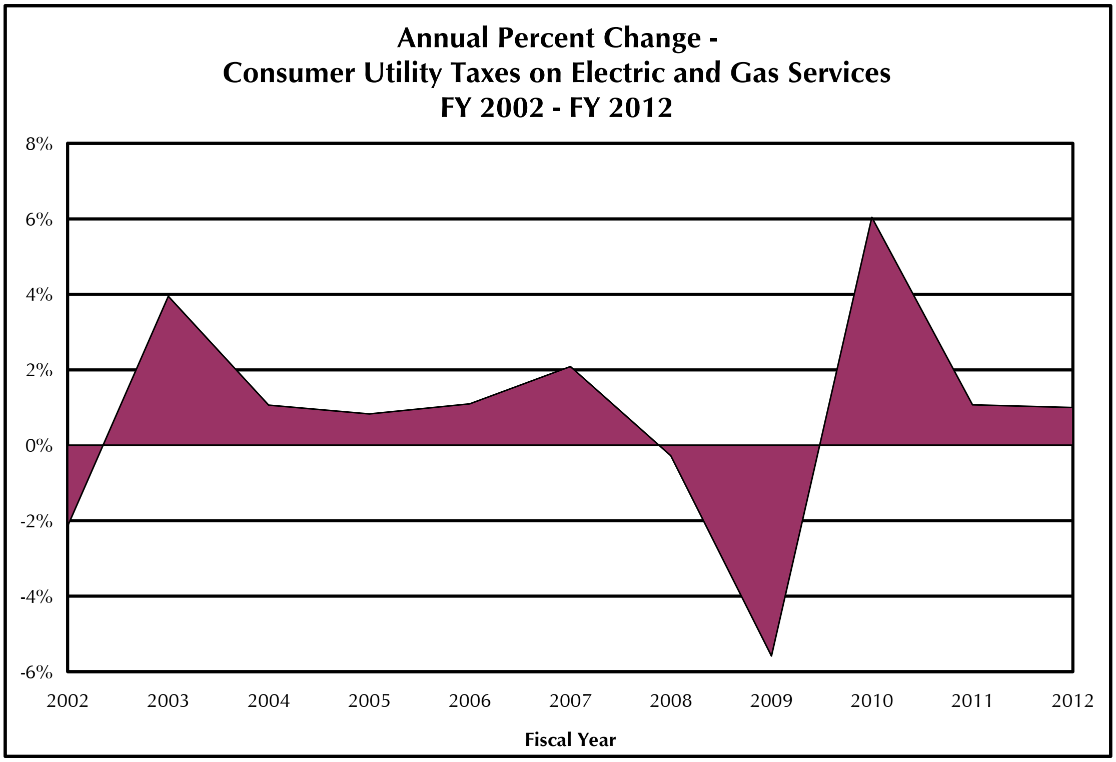
FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
$45,090,887	$45,574,004	$45,574,004	$46,029,744	$455,740	1.0%

The FY 2012 Advertised Budget Plan estimate for Consumer Utility Tax on gas and electric services of $46,029,744 represents an increase of $455,740, or 1.0 percent, over the *FY 2011 Revised Budget Plan*. The FY 2012 estimate is comprised of $36,361,498 in taxes on electric service and $9,668,246 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 2012**	**Natural Gas Customer Class**	**Monthly Tax FY 2001 - FY 2012**
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 2002 to FY 2008 grew at an average annual rate of 1.4 percent. Receipts in FY 2009 fell 5.6 percent, while receipts in FY 2010 increased 6.0 percent due to an adjustment to align receipts in the proper fiscal year. Absent the adjustment, FY 2010 receipts were essentially level with FY 2008 collections. The FY 2011 estimate remains at the FY 2011 Adopted Budget Plan level, reflecting an increase of 1.1 percent over FY 2010 receipts. The FY 2012 estimate for a 1.0 percent increase is based on historical collection trends.



COMMUNICATIONS SALES AND USE TAX

FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
$52,075,447	$52,933,658	$52,312,013	$52,312,013	$0	0.0%

The FY 2012 Advertised Budget Plan estimate for the Communications Sales and Use Tax of $52,312,013 represents no change from the *FY 2011 Revised Budget Plan*. 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 receipts fell 3.9 percent in FY 2009 and another 3.2 percent in FY 2010. The FY 2011 estimate was reduced $0.6 million to $52.3 million during the fall 2010 revenue review based on the average monthly receipts over the last 6 months. The FY 2012 revenue is expected to remain at the FY 2011 level.

VEHICLE REGISTRATION LICENSE FEE

FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
$0	$27,000,000	$27,000,000	$27,270,000	$270,000	1.0%

The FY 2012 Advertised Budget Plan estimate for the Vehicle Registration Fee is $27,270,000, or 1.0 percent over the *FY 2011 Revised Budget Plan* and is based on a modest increase in vehicles located in the County. The Vehicle Registration License Fee on motor vehicles is authorized by Section 46.2-752 of the Code of Virginia. The County does not require the display of a decal. The fee is $33 for passenger vehicles that weigh 4,000 pounds or less and $38 on passenger vehicles that weight more than 4,000 pounds. In addition, fees are $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.

Payment of Vehicle Registration License Fees is linked to the payment of Personal Property Taxes on October 5 each year. Vehicles owned by persons who qualify for property tax relief and vehicles owned by disabled veterans, members of volunteer fire departments and auxiliary police officers are tax exempt.

TRANSIENT OCCUPANCY TAX

FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
$17,815,686	$18,097,701	$18,097,701	$18,459,655	$361,954	2.0%

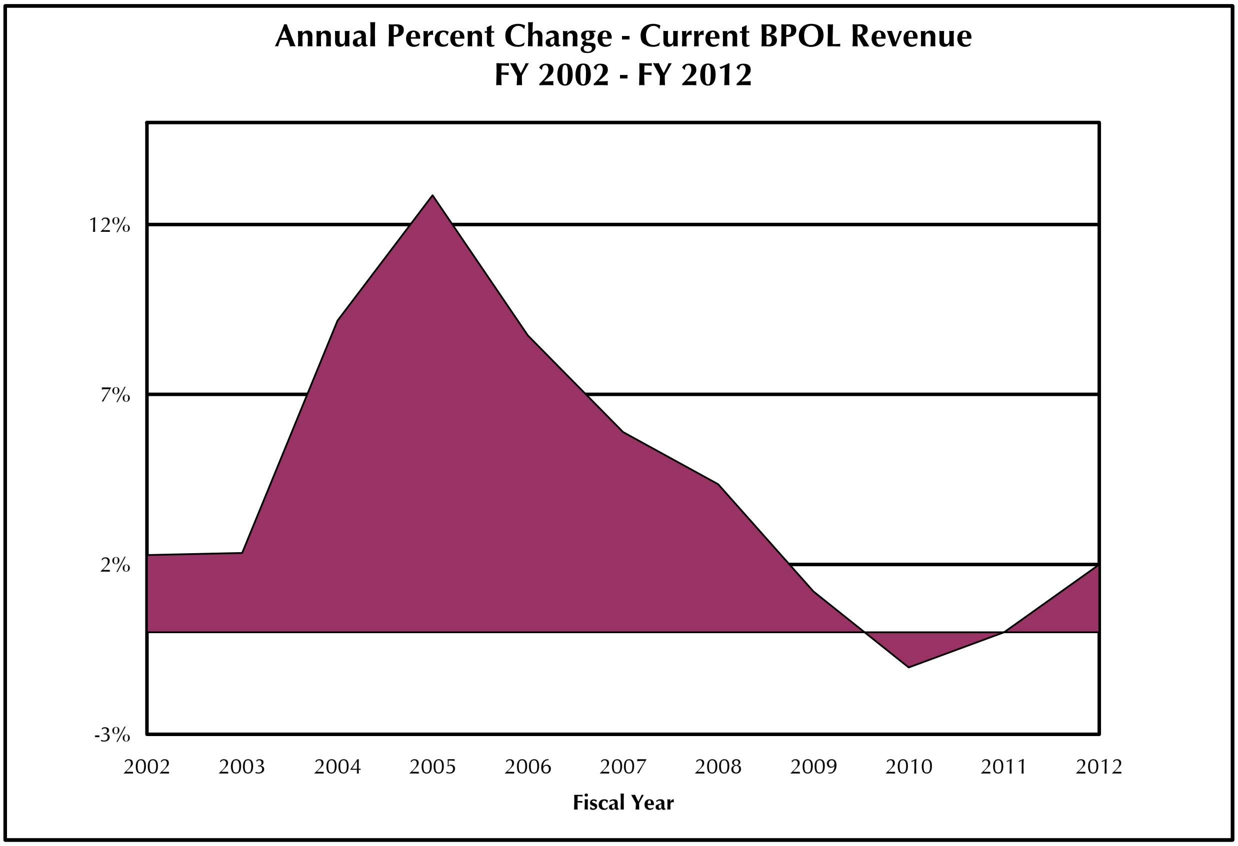
The FY 2012 Advertised Budget Plan estimate for Transient Occupancy Tax is $18,459,655, or 2.0 percent over the *FY 2011 Revised Budget Plan*. Transient Occupancy Taxes are charged as part of a hotel bill and remitted by the hotel to the County. Prior to FY 2005, the Transient Occupancy Tax rate was 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 2.0 percent Transient Occupancy Tax beginning in FY 2005. A portion, 25 percent, of the additional 2.0 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. No change has been made to the FY 2011 estimate based on year-to-date collection trends through November. Transient Occupancy Tax receipts will be reviewed during the *FY 2011 Third Quarter Review* to determine if an adjustment to the current estimate is necessary. Based on projections of the economic recovery taking hold by mid-2011, receipts are expected to increase 2.0 percent in FY 2012.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
$138,542,613	$136,431,465	$138,542,613	$141,313,465	$2,770,852	2.0%

The FY 2012 Advertised Budget Plan estimate for Business, Professional and Occupational License Taxes (BPOL) is $141,313,465, or 2.0 percent over the *FY 2011 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 were up just 1.2 percent over FY 2008. This modest rate of growth reflected the downturn in the local economy late in 2008. In FY 2010, BPOL receipts, which were based on the gross receipts of businesses in calendar year 2009, fell 1.0 percent. Revenue from the Business Service Occupations and Consultants, which together represent over 46 percent of total BPOL receipts, fell 0.4 percent in FY 2010. The Retail category, which represents over 17 percent of total BPOL receipts, fell 4.6 percent in FY 2010. The Professional Occupations category, which makes up nearly 12 percent of total BPOL revenue and includes physicians and attorneys, experienced 0.6 percent growth in FY 2010. Due to a relatively stable real estate market in calendar year 2009, the Real Estate Broker category (0.9 percent of total BPOL) increased 5.0 in FY 2010. After declining 55.0 percent in FY 2009, the Builders and Developers component (0.2 percent of total BPOL) rebounded with growth of 6.2 percent in FY 2010.



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. As a result of the fall 2010 revenue review and based on an econometric model that uses calendar year Sales Tax receipts and employment as predictors, the FY 2011 estimate was increased to the same level of receipts as FY 2010. Based on the anticipation that economic growth will continue at a modest rate, the estimate for FY 2012 BPOL receipts reflects an increase of 2.0 percent.

PERMITS, FEES AND REGULATORY LICENSES

FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
$28,665,677	$27,719,593	$27,888,461	$27,921,065	$32,604	0.1%

The FY 2012 Advertised Budget Plan estimate for Permits, Fees and Regulatory Licenses of $27,921,065 reflects a slight increase of $32,604, or 0.1 percent, over the *FY 2011 Revised Budget Plan* and is the result of projected modest growth in a few categories such as Fire Marshal Fees and Fire Prevention Code Permits, as well as the Restaurants State Health fee. 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 2011, there has been an upward trend in permitting activity, with both new building permits, and alternation and repair permits, up 11.0 percent over the same period last year. Revenue from LDS fees is up 11.1 percent through December 2010. LDS fee receipts will be reviewed during the *FY 2011 Third Quarter Review* to determine if an adjustment to the current estimate is necessary. In FY 2012, little change in the construction market is expected and the estimate of LDS revenue has been held at the level projected for FY 2011 receipts. Increases in LDS fees and Zoning Fees will be considered prior to the adoption of the FY 2012 budget. Increases in fee rates have not been included in the FY 2012 Advertised Budget Plan estimate.

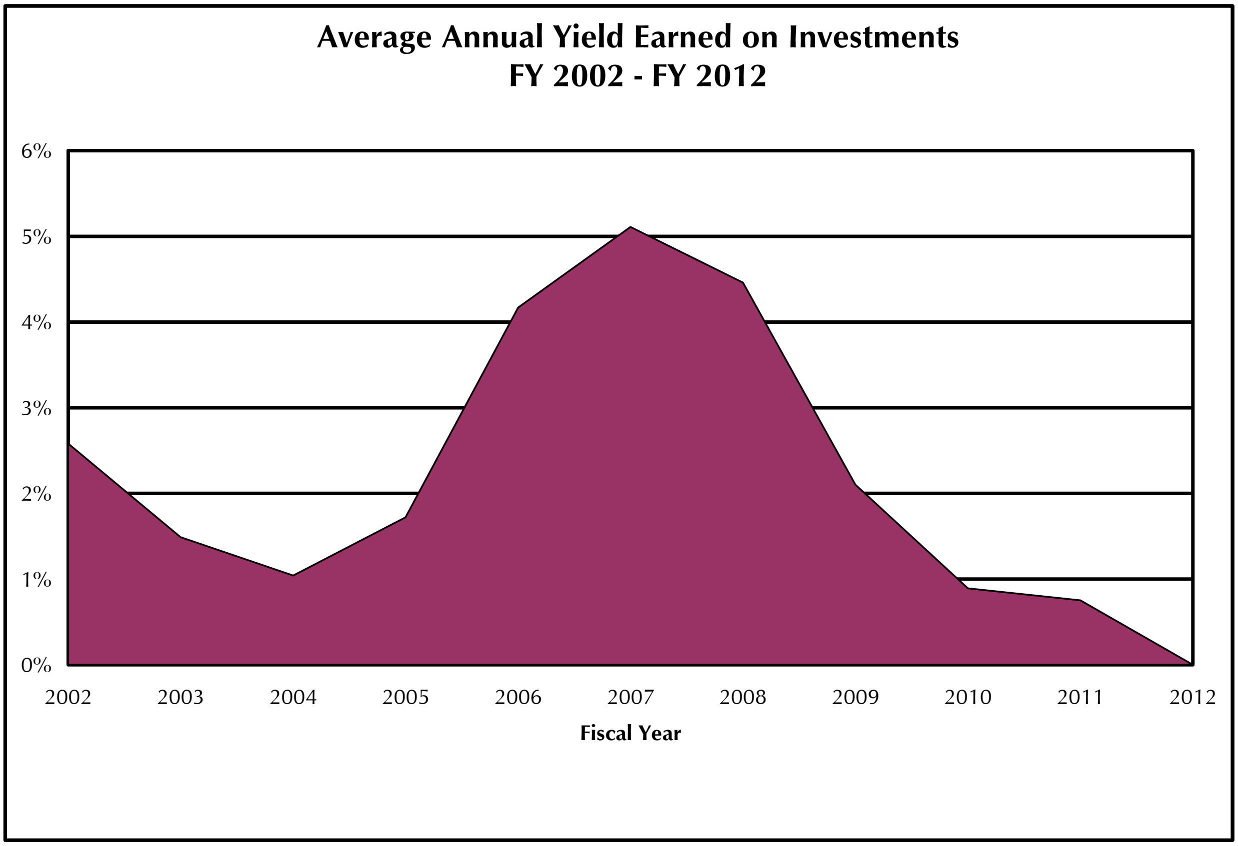
INVESTMENT INTEREST

FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
$16,792,303	$14,438,339	$17,601,597	$12,747,824	($4,853,773)	-27.6%

The FY 2012 Advertised Budget Plan estimate is $12,747,824 and reflects a 27.6 percent decrease from the *FY 2011 Revised Budget Plan*. The decrease 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. In FY 2010, the County's portfolio generated $16.8 million for the General Fund, with an average annual yield of 0.89 percent.

General Fund Revenue Overview



The FY 2011 estimate for Interest on Investments was raised $3.2 million to $17.6 million during the fall 2010 revenue review, based on a projected annual yield of 0.79 percent, compared to the 0.75 percent included in the FY 2011 Adopted Budget Plan. The FY 2012 Advertised Budget Plan estimate for Investment Interest of $12.7 million is based on a projected average yield of 0.60 percent, a portfolio size of $2,634,404,728 and a General Fund percentage of 69.8 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 $15.8 million in FY 2012.

CHARGES FOR SERVICES

FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
$62,980,797	$65,529,312	$63,228,869	$64,789,101	$1,560,232	2.5%

The FY 2012 Advertised Budget Plan estimate for Charges for Services revenue is $64,789,101, or 2.5 percent over the *FY 2011 Revised Budget Plan*. This increase is primarily the result of increased revenue from School Age Child Care (SACC) fees and Emergency Medical Service (EMS) Transport fees, as well as modest growth projected in other categories.

School Age Child Care (SACC) fees are estimated to be $33.0 million in FY 2012, an increase of $1.2 million over FY 2011 receipts due to a higher projected cost recovery, coupled with a higher collection rate of accounts receivable. In addition, Emergency Medical Transport fees are projected to increase $220,377 in FY 2012 based on a 1.5 percent increase in projected transports.

During the fall 2010 revenue review, the Charges for Services category was reduced a net $2.3 million. The FY 2011 estimate for County Clerk fees was reduced $1.4 million based on collections through December 2010, which were down 12.9 percent from the same period last year. In addition, the FY 2011 estimate for Library Overdue penalties was reduced $0.5 million to the FY 2010 level; the FY 2011 Adopted Budget Plan estimate reflected anticipated higher collections due to the fee increase implemented in FY 2010, but collections in FY 2010 were level with FY 2009 receipts, as patrons returned more materials on time. The FY 2011 estimate for the Senior+ Monthly Participant fees and the Senior Center Annual Participant fees was reduced a combined $0.4 million to the FY 2010 level, based on lower than anticipated collections in FY 2010, the first year in which these fees were implemented.

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT[1]

	FY 2010 Actual	FY 2011 Adopted	FY 2011 Revised	FY 2012 Advertised	Increase/ (Decrease)	Percent Change
Baseline Funding including State approved reductions	$132,658,846	$118,100,303	$120,968,266	$128,178,562	$7,210,296	6.0%
Reserve for State Cuts	0	0	(307,236)	(3,000,000)	(2,692,764)	876.4%
Net Funding	$132,658,846	$118,100,303	$120,661,030	$125,178,562	$4,517,532	3.7%

[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 2012 Advertised Budget Plan estimate for Revenue from the Commonwealth and Federal Government of $125,178,562 represents an increase of $4.5 million, or 3.7 percent, over the *FY 2011 Revised Budget Plan*. Of this increase, $6.1 million is associated with revenue that was previously classified as grant funding and shown in Fund 102, Federal/State Grants. During the implementation process to replace the County's current computer system by July 2011, it was determined that these grants would be more accurately reflected in the County's General Fund. In addition, the FY 2012 revenue estimate includes an increase of $0.6 million for contract rate increases for services under the Comprehensive Services Act (CSA) that will be offset with expenditure increases; $1.4 million for CSA Systems of Care; $1.2 million for the Self Sufficiency program, entirely offset with expenditure requirements; and $1.3 million for the Child Care Assistance and Referral program. Offsetting these increases are state approved reductions of $2.6 million in HB599, Law Enforcement funding, and $0.4 million in General Relief. Lastly, a $3.0 million reserve has been included in the FY 2012 estimate for reductions that were proposed by the Governor and are currently being considered by the 2011 General Assembly.

The *FY 2011 Revised Budget Plan* estimate for Revenue from the Commonwealth and Federal Government represents an increase of $2.6 million over the FY 2011 Adopted Budget Plan. This increase includes a $0.7 million in public assistance categories that was included in the *FY 2010 Carryover Review*. In addition, estimates were refined for several state categories by a net $1.9 million based on actual FY 2010 experience, and FY 2011 year-to-date collections. The adjustments include an increase of $1.0 million in reimbursable salaries from the Virginia Compensation Board and $0.9 million in funding for the Adult Detention Center.

The FY 2011 Adopted Budget Plan included an estimated $4.8 million for the County's share of a $60 million statewide reduction. This so called "flexible" cut requires localities to choose the funding stream in which to make the reduction or to remit payment to the state. The actual County share of the cut was set at $4.5 million. The remaining $0.3 million has been held in reserve for additional cuts that may occur during the 2011 General Assembly session. A continuation of the flexible cut was approved during the 2010 General Assembly session and a revenue reduction of $4.5 million is reflected in the County's FY 2012 baseline funding shown above.