FY 2013

Adopted Budget Plan

General Fund Revenue Overview

This section includes:

SUMMARY OF GENERAL FUND REVENUE

Category	FY 2011 Actual	FY 2012 Adopted Budget Plan	FY 2012 Revised Budget Plan	FY 2013 Advertised Budget Plan	FY 2013 Adopted Budget Plan	Over the FY 2013 Advertised Budget Plan Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	$2,019,836,905	$2,035,455,407	$2,046,834,982	$2,106,652,081	$2,116,497,573	$9,845,492	0.47%
Personal Property Taxes - Current and Delinquent[2]	513,286,400	518,132,388	523,242,701	552,566,873	552,697,360	130,487	0.02%
Other Local Taxes	505,517,224	488,212,410	508,140,549	523,937,338	523,937,338	0	0.00%
Permits, Fees and Regulatory Licenses	34,267,179	30,152,648	34,835,666	34,802,539	34,902,539	$100,000	0.29%
Fines and Forfeitures	16,563,245	16,868,801	16,497,731	16,579,948	16,579,948	$0	0.00%
Revenue from Use of Money/Property	18,808,108	16,711,665	19,678,898	17,286,968	17,286,968	$0	0.00%
Charges for Services	64,096,781	64,161,281	64,161,281	66,981,067	67,111,067	$130,000	0.19%
Revenue from the Commonwealth and Federal Governments[1]	136,132,404	125,178,562	129,729,112	128,538,286	132,716,643	$4,178,357	3.25%
Recovered Costs/ Other Revenue	12,502,027	12,079,289	11,399,344	12,096,329	12,096,329	0	0.00%
Total Revenue	**$3,321,010,273**	**$3,306,952,451**	**$3,354,520,264**	**$3,459,441,429**	**$3,473,825,765**	**$14,384,336**	**0.42%**
Transfers In	8,059,238	6,901,043	6,901,043	4,270,457	6,770,457	2,500,000	58.54%
Total Receipts	**$3,329,069,511**	**$3,313,853,494**	**$3,361,421,307**	**$3,463,711,886**	**$3,480,596,222**	**$16,884,336**	**0.49%**

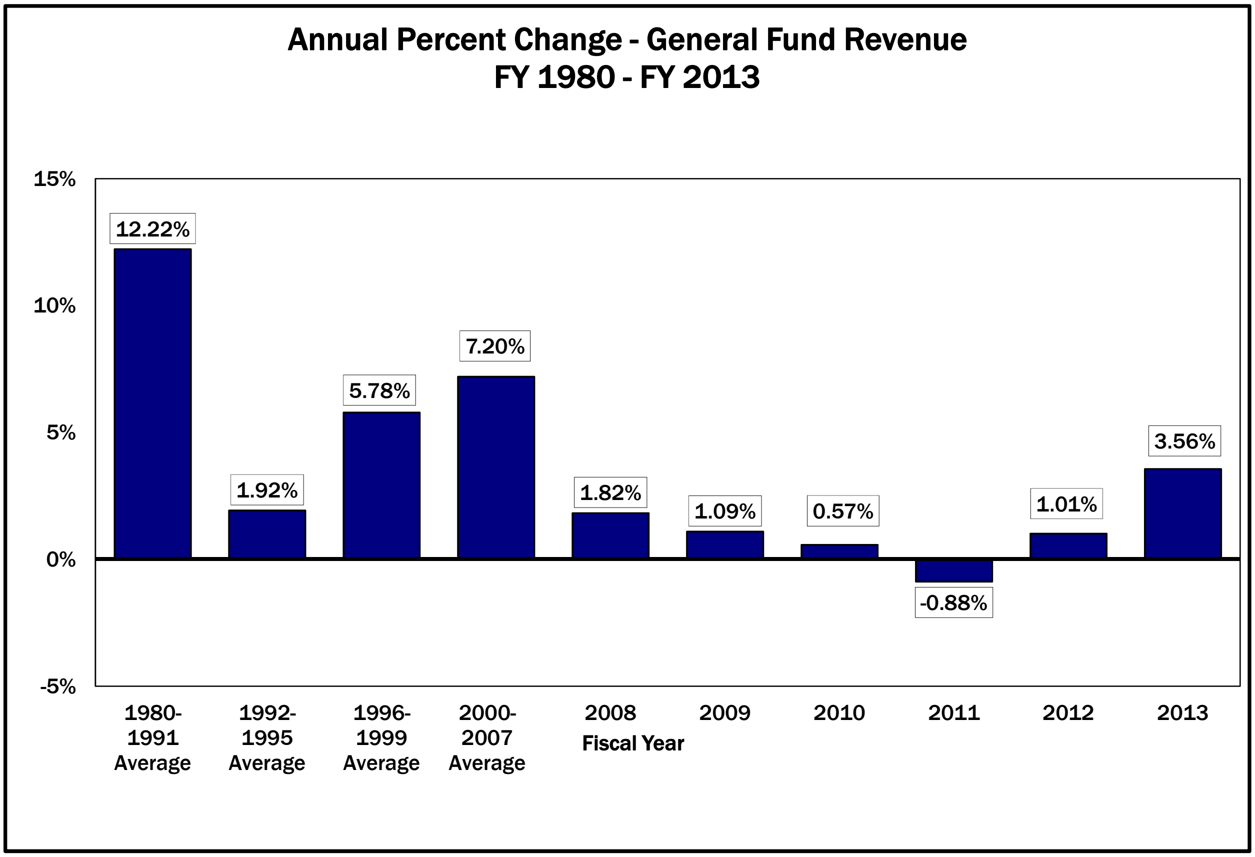
[1] The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

As reflected in the preceding table, FY 2013 General Fund revenues are projected to be $3,473,825,765, an increase of $14,384,336, or 0.4 percent, over the FY 2013 Advertised Budget Plan. The increase is primarily the result of a $9.8 million increase in current Real Estate Taxes based on the adopted Real Estate Tax rate of $1.075 per $100 of assessed value, which is an increase of one-half cent over the proposed rate of $1.07 per $100 of assessed value. In addition, estimated Revenue from the Commonwealth and Federal Governments reflects an increase of $4.2 million associated with the Revenue Reserve for State Reductions, which was set aside in the FY 2013 Advertised Budget Plan for potential state budget reductions. This reserve is no longer needed based on final state budget decisions made during the 2012 General Assembly session.

Incorporating Transfers In, FY 2013 General Fund receipts are anticipated to be $3,480,596,222. The Transfers In to the General Fund total $6.8 million and reflect $4.3 million from Fund 105, Cable Communications for use of County rights of way and indirect support provided by the County's General Fund agencies and $2.5 million from Fund 110, Refuse Disposal as a result of available unused balance.

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 1995, however, General Fund revenues grew at an average annual rate of only 1.9 percent. During this period, residential real estate values either declined or were essentially flat, while nonresidential real estate values declined each year. The total of all other revenue categories rose at an annual rate of over 5.0 percent. General Fund revenue from FY 1996 through FY 1999 rose at an average annual rate of 5.8 percent. There was little change in residential real estate values during this period, ranging from a decline of 0.49 percent to an increase of 0.50 percent. Nonresidential property values, however, fell in FY 1996, then rose 3.3 percent to 7.1 percent in FY 1997 through FY 1999.



From FY 2000 through FY 2007, total General Fund revenue growth increased at an average annual rate of 7.2 percent. Real estate assessments rose each year and experienced annual double digit growth from FY 2002 through FY 2007. General Fund revenue growth decelerated to 1.8 percent in FY 2008 as the housing market experienced an abrupt turnaround. Revenue growth in FY 2009 and FY 2010 was modest, rising 1.1 percent and 0.6 percent, respectively. Residential real estate values fell 3.38 percent in FY 2009 and 12.55 percent in FY 2010. Due to the economic downturn, other major revenue categories including Personal Property, Sales Tax and BPOL dropped in FY 2010. General Fund revenue fell in FY 2011, decreasing 0.9 percent. Both residential and nonresidential property values fell. Total real estate values fell 9.2 percent and the real estate tax was raised 5 cents to $1.09 per $100 of assessed value, a level that kept the tax bill of the typical homeowner essentially level with FY 2010. Based on current projections, FY 2012 General Fund revenue is anticipated to increase 1.0 percent. This increase is predominantly due to an increase in Real Estate Tax revenue, resulting from a moderate increase in assessments, partially offset by the decrease in the adopted FY 2012 Real Estate Tax rate from $1.09 to $1.07 per $100 of assessed value, as well as an increase in Personal Property Tax revenue due to higher vehicle and business levy. Due to a moderate increase in the FY 2013 Real Estate Tax assessments, the adopted increase in the General Fund FY 2013 Real Estate Tax rate from $1.07 to $1.075 per $100 of assessed value, and projected growth in other revenue categories, FY 2013 revenue is expected to increase 3.6 percent over the *FY 2012 Revised Budget Plan* estimate.

Economic Indicators

The U.S. economy improved in the closing months of 2011, expanding 3.0 percent in the fourth quarter. Growth in the first quarter of 2012, however, decelerated to a rate of 1.9 percent according to the "second" estimate of real gross domestic product. The first quarter figure will be revised once more before it is considered final. Most economists anticipate growth in the range of 2.0 percent to 3.0 percent in calendar year 2012. The U.S. jobless rate experienced little change in the first five months of 2012 and as of May 2012 stood at 8.2 percent. Job growth slowed in the second quarter of 2012. In April and May, nonfarm employment rose by just 77,000 and 69,000, respectively. In comparison, the average monthly gain in the first quarter of 2012 was 226,000.

Despite continued low interest rates, home prices nationwide continue to fall. The Case-Shiller home price index for the nation fell 2.0 percent in the first quarter of 2012 from the final quarter 2011. Home prices in the Washington Metropolitan area posted a 1.0 percent gain during the same period.

Economic growth in the County has been moderate. Moody's Analytics estimates that Gross County Product (GCP), adjusted for inflation, rose at a rate of 2.9 percent in 2011. The County's unemployment rate remains well below the state and national level at 4.1 percent as of March 2012, a decline from 4.4 percent in March 2011.

Annual employment in the Northern Virginia area in 2011 was 1,329.2 thousand, an increase of 25,000 jobs, or 1.9 percent, over 2010. This was the highest rate of growth since 2005, when job creation rose 2.5 percent. Job growth has continued during the first quarter of 2012, with 23,000 more jobs in March 2012 than in March 2011.

Housing Market

The number of homes sold in Fairfax County fell for the second consecutive year, but average prices rose. Based on information from the Metropolitan Regional Information System (MRIS), the number of homes sold fell 9.0 percent from 13,894 to 12,640. However, the average price of homes sold during the year rose 3.1 percent. The number of net foreclosures in Fairfax County fell in 2011 to their lowest level since the Department of Tax Administration started tracking detailed foreclosure statistics in April 2008. Throughout the first quarter of 2012, new record lows were achieved. The number of county-wide net remaining foreclosures in March was 606, down from 694 in March 2011. The number of serious mortgage delinquencies continues to decline. As of the first quarter of 2012, 1.1 percent of prime loans and 6.1 percent of subprime loans were 90 or more days past due, compared to 1.5 percent and 9.6 percent, respectively, in the first quarter of 2011.

Nonresidential Market

After falling at mid-year 2011, office vacancy rates rose at year-end 2011. The direct vacancy rate at year-end 2011 was 13.8 percent, up from 13.3 percent at the end of 2010. Including sublet space, the overall office vacancy rate was 15.7 percent, up from 15.3 percent. According to the Economic Development Authority, the increase in the vacancy rate is directly attributed to Base Realignment and Closure Act (BRAC) movements during the last half of 2011. The relocation of several defense-related government agencies left more than a million square feet of vacant space on the market at the end of the year. The County's total office space inventory at the end of 2011 was 113.6 million square feet, a modest increase of 475,000 square feet over 2010. Total leasing activity during 2011 topped 11.5 million square feet, down from the record 13.6 million square feet of leasing activity in 2010, but well above the five year-average of 10.8 million square feet.

New office construction activity increased dramatically in 2011. At the end of 2010, there were only two buildings totaling just 175,000 square feet under construction compared to nine buildings totaling 1.6 million square feet as of year-end 2011. More striking than the total overall development is that nearly three quarters of the new activity is 100 percent speculative. This interest in speculative development reflects confidence in the stability of the Fairfax County office market.

Revenue

Current and Delinquent Real Estate Tax revenue comprises nearly 61 percent of total County General Fund revenues. FY 2013 Real Estate property values were established as of January 1, 2012 and reflect market activity through calendar year 2011. The Real Estate Tax base is projected to increase 3.27 percent in FY 2013, and is made up of a 2.53 percent increase in total equalization (reassessment of existing residential and nonresidential properties), and an increase of 0.74 percent for new construction.

The FY 2012 and FY 2013 General Fund revenue estimates discussed in this section are based on a review of Fairfax County economic indicators, actual FY 2011 receipts, and FY 2012 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 modest growth through FY 2013.

MAJOR REVENUE SOURCES

The following major revenue categories discussed in this section comprise 98.0 percent of total FY 2013 General Fund revenue. Unless otherwise indicated, comparative data are presented relative to the FY 2013 Advertised 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 2011 Actual	FY 2012 Revised Budget Plan	FY 2013 Advertised Budget Plan	FY 2013 Adopted Budget Plan	Change from the FY 2013 Advertised Budget Plan Increase/ (Decrease)	Percent Change
Real Estate Tax - Current	$2,008,788,382	$2,037,143,068	$2,096,960,167	$2,106,805,659	$9,845,492	0.47%
Personal Property Tax						
Current[1]	501,638,715	513,255,486	543,273,285	543,403,772	130,487	0.02%
Paid Locally	290,324,771	301,941,542	331,959,341	332,089,828	130,487	0.04%
Reimbursed by Commonwealth	211,313,944	211,313,944	211,313,944	211,313,944	0	0.00%
Local Sales Tax	154,757,415	159,995,760	166,876,306	166,876,306	0	0.00%
Recordation/Deed of Conveyance Taxes	26,383,687	27,728,460	25,627,223	25,627,223	0	0.00%
Gas & Electric Utility Taxes	45,416,719	46,029,744	46,490,044	46,490,044	0	0.00%
Communications Sales Tax	50,724,263	48,026,604	50,724,263	50,724,263	0	0.00%
Vehicle License Fee	27,459,817	27,459,817	27,871,714	27,871,714	0	0.00%
Business, Professional and Occupational License Tax-Current	145,094,542	150,898,324	157,688,748	157,688,748	0	0.00%
Transient Occupancy Tax	18,339,532	18,889,718	19,456,410	19,456,410	0	0.00%
Permits, Fees and Regulatory Licenses	34,267,179	34,835,666	34,802,539	34,902,539	100,000	0.29%
Investment Interest	14,899,618	15,621,503	13,141,516	13,141,516	0	0.00%
Charges for Services	64,096,781	64,161,281	66,981,067	67,111,067	130,000	0.19%
Recovered Costs/Other Revenue	12,502,027	11,399,344	12,096,329	12,096,329	0	0.00%
Revenue from the Commonwealth and Federal Governments[1]	136,132,404	129,729,112	128,538,286	132,716,643	4,178,357	3.25%
Total Major Revenue Sources	**$3,240,501,081**	**$3,285,173,887**	**$3,390,527,897**	**$3,404,912,233**	**$14,384,336**	**0.42%**

[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.

REAL ESTATE TAX-CURRENT

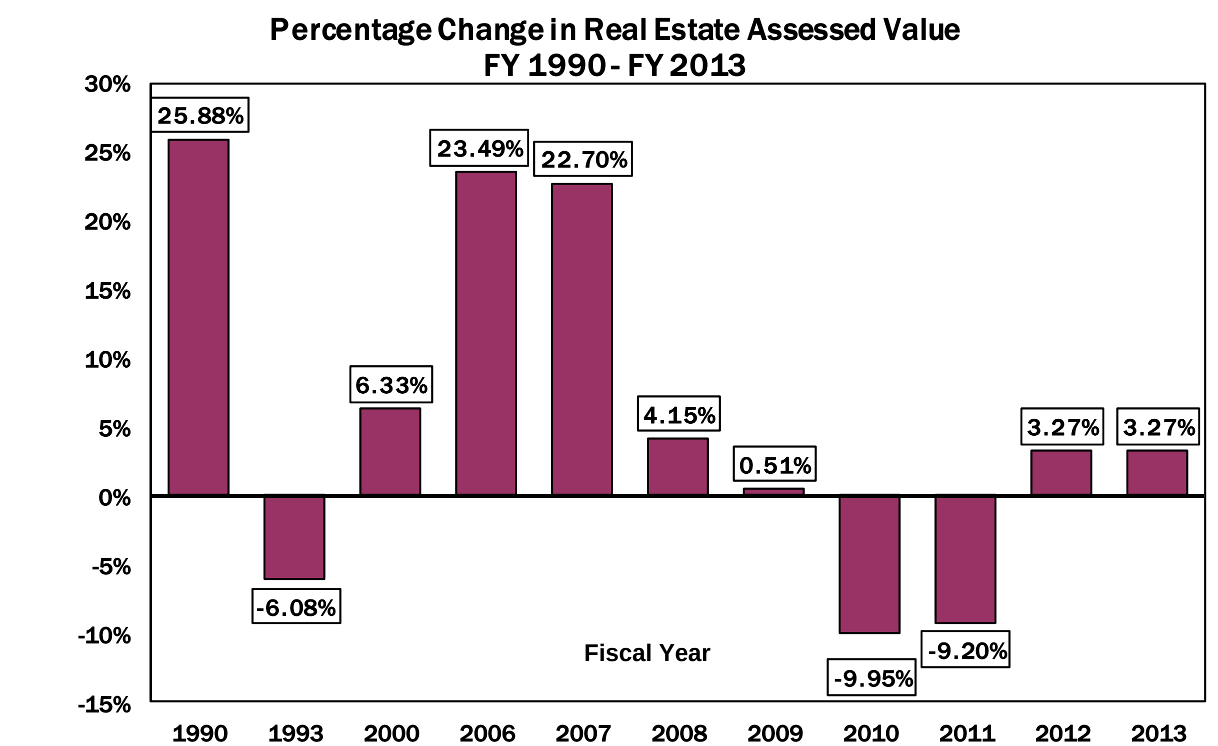
FY 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$2,008,788,382	$2,025,763,493	$2,037,143,068	$2,096,960,167	$2,106,805,659	$9,845,492	0.5%

The FY 2013 Adopted Budget Plan estimate for Current Real Estate Taxes is $2,106,805,659 and represents an increase of $9,845,492, or 0.5 percent, over the FY 2013 Advertised Budget Plan. The increase is due to the adoption of a one-half cent increase in the Real Estate Tax rate from $1.07 to $1.075 per $100 of assessed value. Because the Real Estate tax rate impacts two classes of personal property, mobile homes and non-vehicle Public Service Corporation property, the FY 2013 Personal Property Tax estimate is increased $0.1 million.

The FY 2013 value of assessed real property represents an increase of 3.27 percent, as compared to the FY 2012 Real Estate Land Book, and is comprised of an increase in equalization of 2.53 percent and an increase of 0.74 percent associated with new construction. The FY 2013 figures reflected in this document are based on final assessments for Tax Year 2012 (FY 2013), which were established as of January 1, 2012. In addition to the revenue shown in the table above, the projected value of one-half penny on the Real Estate Tax rate ($9.98 million) is allocated to The Penny for Affordable Housing Fund. Throughout FY 2013, 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 99.64 percent.

The FY 2013 **Main Assessment Book Value** is $200,263,343,910 and represents an increase of $6,344,469,910, or 3.27 percent, over the FY 2012 main assessment book value of $193,918,874,000. FY 2013 marks the second consecutive year in which the main assessment book value increased, after the significant decreases experienced in FY 2010 and FY 2011. However, FY 2013 main book assessments remain below FY 2007 levels, and are down $29.4 billion, or 12.8 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. The assessment base decreased for a second consecutive year in FY 2011, declining 9.20 percent, before it increased 3.27 percent in FY 2012.

The following chart shows changes in the County's assessed value base in FY 1990, FY 1993, FY 2000, and from FY 2006 to FY 2013.



	1990	1993	2000	2006	2007	2008	2009	2010	2011	2012	2013
Equalization	**18.27%**	**-6.48%**	**2.96%**	**20.80%**	**19.76%**	**2.47%**	**-1.02%**	**-10.52%**	**-8.98%**	**2.67%**	**2.53%**
Res	19.01	-3.74	0.77	23.09	20.57	-0.33	-3.38	-12.55	-5.56	2.34	0.71
NonRes	16.54	-13.22	9.24	12.74	16.64	13.57	7.00	- 4.51	-18.29	3.73	8.21
Growth	**7.61**	**0.40**	**3.37**	**2.69**	**2.94**	**1.68**	**1.53**	**0.57**	**-0.22**	**0.60**	**0.74**
	25.88%	**-6.08%**	**6.33%**	**23.49%**	**22.70%**	**4.15%**	**0.51%**	**-9.95%**	**-9.20%**	**3.27%**	**3.27%**

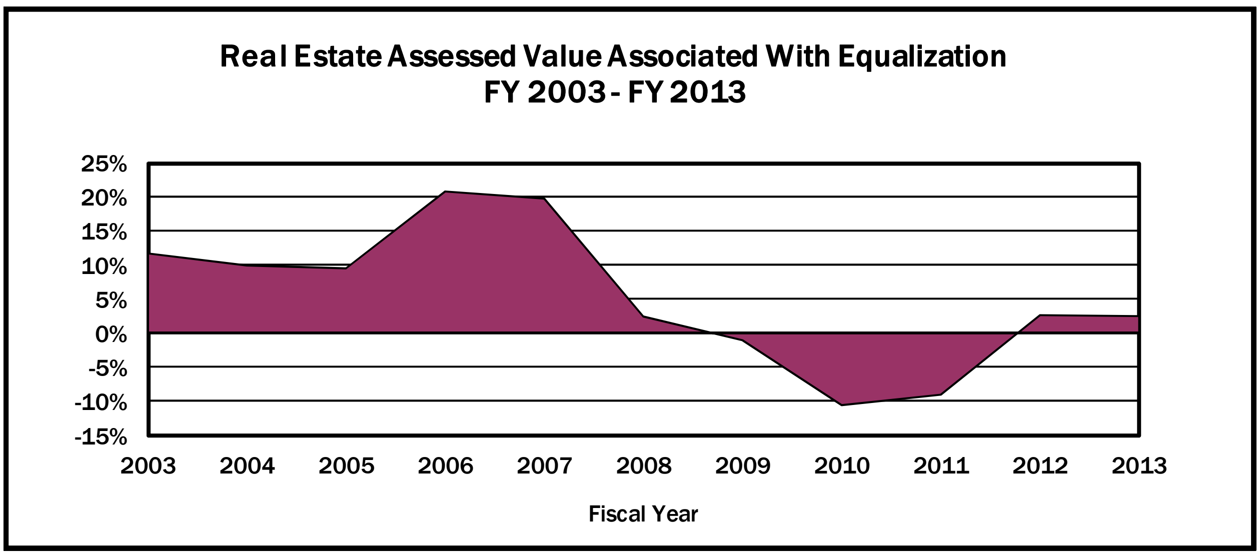
The overall change in the assessment base is comprised of **equalization** and **normal growth.** For reporting purposes, individual properties are identified as being in either the equalization category or the growth category, but not both. Equalization properties are those whose values change due to 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 2013 assessment base reflects a total equalization increase of 2.53 percent and an increase of 0.74 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 75.74 percent in FY 2012 to 74.05 percent in FY 2013. The table below reflects changes in the Real Estate Tax assessment base from FY 2007 through FY 2013.

Main Real Estate Assessment Book Value and Changes

(in millions)

Assessed Base Change Due To:	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Equalization	**$35,328.9**	**$5,410.2**	**($2,332.0)**	**($24,171.5)**	**($18,570.1)**	**$5,015.3**	**$4,904.1**
% Change	19.76%	2.47%	-1.02%	-10.52%	-8.98%	2.67%	2.53%
Residential	20.57%	-0.33%	-3.38%	-12.55%	-5.56%	2.34%	0.71%
Nonresidential	16.64%	13.57%	7.00%	-4.51%	-18.29%	3.73%	8.21%
Normal Growth	**$5,258.1**	**$3,683.6**	**$3,502.6**	**$1,309.6**	**($457.9)**	**$1,123.5**	**$1,440.4**
% Change	2.94%	1.68%	1.53%	0.57%	-0.22%	0.60%	0.74%
Residential	3.01%	1.00%	0.77%	0.51%	0.12%	0.37%	0.26%
Nonresidential	2.67%	4.38%	4.11%	0.74%	-1.16%	1.31%	2.26%
Total Change	**$40,587.0**	**$9,093.8**	**$1,170.6**	**($22,861.9)**	**($19,028.0)**	**$6,138.8**	**$6,344.5**
% Change	22.70%	4.15%	0.51%	-9.95%	-9.20%	3.27%	3.27%
Total Book	$219,405.4	$228,499.2	$229,669.8	$206,808.0	$187,780.1	$193,918.9	$200,263.3

Equalization, or reassessment of existing residential and nonresidential property, represents an increase in value of $4,904,060,920, or 2.53 percent, in FY 2013. Both residential and nonresidential property values rose in FY 2013. After increasing in FY 2012 for the first time since FY 2007, existing residential property values increased further in FY 2013, albeit very modestly, indicating that the residential housing market continues to search for solid footing for a sustainable rebound, which began in calendar year 2010. While the number of homes sold decreased in calendar year 2011, median and average home sale prices increased slightly. 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. After falling four consecutive years, the value of residential properties in the County increased 2.34 percent in FY 2012, and rose 0.71 percent in FY 2013. 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.

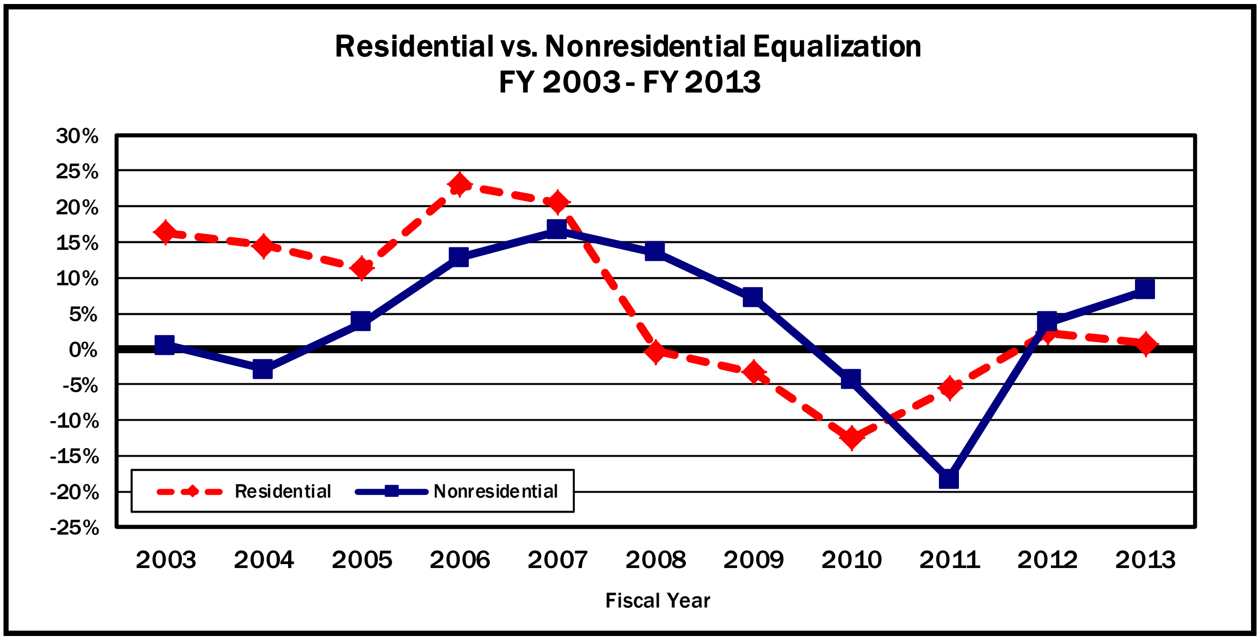
Overall, single family property values increased 0.70 percent in FY 2013. The value of single family homes has the most impact on the total residential base because they represent nearly 73 percent of the total. The value of condominium properties decreased 0.06 percent in FY 2013, while that of townhouse properties rose 1.20 percent. Changes in residential equalization by housing type since FY 2008 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.

Residential Equalization Changes

Housing Type/ (Percent of Base)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Single Family (72.8%)	-0.43%	-3.12%	-11.34%	-5.50%	2.10%	0.70%
Townhouse/Duplex (18.8%)	0.64%	-4.96%	-16.06%	-4.44%	3.73%	1.20%
Condominiums (7.7%)	-2.23%	-4.54%	-19.51%	-10.45%	2.53%	-0.06%
Vacant Land (0.5%)	3.86%	7.66%	-7.08%	-6.68%	-3.50%	-1.66%
Other (0.2%)[1]	2.97%	6.46%	-4.99%	-3.60%	2.69%	2.56%
Total Residential Equalization (100%)	**-0.33%**	**-3.38%**	**-12.55%**	**-5.56%**	**2.34%**	**0.71%**

[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 $448,696. This is an increase of $3,163 over the FY 2012 value of $445,533. At the adopted Real Estate tax rate of $1.075 per $100 of assessed value, the typical residential annual tax bill will rise, on average, $56.28 in FY 2013 to $4,823.48.

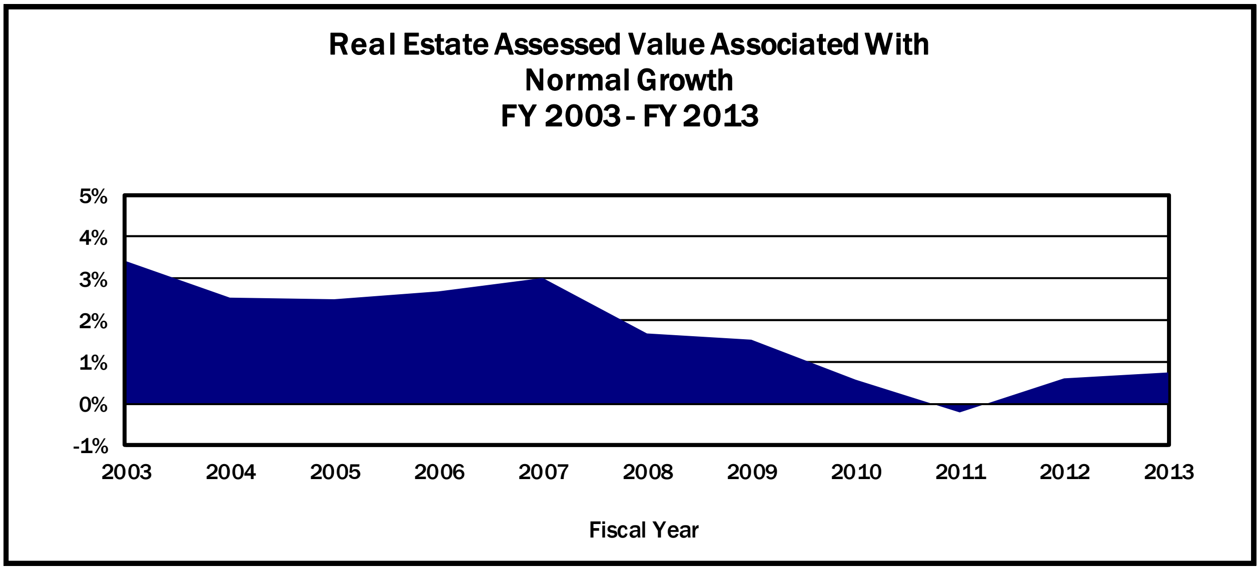


After experiencing a record decline of 18.29 percent in FY 2011, **nonresidential equalization** rebounded 3.73 percent in FY 2012, and increased another 8.21 percent in FY 2013. Increases in the value of Office Elevator properties and multi-family apartment properties were the main contributors to the rise. Office Elevator properties (mid- and high-rises), the largest component of the nonresidential tax base at 37.5 percent, experienced an 11.34 percent increase. Total leasing activity during 2011 topped 11.5 million square feet, down from the record 13.6 million square feet of leasing activity in 2010, but well above the five year-average of 10.8 million square feet. Apartment values, which represent over 21 percent of the total nonresidential base, rose 12.60 percent. Demand for apartments was strong during the year which increased rental income. Nonresidential equalization changes by category since FY 2008 are presented in the following table.

Nonresidential Equalization Changes

Category (Percent of Base)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Apartments (21.2%)	22.59%	6.41%	-6.96%	-12.69%	14.54%	12.60%
Office Condominiums (4.3%)	13.76%	4.78%	-1.10%	-7.57%	-1.53%	-0.31%
Industrial (6.6%)	14.34%	14.08%	-1.08%	-23.48%	-0.31%	6.75%
Retail (14.0%)	8.78%	6.47%	-1.74%	-16.07%	1.90%	7.16%
Office Elevator (37.5%)	15.93%	5.68%	-6.62%	-24.31%	1.88%	11.34%
Office - Low Rise (3.8%)	10.18%	9.16%	-3.35%	-23.86%	0.49%	7.18%
Vacant Land (3.8%)	14.99%	7.67%	-3.87%	-26.53%	-2.07%	2.01%
Hotels (3.4%)	9.58%	11.28%	-7.06%	-34.03%	11.35%	3.87%
Other (5.4%)	10.05%	7.63%	-2.07%	-12.84%	2.37%	3.27%
Nonresidential Equalization (100%)	**13.57%**	**7.00%**	**-4.51%**	**-18.29%**	**3.73%**	**8.21%**

The **Growth** component increased the FY 2013 assessment base by $1,440,408,990, or 0.74 percent, over the FY 2012 assessment book value. New construction increased the residential property base by 0.26 percent and nonresidential properties by 2.26 percent.



In addition to the final equalization and normal growth adjustments in the Main Assessment Book, the following projected adjustments were made to the FY 2013 Real Estate Tax revenue estimate:

Additional Assessments expected to be included in the new Real Estate base total $267.4 million, or a levy increase of $2.9 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.

Exonerations, Certificates and Tax Abatements are anticipated to reduce the Real Estate assessment base by $1,152.8 million in FY 2013, resulting in a reduction in levy of $12.4 million.

Mosaic District Community Development Authority (CDA) was created to assist commercial investment in the Merrifield area of the County. The Mosaic CDA is funded with tax increment financing which reduces the taxable value of property in the district. The reduction is based on the current assessed property value in the CDA compared to the property value in 2007 when the district was created. In FY 2013, the CDA reduces the assessment base by $139.5 million and tax levy by $1.5 million. For more information, see Fund 716 in Volume 2 of the budget.

Tax Relief for the Elderly and Disabled is projected to reduce the Real Estate assessment base in FY 2013 by $2,496.0 million. The reduction in tax levy due to the Tax Relief program is approximately $26.8 million at the adopted tax rate of $1.075 per $100 of assessed value. In FY 2013, 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 2013 is $340,000 for all ranges of tax relief. Veterans, who have a 100 percent permanent and total disability related to military service, or their surviving spouse, are eligible for full Real Estate Tax relief regardless of income or assets. The table below shows FY 2013 income and asset thresholds for the Tax Relief Program for the Elderly and Disabled.

FY 2013
Real Estate Tax Relief for the Elderly and Disabled

	Income Limit	Asset Limit	Percent Relief
Elderly and Disabled	Up to $52,000	$340,000	100%
	Over $52,000 to $62,000		50%
	Over $62,000 to $72,000		25%
100% Disabled Veterans or Surving Spouse	No Limit	No Limit	100%

The FY 2013 local assessment base of $196,742,397,652 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of $2,114,980,775 is calculated using the adopted tax rate of $1.075 per $100 of assessed value. Based on an expected local collection rate of 99.64 percent, revenue from local assessments is estimated to be $2,107,366,844. In FY 2013, 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 $19.95 million in revenue.

Added to the local assessment base is an estimated $875,703,682 in assessed value for Public Service Corporations (PSC) property. Using a rate of $1.075 per $100 of assessed value, the tax levy on PSC property is $9,413,815. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is $197,618,101,334, with a total tax levy of $2,124,394,590 at the tax rate of $1.075 per $100 of assessed value. Estimated FY 2013 revenue from the Real Estate Tax, including receipts from Public Service Corporations, totals $2,116,780,659 at the tax rate of $1.075 per $100 of assessed value. Of this amount, the value of one-half cent on the Real Estate Tax rate, $9,975,000, has been directed to Fund 319, The Penny for Affordable Housing Fund.

FY 2013 Estimated Real Estate Assessments and Tax Levy

	Assessed Value	FY 2013 Tax Levy at $1.075/$100 of Assessed Value
FY 2012 Real Estate Book	$193,918,874,000	$2,084,627,896
FY 2013 Equalization	4,904,060,920	52,718,655
FY 2013 Growth	1,440,408,990	15,484,397
TOTAL FY 2012 REAL ESTATE BOOK	**$200,263,343,910**	**$2,152,830,948**
Exonerations	($952,062,676)	($10,234,674)
Certificates	(4,751,619)	(51,080)
Tax Abatements	(195,998,378)	(2,106,983)
Subtotal Exonerations	($1,152,812,673)	($12,392,737)
Supplemental Assessments	$267,381,570	$2,874,352
Mosaic District TIF	($139,485,890)	($1,499,473)
Tax Relief	($2,496,029,265)	($26,832,315)
Local Assessments	**$196,742,397,652**	**$2,114,980,775**
Public Service Corporation	$875,703,682	$9,413,815
TOTAL	**$197,618,101,334**	**$2,124,394,590**

Total General Fund revenue from the Real Estate Tax is $2,106,805,659, which reflects an overall collection rate of 99.64 percent. The total collection rates experienced in this category since FY 1998 are shown in the following table:

Real Estate Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
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	99.67%
2004	99.61%	2012 (estimated)	99.64%
2005	99.62%	2013 (estimated)[1]	99.64%

[1] In FY 2013, every 0.1 percentage point change in the collection rate yields a revenue change of $2,114,980.

The Commercial/Industrial percentage of the County's FY 2013 Real Estate Tax base is 20.77 percent, an increase of 1.13 percentage points from the FY 2012 level of 19.64 percent. Commercial/Industrial property values as a percentage of the Real Estate Tax base have increased as a result of new construction, rising nonresidential values and more moderate increase in residential property values. The Commercial/Industrial percentage is based on Virginia land use codes and includes all nonresidential property except multi-family rental apartments, which make up 5.18 percent of the County's Real Estate Tax base in FY 2013. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

Commercial/Industrial Percentages

Fiscal Year	Percentage	Fiscal Year	Percentage
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%
2005	18.20%	**2013**	20.77%

FY 2012 Real Estate Revenue

The FY 2012 Real Estate estimate was increased $6.8 million during the fall 2011 revenue review as a result of a decrease in expected tax relief, lower exonerations and higher estimated Public Service Corporation levy. During the *FY 2012 Third Quarter Review*, the FY 2012 Real Estate estimate was revised upward by $4.6 million based on a higher estimated collection rate and a lower level of projected exonerations, partially offset with a decrease in supplemental assessments. The estimated collection rate was increased from 99.61 percent to 99.64 percent based on collection trends, resulting in a revenue increase of $0.6 million. In addition, estimated exonerations were reduced from $11.1 million to $6.3 million for a revenue increase of $4.8 million, partially offset with a revenue decrease of $0.8 million due to fewer than anticipated supplemental assessments.

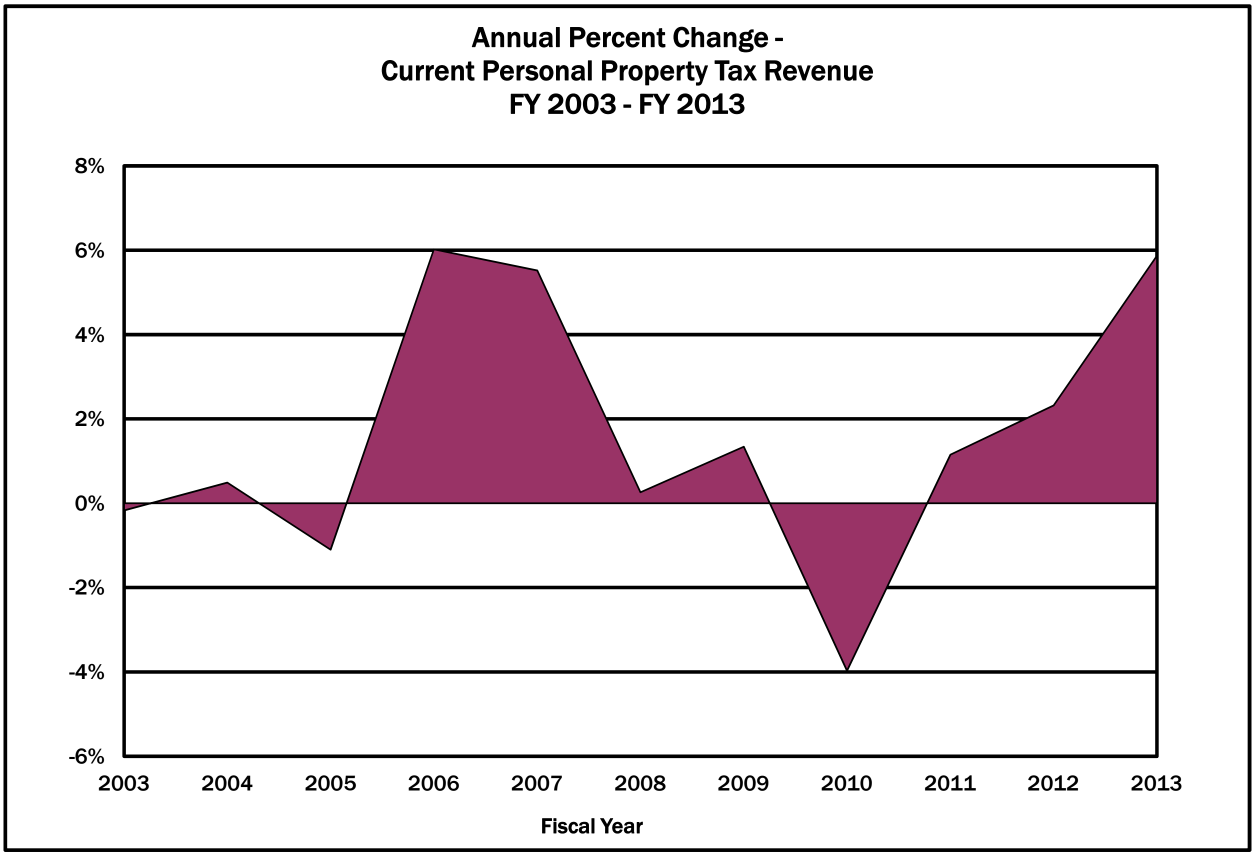
PERSONAL PROPERTY TAX-CURRENT

	FY 2011 Actual	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
Paid Locally	$290,324,771	$301,941,542	$331,959,341	$332,089,828	$130,487	0.04%
Reimbursed by State	211,313,944	211,313,944	211,313,944	211,313,944	0	0.0%
Total	$501,638,715	$513,255,486	$543,273,285	$543,403,772	$130,487	0.02%

The FY 2013 Adopted Budget Plan estimate for Personal Property Tax revenue of $543,403,772 represents an increase of $130,487 over the FY 2013 Advertised Budget Plan. The increase is due to the adoption of one-half cent increase in the Real Estate Tax rate from $1.07 to $1.075 per $100 of assessed value. This tax rate is applied to the valuation of mobile homes and non-vehicle Public Service Corporations properties.

The Personal Property Tax on vehicles represents over 72 percent of the total assessment base in FY 2013. 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 Commonwealth'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, and at 68.0 percent in FY 2012. Due to a continued increase in vehicle volume and average levy, the FY 2013 reimbursement percentage has been lowered to 63.0 percent.

Total Personal Property Tax revenue dropped a slight 0.2 percent in FY 2003, before it 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. Personal Property recovered and receipts grew 6.0 percent and 5.5 percent in FY 2006 and FY 2007, respectively. As the economy began to slow, Personal Property Tax receipts rose modestly in FY 2008 and FY 2009 at rates of 0.3 percent and 1.3 percent, respectively. In FY 2010, receipts decreased 4.0 percent mainly as a result of a significant decline of 10.8 percent in average vehicle levy reflecting the downturn in the economy in calendar year 2009. FY 2011 Personal Property Tax receipts increased 1.1 percent due to an increase in the average vehicle levy, partially offset with a decrease in business volume and average business levy. FY 2012 Personal Property Tax receipts are anticipated to increase 2.3 percent due to an increase in both the average vehicle and business levies. Annual percentage changes in total Personal Property Tax revenues are shown in the following graph.



Personal Property Tax revenue is projected to increase 5.9 percent in FY 2013. The vehicle component, which comprises more than 72 percent of total Personal Property levy, is expected to increase 6.8 percent. Total vehicle volume is forecast to increase 1.9 percent in FY 2013. 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 8.7 percent in 2011. In addition, a reduction in the supply of new vehicles increased prices of both new and used automobiles. The decrease in supply was a result of a decline in U.S. auto production due to the slowdown in the economy and the earthquake and tsunami in Japan, which not only impacted Japanese automakers but also U.S. automakers that rely on parts from Japan. This situation has caused the value of many used vehicles to depreciate less than what traditionally has been experienced and resulted in some vehicles actually appreciating over the year. This is not unique to Fairfax County, but is being experienced nationwide. Average vehicle levy is projected to increase 4.9 percent based on an 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 2003 are shown in the following table.

Personal Property Vehicles

Fiscal Year	% Change in Vehicle Volume	Average Vehicle Levy	% Change in Average Levy
FY2003	3.0%	$372	0.8%
FY2004	-0.7%	$389	4.6%
FY2005	1.4%	$379	-2.6%
FY2006	-0.9%	$411	8.4%
FY2007	-0.6%	$431	4.9%
FY2008	-0.1%	$424	-1.6%
FY2009	0.8%	$434	2.4%
FY2010	0.1%	$387	-10.8%
FY2011	0.9%	$397	2.6%
FY2012 (est.)	0.7%	$411	3.5%
FY2013 (est.)	1.9%	$431	4.9%

Business Personal Property is primarily comprised of assessments on furniture, fixtures and computer equipment. After holding off on renewing equipment due to the economic climate in the last several years, existing businesses are anticipated to increase purchases on new equipment in FY 2013; therefore, the business levy is projected to increase 1.2 percent in FY 2013.

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 2013
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 $1.075 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 2013 Estimated Personal Property Assessments and Tax Levy

Category	FY 2013 Assessed Value	Tax Rate (per $100)	FY 2013 Tax Levy	Percent of Total Levy
Vehicles				
Privately Owned	$9,316,297,432	$4.57	$352,789,151	64.1%
Business Owned	489,928,555	4.57	17,565,452	3.2%
Leased	847,913,800	4.57	27,483,852	5.0%
Subtotal	$10,654,139,787		$397,838,455	72.3%
Business Personal Property				
Furniture and Fixtures	$1,908,001,540	$4.57	$87,085,621	15.9%
Computer Equipment	642,480,535	4.57	29,359,543	5.3%
Machinery and Tools	76,328,355	4.57	3,488,206	0.6%
Research and Development	10,118,619	4.57	462,421	0.1%
Subtotal	$2,636,929,049		$120,395,791	21.9%
Public Service Corporations				
Equalized	$2,589,865,317	$1.075	$27,841,052	5.1%
Vehicles	8,960,198	4.57	409,481	0.1%
Subtotal	$2,598,825,515		$28,250,533	5.1%
Other				
Mobile Homes	$20,130,724	$1.075	$216,406	0.1%
Other (Trailers, Misc.)	17,887,124	4.57	736,833	0.1%
Subtotal	$38,017,848		$953,240	0.2%
Penalty for Late Filing			$2,810,117	0.5%
TOTAL	**$15,927,912,199**		**$550,248,136**	**100.0%**

FY 2013 Personal Property Tax assessments including Public Service Corporations are $15,927,912,199, with a total tax levy of $550,248,136. Personal Property Tax revenue collections are projected to be $543,403,772, 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 1998 are shown in the following table:

Personal Property Tax Collection Rates

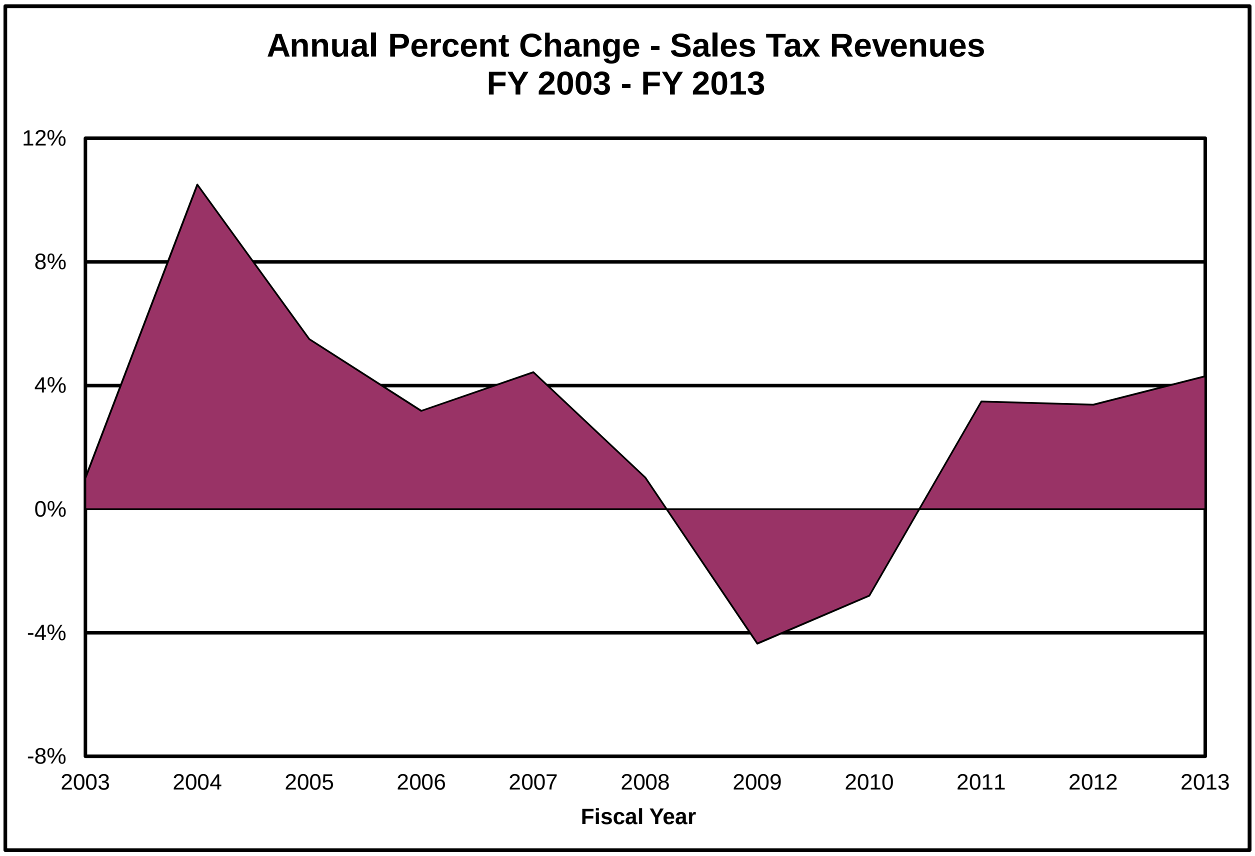
Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1998	97.3%	2006	98.1%
1999	97.3%	2007	98.3%
2000	97.3%	2008	98.0%
2001	97.1%	2009	97.9%
2002	96.3%	2010	97.8%
2003	96.8%	2011	97.9%
2004	96.9%	2012 (estimated)	97.8%
2005	97.9%	2013 (estimated)[1]	97.8%

[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 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$154,757,415	$150,174,905	$159,995,760	$166,876,306	$166,876,306	$0	0.0%

The FY 2013 Adopted Budget Plan estimate for Sales Tax receipts is $166,876,306 and reflects no change from the FY 2013 Advertised Budget Plan, and an increase of 4.3 percent over the *FY 2012 Revised Budget Plan*. 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. Although 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. While consumer spending was weak in the first half of FY 2011, it rebounded strongly in the second half, and Sales Tax receipts rose 3.5 percent for the fiscal year, the first increase since FY 2008. The FY 2012 estimate for Sales Tax receipts was increased $9.8 million during the fall 2011 revenue review based on year-to-date receipts, which were up 6.9 percent, and the assumption that receipts for the remainder of the year would be level with FY 2011 collections. The FY 2012 estimate was reviewed during the *FY 2012 Third Quarter Review* and it was determined that no further adjustment was necessary. Through February 2012 collections were up 5.7 percent. However, February receipts, representing holiday retail sales in December, were up just 0.5 percent over February 2011. The current FY 2012 estimate represents growth of 3.4 percent over the FY 2011 level. Based on econometric models using Gross County Product and retail sales as predictors, Sales Tax receipts are expected to rise 4.3 percent in FY 2013, reflecting improving economic conditions.



RECORDATION/DEED OF CONVEYANCE TAXES

FY 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$26,383,687	$25,373,488	$27,728,460	$25,627,223	$25,627,223	$0	0.0%

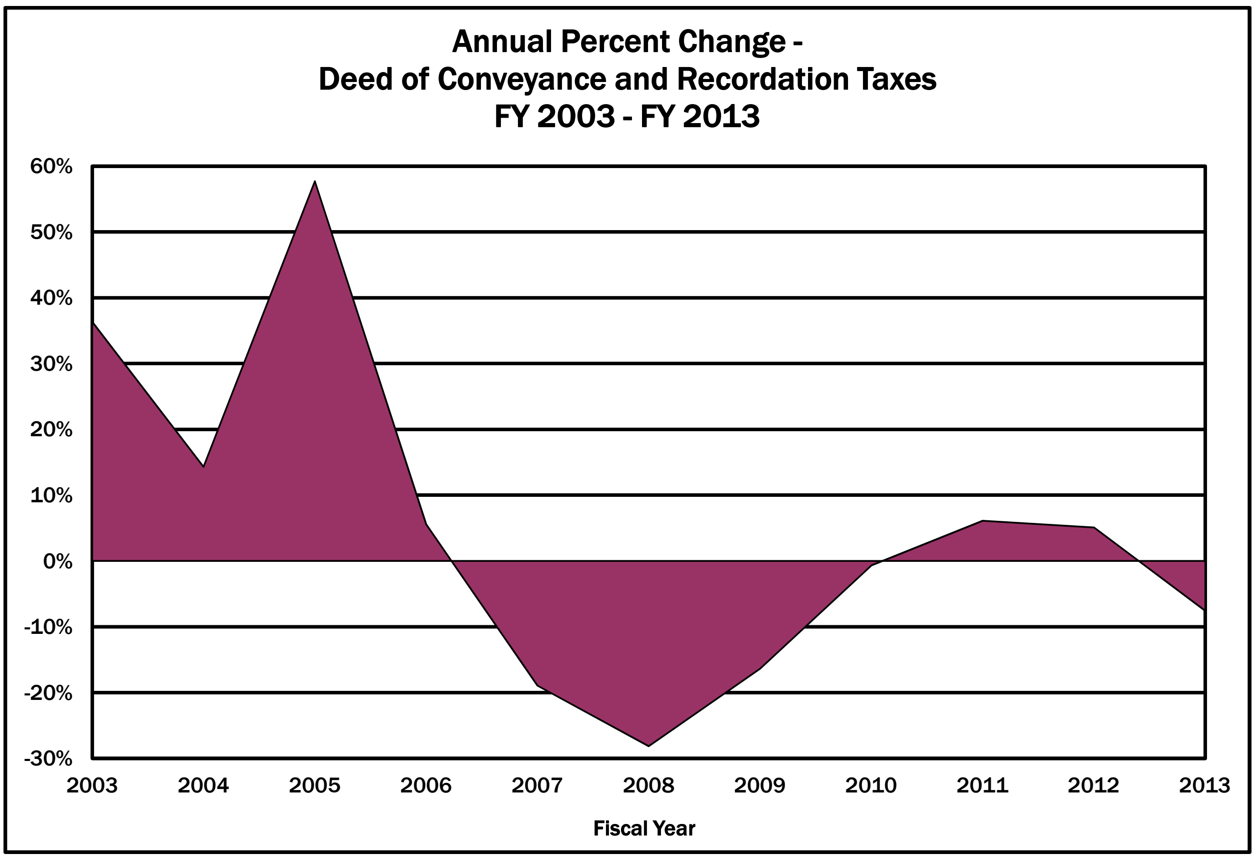
The FY 2013 Adopted Budget Plan estimate for Recordation and Deed of Conveyance Taxes is $25,627,223 and reflects no change from the FY 2013 Advertised Budget Plan, and a decrease of 7.6 percent from the *FY 2012 Revised Budget Plan*. The FY 2013 estimate is comprised of $20,965,960 in Recordation Tax revenues and $4,661,263 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 and an increase in the Recordation Tax rate from $0.05 to $0.0833 in FY 2005 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. Primarily due to increased mortgage refinancing activity as a result of historically low mortgage interest rates, FY 2011 revenue from Recordation and Deed of Conveyance Taxes increased 6.1 percent.

Based on collection trends, the FY 2012 estimate for Deed of Conveyance and Recordation Taxes was increased $0.9 million during the fall 2011 revenue review. Collections continued to trend higher primarily due to increased mortgage refinancing activity and the FY 2012 estimate was increased $1.5 million during the *FY 2012 Third Quarter Review* for an increase of 5.1 percent over FY 2011 receipts.

The 2012 General Assembly lowered the State Recordation tax rate on mortgage refinancing transactions from $0.25 to $0.18 per $100 of value effective July 1, 2012; however, all refinancing transactions are now taxable, whereas previously refinancing with the same lender was exempt from the tax. The Recordation tax rate on home purchases was not reduced and remains at $0.25. Local Recordation taxes are set at one-third the State rate; therefore, the County's Recordation Tax rate on mortgage refinancing will be reduced from $0.0833 to $0.06 per $100 of value. Based on the new tax rate structure and the expectation that mortgage refinancing will slow once interest rates start rising, FY 2013 revenue from Deed of Conveyance and Recordation Tax is expected to decrease 7.6 percent from the projected FY 2012 level.



Note: In FY 2005, the Recordation Tax was increased from $0.05 per $100 of value to $0.0833 per $100 of value.

CONSUMER UTILITY TAXES - GAS AND ELECTRIC

FY 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$45,416,719	$46,029,744	$46,029,744	$46,490,044	$46,490,044	$0	0.0%

The FY 2013 Adopted Budget Plan estimate for Consumer Utility Taxes on gas and electric services of $46,490,044 represents no change from the FY 2013 Advertised Budget Plan and an increase of 1.0 percent over the *FY 2012 Revised Budget Plan.* The FY 2013 estimate is comprised of $36,725,114 in taxes on electric service and $9,764,930 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.

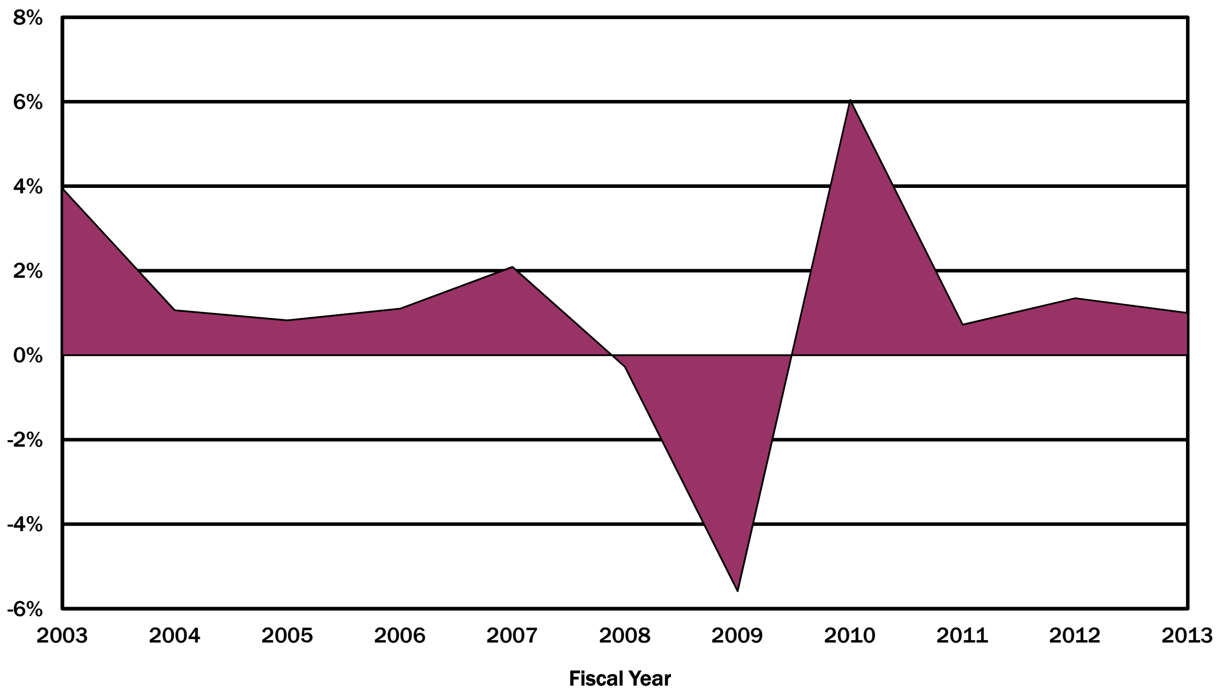
CONSUMER UTILITY TAXES ON ELECTRICITY AND NATURAL GAS

ELECTRICITY		NATURAL GAS	
Electric Power Customer Class	**Monthly Tax FY 2001 - FY 2013**	**Natural Gas Customer Class**	**Monthly Tax FY 2001 - FY 2013**
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

General Fund Revenue Overview

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 receipts rose a slight 0.7 percent. The FY 2012 estimate remains at the FY 2012 Adopted Budget Plan level, reflecting an increase of 1.3 percent over FY 2011 receipts. The FY 2013 estimate for a 1.0 percent increase is based on historical collection trends.

Annual Percent Change -
Consumer Utility Taxes on Electric and Gas Services
FY 2003 - FY 2013



COMMUNICATIONS SALES AND USE TAX

FY 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$50,724,263	$52,312,013	$48,026,604	$50,724,263	$50,724,263	$0	0.0%

The FY 2013 Adopted Budget Plan estimate for the Communications Sales and Use Tax of $50,724,263 represents no change from the FY 2013 Advertised Budget Plan and an increase of 5.6 percent over the *FY 2012 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, Fairfax County's receipts fell 3.9 percent in FY 2009 and another 3.2 percent in FY 2010. FY 2011 collections declined another 2.6 percent. FY 2012 receipts are projected to fall once again, as a $14.3 million statewide refund was processed relating to the erroneous collection of taxes on data services by a wireless provider. The County's share of this refund is $2.7 million. During the fall 2011 revenue review, the FY 2012 Communication Sales Tax was reduced $4.3 million based on FY 2011 actual receipts and the refund noted above. FY 2013 revenue is expected to remain at the FY 2012 level absent the refund.

VEHICLE REGISTRATION LICENSE FEE

FY 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$27,459,817	$27,270,000	$27,459,817	$27,871,714	$27,871,714	$0	0.0%

The FY 2013 Adopted Budget Plan estimate for the Vehicle Registration Fee of $27,871,714 represents no change from the FY 2013 Advertised Budget Plan and an increase of 1.5 percent over the *FY 2012 Revised Budget Plan.* Fairfax County levies the fee at the maximum rates allowed by the Commonwealth which are $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. The County does not require the display of a decal on the vehicle.

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.

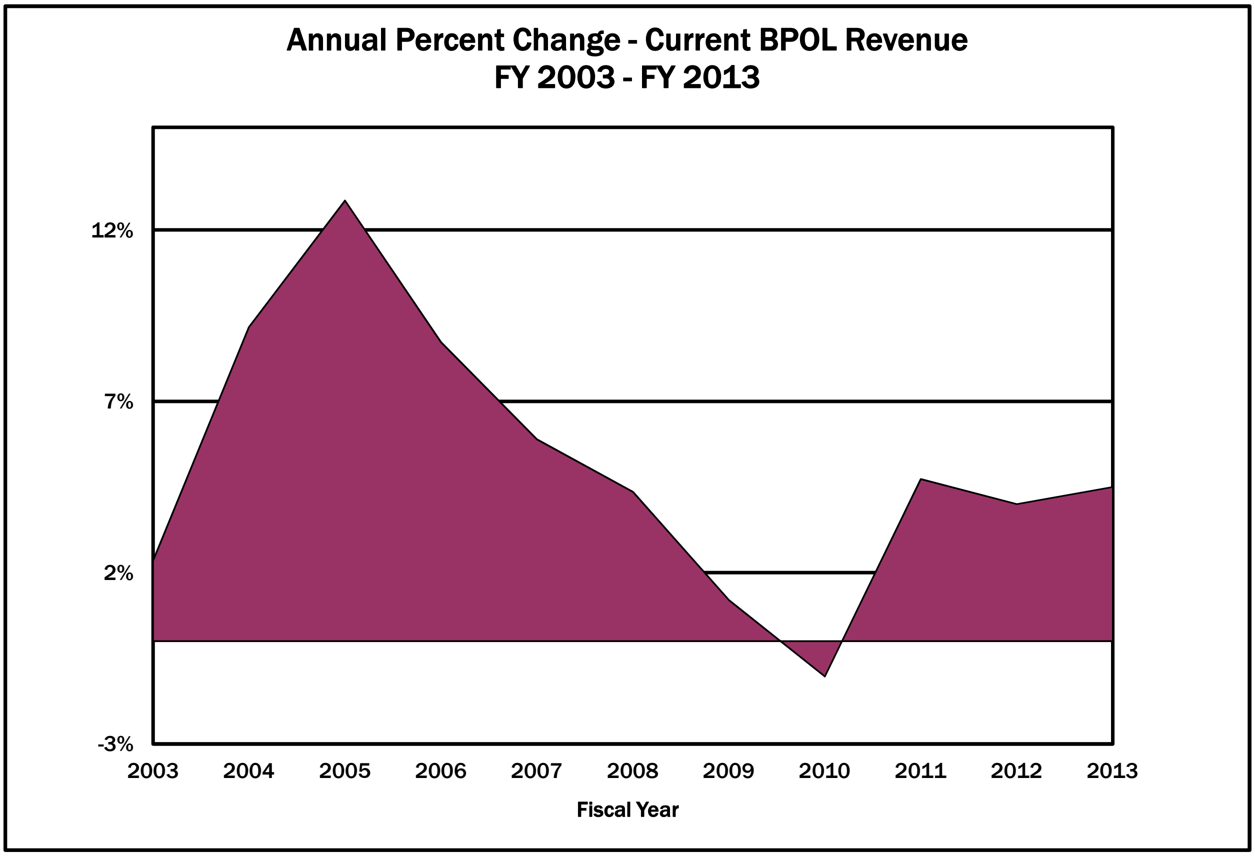
Based on collection trends, the FY 2012 estimate for the Vehicle Registration License fee was increased $0.2 million during the fall 2011 revenue review to the FY 2011 level. The FY 2013 estimate represents an increase of 1.5 percent based on the projected increase in vehicle volume.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$145,094,542	$141,313,465	$150,898,324	$157,688,748	$157,688,748	$0	0.0%

The FY 2013 Adopted Budget Plan estimate for Business, Professional and Occupational License Taxes (BPOL) is $157,688,748, representing no change from the FY 2013 Advertised Budget Plan, and an increase of 4.5 percent over the *FY 2012 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. The increase of 4.7 percent in FY 2011 BPOL receipts reflected the improvement in the local economic conditions. The Retail category, which represents nearly 18 percent of total BPOL receipts, rose 8.9 percent in FY 2011. The combined Consultant and Business Service Occupations categories, which together represent over 46 percent of total BPOL receipts, increased 3.8 percent in FY 2011. Real Estate categories had mixed results during FY 2011. The Real Estate Broker and Money Lender categories (each representing 0.9 percent of total BPOL receipts) rose 11.0 and 3.1 percent, respectively, while the Builder and Developers component (0.2 percent of total BPOL) declined 11.5 percent in FY 2011. The Professional Occupations category, which includes physicians and attorneys, makes up over 11 percent of total BPOL revenue and experienced 0.5 percent growth in FY 2011.



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 was available at the *FY 2012 Third Quarter Review* in order to revise the FY 2012 estimate. Based on initial tax year 2011 BPOL returns, however, FY 2012 receipts are anticipated to meet the revenue estimate, which reflects a 4.0 percent increase over the FY 2011 level. Based on the expectation that economic growth will continue, the estimate for FY 2013 BPOL receipts reflects an increase of 4.5 percent, which is consistent with model projections.

TRANSIENT OCCUPANCY TAX

FY 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$18,339,532	$18,459,655	$18,889,718	$19,456,410	$19,456,410	$0	0.0%

The FY 2013 Adopted Budget Plan estimate for Transient Occupancy Tax of $19,456,410 represents no change from the FY 2013 Advertised Budget Plan and an increase of 3.0 percent over the *FY 2012 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. During the fall 2011 revenue review, the FY 2012 estimate was increased $0.4 million, reflecting 3.0 percent growth over FY 2011, which rose 2.9 percent. No further adjustment was made during the *FY 2012 Third Quarter*

Review based on significant variation in month-to-month collections and a trend model that indicated growth in FY 2012 of approximately 2.0 percent. The FY 2013 estimate assumes a continuation of modest growth and reflects a 3.0 percent increase over FY 2012.

PERMITS, FEES AND REGULATORY LICENSES

FY 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$34,267,179	$30,152,648	$34,835,666	$34,802,539	$34,902,539	$100,000	0.3%

The FY 2013 Adopted Budget Plan estimate for Permits, Fees and Regulatory Licenses of $34,902,539 reflects an increase of $100,000, or 0.3 percent over the FY 2013 Advertised Budget Plan. The increase is due to projected growth in Fire Marshal fees associated with the Tysons area redevelopment.

Over 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. The FY 2012 estimate for LDS fee revenue was increased $3.4 million to $24.0 million during the fall 2011 revenue review based on an upward trend in permitting activity. This trend continued until January 2012, when collections fell nearly 20.0 percent compared to January 2011. During the *FY 2012 Third Quarter Review*, the estimate for LDS fees was increased $0.8 million to $24.8 million based on year-to-date collections, which were up over 26.0 percent, and the assumption that receipts for the remaining months of the fiscal year will fall, on average, 15.0 percent due to the collection pattern experienced in the last five months of FY 2011, when receipts rose nearly 25.0 percent. The FY 2013 adopted estimate for LDS fees of $24.7 million is unchanged from the advertised estimate reflecting a slight decrease of $0.1 million from projected FY 2012 receipts. The FY 2013 estimate will be reviewed in the fall of 2012 once several months of actual FY 2013 receipts have been received.

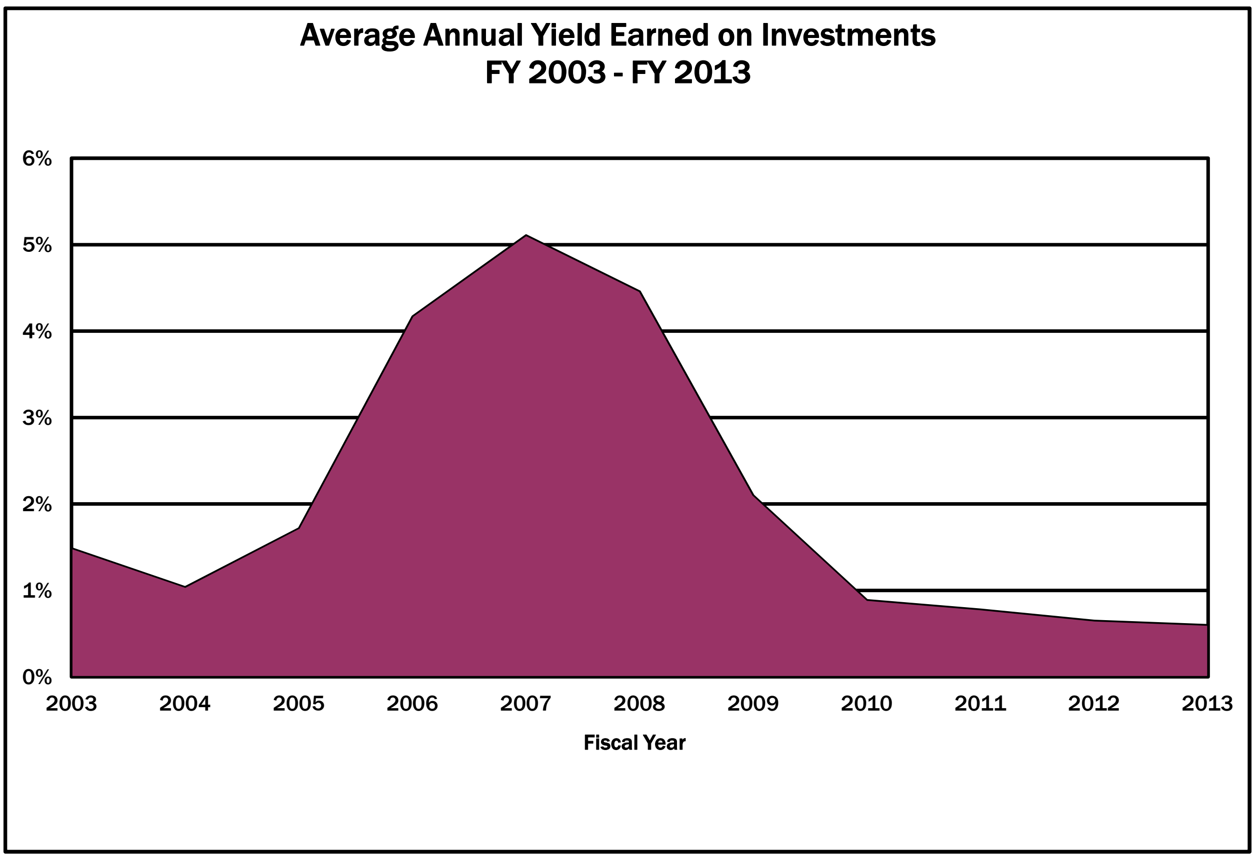
INVESTMENT INTEREST

FY 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$14,899,618	$12,747,824	$15,621,503	$13,141,516	$13,141,516	$0	0.0%

The FY 2013 Adopted Budget Plan estimate of $13,141,516 reflects no change from the FY 2013 Advertised Budget Plan and a decrease of 15.9 percent from the *FY 2012 Revised Budget Plan*. The decrease from FY 2012 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. FY 2011 General Fund revenue from Interest on Investments was $14.9 million and the average annual yield was 0.78 percent.

The FY 2012 estimate for Interest on Investments is $15.6 million based on a projected annual yield of 0.65 percent. Based on statements by the Federal Reserve in January 2012, the federal funds rate is expected to remain exceptionally low in FY 2013. The FY 2013 Adopted Budget Plan estimate for Investment Interest of $13.1 million is based on a projected average yield of 0.60 percent, a portfolio size of $2,677,213,182 and a General Fund percentage of 72.1 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 $16.1 million in FY 2013. The following table shows the yield earned on investments since FY 2003.



CHARGES FOR SERVICES

FY 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$64,096,781	$64,161,281	$64,161,281	$66,981,067	$67,111,067	$130,000	0.2%

The FY 2013 Adopted Budget Plan estimate for Charges for Services revenue is $67,111,067 and reflects an increase of $130,000, or 0.2 percent, over the FY 2013 Advertised Budget Plan. This increase is the result of partial restoration of reductions that were included in the FY 2013 Advertised Budget Plan to balance the budget.

The FY 2013 Adopted Budget Plan estimate for SACC fees is $34.7 million, a $2.9 million increase over the *FY 2012 Revised Budget Plan*. This increase is due to an expansion of the SACC program at Mason Crest and Graham Road elementary schools and a 5 percent fee increase in FY 2013.

In addition, in lieu of implementing further reductions to balance the budget, several revenue enhancements are being implemented in FY 2013. Standard Rec-PAC program fees are increasing 10.0 percent for all users and the Counselor-in-Training fee is increasing $25. Rec-PAC is the Park Authority's summer recreation program for elementary school children. Rec-PAC fees are on a sliding scale based on household income level and currently range from $30 to $99 per week. The Counselor-in-Training (CIT) program allows teens 14-17 years old to work as part of the Rec-Pac staff team. The CIT fee is increasing from $100 to $125 per summer. These adjustments result in a revenue increase of $0.1 million. Furthermore, two new transportation fees are being implemented in FY 2013: a fee of $20 per week per child for transportation to and from Therapeutic Recreation summer camp, as well as a fee of $35 per adult per year for transportation associated with the Adult Social Club program. Therapeutic Recreation serves children who have significant disabilities that require the specialized services provided within a recreation therapy setting. The Adult Social Club is for adults, 22 years of age or older, who have developmental disabilities and allows members to get together for three activities per month. These new transportation fees are expected to generate a revenue increase of $35,000.

Partially offsetting these increases in FY 2013 is a revenue decrease of $0.1 million in Adult Day Health Care fees due to adopted FY 2013 reductions to balance the budget.

RECOVERED COSTS / OTHER REVENUE

FY 2011 Actual	FY 2012 Adopted	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
$12,502,027	$12,079,289	$11,399,344	$12,096,329	$12,096,329	$0	0.0%

The FY 2013 Adopted Budget Plan estimate for Recovered Costs/Other revenue of $12,096,329 reflects no change from the FY 2013 Advertised Budget Plan, and an increase of $0.7 million, or 6.1 percent, over the *FY 2012 Revised Budget Plan*. This increase is primarily the result of a projected increase of $0.6 million in the reimbursement for governmental services from the City of Fairfax. The FY 2012 estimate was reduced during the fall 2011 revenue review due to a reconciliation of the City's share of actual FY 2011 expenses utilizing revised population figures. The FY 2013 reimbursement for the City of Fairfax reimbursement for governmental services is expected to be level with FY 2012 absent this adjustment.

In addition, the Sheriff's Office initiated negotiations with the Immigration and Code Enforcement (ICE) for a new Intergovernmental Service Agreement in order to reimburse the County a rate closer to the actual daily cost of keeping inmates. The new daily rate is expected to rise by a minimum of 70.0 percent for each ICE detainee held in the County jail. The new rate is projected to result in a net revenue increase of $162,000.

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT[1]

	FY 2011 Actual	FY 2012 Revised	FY 2013 Advertised	FY 2013 Adopted	Increase/ (Decrease)	Percent Change
Baseline Funding including State approved reductions	$136,132,404	$132,266,739	$132,716,643	$132,716,643	$0	0.0%
Reserve for State Cuts	0	(2,537,627)	(4,178,357)	0	4,178,357	-100.0%
Net Funding	$136,132,404	$129,729,112	$128,538,286	$132,716,643	$4,178,357	3.3%

[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 2013 Adopted Budget Plan estimate for Revenue from the Commonwealth and Federal Government of $132,716,643 reflects an increase of $4,178,357 over the FY 2013 Advertised Budget Plan. The $4.2 million represents the amount set aside in the FY 2013 Advertised Budget Plan for potential state budget reductions. This reserve is no longer needed based on final state budget actions made during the 2012 General Assembly session. The General Assembly continued the statewide "flexible" cut that requires localities to choose the funding stream in which to make the reduction or to remit payment to the state. The County's share of this reduction, $4.3 million, is included in the Baseline Funding shown above. During the *FY 2012 Third Quarter Review*, the estimate for Revenue from the Commonwealth and Federal Government was reduced a net $0.1 million from the FY 2012 fall estimate. A $0.4 million increase was associated with the Child Care Assistance and Referral Program, which will be entirely offset with additional expenditure requirements. Federal funding for holding illegal immigrants in County jails was received for an increase of $0.5 million. Offsetting these increases was a revenue decrease of $1.0 million associated with the Adoption Subsidy Program to more accurately align the program's budget with actual spending.