

FY 2014

Advertised Budget Plan



Trends and Demographics

Trends and Demographics

HOUSEHOLD TAX ANALYSES

The following analyses illustrate the impact of selected County taxes on the "typical" household from FY 2008 to FY 2014. This period provides five years of actual data, estimates for FY 2013 based on year-to-date experience, and projections for FY 2014. Historical dollar amounts are converted to FY 2014 dollar equivalents for comparison purposes using the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Baltimore area. The Washington metropolitan area has experienced average annual inflation of 1.3 percent from FY 2008 to FY 2012. It should be noted that slight deflation occurred in FY 2009 due to the economic downturn. Moderate inflation returned in 2010 and the rate accelerated in FY 2011. Projections for inflation in FY 2013 and FY 2014 are based on a forecast of 3.0 percent in FY 2013 and 3.2 percent in FY 2014 using the January 2013 issue of the *Blue Chip Economic Indicators*, and adjusting for a somewhat higher rate of inflation that has occurred in the Washington area, compared nationally.

HOUSEHOLD TAXATION TRENDS: SELECTED CATEGORIES FY 2008 - FY 2014

The charts on the following pages show the trends in selected taxes (Real Estate Taxes, Personal Property Taxes, Sales Taxes and Consumer Utility Taxes) paid by the "typical" household in Fairfax County. The Real Estate Tax analysis includes the proposed FY 2014 Real Estate tax rate of \$1.095 per \$100 of assessed value. It is important to note that the following data are not intended to depict a comprehensive picture of a household's total tax burden in Fairfax County.

In FY 2014, selected County General Fund taxes are projected to remain relatively stable, when compared to FY 2013, after adjusting for inflation. The "typical" household in Fairfax County is projected to pay \$5,919.13 in selected County General Fund taxes in FY 2014, \$94.98 more than in FY 2013 after adjusting for inflation. From FY 2008 to FY 2014, the inflation adjusted County taxes paid by the "typical" household have declined \$350.77. Note that taxes paid in FY 2008 through FY 2014 reflect the Commonwealth's Personal Property Tax Relief Act, which reduces an individual's Personal Property Tax liability on vehicles valued up to \$20,000 (see the section entitled "Personal Property Tax per Typical Household" for more information.)

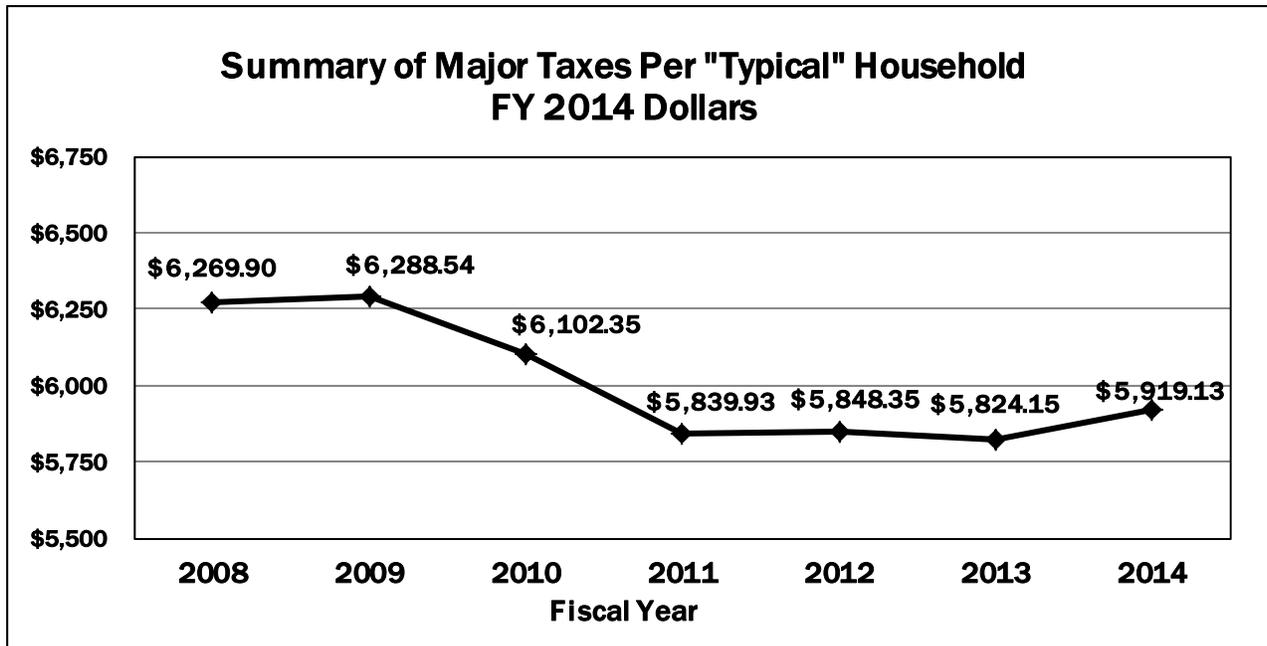
Trends and Demographics

Summary of Major Taxes Per "Typical" Household

	Number of Households	Real Estate Tax in FY 2014 Dollars	Personal Property Tax in FY 2014 Dollars ¹	Sales Tax in FY 2014 Dollars	Consumer Utility Tax in FY 2014 Dollars	Total Taxes in FY 2014 Dollars ¹
FY 2008	381,686	\$5,409.43	\$323.41	\$472.24	\$64.82	\$6,269.90
FY 2009	384,400	\$5,463.64	\$310.13	\$452.63	\$62.14	\$6,288.54
FY 2010	386,100	\$5,340.02	\$263.54	\$434.33	\$64.46	\$6,102.35
FY 2011	394,127	\$5,092.99	\$262.47	\$423.32	\$61.15	\$5,839.93
FY 2012	394,248	\$5,067.34	\$282.81	\$439.04	\$59.16	\$5,848.35
FY 2013²	395,177	\$4,991.90	\$338.86	\$435.79	\$57.60	\$5,824.15
FY 2014²	396,084	\$5,099.56	\$330.93	\$432.68	\$55.96	\$5,919.13

¹ Personal Property Taxes paid incorporate reductions in Personal Property Tax bills sent to citizens under the state's Personal Property Tax Relief program. The reductions were 67.0 percent in FY 2008, 68.5 percent in FY 2009, 70.0 percent in both FY 2010 and FY 2011, 68.0 percent in FY 2012, and 63.0 percent in FY 2013. The reduction in FY 2014 has been set at 63.0 percent, the same level as FY 2013. The difference in revenue will be paid to the County by the Commonwealth.

² Estimated.



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Real Estate Tax Per "Typical" Household

	Mean Assessed Value of Residential Property	Tax Rate per \$100	Tax per Household	Tax per Household in FY 2014 Dollars
FY 2008	\$542,409	\$0.89	\$4,827.44	\$5,409.43
FY 2009	\$525,132	\$0.92	\$4,831.21	\$5,463.64
FY 2010	\$457,898	\$1.04	\$4,762.14	\$5,340.02
FY 2011	\$433,409	\$1.09	\$4,724.16	\$5,092.99
FY 2012	\$445,533	\$1.07	\$4,767.20	\$5,067.34
FY 2013¹	\$449,964	\$1.075	\$4,837.11	\$4,991.90
FY 2014¹	\$465,713	\$1.095	\$5,099.56	\$5,099.56

¹ Estimated.

As shown in the preceding table, Real Estate Taxes per "typical" household are projected to increase \$262.45 between FY 2013 and FY 2014 to \$5,099.56, not adjusting for inflation. This increase is the result of the 3.50 percent increase in the mean assessed value of residential properties within the County and an increase in the proposed Real Estate Tax rate. The proposed FY 2014 General Fund Real Estate Tax rate is \$1.095 per \$100 of assessed value, up from \$1.075 per \$100 of assessed value in FY 2013.

Since FY 2008, Real Estate Taxes have increased \$272.12, or an average annual increase of 0.9 percent per year, not adjusting for inflation. Adjusted for inflation, Real Estate Taxes per "typical" household are \$309.87 less than in FY 2008, an average annual decrease of 1.0 percent.

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Personal Property Tax Per "Typical" Household

	Personal Property Taxes Attributed to Individuals	Number of Households	Tax per Household	Tax per Household In FY 2014 Dollars	After PPTRA	
					Adjusted Tax per Household ¹	Adjusted Tax per Household in FY 2014 Dollars ¹
FY 2008	\$333,823,546	381,686	\$874.60	\$980.04	\$288.62	\$323.41
FY 2009	\$334,648,575	384,400	\$870.57	\$984.53	\$274.23	\$310.13
FY 2010	\$302,475,782	386,100	\$783.41	\$878.48	\$235.02	\$263.54
FY 2011	\$319,851,985	394,127	\$811.55	\$874.91	\$243.46	\$262.47
FY 2012	\$327,790,000	394,248	\$831.43	\$883.78	\$266.06	\$282.81
FY 2013²	\$350,692,245	395,177	\$887.43	\$915.83	\$328.35	\$338.86
FY 2014²	\$354,254,832	396,084	\$894.39	\$894.39	\$330.93	\$330.93

¹ Personal Property Taxes paid incorporate reductions in Personal Property Tax bills sent to citizens under the state's Personal Property Tax Relief program. The reductions were 67.0 percent in FY 2008, 68.5 percent in FY 2009, 70.0 percent in both FY 2010 and FY 2011, 68.0 percent in FY 2012, and 63.0 percent in FY 2013. The reduction in FY 2014 has been set at 63.0 percent, the same level as FY 2013. The difference in revenue will be paid to the County by the Commonwealth.

² Estimated.

Personal Property Taxes paid by the "typical" household are shown in the preceding chart. Personal Property Taxes paid reflect the Commonwealth of Virginia's Personal Property Tax Relief Act (PPTRA), which reduced an individual's Personal Property Tax payment. In FY 2007, statewide reimbursements were capped at \$950 million, with each locality receiving a percentage allocation from this fixed amount determined by the locality's share of statewide tax year 2005 collections. Each year, County staff must determine the reimbursement percentage based on the County's fixed reimbursement of \$211.3 million and an estimate of the number and value of vehicles that will be eligible for tax relief. As the number and value of vehicles in the County vary, the percentage attributed to the state will fluctuate. Based on a County staff analysis, the effective state reimbursement percentage was 67.00 percent in FY 2008, 68.50 percent in FY 2009, 70.00 percent in both FY 2010 and FY 2011, 68.00 percent in FY 2013, and 63.00 percent in FY 2014. The FY 2014 reimbursement percentage has been set at 63.00 percent, the same level as FY 2013.

The tax per household analysis shown above assumes that the "typical" household's vehicle(s) are valued at \$20,000 or less in order to qualify for a reduction under the PPTRA. Personal Property Taxes per "typical" household are projected to increase \$2.58 between FY 2013 and FY 2014 to \$330.93 based on a 63.00 percent state share. The FY 2014 Personal Property Tax per "typical" household is \$42.31 higher than what was paid in FY 2008, not adjusting for inflation. When adjustments are made for inflation, the "typical" household is projected to pay \$7.52 more in FY 2014 than FY 2008. There have been no changes to the Personal Property Tax rate of \$4.57 per \$100 of assessed value for individuals during the FY 2008 to FY 2014 period, except for mobile homes and boats which are taxed at the prevailing Real Estate Tax rate each fiscal year.

Trends and Demographics

Vehicle Registration Fee

The FY 2014 Advertised Budget Plan also includes an annual Vehicle Registration Fee on motor vehicles. The fee will be levied at \$33 for passenger vehicles that weigh 4,000 pounds or less and \$38 on passenger vehicles that weight more than 4,000 pounds. The fee for motorcycles is \$18. This fee was levied prior to FY 2007 at \$25 for all passenger vehicles regardless of weight and at \$18 for motorcycles.

Sales Tax Per "Typical" Household

	Total Sales Tax	Number of Households	Tax per Household	Tax per Household in FY 2014 Dollars
FY 2008	\$160,855,221	381,686	\$421.43	\$472.24
FY 2009	\$153,852,596	384,400	\$400.24	\$452.63
FY 2010	\$149,547,338	386,100	\$387.33	\$434.33
FY 2011	\$154,757,415	394,127	\$392.66	\$423.32
FY 2012	\$162,839,599	394,248	\$413.04	\$439.04
FY 2013¹	\$166,876,306	395,177	\$422.28	\$435.79
FY 2014¹	\$171,377,177	396,084	\$432.68	\$432.68

¹ Estimated.

As shown in the table above, FY 2014 Sales Tax paid per household is estimated to be \$432.68, or \$11.25 more than FY 2008, not adjusting for inflation. This represents an average annual increase of 0.4 percent since FY 2008. Adjusting for inflation, Sales Tax paid per household has decreased \$39.56 during the same period, representing an average annual decrease of 1.4 percent.

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

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

	Total Consumer Utility Taxes Paid by Residential Consumers	Number of Households	Tax per Household	Tax per Household in FY 2014 Dollars
FY 2008	\$22,081,309	381,686	\$57.85	\$64.82
FY 2009	\$21,124,481	384,400	\$54.95	\$62.14
FY 2010	\$22,192,306	386,100	\$57.48	\$64.46
FY 2011	\$22,355,408	394,127	\$56.72	\$61.15
FY 2012	\$21,943,780	394,248	\$55.66	\$59.16
FY 2013¹	\$22,053,499	395,177	\$55.81	\$57.60
FY 2014¹	\$22,163,767	396,084	\$55.96	\$55.96

¹ Estimated.

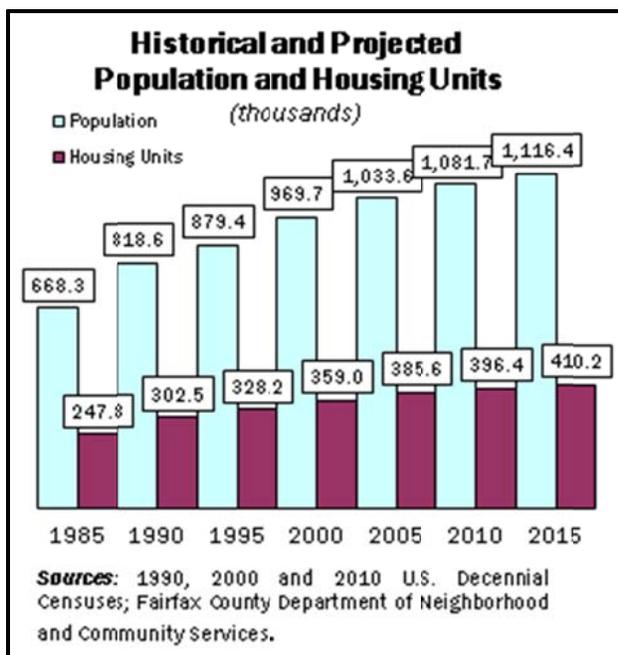
Based on data from the utility companies, it is estimated that residential consumers pay approximately 43.0 percent of the Electric Taxes and 73.0 percent of the Gas Taxes received by the County. Utility Taxes per household have remained relatively stable from FY 2008 through FY 2014. In FY 2014, the "typical" household will pay an estimated \$55.96 in Consumer Utility Taxes, a modest \$1.89 less than in FY 2008, without adjusting for inflation. From FY 2008 to FY 2014, the "typical" household has experienced an average annual decrease of 2.4 percent, or \$8.86 over the period, adjusted for inflation.

Trends and Demographics

DEMOGRAPHIC TRENDS

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

Population and Housing



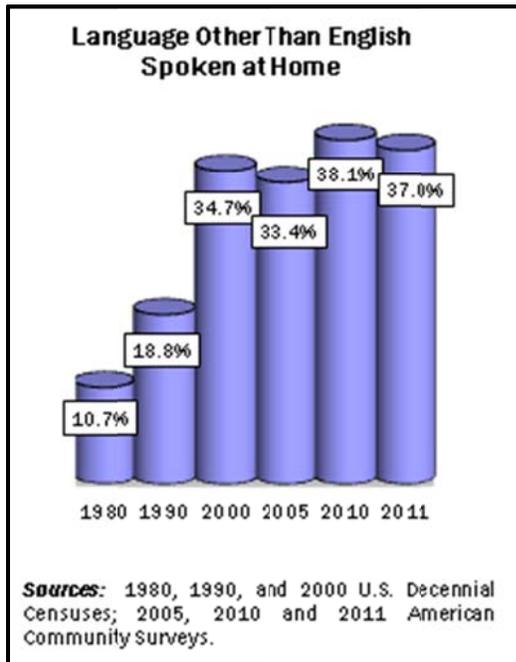
Some of the strongest demographic influences on Fairfax County expenditures and revenues are those associated with the growth in total population and housing units. During the 1980s, the County went through a period of notable population growth, adding over 220,000 residents. Growth moderated during the 1990s and the County's population expanded by 150,000 residents. Even though population growth in the 1990s was not as brisk as in the 1980s, the increase in Fairfax County's population between 1990 and 2000 is comparable to adding more than the entire population of the City of Alexandria to the County. The County's population growth continued to decelerate, adding 112,000 residents between 2000 and 2010. Based on the 2011 American Community Survey, Fairfax County had a population of 1,100,692 residents in 2011. Between 2010 and 2015, the population of Fairfax

County is expected to increase over 34,600 residents to 1,116,371.

From 1980 to 1990, the number of housing units in Fairfax County rose at a faster rate (40 percent) than population (37 percent). This was due to the construction boom of the 1980s. Between 1990 and 2000, housing units grew 18.7 percent, just slightly above population growth of 18.5 percent. From 2000 to 2010, this trend reversed, with population growth at 11.5 percent, surpassing housing unit growth of 10.4 percent. From 2010 to 2015, population and housing units are anticipated to grow 3.2 percent and 3.5 percent, respectively. Many County programs, such as fire prevention, transit, water and sewer, are impacted by the number of housing units. Other program areas such as libraries, recreation, and schools, are impacted more by the growth in population.

Trends and Demographics

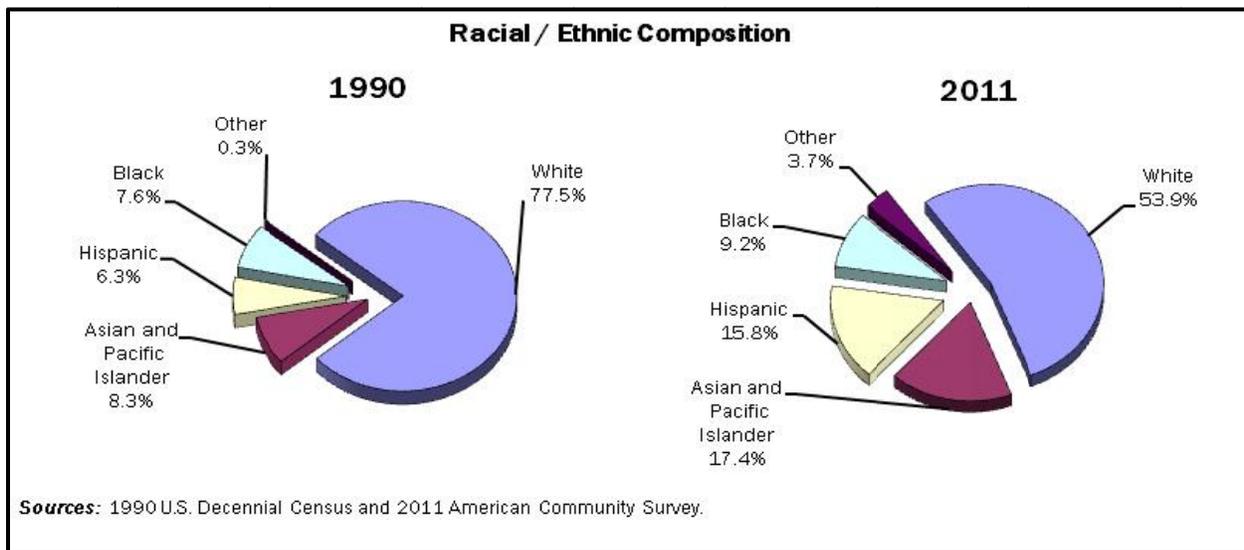
Cultural Diversity



Fairfax County’s population is rich in diversity. Based on the 2011 American Community Survey, the number of persons speaking a language other than English at home is estimated to be nearly 380,000 residents, or 37.0 percent of the County’s population age five years or older. In 1980, less than 11 percent of residents age five years or older spoke a language other than English at home. This percentage rose to nearly 19 percent in 1990. By 2000, it was 34.7 percent. The most frequently spoken languages other than English include Spanish, Korean, Vietnamese and Chinese.

These language trends affect many County programs. For example, the Fairfax County Public Schools have experienced rapid growth in English for Speakers of Other Languages (ESOL) programs. Between FY 2000 and FY 2012, total public school membership increased 15.1 percent, while ESOL enrollment grew approximately 107.5 percent. Also, general government services such as the

courts, police, fire and emergency medical services, as well as human service programs and tax related programs are impacted by the County’s cultural and language diversity. The County continues to develop various means to effectively communicate with residents for whom English is not their native language.



In 1990, racial and ethnic minorities comprised less than a quarter of Fairfax County’s population. In 2011, over 46 percent of County’s population consisted of ethnic minorities. The two fastest growing groups are Hispanics and Asians and Pacific Islanders, which have both more than doubled their share of the County’s population between 1990 and 2011. These two minority groups are anticipated to remain the County’s most rapidly expanding racial or ethnic groups during the next five years. As the County’s population continues to become more diverse, the number of persons speaking a language other than English at home is anticipated to continue to grow and impact a wide range of services provided by the County.

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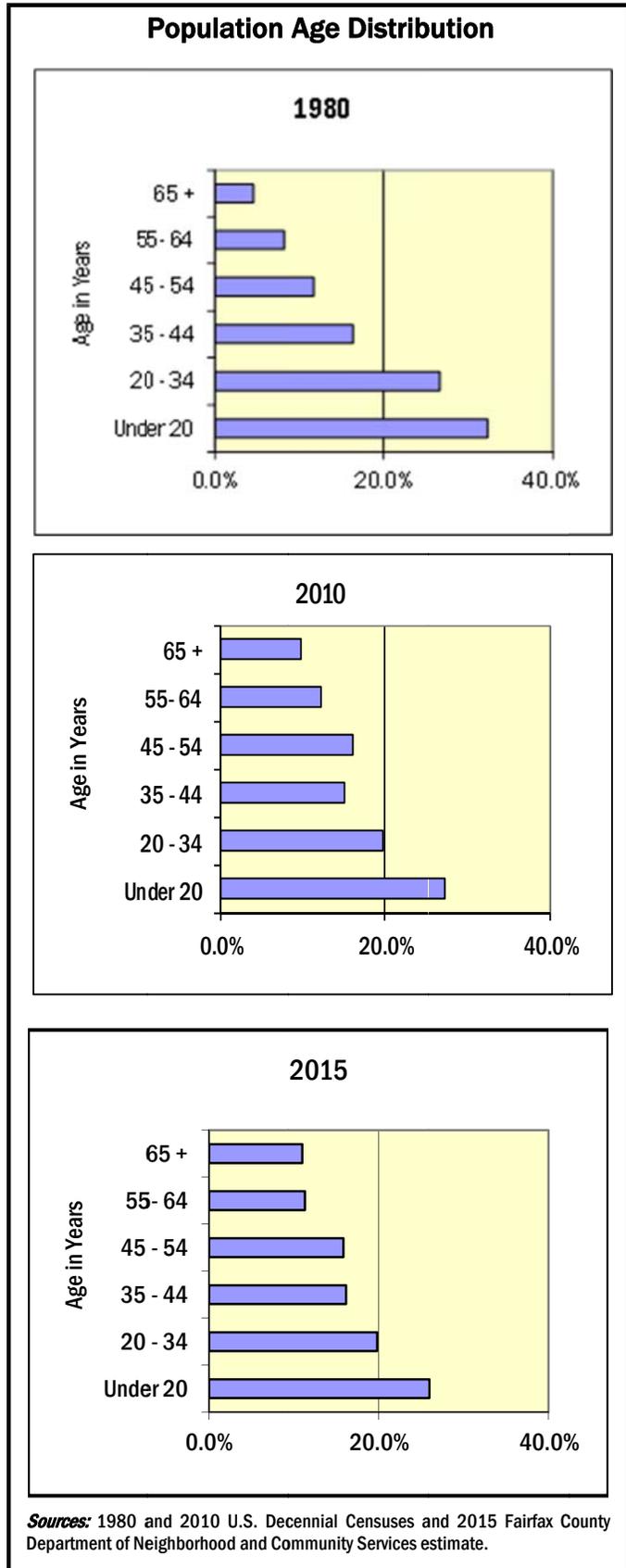
Population Age Distribution

Fairfax County's population has grown steadily older since 1980. Between 1980 and 2010, the percentage of children age 19 years and younger became a smaller proportion of the total population, dropping from 32.4 percent to 26.4 percent in 2010. This trend is anticipated to continue through 2015, with the percentage of those 19 years old and younger falling to 26.0 percent

The number of adults age 45 to 54 years expanded rapidly between 1980 and 2010, as the first "baby boomers" began to enter into their fifties. This age group's sharp growth trend will begin to reverse between 2010 and 2015, as the final "baby boomers" enter this age group and the oldest of the "baby boom" generation move to the next age group.

Between 1980 and 2010, the seniors' population, those age 65 years and older, more than doubled in size and was the fastest growing segment of County residents. This age group is expected to continue increasing in size, with its share of the population reaching 11.0 percent by 2015.

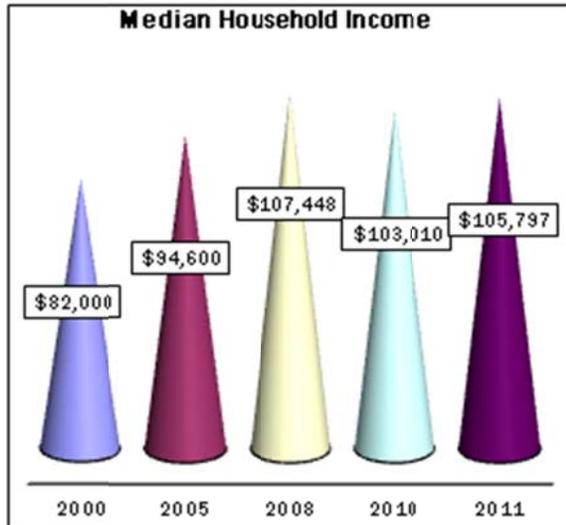
The age distribution of Fairfax County's population greatly impacts the demand and, therefore, the costs of providing many local government services. For example, the number, location, and size of school and day care facilities are directly affected by the number and proportion of children. Transportation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



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

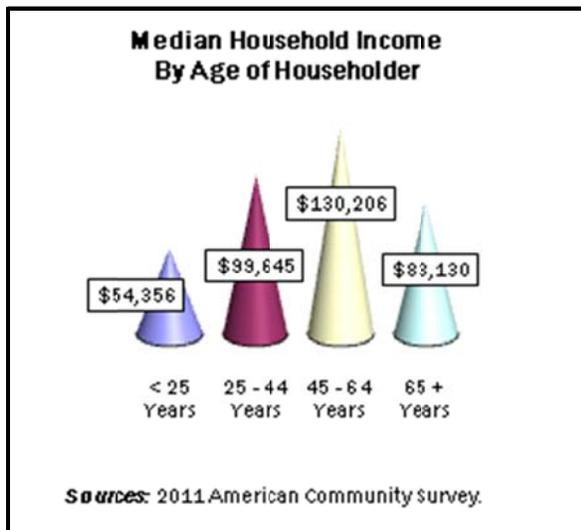
Household Income



Sources: 2000 and 2010 U.S. Decennial Censuses; 1998 Household Survey; 2000 Fairfax-Falls Church Community Assessment Survey; 2005, 2008 and 2011 American Community Surveys.

The median household income in Fairfax County was \$105,797 in 2011, the second highest in the nation for counties with a population of 250,000 or more after neighboring Loudoun County. Fairfax County's 2011 median household income increased 2.7 percent over 2010. Consequently, households in Fairfax County had slightly higher disposable income to spend or save. Since 1995, median household income in the County has risen at a rate of 2.6 percent per year.

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



Sources: 2011 American Community Survey.

Incomes peak among persons aged 45 to 64 years, who are in their prime earning years. As the number of households headed by this age group is projected to shrink during the next 10 years, various tax revenues may be impacted. Sales Tax revenues, for instance, may experience more modest growth. The median income for heads of households between the ages of 45 and 64 was \$130,206 in 2011.

The median household income of people age 65 or older drops to \$83,130. A population containing a larger number of seniors, age 65 and older, will put downward pressure on tax revenues. These senior households are typically on a fixed income and have less discretionary money to spend. In addition, persons in this age group own fewer motor vehicles and may qualify for Real Estate Tax Relief.

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ECONOMIC TRENDS

Average Sales Price of Housing



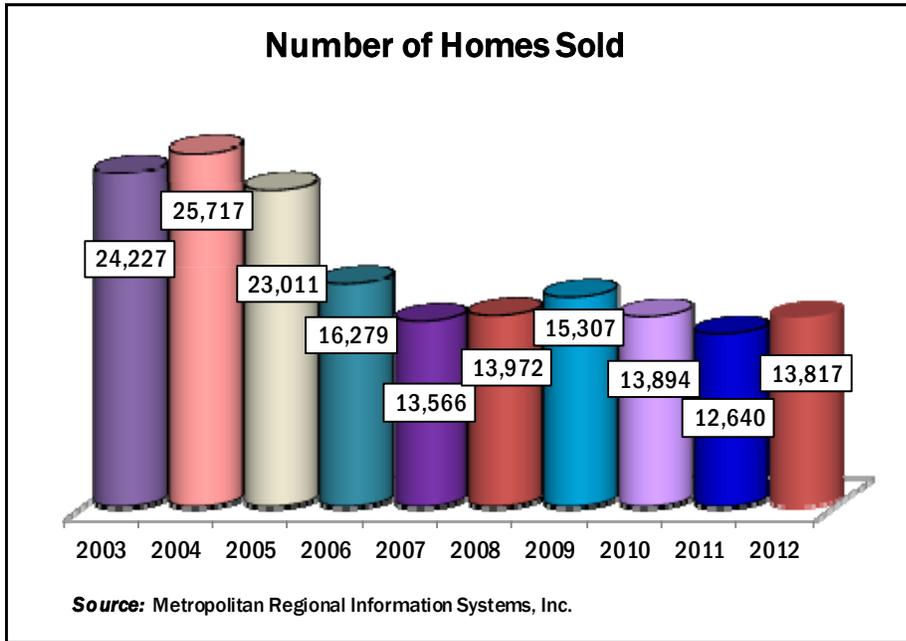
Based on data from the Metropolitan Regional Information Systems, Inc. (MRIS), the average sales price for all types of homes sold in Fairfax County increased 4.5 percent from \$471,317 in 2011 to \$492,480 in 2012. This marks the third consecutive year in which the average sales price of homes sold increased, after declining in the previous four years. The stagnant sales

price encountered in 2006 signaled a rapid turnaround from the double-digit increases in sales price appreciation experienced during the preceding five years. In 2005, the average sales price for housing in Fairfax County was more than 48 percent higher than the average sales price of a home sold in 2003. Homes prices fell each year from 2006 through 2009. Since 2009, the average sales price of housing has risen 18.1 percent.

In FY 2014, Real Estate Tax revenue is projected to comprise more than 62 percent of all General Fund Revenues and residential properties make up the majority of the value of the Real Estate Tax base. As a result, the changes in the residential housing market have a very significant impact on Fairfax County's revenues.

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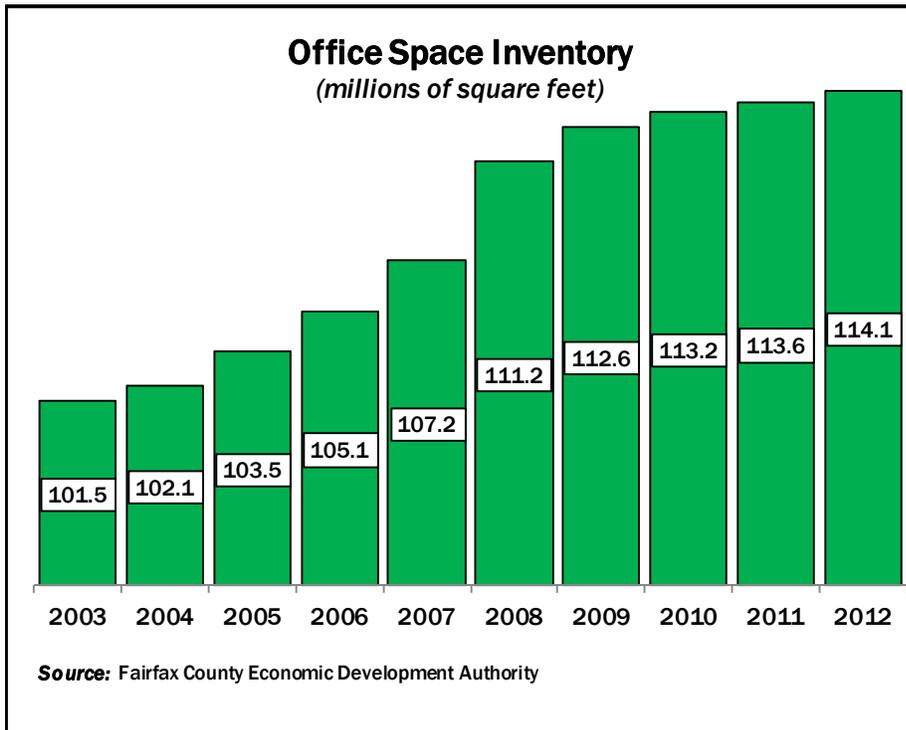
Homes Sold in Fairfax County



The number of homes sold in Fairfax County increased in 2012 after decreasing in the previous two years. Based on data from MRIS, the number of homes sold in 2012 was 13,817, a 9.3 percent increase over the 12,640 sold in 2011. The number of homes sold peaked in 2004, when 25,717 homes were sold and hit a nine-year low of 12,640 in 2011. Including 2012, the number of homes sold has averaged 13,866 over the past six

years. The average days on the market for active residential real estate listings in Fairfax County was 50 days for all of 2012 – 8 days faster than the 2011 level of 58 days.

Office Space Inventory



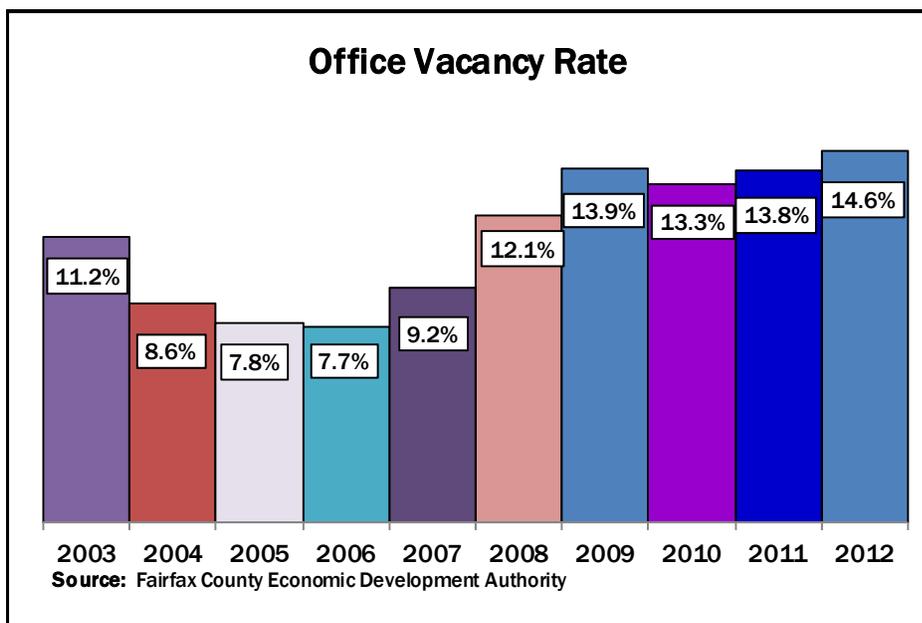
The amount and value of nonresidential space in Fairfax County has a significant impact on revenues and expenditures. Business activity has an effect on Real Estate Taxes, business Personal Property Tax revenues and Business, Professional and Occupational License (BPOL) revenues. Business expansion also influences expenditures for water and sewer services, transportation improvements, police and fire services, and refuse disposal. The

largest component of non-residential space in the County is office space. Since 2003, the total inventory of office space in Fairfax County has risen 12.6 million square feet to 114.1 million square feet as of year-end

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2012. According to the Economic Development Authority, the commercial office market in the County remained stagnant in 2012, primarily due to the uncertain political landscape and the possibility of sequestration – mandatory federal budget cuts scheduled to take place during 2013. A bright spot in the commercial office market was the increase in new office construction activity. As of year-end 2012, there were 12 buildings totaling nearly 2.2 million square feet under construction. More than 69 percent of the new office space under construction is 100 percent speculative development. This interest in speculative development reflects confidence in the stability of the Fairfax County office market. The primary factor driving much of the new development is the construction of the Metrorail Silver Line along the Dulles Toll Road corridor.

Office Vacancy Rates

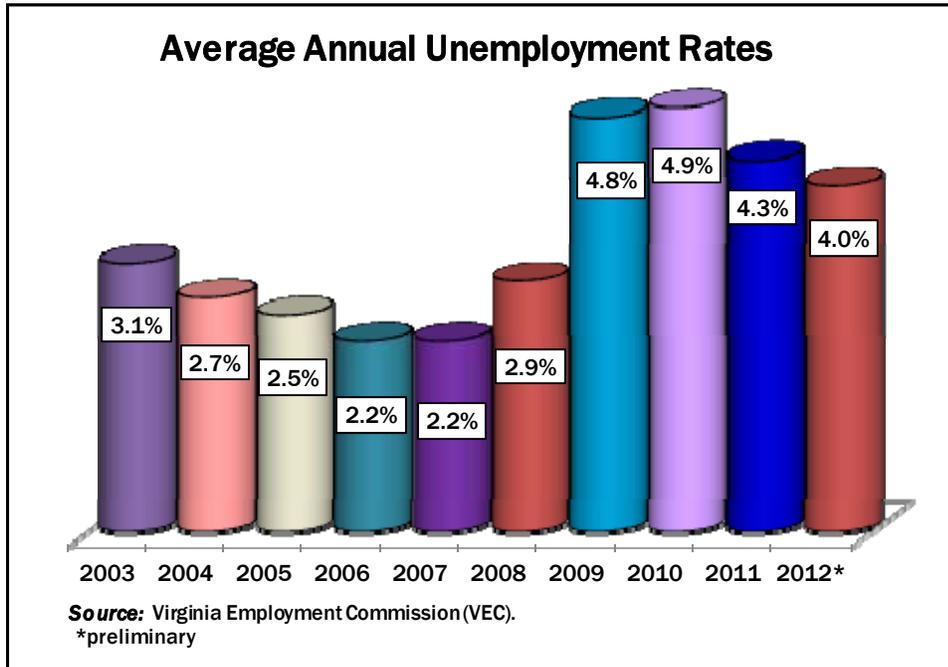


The inventory of office space rose an average of 600,000 square feet per year from 2001 through 2003. This, along with record leasing activity in 2003 and 2004, resulted in declining office vacancy rates. Construction of new office space began to accelerate in 2005, adding an average of 2.1 million square feet per year through 2009 to the office inventory. By year-end 2009, the direct office vacancy

rate increased to 13.9 percent. In the last couple of years, the direct vacancy rate has remained elevated in historical terms, and at year-end 2012 was 14.6 percent, the highest on record since 1992. Including sublet space, the overall office vacancy rate was 16.7 percent, up from 15.7 percent at year-end 2011. The increase in the vacancy rate is attributed to the threat of sequestration, as government contractors consolidate operations throughout the Washington area and retool operations in order to operate in an economic environment less dependent on government procurement spending. Total leasing activity during 2012 hit a five-year low with 9.7 million square feet of activity, down over 17 percent from year-end 2011. This is significantly lower than the record 13.6 million square feet of leasing activity experienced in 2010. Lease rates for new space are adjusting to market conditions. Many tenants are taking advantage of favorable rates and others are looking to capitalize on market conditions by consolidating operations in newer space near Metro. The Tysons market is uniquely positioned to take advantage of this trend with more than 26 million square feet of new office space in the pipeline.

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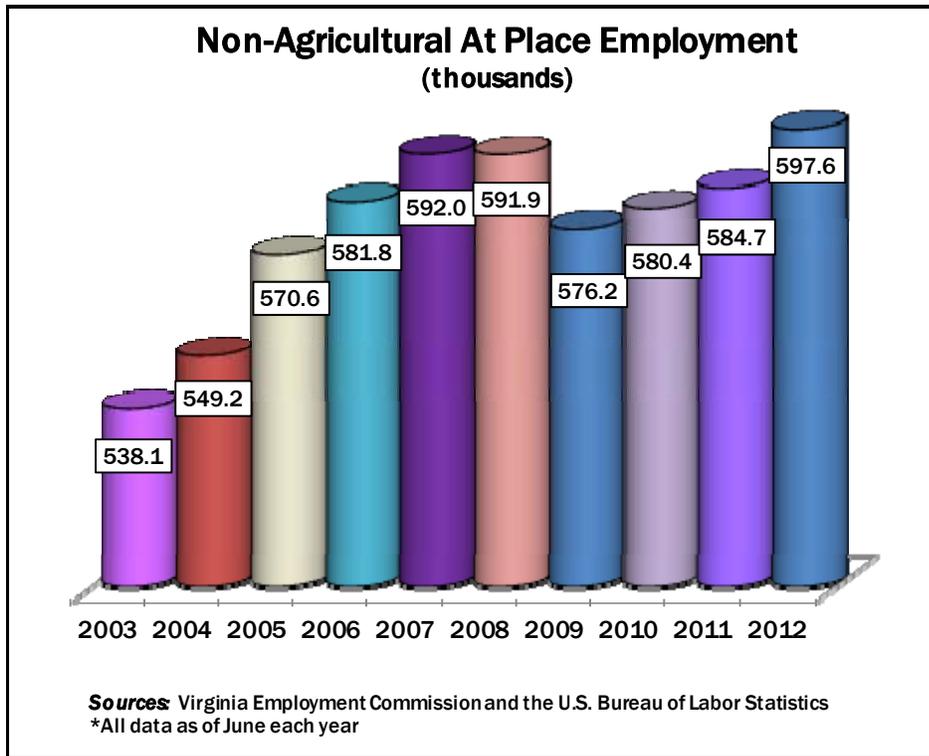
Employment



Unemployment rates show the strength of the Fairfax County economy by indicating how many Fairfax County residents are actively seeking but are unable to obtain employment. During the last decade, residents of Fairfax County have experienced low unemployment rates even during economic recessions. The annual unemployment rate

rose in 2002 to 3.4 percent due to the effects of the September 11 attacks and a decline in the technology sector. As the economy improved and the availability of jobs grew - mainly driven by an increase in federal procurement - the unemployment rate dropped in 2003 and 2004. The rate continued to fall through 2007. Due to the economic downturn, the average unemployment rate in 2008 increased to 2.9 percent. Job losses accelerated in 2009 as indicated by the average unemployment rate of 4.8 percent. In 2010, the unemployment rate rose again, albeit slightly, to 4.9 percent. In 2011, the unemployment rate declined to 4.3 percent. This trend continued in 2012, with the unemployment rate decreasing to 4.0 percent.

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At place employment serves as a gauge of the number of jobs created by businesses located in Fairfax County. Growth in both employment and the number of businesses generate increased tax revenues and additional expenditures for Fairfax County. According to data from the Bureau of Labor Statistics, the number of jobs in Fairfax County expanded at a rate of over 5.0 percent per year from 1998 to 2001. However, when the economy slowed, the number of jobs fell

in 2002 and 2003 a total of 15,100. Employment growth rebounded in 2004 and rose 2.0 percent, or 11,150 jobs. Job growth peaked in 2005 with an increase of 21,500 net new jobs, a 3.9 percent increase. Job growth slowed to rates of 2.0 percent and 1.8 percent in 2006 and 2007, respectively, and was essentially flat in 2008. Due to the recession, the number of jobs fell 2.7 percent in 2009, before it increased a modest 0.7 percent in 2010 and another 0.8 percent in 2011. As of June 2012, the estimated number of non-agricultural jobs in the County totals 597,572. This represents an increase of 12,855 jobs over 2011, or 2.2 percent.