FY 2017

Advertised Budget Plan

COUNTY OF FAIRFAX

1742

VIRGINIA

General Fund Revenue Overview

SUMMARY OF GENERAL FUND REVENUE AND TRANSFERS IN

Category	FY 2015 Actual	FY 2016 Adopted Budget Plan	FY 2016 Revised Budget Plan[1]	FY 2017 Advertised Budget Plan	Change from the FY 2016 Revised Budget Plan: Increase/ (Decrease)	Change from the FY 2016 Revised Budget Plan: Percent Change
Real Estate Taxes - Current and Delinquent	$2,357,117,530	$2,434,215,819	$2,434,215,819	$2,600,366,481	$166,150,662	6.8%
Personal Property Taxes - Current and Delinquent[2]	581,606,165	580,703,367	587,511,521	594,588,125	7,076,604	1.2%
Other Local Taxes	506,567,278	495,137,332	504,309,764	510,976,755	6,666,991	1.3%
Permits, Fees and Regulatory Licenses	45,545,990	45,572,818	46,549,359	47,384,162	834,803	1.8%
Fines and Forfeitures	13,115,761	13,348,086	12,443,009	12,443,009	0	0.0%
Revenue from Use of Money/Property	15,118,488	21,003,774	21,116,191	22,582,955	1,466,764	6.9%
Charges for Services	72,911,452	74,616,185	74,937,994	76,031,208	1,093,214	1.5%
Revenue from the Commonwealth and Federal Governments[2]	125,754,953	127,575,900	127,238,326	127,315,876	77,550	0.1%
Recovered Costs / Other Revenue	20,126,106	18,334,374	16,704,535	16,425,616	(278,919)	(1.7%)
Total Revenue	**$3,737,863,723**	**$3,810,507,655**	**$3,825,026,518**	**$4,008,114,187**	**$183,087,669**	**4.8%**
Transfers In	12,148,516	9,828,217	9,828,217	10,165,872	337,655	3.4%
Total Receipts	**$3,750,012,239**	**$3,820,335,872**	**$3,834,854,735**	**$4,018,280,059**	**$183,425,324**	**4.8%**

[1] FY 2016 revenue estimates were increased a net $14.5 million as part of the *FY 2015 Carryover Review* and the fall 2015 review of revenues. Explanations of these changes can be found in the following narrative. The *FY 2016 Third Quarter Review* may contain further adjustments as necessary.

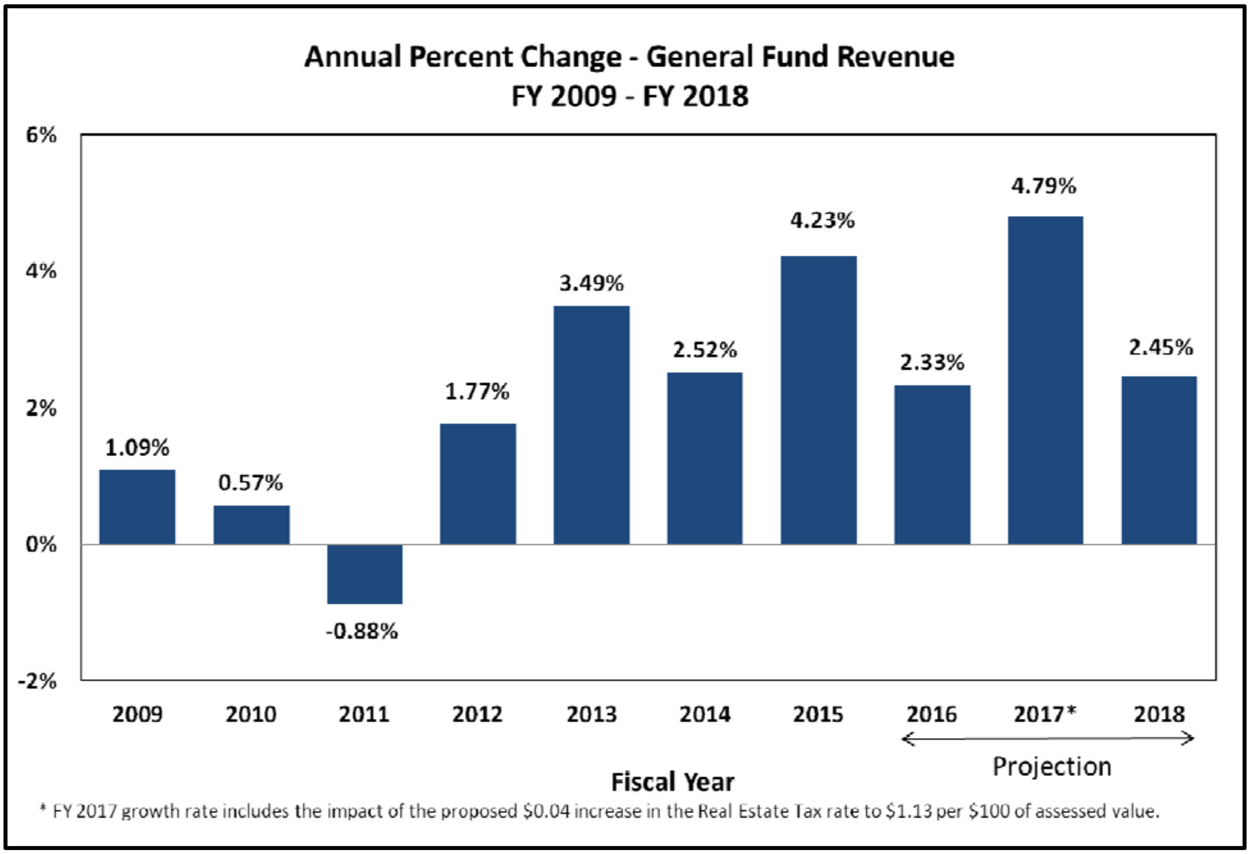
[2] The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

As reflected in the preceding table, FY 2017 General Fund revenues are projected to be $4,008,114,187, an increase of $197,606,532, or 5.2 percent over the FY 2016 Adopted Budget Plan. FY 2016 revenue estimates were increased a net $14.5 million in a number of revenue categories as part of the *FY 2015 Carryover Review* and the fall 2015 review of revenues. As a result, the FY 2017 General Fund revenue reflects an increase of $183,087,669, or 4.8 percent, over the *FY 2016 Revised Budget Plan*. The net increase is primarily the result of a $166.2 million increase in Real Estate Taxes based on rising assessments and an increase in the proposed Real Estate tax rate from $1.09 to $1.13 per $100 of assessed value. In addition, Personal Property Taxes are projected to increase $7.1 million due to an increase in vehicle and business levy, and Other Local Taxes are expected to rise $6.7 million on projected growth in Local Sales Tax, Transient Occupancy Tax, Deed of Conveyance and Recordation Taxes, and Business, Professional, and Occupational License Tax.

Incorporating Transfers In, FY 2017 General Fund receipts are anticipated to be $4,018,280,059. The Transfers In to the General Fund total $10.2 million and reflect $3.9 million from Fund 40030, Cable Communications, $2.9 million from Fund 69010, Sewer Operation and Maintenance, $1.1 million from Fund 40100, Stormwater Services, and $2.3 million from various other funds for indirect support provided by the County's General Fund agencies.

General Fund Revenue Overview

The following chart shows General Fund revenue growth since FY 2009. Since the Great Recession, revenues have risen at a modest rate, averaging annual increases of 1.9 percent in the period from FY 2009 to FY 2015.



General Fund revenue in FY 2016 is projected to increase 2.33 percent primarily due to an increase in current Real Estate Taxes resulting from a 3.46 percent increase in total assessed real property. FY 2017 revenue is expected to increase 4.79 percent as a result of a 2.98 percent rise in real estate assessments and a 4 cent increase in the Real Estate tax rate from $1.09 to $1.13 per $100 of assessed value as well as modest growth in other revenue categories. General Fund revenue growth of 2.45 percent is projected in FY 2018.

Economic Indicators

The U.S. economy expanded at a preliminary rate of 0.7 percent during the fourth quarter of 2015 after growing 2.0 percent in the third quarter. For all of 2015, real Gross Domestic Product (GDP) grew at a preliminary rate of 2.4 percent, the same rate of growth as 2014. GDP growth in 2015 was led by the biggest gain in consumer spending in a decade as plunging oil prices gave consumers more discretionary spending power. The Federal Reserve raised the target range for the federal funds rate by a quarter-percentage point in December 2015 for the first time in almost a decade as policy makers cited the improved labor market conditions and the solid pace of economic activity. The Fed is expected to raise interest rates gradually in 2016 but the pace will be determined by incoming economic data. The headwind for the economy going forward in 2016 will likely be the weakness in global growth and the negative effect on exports from a stronger dollar, which makes U.S. goods more expensive for foreign buyers.

Nationwide, job growth was robust throughout 2015. In 2015, 2.7 million jobs were added, compared with 3.1 million in 2014. The unemployment rate in January 2016 was 4.9 percent, the lowest level since February 2008.

Gains in home prices nationwide continued in 2015 supported by the continued improvement in the labor market, low mortgage rates, and low inventory of homes for sale on the market. According to the S&P/Case-Shiller home price index, home prices were up 5.8 percent for the 12 months ending November 2015. Home prices in the Washington Metropolitan area posted a more modest 2.1 percent gain during the same period. Home price appreciation is expected to continue at this pace during 2016.

During the recession, the proximity to the federal government and federal stimulus spending helped the local economy. As the effects of anti-recessionary federal spending wore off and federal sequestration budget cuts were implemented, economic growth in the Washington DC region slowed. Job growth was anemic and occurred in lower-paying sectors. In Fairfax County, employment fell 0.6 percent in 2013 and another 1.2 percent in 2014. The cornerstone sectors of the local economy – federal government and professional services – lost jobs.

Based on the latest available data, federal procurement contracts in the County increased slightly in FY 2014, but have not recovered from the significant decrease experienced in FY 2013 of almost 13 percent. Federal procurement spending in Fairfax County grew 16.2 percent per year from FY 2007 to FY 2010. It increased slightly in FY 2011 and was flat in FY 2012. The FY 2014 level is 10 percent below FY 2012. During the first half of 2015, the labor market in Fairfax County showed a tepid improvement. Employment in the County increased by almost 5,600 jobs in June 2015, an increase of 0.9 percent compared to June 2014. The County's unemployment rate is 3.1 percent as of November 2015, the lowest since November 2008.

According to preliminary estimates from IHS, Gross County Product (GCP), adjusted for inflation, increased at a rate of 2.0 percent in 2015 after decreasing 0.4 percent in 2013 and 1.6 percent in 2014.

Local Housing Market

Based on information from the Metropolitan Regional Information System (MRIS), the average sales price of homes sold in Fairfax County rose a modest 1.1 percent from $538,280 in 2014 to $544,055 in 2015. The average 2015 home selling price is just barely higher than the previous peak value of $543,271 achieved in 2005. MRIS also reported that 14,850 homes sold in the County in 2015, up 9.6 percent over 2014. Homes that sold during 2015 were on the market for an average of 52 days, 7 days longer than the 2014 level of 45 days.

Local Nonresidential Market

According to the Fairfax Economic Development Authority, the direct office vacancy was 16.5 percent at mid-year 2015, up from 16.3 percent at year-end 2014. The overall office vacancy rate, which includes empty sublet space, was 17.5 percent at mid-year 2015, which decreased from the 17.7 percent recorded at year-end 2014. The amount of empty office space topped 20 million square feet. Industry experts anticipate vacancy rates to remain high through 2016 due to sluggish economic conditions and concerns about the federal budget as well as the national election, which historically has forestalled site location decisions. A further obstacle to filling office space is that employers today are leasing substantially less space per employee than in the past.

In 2015, office development continued around Metro stations in the Silver Line corridor and in southeastern Fairfax County near Fort Belvoir. New office deliveries exceeded 370,000 square feet in three buildings during the first half of 2015, compared with roughly 1.5 million square feet of space delivered in all of 2014. At mid-year 2015, six buildings totaling nearly 2.1 million square feet were under construction countywide. More than 84 percent of the new office space under construction was leased at mid-year 2015.

Office leasing activity topped 5 million square feet during the first six months of 2015. As has been the case for the past three years, the overwhelming majority of leasing activity in 2015 involved renewals and consolidations. Lease rates for new space are adjusting to market conditions as 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 stations.

Revenue

In FY 2017, current and delinquent Real Estate Tax revenue comprises 64.9 percent of total County General Fund revenues. FY 2017 Real Estate property values were established as of January 1, 2016 and reflect market activity through calendar year 2015. The Real Estate Tax base is projected to increase 2.98 percent in FY 2017, and is made up of a 1.94 percent increase in total equalization (reassessment of existing residential and nonresidential properties), and an increase of 1.04 percent for new construction.

The FY 2016 and FY 2017 General Fund revenue estimates discussed in this section are based on a review of Fairfax County economic indicators, actual FY 2015 receipts, and FY 2016 year-to-date collection trends. Forecasts of economic activity in the County are provided by IHS and a variety of national economic forecasts are considered. Based on analysis of projected trends, revenue categories are expected to experience moderate growth through FY 2017.

MAJOR REVENUE SOURCES

The following major revenue categories discussed in this section comprise 98.4 percent of total FY 2017 General Fund revenue. Unless otherwise indicated, comparative data are presented relative to the *FY 2016 Revised Budget Plan*. The revenue estimates for all General Fund Revenue categories are shown in the Summary Schedule of General Fund Revenues in the section of this volume titled "Financial, Statistical and Summary Tables."

Category	FY 2015 Actual	FY 2016 Adopted Budget Plan	FY 2016 Revised Budget Plan[1]	FY 2017 Advertised Budget Plan	Change from the FY 2016 Revised Budget Plan: Increase / (Decrease)	Change from the FY 2016 Revised Budget Plan: Percent Change
Real Estate Tax - Current	$2,347,110,528	$2,425,254,804	$2,425,254,804	$2,591,405,466	$166,150,662	6.9%
Personal Property Tax						
Current[2]	568,187,789	568,371,027	574,458,434	581,535,038	7,076,604	1.2%
Paid Locally	356,873,845	357,057,083	363,144,490	370,221,094	7,076,604	1.9%
Reimbursed by Commonwealth	211,313,944	211,313,944	211,313,944	211,313,944	0	0.0%
Business, Professional and Occupational License Tax-Current	152,533,993	146,818,108	152,533,993	154,059,333	1,525,340	1.0%
Local Sales Tax	176,374,517	175,815,535	179,020,134	183,495,638	4,475,504	2.5%
Recordation/Deed of Conveyance Taxes	30,257,610	24,861,788	28,689,513	28,976,408	286,895	1.0%
Gas & Electric Utility Taxes	45,812,447	46,044,609	46,044,609	46,274,832	230,223	0.5%
Communications Sales Tax	20,816,708	21,882,460	16,705,277	16,005,070	(700,207)	(4.2%)
Vehicle License Fee - Current	26,075,806	26,441,703	26,441,703	26,573,911	132,208	0.5%
Transient Occupancy Tax	20,040,188	19,325,499	20,541,193	21,054,723	513,530	2.5%
Cigarette Tax	7,377,057	7,181,484	7,109,457	7,073,909	(35,548)	(0.5%)
Permits, Fees and Regulatory Licenses	45,545,990	45,572,818	46,549,359	47,384,162	834,803	1.8%
Investment Interest	10,659,349	15,761,539	15,761,539	19,724,724	3,963,185	25.1%
Charges for Services	72,911,452	74,616,185	74,937,994	76,031,208	1,093,214	1.5%
Recovered Costs / Other Revenue	20,126,106	18,334,374	16,704,535	16,425,616	(278,919)	(1.7%)
Revenue from the Commonwealth and Federal Governments[2]	125,754,953	127,575,900	127,238,326	127,315,876	77,550	0.1%
Total Major Revenue Sources	**$3,669,584,493**	**$3,743,857,833**	**$3,757,990,870**	**$3,943,335,914**	**185,345,044**	**4.9%**

[1] FY 2016 revenue estimates were increased a net $14.5 million as part of the *FY 2015 Carryover Review* and the fall 2015 review of revenues. Explanations of these changes can be found in the following narrative. The *FY 2016 Third Quarter Review* may contain further adjustments as necessary.

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

REAL ESTATE TAX-CURRENT

FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$2,347,110,528	$2,425,254,804	$2,425,254,804	$2,591,405,466	$166,150,662	6.9%

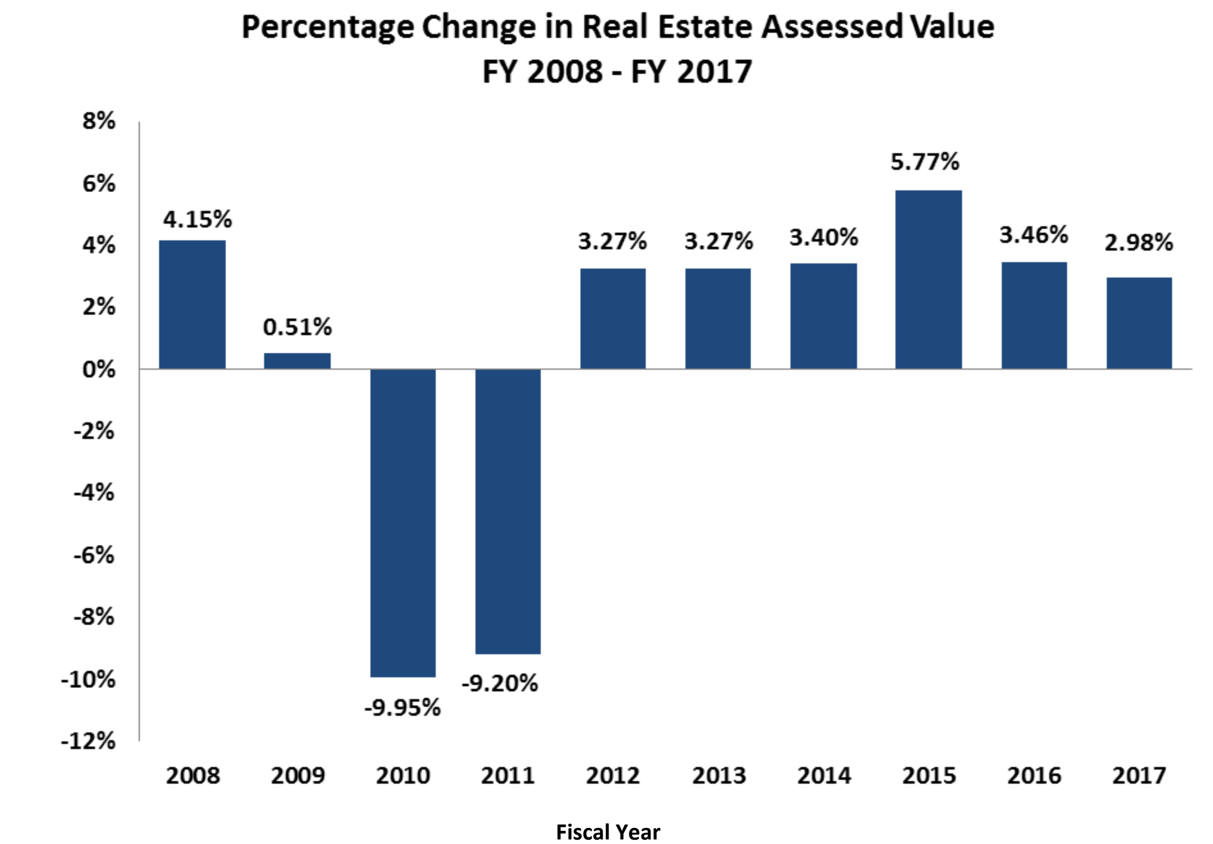
The FY 2017 Advertised Budget Plan estimate for Current Real Estate Taxes is $2,591,405,466 and represents an increase of $166,150,662 or 6.9 percent over the *FY 2016 Revised Budget Plan*. The increase is the result of the rise of the Real Estate tax base of 2.98 percent and an increase in the proposed Real Estate Tax rate from $1.09 to $1.13 per $100 of assessed value. The increase in Real Estate revenue associated with the proposed $0.04 increase in the Real Estate Tax rate is $92,145,328. In addition, the Real Estate Tax rate impacts two classes of personal property: mobile homes and non-vehicle Public Service Corporation property. The total General Fund impact of the $0.04 increase is $93,229,296.

The FY 2017 value of assessed real property represents an increase of 2.98 percent, as compared to the FY 2016 Real Estate Land Book, and is comprised of an increase in equalization of 1.94 percent and an increase of 1.04 percent associated with new construction. The FY 2017 figures reflected in this document are based on final assessments for Tax Year 2016 (FY 2017), which were established as of January 1, 2016. In addition to the revenue shown in the table above, the projected value of one-half penny on the Real Estate Tax rate ($11.7 million) is allocated to The Penny for Affordable Housing Fund. Throughout FY 2017, 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 99.70 percent.

The FY 2017 **Main Assessment Book Value** is $233,373,141,270 and represents an increase of $6,764,154,870, or 2.98 percent, over the FY 2016 main assessment book value of $226,608,986,400.

From FY 2005 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. Since then, the assessment base increased 3.27 percent in both FY 2012 and FY 2013, 3.40 percent in FY 2014, 5.77 percent in FY 2015 and 3.46 percent in FY 2016.

The following chart shows changes in the County's assessed value base from FY 2008 to FY 2017.



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Equalization	**2.47%**	**-1.02%**	**-10.52%**	**-8.98%**	**2.67%**	**2.53%**	**2.63%**	**4.84%**	**2.40%**	**1.94%**
Res	-0.33	-3.38	-12.55	-5.56	2.34	0.71	3.50	6.54	3.39%	1.64%
NonRes	13.57	7.00	-4.51	-18.29	3.73	8.21	0.14	-0.10	-0.60%	2.87%
Growth	**1.68%**	**1.53%**	**0.57%**	**-0.22%**	**0.60%**	**0.74%**	**0.77%**	**0.93%**	**1.06%**	**1.04%**
TOTAL	**4.15%**	**0.51%**	**-9.95%**	**-9.20%**	**3.27%**	**3.27%**	**3.40%**	**5.77%**	**3.46%**	**2.98%**

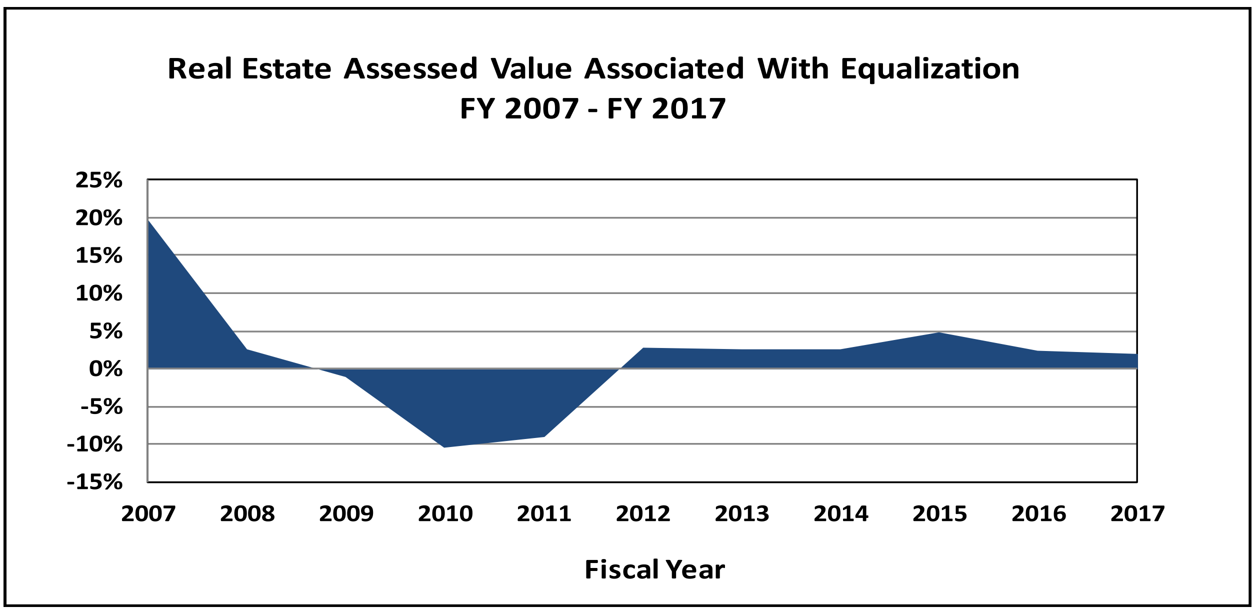
The overall change in the assessment base is comprised of **equalization** and **normal growth.** For reporting purposes, individual properties are identified as being in either the equalization category or the growth category, but not both. Equalization properties are those whose values change due to 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 2017 assessment base reflects a total equalization increase of 1.94 percent and an increase of 1.04 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 75.64 percent in FY 2016 to 75.07 percent in FY 2017. The following table reflects changes in the Real Estate Tax assessment base from FY 2011 through FY 2017.

Main Real Estate Assessment Book Value and Changes

(in millions)

Assessed Base Change Due To:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Equalization	**($18,570.1)**	**$5,015.3**	**$4,904.1**	**$5,259.4**	**$10,026.1**	**$5,269.7**	**$4,401.5**
% Change	(8.98%)	2.67%	2.53%	2.63%	4.84%	2.40%	1.94%
Residential	(5.56%)	2.34%	0.71%	3.50%	6.54%	3.39%	1.64%
Nonresidential	(18.29%)	3.73%	8.21%	0.14%	(0.10%)	(0.60%)	2.87%
Normal Growth	**($457.9)**	**$1,123.5**	**$1,440.4**	**$1,550.4**	**$1,922.0**	**$2,318.0**	**$2,362.6**
% Change	(0.22%)	0.60%	0.74%	0.77%	0.93%	1.06%	1.04%
Residential	0.12%	0.37%	0.26%	0.42%	0.51%	0.51%	0.56%
Nonresidential	(1.16%)	1.31%	2.26%	1.79%	2.13%	2.74%	2.54%
Total Change	**($19,028.0)**	**$6,138.8**	**$6,344.5**	**$6,809.8**	**$11,948.1**	**$7,587.7**	**$6,764.2**
% Change	(9.20%)	3.27%	3.27%	3.40%	5.77%	3.46%	2.98%
Total Book	$187,780.1	$193,918.9	$200,263.3	$207,073.1	$219,021.3	$226,609.0	$233,373.1

Equalization, or reassessment of existing residential and nonresidential property, represents an increase in value of $4,401,541,100, or 1.94 percent, in FY 2017. Both residential and non-residential property values rose in FY 2017. Existing residential property values have increased in each of the last six years, indicating a stable residential housing market. The number of homes sold increased in calendar year 2015 and the average price of homes sold rose modestly. Overall, residential equalization reflects a 1.64 percent increase in FY 2017, compared to a 3.39 percent increase in FY 2016. 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 in the last six years: 2.34 percent in FY 2012, a slight 0.71 percent in FY 2013, 3.50 percent in FY 2014, 6.54 percent in FY 2015, 3.39 percent in FY 2016, and 1.64 percent in FY 2017. The total value of residential properties including new construction in FY 2017 is $175.2 billion.

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.

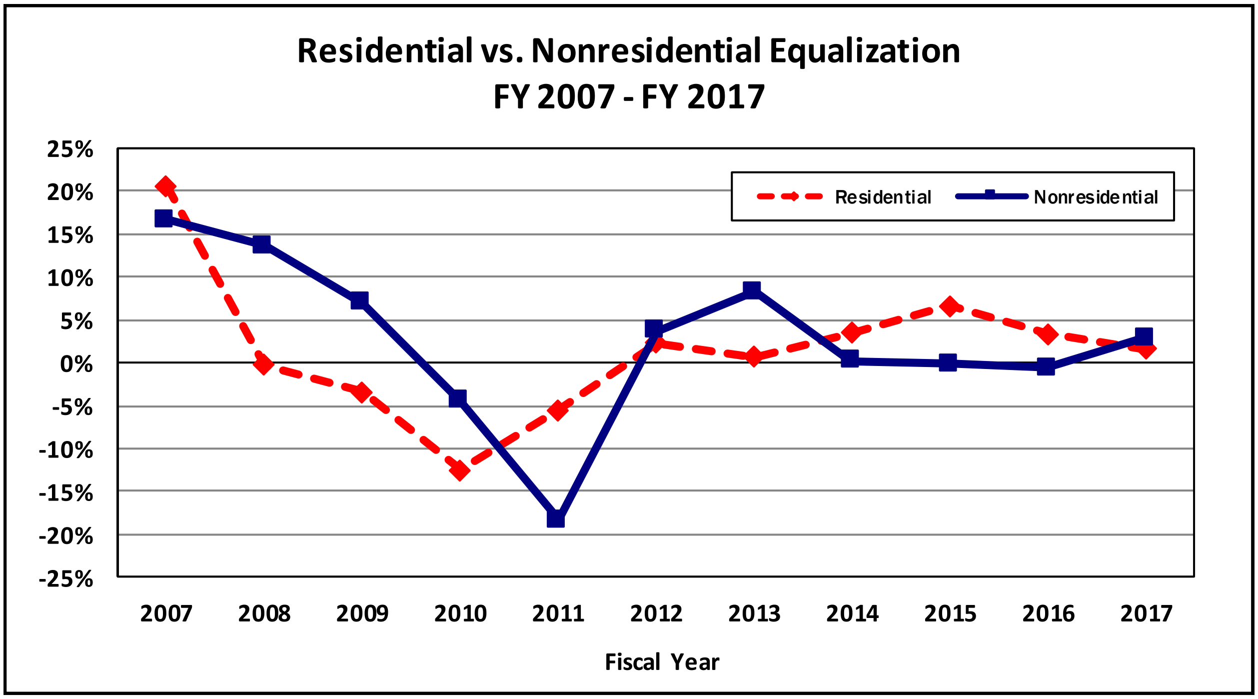
Overall, single family property values increased 1.69 percent in FY 2017. The value of single family homes has the most impact on the total residential base because they represent nearly 72 percent of the total. The value of condominium properties increased 0.73 percent in FY 2017, while that of townhouse properties rose 2.05 percent. Changes in residential equalization by housing type since FY 2012 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 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Single Family (71.7%)	2.10%	0.70%	3.13%	5.82%	3.27%	1.69%
Townhouse/Duplex (19.5%)	3.73%	1.20%	4.50%	8.39%	3.81%	2.05%
Condominiums (8.2%)	2.53%	(0.06%)	5.42%	10.51%	4.48%	0.73%
Vacant Land (0.5%)	(3.50%)	(1.66%)	2.89%	3.38%	3.03%	0.92%
Other (0.1%)[1]	2.69%	2.56%	4.74%	3.42%	2.56%	6.42%
Total Residential Equalization (100%)	**2.34%**	**0.71%**	**3.50%**	**6.54%**	**3.39%**	**1.64%**

[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 $527,648. This is an increase of $8,514 over the FY 2016 value of $519,134. At the proposed Real Estate tax rate of $1.13 per $100 of assessed value, the typical residential annual tax bill will rise, on average, $303.86 in FY 2017 to $5,962.42.



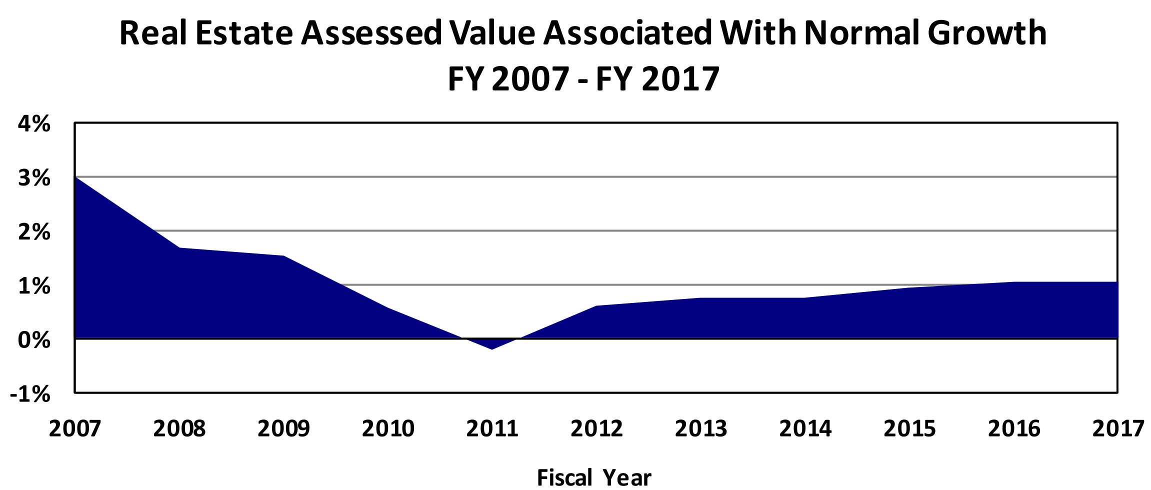
After experiencing a record decline of 18.29 percent in FY 2011, **nonresidential equalization** rebounded 3.73 percent in FY 2012, and a strong 8.21 percent in FY 2013. In FY 2014, nonresidential values stayed essentially level with FY 2013, increasing only 0.14 percent. In FY 2015 and FY 2016, nonresidential values decreased a slight 0.10 percent and another 0.60 percent, respectively. In FY 2017, nonresidential values increased 2.87 percent due to equalization. The total value of nonresidential properties including new construction in FY 2017 is $58.2 billion.

The main cause for the FY 2017 increase in nonresidential values is the increase in the values of Office Elevator properties. Office Elevator properties (mid- and high-rises), the largest component of the nonresidential tax base at 34.5 percent, experienced a 3.42 percent increase in FY 2017 after declining 4.67 percent in FY 2016. Apartment values, which represent 24.3 percent of the total nonresidential base, rose 2.92 percent in FY 2017. Nonresidential equalization changes by category since FY 2012 are presented in the following table.

Nonresidential Equalization Changes

Category (Percent of Base)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Apartments (24.3%)	14.54%	12.60%	4.90%	3.59%	1.20%	2.92%
Office Condominiums (4.3%)	(1.53%)	(0.31%)	(0.66%)	(0.07%)	0.58%	1.86%
Industrial (7.0%)	(0.31%)	6.75%	0.69%	1.77%	5.83%	7.43%
Retail (14.5%)	1.90%	7.16%	1.18%	1.52%	2.46%	1.60%
Office Elevator (34.5%)	1.88%	11.34%	(2.41%)	(2.93%)	(4.67%)	3.42%
Office - Low Rise (3.2%)	0.49%	7.18%	(1.72%)	(2.41%)	(5.00%)	1.73%
Vacant Land (3.3%)	(2.07%)	2.01%	(0.74%)	(1.19%)	(4.62%)	1.50%
Hotels (3.3%)	11.35%	3.87%	(3.94%)	(4.82%)	0.26%	3.61%
Other (5.6%)	2.37%	3.27%	1.17%	2.37%	5.26%	3.70%
Nonresidential Equalization (100%)	**3.73%**	**8.21%**	**0.14%**	**(0.10%)**	**(0.60%)**	**2.87%**

The **Growth** component increased the FY 2017 assessment base by $2,362,613,770, or 1.04 percent, over the FY 2016 assessment book value. New construction increased the residential property base by 0.56 percent and nonresidential properties by 2.54 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 2017 Real Estate Tax revenue estimate:

Additional Assessments expected to be included in the new Real Estate base total $457.0 million, or a levy increase of $5.2 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 $598.2 million in FY 2017, resulting in a reduction in levy of $6.8 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 2017, the CDA reduces the assessment base by $489.5 million and the tax levy by $5.5 million. For more information, see Fund 70040 in Volume 2 of the budget.

Tax Relief for the Elderly and Disabled is projected to reduce the Real Estate assessment base in FY 2017 by $2,581.5 million. The reduction in tax levy due to the Tax Relief program is approximately $29.2 million at the proposed tax rate of $1.13 per $100 of assessed value. In FY 2017, 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 2017 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 2017 income and asset thresholds for the Tax Relief Program for the Elderly and Disabled.

FY 2017
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 Surviving Spouse	No Limit	No Limit	100%

The FY 2017 local assessment base of $230,160,879,133 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of $2,600,817,934 is calculated using the proposed Real Estate Tax rate of $1.13 per $100 of assessed value. Based on an expected local collection rate of 99.70 percent, revenue from local assessments is estimated to be $2,593,015,480. In FY 2017, every 0.01 percentage point change in the collection rate on the locally assessed Real Estate Tax levy yields a revenue change of $0.3 million, while every penny on the tax rate yields $23.3 million in revenue.

FY 2017 Estimated Real Estate Assessments and Tax Levy

	Assessed Value	FY 2017 Tax Levy at $1.13/$100 of Assessed Value
FY 2016 Real Estate Book	$226,608,986,400	$2,560,681,546
FY 2017 Equalization	4,401,541,100	49,737,414
FY 2017 Growth	2,362,613,770	26,697,536
TOTAL FY 2017 REAL ESTATE BOOK	**$233,373,141,270**	**$2,637,116,496**
Exonerations	($514,009,573)	($5,808,308)
Certificates	(8,335,360)	(94,190)
Tax Abatements	(75,903,479)	(857,709)
Subtotal Exonerations	($598,248,412)	($6,760,207)
Supplemental Assessments	$456,982,400	$5,163,901
Mosaic District TIF	(489,517,210)	(5,531,544)
Tax Relief	(2,581,478,915)	(29,170,712)
Local Assessments	**$230,160,879,133**	**$2,600,817,934**
Public Service Corporation	$892,919,132	$10,089,986
TOTAL	**$231,053,798,265**	**$2,610,907,920**

Added to the local assessment base is an estimated $892,919,132 in assessed value for Public Service Corporations (PSC) property. Using the proposed Real Estate tax rate of $1.13 per $100 of assessed value, the tax levy on PSC property is $10,089,986. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is $231,053,798,265, with a total tax levy of $2,610,907,920 at the proposed Real Estate Tax rate of $1.13 per $100 of assessed value. Estimated FY 2017 revenue from the Real Estate Tax, including receipts from Public Service Corporations, totals $2,603,105,466. Of this amount, the approximate value of one-half cent on the Real Estate Tax rate, $11,700,000, has been directed to Fund 30300, The Penny for Affordable Housing Fund.

Total General Fund revenue from the Real Estate Tax is $2,591,405,466, which reflects an overall collection rate of 99.70 percent. The total collection rates experienced in this category since FY 2002 are shown in the following table:

Real Estate Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
2002	99.65%	**2010**	99.71%
2003	99.67%	**2011**	99.67%
2004	99.61%	**2012**	99.69%
2005	99.62%	**2013**	99.71%
2006	99.62%	**2014**	99.74%
2007	99.64%	**2015**	99.77%
2008	99.66%	**2016 (estimated)[1]**	99.70%
2009	99.66%	**2017 (estimated)[1]**	99.70%

[1] In FY 2017, every 0.1 percentage point change in the collection rate yields a revenue change of $2,600,818.

The Commercial/Industrial percentage of the County's FY 2017 Real Estate Tax base is 18.89 percent, an increase of 0.22 percentage points over the FY 2016 level of 18.67 percent. Commercial/Industrial property values as a percentage of the Real Estate Tax base increased in FY 2017 as a result of new office construction and a slower increase experienced in the residential portion of the Real Estate Tax base. The Commercial/Industrial percentage is based on Virginia land use codes and includes all nonresidential property except multi-family rental apartments, which make up 6.04 percent of the County's Real Estate Tax base in FY 2017. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

Commercial/Industrial Percentages

Fiscal Year	Percentage	Fiscal Year	Percentage
2002	24.84%	**2010**	22.67%
2003	21.97%	**2011**	19.70%
2004	19.14%	**2012**	19.64%
2005	18.20%	**2013**	20.77%
2006	17.36%	**2014**	19.96%
2007	17.22%	**2015**	19.01%
2008	19.23%	**2016**	18.67%
2009	21.06%	**2017**	18.89%

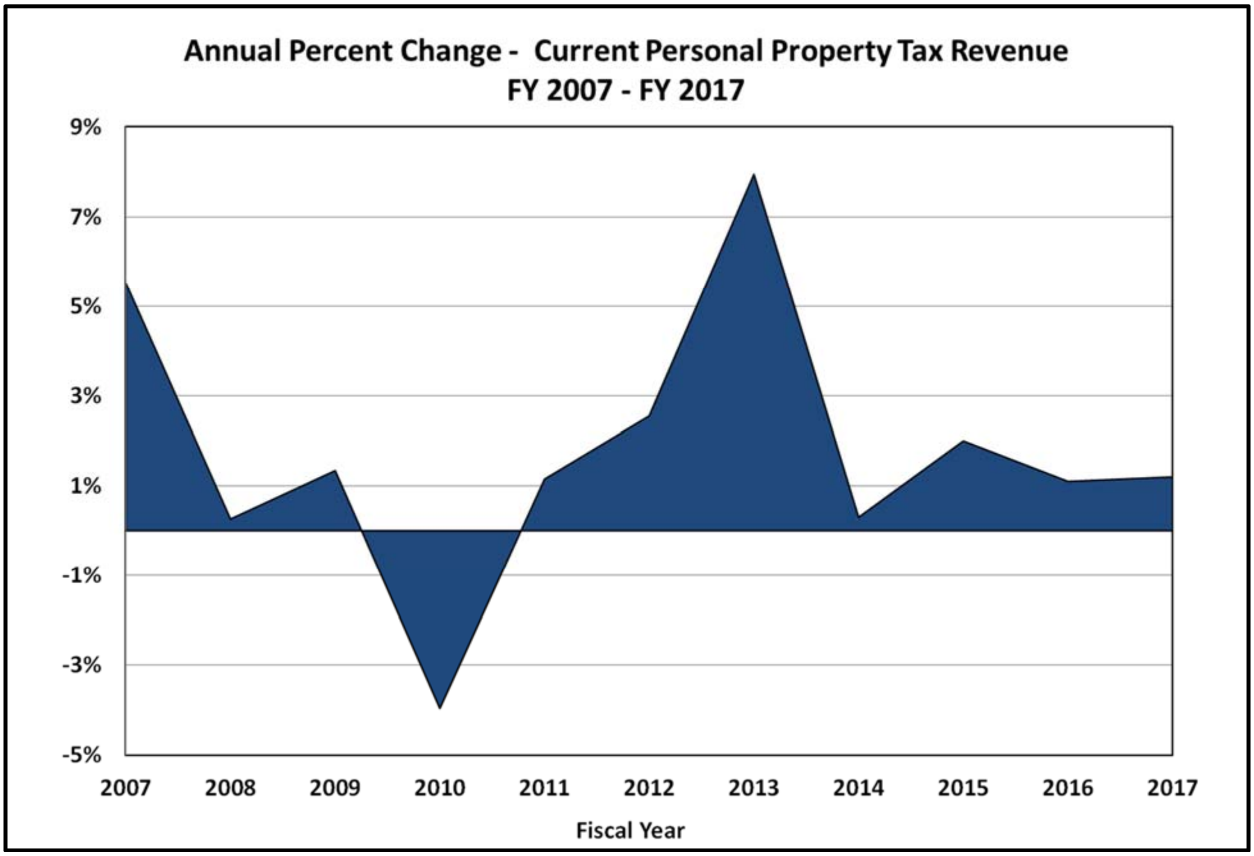
PERSONAL PROPERTY TAX-CURRENT

	FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
Paid Locally	$356,873,845	$357,057,083	$363,144,490	$370,221,094	$7,076,604	1.9%
Reimbursed by State	211,313,944	211,313,944	211,313,944	211,313,944	0	0.0%
Total	$568,187,789	$568,371,027	$574,458,434	$581,535,038	$7,076,604	1.2%

The FY 2017 Advertised Budget Plan estimate for Personal Property Tax revenue of $581,535,038 represents an increase of $7.1 million or 1.2 percent over the *FY 2016 Revised Budget Plan*. The increase is primarily due to an increase in the vehicle levy based on a preliminary analysis of vehicles currently in the County valued with information from the National Automobile Dealers Association, as well as an increase in the Business Personal Property levy. In addition, the proposed $0.04 increase in the Real Estate Tax rate to $1.13 per $100 of assessed value impacts two classes of personal property: mobile homes and nonvehicle Public Service Corporation property resulting in a revenue increase of $1.1 million.

The Personal Property Tax on vehicles represents over 73 percent of the total assessment base in FY 2017. 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 2004 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 reimbursement percentage was lowered to 63.0 percent in FY 2013 where it remained in FY 2014. In FY 2015 and FY 2016, the reimbursement percentage was lowered again to 62.0 percent. Based on an estimate of the number and value of vehicles that will be eligible for tax relief in FY 2017, the reimbursement percentage remains at 62.0 percent.

Annual percentage changes in total Personal Property Tax revenues are shown in the following graph.



Personal Property tax receipts grew 5.5 percent in FY 2007. 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 increased 2.6 percent due to an increase in both the average vehicle and business levies. FY 2013 receipts increased a solid 7.9 percent mainly as a result of a rise of 7.1 percent in total vehicle levy. 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 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 was not unique to Fairfax County, but was experienced nationwide. Total FY 2014 Personal Property Tax revenue increased a slight 0.3 percent as the depreciation of vehicles returned to more normal levels, followed by an increase of 2.0 percent in FY 2015. In FY 2016, receipts are expected to increase 1.1 percent and a similar 1.2 percent increase is anticipated in FY 2017 Personal Property Tax revenue. The vehicle component, which comprises over 73 percent of total Personal Property levy, is expected to increase 0.7 percent based on a preliminary analysis of vehicles in the County valued with information from the

National Automobile Dealers Associations (NADA). Total vehicle volume is forecast to increase 0.7 percent in FY 2017.

Changes in vehicle volume and average vehicle levy since FY 2007 are shown in the following table.

Fairfax County
Personal Property Vehicles

Fiscal Year	% Change in Vehicle Volume	Average Vehicle Levy	% Change in Average Levy
FY 2007	(0.6%)	$431	4.9%
FY 2008	(0.1%)	$424	(1.6%)
FY 2009	0.8%	$434	2.4%
FY 2010	0.1%	$387	(10.8%)
FY 2011	0.9%	$397	2.6%
FY 2012	0.7%	$411	3.5%
FY 2013	0.7%	$437	6.3%
FY 2014	0.9%	$445	1.8%
FY 2015	0.0%	$451	1.3%
FY 2016 (est.)	0.1%	$459	1.8%
FY 2017 (est.)	0.7%	$459	0.0%

Business Personal Property is primarily composed of assessments on furniture, fixtures and computer equipment. Business levy is impacted by the number of new businesses and whether existing businesses are expanding or contracting. As government contractors cut back employment due to lower federal procurement spending, they delayed business expansions. Business levy rose a modest 0.8 percent in FY 2014 and 1.0 percent in FY 2015. Growth of 0.5 percent is projected in FY 2016. Business levy is anticipated to grow 1.6 percent in FY 2017 based on the expectation that economic conditions will improve modestly and businesses will increase purchases of new equipment.

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) reviews the depreciation rate schedule for computer hardware due to the speed with which computer values change. The current schedule depreciates computer equipment 50 percent, one year after acquisition. In subsequent years, the percent of the original purchase price taxed is 35 percent, 20 percent, and 10 percent, in year two, three and four, respectively. After five or more years, computer equipment is valued at 2 percent of its original acquisition price.

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 $1.13 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.

General Fund Revenue Overview

FY 2017 Estimated Personal Property Assessments and Tax Levy

Category	FY 2017 Assessed Value	Tax Rate (per $100)	FY 2017 Tax Levy	Percent of Total Levy
Vehicles				
Privately Owned	$9,921,458,689	$4.57	$372,604,656	63.3%
Business Owned	560,188,765	4.57	20,708,398	3.5%
Leased	1,186,000,381	4.57	39,460,381	6.7%
Subtotal	$11,667,647,835		$432,773,435	73.5%
Business Personal Property				
Furniture and Fixtures	$1,828,013,071	$4.57	$83,767,252	14.2%
Computer Equipment	759,766,982	4.57	34,837,715	5.9%
Machinery and Tools	32,907,795	4.57	1,508,713	0.3%
Research and Development	466,405	4.57	21,383	0.0%
Subtotal	$2,621,154,253		$120,135,063	20.4%
Public Service Corporations				
Equalized	$2,694,649,305	$1.13	$30,449,537	5.2%
Vehicles	8,253,435	4.57	377,182	0.1%
Subtotal	$2,702,902,740		$30,826,719	5.3%
Other				
Mobile Homes	$15,468,042	$1.13	$174,789	0.1%
Other (Trailers, Misc.)	17,141,398	4.57	741,545	0.1%
Subtotal	$32,609,440		$916,334	0.2%
Penalty for Late Filing			$3,809,857	0.6%
TOTAL	**$17,024,314,268**		**$588,461,408**	**100.0%**

FY 2017 Personal Property Tax assessments including Public Service Corporations are $17,024,314,268, with a total tax levy of $588,461,408. Personal Property Tax revenue collections are projected to be $581,535,038, of which $211.3 million will be reimbursed from the state. The collection rate associated with the taxpayer's share is estimated to be 98.0 percent. Total collection rates experienced in this category since FY 2002 are shown in the following table:

Personal Property Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
2002	96.3%	**2010**	97.8%
2003	96.8%	**2011**	97.9%
2004	96.9%	**2012**	98.2%
2005	97.9%	**2013**	98.4%
2006	98.1%	**2014**	97.4%
2007	98.3%	**2015**	98.4%
2008	98.0%	**2016 (estimated)[1]**	98.0%
2009	97.9%	**2017 (estimated)[1]**	98.0%

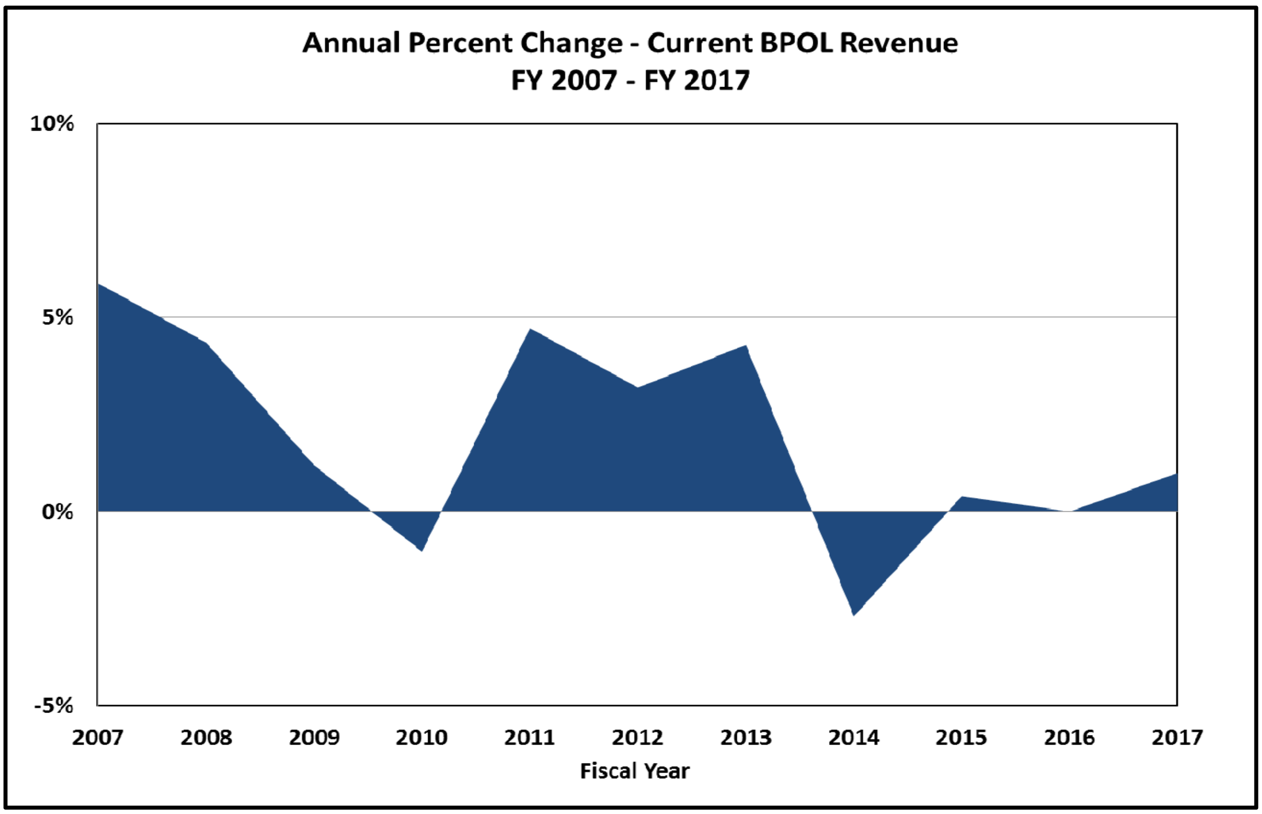
[1] Each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately $0.3 million, and each penny on the tax rate yields a revenue change of $1.2 million.

FY 2016 Personal Property Tax Revenue
The FY 2016 Personal Property Tax estimate was increased $6.1 million during the fall 2015 revenue review as a result of higher than projected vehicle and business levy.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$152,533,993	$146,818,108	$152,533,993	$154,059,333	$1,525,340	1.0%

The FY 2017 Advertised Budget Plan estimate for Business, Professional, and Occupational License Taxes (BPOL) of $154,059,033 reflects an increase of $1,525,340 or 1.0 percent over the *FY 2016 Revised Budget Plan* estimate. As shown in the chart below, growth in BPOL receipts was 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. Growth of 4.7 percent in FY 2011 BPOL receipts reflected the improvement in local economic conditions. Receipts increased a moderate 3.2 percent in FY 2012, and 4.3 percent in FY 2013, but decreased 2.7 percent in FY 2014 likely due to lower federal government procurement spending. Due to anemic job growth, BPOL receipts were essentially flat in FY 2015, increasing only 0.4 percent over FY 2014. The combined Consultant and Business Service Occupations categories, which together represent 43 percent of total BPOL receipts, decreased 1.9 percent in FY 2015. The remaining categories rose 2.2 percent. The Retail category, which represents 20 percent of total BPOL receipts, rose a strong 4.1 percent in FY 2015.



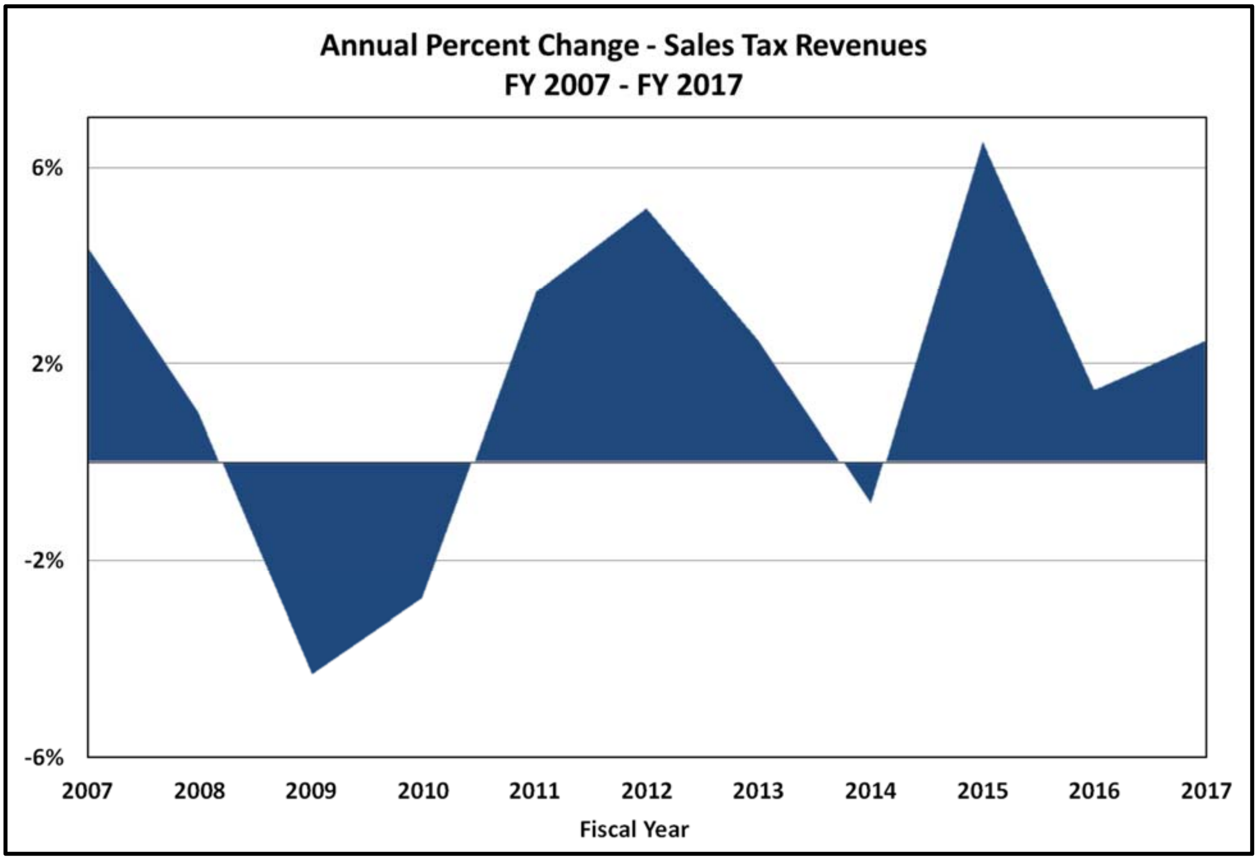
Since County businesses file and pay their BPOL taxes simultaneously on March 1 each year based on their gross receipts during the previous calendar year, there is limited actual data available at this time. Based on actual FY 2015 receipts and an econometric model using calendar year Sales Tax receipts and employment as predictors, the FY 2016 BPOL estimate was increased $5.7 million during the fall 2015 revenue review to the same level received in FY 2015. A 1.0 percent growth in BPOL receipts is projected in FY 2017.

In January 2015, the Virginia Supreme Court affirmed a Virginia Commissioner of the Revenue formula to deduct gross receipts from out-of-state operations for the purposes to determine the BPOL tax basis. As of December 2015, Fairfax County had eight appeals based on the new formula. These appeals are for multiple years and total approximately $37 million including interest. The Board of Supervisors established a litigation reserve in FY 2014 for the refunds which are anticipated to be made during FY 2016.

LOCAL SALES TAX

FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$176,374,517	$175,815,535	$179,020,134	$183,495,638	$4,475,504	2.5%

The FY 2017 Advertised Budget Plan estimate for Sales Tax receipts is $183,495,638, an increase of $4,475,504, or 2.5 percent, over the *FY 2016 Revised Budget Plan*. The following chart illustrates that the level of Sales Tax receipts has varied with economic conditions. In FY 2007, Sales Tax receipts experienced moderate growth, increasing 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. Sales Tax receipts rose 3.5 percent in FY 2011, the first increase since FY 2008. Growth continued in FY 2012 with Sales taxes rising 5.2 percent, the strongest rate of growth since FY 2005. In FY 2013, Sales Tax receipts continued to grow but at a more modest rate of 2.5 percent. Total FY 2014 Sales Tax receipts were down 0.9 percent, the first decline in four years. The decline was primarily due to the severe winter weather, as well as federal sequestration and refunds for prior year's receipts totaling $2.0 million. In FY 2015, Sales Tax receipts increased a strong 6.6 percent. During the fall 2015 revenue review, the FY 2016 estimate was increased $3.2 million, reflecting growth of 1.5 percent over the FY 2015 level. For the first half of FY 2016, Sales Tax receipts are rising 2.7 percent. This rate is considered to be artificially high due to $2.2 million in taxes received by the County in December from prior years as a result of a state audit. In addition, holiday sales have a significant impact on this category and February receipts for retail purchases made in December will not be received until late February. If necessary, any further adjustments to the FY 2016 estimate will be made as part of the *FY 2016 Third Quarter Review*. Sales Tax receipts in FY 2017 are projected to rise 2.5 percent over the FY 2016 estimate based on the anticipation that consumer spending will increase moderately throughout FY 2017.



RECORDATION/DEED OF CONVEYANCE TAXES

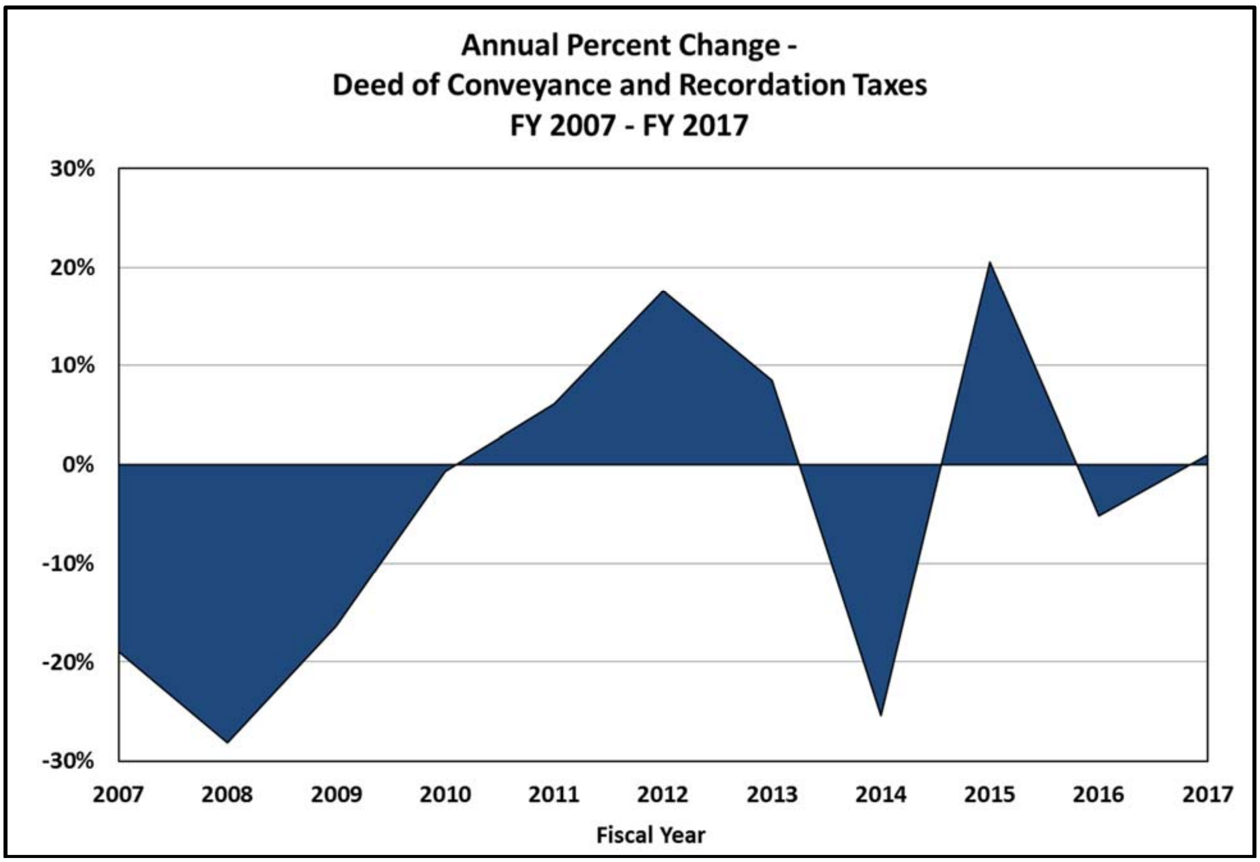
FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$30,257,610	$24,861,788	$28,689,513	$28,976,408	$286,895	1.0%

The FY 2017 Advertised Budget Plan estimate for Recordation and Deed of Conveyance Taxes of $28,976,408 represents an increase of $286,895, or 1.0 percent, over the *FY 2016 Revised Budget Plan* estimate. The FY 2017 estimate is comprised of $22,972,125 in Recordation Tax revenues and $6,004,283 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.

Fairfax County's Deed of Conveyance Tax is assessed at a rate of $0.05 per $100. Local Recordation Taxes are set at one-third the State's Tax rate. From September 2004 through FY 2012, the State Recordation Tax was $0.25 per $100 of value. The rate was lowered on mortgage refinancing transactions 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 State Recordation Tax rate on home purchases was not reduced and remained at $0.25 per $100. Therefore, as of FY 2013, the County's

Recordation Tax rate on home purchases is $0.0833 per $100 of value, while the tax rate on mortgage refinancing is $0.06 per $100 of value.

During the housing slump, revenue from these categories 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, revenues increased 6.1 percent in FY 2011, 17.6 percent in FY 2012, and 8.5 percent in FY 2013. FY 2014 receipts declined a combined 25.4 percent due to a decline in mortgage refinancing as a result of higher interest rates, as well as a decline in the number of home sales. FY 2015 receipts increased a strong 20.5 percent. Based on actual FY 2015 receipts and year-to-date collection trends, the FY 2016 estimate for Recordation and Deed of Conveyance Taxes was increased $3.8 million, reflecting a decrease of 5.2 percent from the FY 2015 level. The FY 2017 estimate for Recordation and Deed of Conveyance Taxes reflects a 1.0 percent growth. Mortgage refinancing and home sales are expected to stabilize, while home values are anticipated to increase in FY 2017.



CONSUMER UTILITY TAXES - GAS AND ELECTRIC

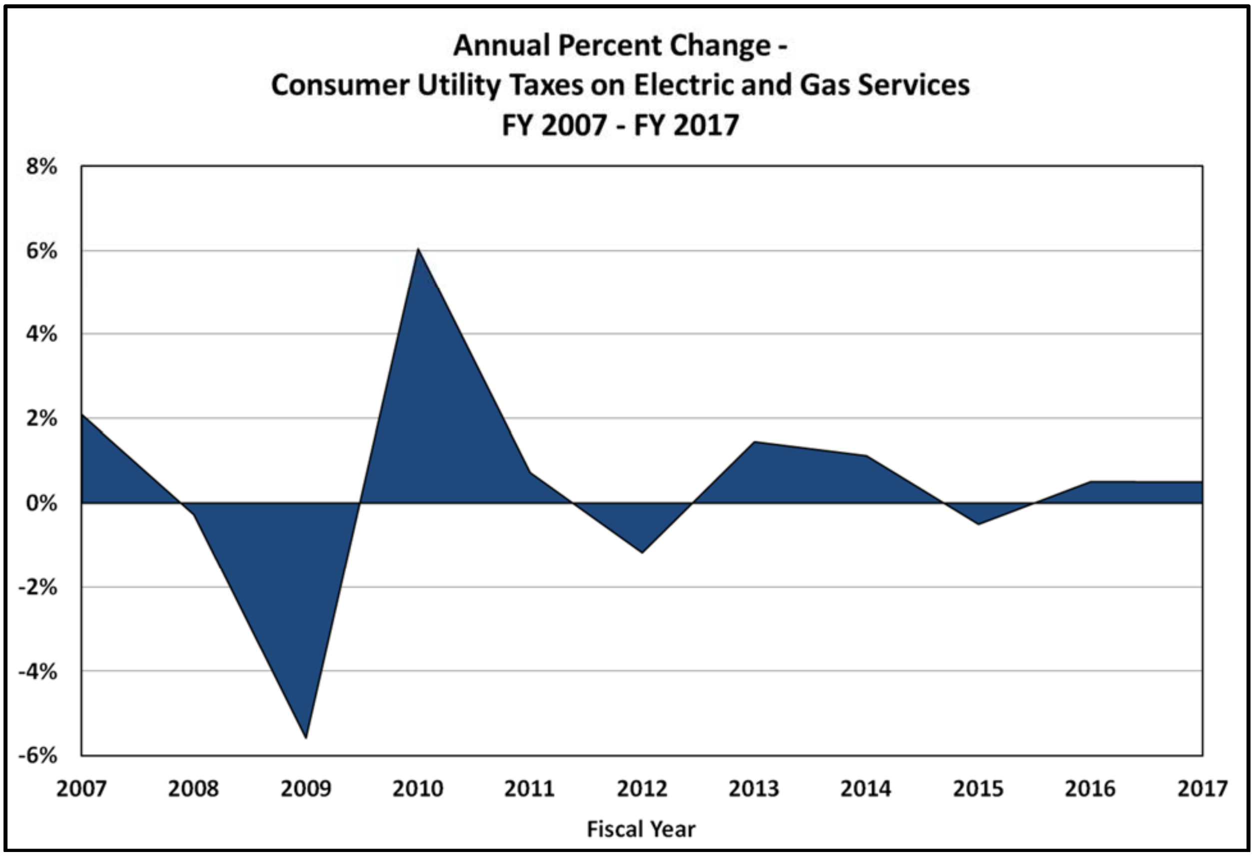
FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$45,812,447	$46,044,609	$46,044,609	$46,274,832	$230,223	0.5%

The FY 2017 Advertised Budget Plan estimate for Consumer Utility Taxes on gas and electric services of $46,274,832 represents an increase of $230,223 or 0.5 percent over the *FY 2016 Revised Budget Plan*. The FY 2017 estimate is comprised of $36,497,022 in taxes on electric service and $9,777,810 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 2017	Natural Gas Customer Class	Monthly Tax FY 2001 - FY 2017
Residential	$0.00605 per kWh	Residential	$0.05259 per CCF
Minimum	+$0.56 per bill	Minimum	+$0.56 per bill
Maximum	$4.00 per bill	Maximum	$4.00 per bill
Master Metered Apartments	$0.00323 per kWh	Master Metered Apartments	$0.01192 per CCF
Minimum	+$0.56 / dwelling unit	Minimum	+$0.56 / dwelling unit
Maximum	$4.00 / dwelling unit	Maximum	$4.00 / dwelling unit
Commercial	$0.00594 per kWh	Nonresidential	$0.04794 per CCF
Minimum	+ $1.15 per bill	Minimum	+ $0.845 per bill
Maximum	$1,000 per bill	Maximum	$300 per bill
Industrial	$0.00707 per kWh	Nonresidential Interruptible	$0.00563 per CCF
Minimum	+$1.15 per bill	Minimum	+$4.50 per meter
Maximum	$1,000 per bill	Maximum	$300 per meter

Revenue from Consumer Utility Taxes on gas and electric services from FY 2007 to FY 2014 grew at an average annual rate of just 0.2 percent. Receipts in FY 2015 fell 0.5 percent. The FY 2016 revenue estimate reflects an increase of 0.5 percent. Based on collection trends over the past several years, receipts in FY 2017 are expected to increase a modest 0.5 percent.



COMMUNICATIONS SALES TAX

FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$20,816,708	$21,882,460	$16,705,277	$16,005,070	($700,207)	(4.2%)

The FY 2017 Advertised Budget Plan estimate for the General Fund portion of the Communications Sales Tax is $16,005,070 and reflects a decrease of $700,207, or 4.2 percent, from the *FY 2016 Revised Budget Plan*. The decrease is based on a change in the distribution of revenue among funds within the County, which was implemented in FY 2015. The Communications Tax is a statewide tax that 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 Tax. In addition to the communications services previously taxed, the 5 percent Communication Sales 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. Fairfax County's share is determined by the state and is set at 18.89 percent. Of the total tax, the Cable Franchise portion is directed to Fund 40030, Cable Communications. Prior to FY 2015, the percentage of the remaining revenue was directed to Fund 40090, E-911 and the General Fund based on their relative share of the tax in FY 2006. However, to cover all the expenses in the E-911 Fund, a transfer from the General Fund was still required. To eliminate the need for a General Fund transfer, beginning in FY 2015, more Communications Sales Tax revenue is directed to Fund 40090, E-911. In FY 2017, total Communications Sales Taxes are projected to be $76.3 million. Of the total tax, Cable Franchise Fees of $18.3 million will be directed to Fund 40030, Cable Communications. Of the remaining tax, $42.0 million will be posted in Fund 40090, E-911 and $16.0 million to the General Fund in FY 2017. The distribution of the tax since FY 2015 is shown below.

Communications Sales Tax Revenue

Fund	FY 2015	FY 2016 Projected	FY 2017 Projected
Fund 40030, Cable Communications	$18,125,762	$17,800,000	$18,300,000
Fund 40090, E-911	40,294,990	41,320,122	42,012,354
General Fund	20,816,708	16,705,277	16,005,070
Total	$79,237,460	$75,825,399	$76,317,424

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 General Fund receipts in this category fell 3.9 percent in FY 2009 and another 3.2 percent in FY 2010. FY 2011 General Fund collections declined an additional 2.6 percent. FY 2012 receipts fell 7.3 percent, 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 was $2.7 million. Even without the refunds, collections in FY 2012 would have been lower possibly due to continued declines in land line telephones. FY 2013 General Fund revenue from the tax was $47.9 million, an increase of 1.9 percent over FY 2012. This was the first increase since 2008, the first full fiscal year of statewide tax collection. FY 2014 General Fund receipts decreased 4.4 percent. Based on actual receipts during FY 2015 and current collection trends, the FY 2016 General Fund estimate was reduced $5.2 million as part of the fall 2015 revenue review. The FY 2017 General Fund estimate reflects the redistribution of revenue to Fund 40090, E-911 based on actual requirements.

VEHICLE REGISTRATION LICENSE FEE - CURRENT

FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$26,075,806	$26,441,703	$26,441,703	$26,573,911	$132,208	0.5%

The FY 2017 Advertised Budget Plan estimate for Vehicle Registration Fee revenue of $26,573,911 reflects an increase of $132,208, or 0.5 percent, over the *FY 2016 Revised Budget Plan*. Fairfax County levies the fee at $33 for passenger vehicles that weigh 4,000 pounds or less and $38 on passenger vehicles that weigh 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. The FY 2017 estimate represents an increase of 0.5 percent primarily due to an increase in projected vehicle volume. Payment of Vehicle Registration License Fees is linked to the payment of Personal Property Taxes on October 5 each year. Vehicles owned by disabled veterans, members of volunteer fire departments and auxiliary police officers are exempt from the fee.

TRANSIENT OCCUPANCY TAX

FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$20,040,188	$19,325,499	$20,541,193	$21,054,723	$513,530	2.5%

The FY 2017 Advertised Budget Plan estimate for Transient Occupancy Tax of $21,054,723 represents an increase of $513,530, or 2.5 percent, over the *FY 2016 Revised Budget Plan* estimate. Transient Occupancy Taxes are charged as part of a hotel bill and remitted by the hotel to the County. The Transient Occupancy Tax has been levied at 4 percent since the Virginia General Assembly permitted the Board of Supervisors to levy an additional 2.0 percent Transient Occupancy Tax 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.

FY 2015 Transient Occupancy receipts rose a robust 9.3 percent after decreasing for two consecutive years. During FY 2013 and FY 2014, business travel was reported to have been down in the region due to federal spending reductions. Based on current collection trends, as well as data on room and occupancy rates, the FY 2016 estimate was increased $1.2 million during the fall 2015 revenue review, reflecting a 2.5 percent increase over FY 2015. The FY 2017 estimate reflects the same level of growth, which assumes a continued improvement in tourism and business travel.

CIGARETTE TAX

FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$7,377,057	$7,181,484	$7,109,457	$7,073,909	($35,548)	(0.5%)

The FY 2017 Advertised Budget Plan estimate for Cigarette Tax of $7,073,909 represents a decrease of $35,548, or 0.5 percent, from the *FY 2016 Revised Budget Plan* estimate. Fairfax County and Arlington County are the only counties in Virginia authorized to levy a tax on cigarettes. The maximum rate authorized is the greater of 5.0 cents per pack or the rate levied by the Commonwealth. The County's rate is 30 cents per pack, the same as the state rate.

Cigarette Tax receipts fell for a third consecutive year, decreasing 5.8 percent in FY 2015 after declining 6.0 percent in FY 2014 and 7.3 percent in FY 2013. During the fall 2015 revenue review, the FY 2016 estimate was decreased $72,027, reflecting a decline of 3.6 percent, based on actual receipts during FY 2015 and year-to-date collections. FY 2017 Cigarette Tax receipts are anticipated to decline 0.5 percent based on trends experienced over the last several years.

PERMITS, FEES AND REGULATORY LICENSES

FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$45,545,990	$45,572,818	$46,549,359	$47,384,162	$834,803	1.8%

The FY 2017 Advertised Budget Plan estimate for Permits, Fees, and Regulatory Licenses of $47,384,162 represents an increase of $834,803, or 1.8 percent, over the *FY 2016 Revised Budget Plan* estimate. This increase is primarily due to an increase in projected Land Development Services (LDS) fees.

LDS fees for building permits, site plans, and inspection services make up over nearly three-quarters of the Permits, Fees, and Regulatory Licenses category. Changes in LDS fee revenue typically track closely to the current condition of the real estate market, as well as the size and complexity of projects submitted to LDS for review. During the fall 2015 revenue review, the LDS revenue estimate was increased $0.8 million to $34.8 million based on year-to-date collections. Continued growth in permitting activity is anticipated during FY 2017. As a result, FY 2017 receipts are projected to increase $0.7 million, or 2.0 percent.

During the fall 2015 revenue review, various other permits and fees were reviewed and, based on actual receipts during FY 2015 and year-to-date collections, FY 2016 estimates were increased a net $0.2 million.

INVESTMENT INTEREST

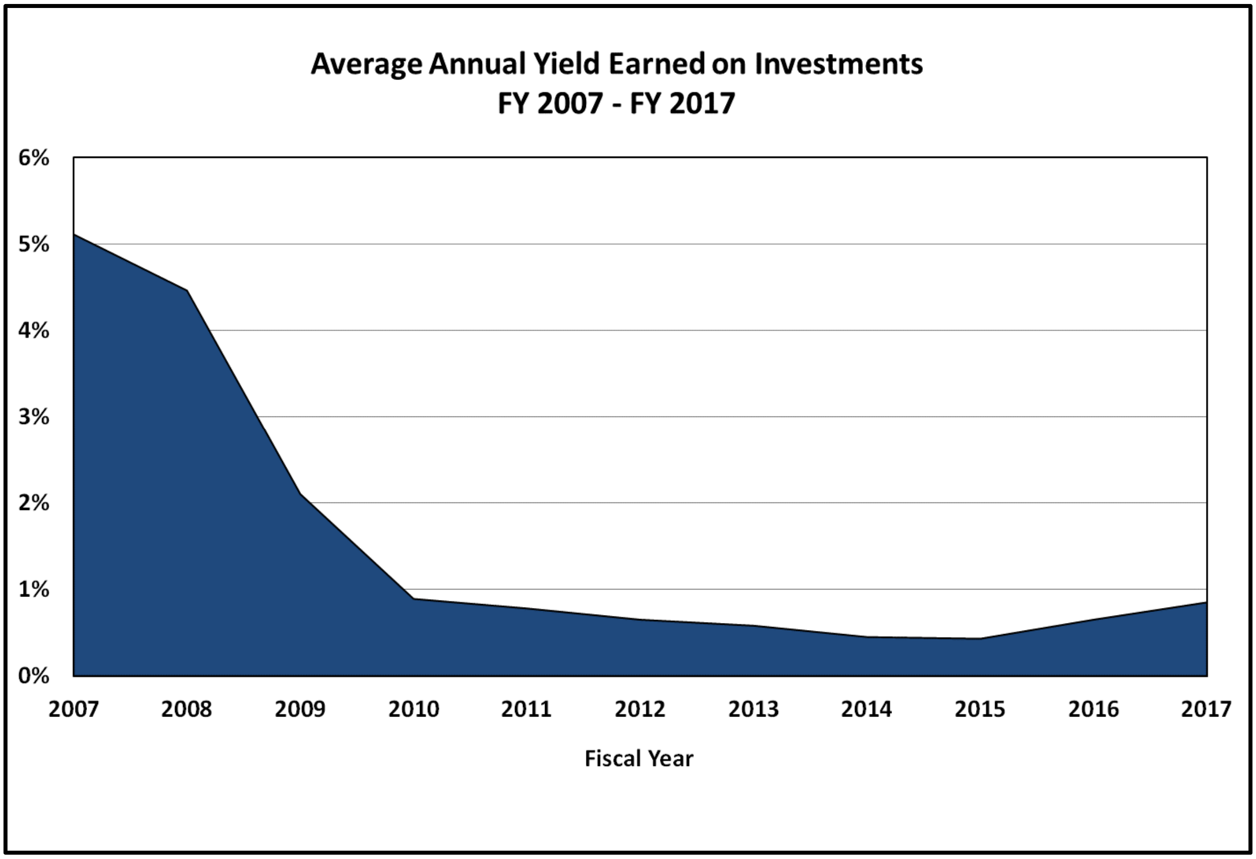
FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$10,659,349	$15,761,539	$15,761,539	$19,724,724	$3,963,185	25.1%

The FY 2017 Advertised Budget Plan estimate for Investment Interest of $19,724,724 represents an increase of $3,963,185, or 25.1 percent, over the *FY 2016 Revised Budget Plan* estimate. 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. The County's investment managers keep approximately 36 percent of investment holdings in short-term investments for liquidity needs such as meeting County and school payrolls. The remainder is invested with a maximum maturity of two years. These longer-term investments generally earn a higher yield.

Revenue from Interest on Investments is highly dependent on Federal Reserve actions. From 2004 to 2006, the Federal Reserve increased interest rates from 1.0 percent to 5.25 percent in an effort to stem inflation. 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 remained unchanged from the end of 2008 to December 2015. During this period, it was set at 0.0 to 0.25 percent, its lowest in history, "to promote the resumption of sustainable economic growth" in the wake of the Great Recession. 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. The yield continued to fall in FY 2011 and FY 2012 to 0.78 percent and 0.60 percent, respectively. The average annual yield was 0.58 percent in FY 2013 and decreased again in FY 2014 to 0.45 percent. Interest on Investments was $10.7 million in FY 2015, a slight decrease of $0.1 million from the $10.8 million earned in FY 2014. The FY 2015 annual yield was 0.43 percent.

In December 2015, the Federal Reserve raised the target range for the federal funds rate by a quarter-percentage point for the first time in almost a decade as policy makers cited the improved labor market conditions and the solid pace of economic activity. The Fed is expected to raise interest rates gradually in 2016 but the pace would be determined by incoming economic data. As a result, Interest on Investments is anticipated to increase $5.1 million to $15.8 million in FY 2016. The projected annual yield for FY 2016 is 0.65 percent, an increase of 22 basis points compared to the FY 2015 yield of 0.43 percent. The FY 2017 Advertised Budget Plan estimate for Investment Interest of $19.7 million is based on a projected average yield of 0.85 percent, a portfolio size of $2.8 billion and a General Fund percentage net of administrative fees of 73.75 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 $23.8 million in FY 2017.

The following table shows the yield earned on investments since FY 2007.



CHARGES FOR SERVICES

FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$72,911,452	$74,616,185	$74,937,994	$76,031,208	$1,093,214	1.5%

The FY 2017 Advertised Budget Plan estimate for Charges for Services revenue of $76,031,208 represents an increase of $1,093,214, or 1.5 percent, over the *FY 2016 Revised Budget Plan*. This increase is primarily the result of increase in School Age Child Care (SACC) revenue.

SACC fees of $39.3 million comprise almost 52 percent of the total Charges for Services category. The projected increase in SACC revenue of $0.8 million is the result of newly identified space and increased capacity of the SACC program in FY 2017. In addition, revenue from the Health Department Lab Services fees is projected to increase $0.1 million.

The FY 2016 estimate for SACC fee revenue was increased $1.1 million as part of the *FY 2015 Carryover Review* as a result of additional space identified by County staff for use by the SACC program. In addition, FY 2016 estimates of various fees and charges were adjusted during the fall 2015 revenue review based on prior year actual receipts and current collection trends. The estimate for Police Reimbursement revenue was reduced $0.4 million and the estimate for Recreation Classes fees was reduced $0.4 million. As a result of these adjustments, the FY 2016 Charges for Services estimate was increased a net $0.3 million.

RECOVERED COSTS / OTHER REVENUE

FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$20,126,106	$18,334,374	$16,704,535	$16,425,616	($278,919)	(1.7%)

The FY 2017 Advertised Budget Plan estimate for Recovered Costs/Other Revenue of $16,425,616 reflects a net decrease of $278,919, or 1.7 percent, from the *FY 2016 Revised Budget Plan* estimate. The decrease is primarily due to one-time revenue received in FY 2016 that was the result of the County's agreement with the District of Columbia (DC) to utilize 11 beds of available space at the County's Juvenile Detention Center for DC youth awaiting placement in a treatment facility or group home.

During the fall 2015 revenue review, the FY 2016 estimate for Recovered Costs/Other Revenue was reduced a net $1.6 million as a result of the decision by the District of Columbia to terminate the program described above. Revenue from this program was received for three months in FY 2016.

General Fund Revenue Overview

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT[1]

FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Increase/ (Decrease)	Percent Change
$125,754,953	$127,575,900	$127,238,326	$127,315,876	$77,550	0.1%

[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 2017 Advertised Budget Plan estimate for Revenue from the Commonwealth and Federal Government of $127,315,876 reflects a net increase of $77,550 over the *FY 2016 Revised Budget Plan.* This net increase is associated with Public Assistance categories and is fully offset with expenditure increases.

The *FY 2016 Revised Budget Plan* estimate for Revenue from the Commonwealth and Federal Government represents a decrease of $0.3 million from the FY 2016 Adopted Budget Plan estimate. The *FY 2015 Carryover Review* included an increase of $0.8 million in Public Assistance categories. During the fall 2015 review, the Sheriff's Office salary reimbursement from the Commonwealth was decreased $0.5 million based on actual FY 2015 experience and FY 2016 year-to-date collections. In addition, the state reimbursement for the County's Health Department was decreased $0.7 million based on the final approved amount in the Commonwealth's budget.

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