

FY 2007 Third Quarter Review

Attachment II – General Fund Receipts / Transfers In

**SUMMARY OF GENERAL FUND REVENUE
AND TRANSFERS IN**

Category	FY 2006 Actual	FY 2007 Revised Budget Plan as of Carryover	FY 2007 Fall Estimate ¹	Increase/ (Decrease) Over the Revised	FY 2007 Third Quarter Budget Plan	Over the FY 2007 Fall Estimate	
						Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	\$1,783,844,578	\$1,892,669,252	\$1,891,956,361	(\$712,891)	\$1,896,564,376	\$4,608,015	0.24%
Personal Property Taxes - Current and Delinquent ²	497,554,711	516,603,327	510,673,886	(5,929,441)	510,755,912	82,026	0.02%
Other Local Taxes	498,105,451	489,378,115	470,748,532	(18,629,583)	471,744,350	995,818	0.21%
Permits, Fees and Regulatory Licenses	31,621,985	33,546,014	33,457,680	(88,334)	32,157,680	(1,300,000)	(3.89%)
Fines and Forfeitures	15,077,117	15,241,666	14,295,939	(945,727)	14,295,939	0	0.00%
Revenue from Use of Money/Property	73,226,569	74,366,689	92,795,521	18,428,832	99,122,444	6,326,923	6.82%
Charges for Services	57,537,996	55,578,477	56,140,459	561,982	56,140,459	0	0.00%
Revenue from the Commonwealth and Federal Governments ²	137,915,622	118,724,029	119,705,287	981,258	123,540,406	3,835,119	3.20%
Recovered Costs/ Other Revenue	7,767,349	7,209,208	7,499,476	290,268	7,499,476	0	0.00%
Total Revenue	\$3,102,651,378	\$3,203,316,777	\$3,197,273,141	(\$6,043,636)	\$3,211,821,042	\$14,547,901	0.46%
Transfers In	2,604,307	2,408,050	2,408,050	0	2,408,050	0	0.00%
Total Receipts	\$3,105,255,685	\$3,205,724,827	\$3,199,681,191	(\$6,043,636)	\$3,214,229,092	\$14,547,901	0.45%

¹FY 2007 revenue estimates were revised as part of a fall 2006 review of revenues. Explanation of these changes can be found in the following narrative. These figures are included in the [FY 2008 Advertised Budget Plan](#).

²The 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.

Total receipts, including Transfers In, are \$3,214,229,092 and reflect an increase of \$14,547,901 or 0.5 percent, over the FY 2007 Fall Estimate. FY 2007 Transfers In totaling \$2.4 million remain unchanged from the FY 2007 Fall Estimate.

As noted in the FY 2008 Advertised Budget Plan, a net decrease of \$6.0 million in revenue adjustments were made prior to Third Quarter during development of the FY 2008 Budget. These adjustments are reflected in the FY 2007 Fall Estimate discussed throughout this Attachment. The net decrease of \$6.0 million in adjustments includes \$27.2 million in additional revenue, more than offset by reductions totaling \$33.2 million. Increases include \$18.4 million in Investment Interest based on an increase in projected yield and portfolio growth; \$4.6 million in total delinquent taxes based on collections and outstanding delinquent accounts; \$1.2 million in Business, Professional and Occupational License (BPOL) tax revenues based on FY 2006 receipts and business trends expected in FY 2007; \$1.0 million in Revenue from the Commonwealth and Federal Government and a net \$2.0 million in various categories based on higher than anticipated collections occurring during the first four months of FY 2006. The offsetting \$33.2 million decrease represents a reduction of \$4.1 million in current Real Estate Taxes due to higher than anticipated tax relief and final Public Service Corporation assessments; \$6.1 million in Personal Property Taxes resulting from lower than projected new vehicle purchases; \$7.5 million in Sales Tax receipts based on FY 2007 collection trends; \$13.5 million in Recordation and Deed of Conveyance Taxes and \$2.0 million in Clerk fees based on the slowdown in the residential real estate market. These adjustments are discussed in more detail in the following narrative. Any impact to FY 2008 revenue estimates from these FY 2007 adjustments is already included in the FY 2008 Advertised Budget Plan.

General Fund revenue included in the *FY 2007 Third Quarter Review* is increased a net \$14.5 million over the FY 2007 Fall Estimate. This increase is due to \$6.3 million in additional Interest on Investments resulting from continued gains in the average yield and pooled cash portfolio; \$4.6 million in current Real Estate Taxes due to year-to-date supplemental assessments, exonerations and tax relief; \$2.1 million in additional delinquent tax collections; \$0.6 million due to stabilizing Recordation Tax receipts; and \$3.8 million in Revenue from the Commonwealth / Federal Government to partially restore a reduction in the Child Care Assistance and Referral program in FY 2007. These increases are partially offset by a reduction of \$1.6 million in Personal Property Taxes due to continued slowdown in vehicle sales and \$1.3 million in estimated Permit and Fee revenue because of lower than projected construction activity. Overall, since FY 2006 Carryover, the FY 2007 estimate of revenues has increased a net \$8.5 million, or 0.3 percent.

The Fairfax County economy is currently in transition from the robust growth experienced last year to one of continued but much more moderate growth. While revenue at year-end is not expected to differ significantly from the *FY 2007 Third Quarter Review* estimates, uncertainties do exist. For example, little information is available concerning BPOL as filings and payments are not due until March 1 with additional time required to process returns. Recordation and Deed of Conveyance Taxes have been estimated to experience a decline of approximately 32 percent in FY 2007; but these categories have stabilized during the last few months and receipts may be somewhat higher than projected. In addition, the first distribution of revenue from the new Communications Sales Tax will not be received until sometime in March. General Fund receipts from this tax are not guaranteed to fully offset the Consumer Utility Tax on Telephones and the Mobile Telephone Tax which it replaced on January 1, 2007. These and all other revenue categories are closely monitored with respect to revenue collections and the effects of changes in economic activity. Any necessary FY 2008 revenue adjustments will be included in the Add-On Review.

REAL ESTATE TAX - CURRENT

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$1,772,129,121	\$1,884,309,574	\$1,880,240,905	\$1,884,848,920	\$4,608,015	0.25%

The *FY 2007 Third Quarter Review* estimate for Current Real Estate Tax revenue of \$1,884,848,920 represents an increase of \$4,608,015 over the Fall Estimate. This increase is due to adjustments in supplemental assessments, exonerations, and tax relief.

During the fall 2006 revenue review, the estimate for Real Estate Taxes was reduced \$4.1 million due to a decrease in Public Service Corporation (PSC) assessments and increased participation in the Tax Relief Program for the Elderly and Disabled. PSC revenue was reduced \$1.2 million based on final information from the Commonwealth of Virginia. The estimate for Tax Relief was increased from \$22.9 million to \$25.8 million, representing a revenue reduction of \$2.9 million.

The \$4.6 million increase in the *FY 2007 Third Quarter Review* estimate for Real Estate is primarily due to a \$3.8 million increase in year-to-date supplemental assessments. In addition, exonerations are lower than forecasted resulting in an additional \$1.8 million. Partially offsetting these increases is a revenue reduction of \$1.0 million in the tax relief program as participation has continued to rise. Approximately 7,900 participants are expected in FY 2007 and total tax relief is estimated to be \$26.8 million. These adjustments are not expected to impact the FY 2008 Real Estate Tax estimate as the supplemental assessments are already included in the FY 2008 tax base and FY 2008 tax relief is projected to increase to \$27.5 million. The anticipated Real Estate collection rate remains at 99.61 percent, the same rate incorporated in the FY 2008 Advertised Budget Plan estimate.

REAL ESTATE TAX - DELINQUENT

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$11,715,456	\$8,359,678	\$11,715,456	\$11,715,456	\$0	0.00%

The *FY 2007 Third Quarter Review* estimate for Delinquent Real Estate Taxes of \$11,715,456 represents no change from the FY 2007 Fall Estimate. During the fall revenue review, the FY 2007 estimate for Delinquent Real Estate Taxes was increased \$3.4 million based on the level of FY 2006 delinquent tax collections and year-to-date collections.

PERSONAL PROPERTY TAX - CURRENT

	FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
Paid Locally	\$277,509,629	\$293,282,467	\$287,156,066	\$285,554,044	(\$1,602,022)	(0.56%)
Reimbursed by State	204,236,955	211,313,944	211,313,944	211,313,944	0	0.00%
Total	\$481,746,584	\$504,596,411	\$498,470,010	\$496,867,988	(\$1,602,022)	(0.32%)

The *FY 2007 Third Quarter Review* estimate for Current Personal Property Taxes of \$496,867,988 represents a reduction of \$1,602,022 from the FY 2007 Fall Estimate. This decrease is due to a continued decline in the number of new vehicle purchases coupled with a reduction in the business levy component.

During the fall revenue review, the FY 2007 estimate for Personal Property Taxes was lowered \$6.1 million due to a drop in the number and type of new vehicles being purchased in 2006. During the fall 2006 revenue review, vehicle volume was projected to fall 0.1 percent from the FY 2006 level.

New vehicle purchases fell even further during the latter portion of 2006 and actual billing information shows a decrease in FY 2007 vehicle volume of 0.6 percent resulting in an additional revenue reduction of \$0.9 million from the fall review. Also, FY 2007 business levy rose but not to the level anticipated. The business component increased 3.3 percent compared to the 4.0 percent growth forecasted during the fall review resulting in a \$0.7 million revenue reduction. Total estimated FY 2007 Personal Property Tax revenue represents growth of 3.1 percent over FY 2006 actual receipts.

PERSONAL PROPERTY TAX - DELINQUENTS

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$15,808,127	\$12,006,916	\$12,203,876	\$13,887,924	\$1,684,048	13.80%

The *FY 2007 Third Quarter Review* estimate for Delinquent Personal Property Taxes of \$13,887,924 represents an increase of \$1.7 million over the FY 2007 Fall Estimate based on higher than anticipated collections-to-date and Department of Tax Administration estimates of the number outstanding delinquent accounts. As part of the fall revenue review, the FY 2007 estimate for Delinquent Personal Property Taxes was increased \$196,960 to \$12,203,876 based on FY 2006 collections of locally paid Delinquent Personal Property Tax receipts.

SALES TAX

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$152,475,529	\$166,133,236	\$158,588,505	\$158,588,505	\$0	0.00%

The *FY 2007 Third Quarter Review* estimate for Sales Tax receipts of \$158,588,505 represents no change from the FY 2007 Fall Estimate. During the fall 2006 revenue review, the FY 2007 estimate for Sales Tax receipts was reduced \$7.5 million due to lower than projected FY 2006 actual receipts and FY 2007 year-to-date collections. Through February 2007, FY 2007 Sales Tax receipts are up 3.8 percent over the

same period of FY 2006. The *FY 2007 Third Quarter Review* estimate represents projected growth of 4.0 percent over FY 2006 collections.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX - CURRENT

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$125,169,480	\$130,253,143	\$131,427,954	\$131,427,954	\$0	0.00%

The *FY 2007 Third Quarter Review* estimate for Business, Professional and Occupational License (BPOL) Taxes of \$131,427,954 represents no change from the FY 2007 Fall Estimate. During the fall revenue review, the estimate for BPOL revenue was increased \$1.2 million based on actual FY 2006 receipts and projected trends in business activity. In FY 2006, BPOL receipts rose 8.7 percent over FY 2005 due in part to continued increases in federal procurement spending in the County. The Consultant category, which represents nearly a quarter of total BPOL receipts, grew 15.3 percent over FY 2005. The Retail category, which makes up approximately 20 percent of total BPOL receipts, increased 4.2 percent in FY 2006. Overall, BPOL receipts are projected to grow 5.0 percent in FY 2007 due to moderating federal procurement spending, a similar rise in the Retail category and decreasing home sales and stagnant home prices which will hinder growth in real estate related categories such as Real Estate brokers and money lenders.

Since businesses file and pay their BPOL Taxes simultaneously on March 1, there is little information about current collections. However, actual BPOL billing data for FY 2007 may be available in time to make any necessary adjustments to the FY 2008 estimate during the Add-on Review Process.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX - DELINQUENTS

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$2,009,588	\$1,000,000	\$2,009,588	\$2,372,475	\$362,887	18.06%

The *FY 2007 Third Quarter Review* estimate for Delinquent BPOL revenue of \$2,372,475 represents an increase of \$362,887. During the fall 2006 revenue review, the estimate for Delinquent BPOL revenue was raised \$1.0 million based on FY 2006 actual Delinquent BPOL receipts and historical collection trends.

As part of the *FY 2007 Third Quarter Review*, the Delinquent BPOL revenue estimate is increased \$0.4 million based on year-to-date collections and aggressive staff collection efforts.

RECORDATION/DEED OF CONVEYANCE TAXES

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$51,395,097	\$48,674,084	\$35,152,053	\$35,784,984	\$632,931	1.80%

The *FY 2007 Third Quarter Review* estimate for Deed of Conveyance and Recordation Taxes of \$35,784,984 reflects an increase of \$632,931 over the FY 2007 Fall Estimate. Deed of Conveyance Taxes are projected to be \$6,735,135 and Recordation Taxes are projected to be \$29,049,849.

During the fall revenue review, the FY 2007 estimate for Recordation and Deed of Conveyance were reduced \$10.5 million and \$3.1 million respectively, due to a drop in the number of homes sales transactions combined with a little or no price appreciation. Through November 2006, Recordation and Deed of Conveyance Tax revenues were down a combined 31.3 percent.

Since the fall review, the rate of decline for Recordation and Deed of Conveyance Tax receipts has begun to moderate. Through February, Recordation and Deed of Conveyance Tax receipts are down 23.5 percent and the FY 2007 estimate for Deed of Conveyance and Recordation Taxes is increased \$0.6 million. If receipts continue to stabilize, revenue at year-end may exceed the current estimate.

PERMITS, FEES AND REGULATORY LICENSES

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$31,621,985	\$33,546,014	\$33,457,680	\$32,157,680	(\$1,300,000)	(3.89%)

The *FY 2007 Third Quarter Review* estimate for Permits, Fees and Regulatory Licenses is \$32,157,680, and represents a decrease of \$1.3 million from the FY 2007 Fall Estimate due to lower than anticipated revenue from Land Development Services fees. Land Development Services fees charged for planning, building, and site permits are the major component of this category and are projected to be \$25.3 million in FY 2007. This reduction is based on lower than anticipated issuances of residential building permits and site and subdivision plans through the first half of FY 2007 which are down 57 and 10 percent, respectively.

During the fall review, the estimate for Permits, Fees and Regulatory Licenses was lowered \$88,334 primarily due to a projected decrease in Fire Marshal Fee revenue partially offset by increase in Food Establishment Operating Permits associated with a fee increase. The FY 2007 estimate for Fire Marshal Fees was lowered \$139,952 to \$2,639,889 based on current collection trends. In addition, the FY 2007 estimate for Food Operating Permits was raised \$54,487 during the fall review mostly due to an increase in the application fee from \$25 to \$45 effective September 1, 2006.

FINES AND FORFEITURES

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$15,077,117	\$15,241,666	\$14,295,939	\$14,295,939	\$0	0.00%

The *FY 2007 Third Quarter Review* estimate for Fines and Forfeitures of \$14,295,939 represents no change from the FY 2007 Fall Estimate. During the fall revenue review, the FY 2007 estimate for Fines and Forfeitures was decreased a net \$945,727 based on a review of prior year actual receipts and collections-to-date for each revenue category. Based on this analysis, the estimate for administrative fees charged for collection of delinquent taxes was lowered \$0.4 million to \$0.5 million, the level attained in FY 2006. In addition, Parking Violation revenue was decreased \$0.5 million to \$2.7 million based on the level of outstanding parking tickets and FY 2007 collection trends.

INTEREST ON INVESTMENTS

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$70,058,334	\$71,187,926	\$89,574,910	\$95,901,833	\$6,326,923	7.06%

The *FY 2007 Third Quarter Review* estimate for Interest on Investments of \$95,901,833 reflects an increase of \$6,326,923 over the FY 2007 Fall Estimate. During the fall revenue review, the FY 2007 estimate for Interest on Investment was increased \$18.4 million due to the yield earned on investments and a higher projected average portfolio. The Federal Reserve raised the federal funds rate from 4.5 percent in January 2006 to 5.25 percent in June. These increases have a direct impact on the yield earned on County investments and the estimated average yield was increased from 4.38 percent to 5.12 percent during the fall revenue review. In addition, the projected investment portfolio was raised from \$2,322.3 million to \$2,410.0 million. Growth in the FY 2007 portfolio has risen in part due to actions by the Board of Supervisors to fully fund the Revenue Stabilization Reserve and the GASB 45 Reserve.

The *FY 2007 Third Quarter Review* estimate for Interest on Investments represents an additional increase of \$6.3 million primarily due to further gains in the projected yield and average portfolio. Based on the yield of instruments currently being purchased, the FY 2007 yield is expected to rise to 5.27 percent. The average portfolio is estimated to increase to \$2,467.9 million in FY 2007.

CHARGES FOR SERVICES

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$57,537,996	\$55,578,477	\$56,140,459	\$56,140,459	\$0	0.00%

The *FY 2007 Third Quarter Review* estimate for Charges for Services of \$56,140,459 represents no change from the FY 2007 Fall Estimate. During the fall revenue review, the estimate for Charges for Services was raised \$0.6 million primarily due to an increase of \$2.5 million in EMS Transport fees to \$10.4 million based on prior year actual receipts and FY 2007 collection trends offset with a reduction of \$2.0 million in Clerk Fees due to lower than expected receipts as a result of the weakening residential real estate market.

RECOVERED COSTS / OTHER REVENUE

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$7,767,349	\$7,209,208	\$7,499,476	\$7,499,476	\$0	0.00%

The *FY 2007 Third Quarter Review* estimate for Recovered Costs/Other Revenue of \$7,499,476 represents no change from the FY 2007 Fall Estimate. During the fall revenue review, Recovered Cost/Other Revenue was raised a net \$290,268 primarily due to an increase of \$265,820 in Contract Rebate revenue based on current year receipts and improved rebates associated with the new procurement card contract.

REVENUE FROM THE COMMONWEALTH / FEDERAL GOVERNMENT¹

FY 2006 Actual	FY 2007 Revised as of Carryover	FY 2007 Fall Estimate	FY 2007 Third Quarter	Increase/ (Decrease)	Percent Change
\$137,915,622	\$118,724,029	\$119,705,287	\$123,540,406	\$3,835,119	3.20%

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 2007 Third Quarter Review* estimate for Revenue from the Commonwealth and Federal Government represents an increase of \$3,835,119, or 3.2 percent, over the FY 2007 Fall Estimate. Of this increase, \$3.4 million is the result of one-time State funding that will partially restore a reduction in the Child Care Assistance and Referral program in FY 2007. The additional revenue of \$0.4 million will address increasing caseloads for the Virginia Initiative for Employment not Welfare (VIEW) program, Refugee Resettlement program and mandated child care services. The total \$3.8 million in additional revenue will be fully offset with increased expenditure requirements.

During the fall revenue review, Revenue from the Commonwealth and Federal Government was increased \$981,258. This increase was primarily due to reimbursement of expenses associated with the Health Department and Law Enforcement funding, which were increased \$0.6 million and \$0.1 million, respectively. In addition, the estimate for Library State Aid was raised \$0.1 million due to additional funding included in the Governor's budget above the current formula appropriation.