

FY 2012 Third Quarter Review

Attachment II – General Fund Receipts / Transfers In

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

Category	FY 2011 Actual	FY 2012 Revised Budget Plan as of FY 2011 Carryover	FY 2012 Fall Estimate ¹	FY 2012 Third Quarter Budget Estimate	Over the FY 2012 Fall Estimate	
					Increase/ (Decrease)	Percent Change
Real Estate Taxes -						
Current & Delinquent	\$2,019,836,905	\$2,035,455,407	\$2,042,267,905	\$2,046,834,982	\$4,567,077	0.22%
Personal Property Taxes -						
Current & Delinquent ²	513,286,400	518,132,388	522,549,074	523,242,701	693,627	0.13%
Other Local Taxes	505,517,224	496,237,410	506,648,488	508,140,549	1,492,061	0.29%
Permits, Fees and Regulatory Licenses	34,267,179	30,152,648	34,013,055	34,835,666	822,611	2.42%
Fines and Forfeitures	16,563,245	16,868,801	16,497,731	16,497,731	0	0.00%
Revenue from Use of Money/Property	18,808,108	16,711,665	19,618,898	19,678,898	60,000	0.31%
Charges for Services	64,096,781	64,161,281	64,161,281	64,161,281	0	0.00%
Revenue from the Commonwealth and Federal Governments ²	136,132,404	127,708,562	129,867,129	129,729,112	(138,017)	-0.11%
Recovered Costs/ Other Revenue	12,502,027	12,089,289	11,399,344	11,399,344	0	0.00%
Total Revenue	\$3,321,010,273	\$3,317,517,451	\$3,347,022,905	\$3,354,520,264	\$7,497,359	0.22%
Transfers In	8,059,238	6,901,043	6,901,043	6,901,043	0	0.00%
Total Receipts	\$3,329,069,511	\$3,324,418,494	\$3,353,923,948	\$3,361,421,307	\$7,497,359	0.22%

¹ FY 2012 revenue estimates were increased a net \$29.5 million as part of a fall 2011 review of revenues. Explanations of these changes can be found in the following narrative.

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.

Total FY 2012 Third Quarter revenues are estimated at \$3,354,520,264 and reflect an increase of \$7,497,359, or 0.2 percent, over the FY 2012 fall estimate. As noted in the FY 2013 Advertised Budget Plan, a net \$29.5 million in revenue adjustments were made prior to Third Quarter during the development of the FY 2013 budget. These adjustments were based on actual FY 2011 receipts and collections through the first several months of FY 2012. Revenue changes made during the fall revenue review are discussed throughout this Attachment. Any impact to FY 2013 revenue estimates from these FY 2012 adjustments is already included in the FY 2013 Advertised Budget Plan.

General Fund revenue estimates included in the *FY 2012 Third Quarter Review* are increased \$7.5 million, or 0.2 percent, over the FY 2012 fall estimate. This increase is primarily the result of a \$4.6

million increase in Real Estate Taxes due to an increase in the projected collection rate and lower than expected exonerations; an increase of \$0.7 million in Personal Property Delinquents; an increase of \$1.5 million in Other Local Taxes due to higher Recordation Tax receipts; and a \$0.8 million increase in Land Development Services' Building and Inspection fees.

Many revenue categories are especially sensitive to economic conditions and there is the potential that actual receipts may deviate from the revenue estimates included in this Attachment. For example, year-to-date Sales Tax receipts are up 5.7 percent; however, receipts from holiday retail sales in December were up just 0.5 percent, indicating a potential slowdown for the remainder of the year. Little information is available concerning Business, Professional, and Occupational License (BPOL) Taxes, since filings and payments are not due until March 1, with additional time required to process returns. In addition, revenue from the Bank Franchise Tax in FY 2010 and FY 2011 was double the FY 2009 level due to bank holding excess reserves. Staff anticipates that this revenue will be lower than last year, but possibly higher than currently projected, because banks continue to hold excess reserves but reportedly at a lower level than during the recession. However, there is no information currently available to base a change in the estimate, as revenue from the Bank Franchise Tax is not received until late May or early June. All revenue categories are closely monitored with respect to collections and the effects of changes in economic activity. Any necessary FY 2013 revenue adjustments will be included in the Add-On Review.

REAL ESTATE TAX-CURRENT

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$2,008,788,382	\$2,025,763,493	\$2,032,575,991	\$2,037,143,068	\$4,567,077	0.2%

The *FY 2012 Third Quarter Review* estimate for Current Real Estate Taxes of \$2,037,143,068 represents an increase of \$4.6 million over the FY 2012 fall estimate. This increase is the result of a higher estimated collection rate and a lower level of projected exonerations, partially offset with a decrease in supplemental assessments. The estimated collection rate has been increased from 99.61 percent to 99.64 percent based on current collection trends resulting in a revenue increase of \$0.6 million. In addition, estimated exonerations are reduced from \$11.1 million to \$6.3 million, a revenue increase of \$4.8 million. Offsetting this increase is a revenue decrease of \$0.8 million as a result of fewer than anticipated supplemental assessments.

During the fall 2011 revenue review, the FY 2012 Real Estate estimate was increased \$6.8 million. This increase was primarily the result of a decrease in expected tax relief. The FY 2012 Adopted Budget Plan included an estimated \$3.5 million reduction for tax relief for veterans who have a 100 percent permanent and total disability related to military service, or their surviving spouse. FY 2012 was the first year of this exemption. Based on applications received through the fall 2011, the estimate was revised to \$1.6 million, a revenue increase of \$1.8 million. In addition, based on the actual FY 2011 experience and applications during the first quarter of FY 2012, Tax Relief for the Elderly and Disabled (non-veterans) was reduced from \$28.0 million to \$24.5 million for a revenue increase of \$3.5 million. The estimate for Exonerations was also reduced from \$12.3 million to \$11.1 million for a revenue increase of \$1.2 million. Lastly, estimated Public Service Corporation levy was increased from \$9.1 million to \$9.4 million, a revenue increase of \$0.3 million based on final assessments from the Commonwealth of Virginia.

PERSONAL PROPERTY TAX-CURRENT

	FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
Paid Locally	\$290,324,771	\$297,524,856	\$301,941,542	\$301,941,542	\$0	0.0%
Reimbursed by State	211,313,944	211,313,944	211,313,944	211,313,944	0	0.0%
Total	\$501,638,715	\$508,838,800	\$513,255,486	\$513,255,486	\$0	0.0%

The *FY 2012 Third Quarter Review* estimate for Current Personal Property Taxes of \$513,255,486 represents no change from the FY 2012 fall estimate. During the fall 2011 revenue review, the FY 2012 Personal Property Tax estimate was increased \$4.5 million primarily due to an increase in business levy. The estimated business levy included in the FY 2012 Adopted Budget Plan was level with FY 2011 actual business levy. Based on business personal property filings for FY 2012, business levy is expected to increase 5.9 percent.

PERSONAL PROPERTY TAX-DELINQUENT

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$11,647,685	\$9,293,588	\$9,293,588	\$9,987,215	\$693,627	7.5%

The *FY 2012 Third Quarter Review* estimate for Delinquent Personal Property Taxes of \$9,987,215 represents an increase of \$0.7 million over the FY 2012 fall estimate. This increase is based on current collections, the level of delinquent accounts to collect and historical collection trends.

LOCAL SALES TAX

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$154,757,415	\$150,174,905	\$159,995,760	\$159,995,760	\$0	0.0%

The *FY 2012 Third Quarter Review* estimate for Sales Tax of \$159,995,760 represents no change from the FY 2012 fall estimate and reflects 3.4 percent growth over FY 2011 actual receipts. The FY 2012 estimate for Sales Tax receipts was increased \$9.8 million during the fall 2011 revenue review based on year-to-date receipts, which were up 6.9 percent, and the assumption that receipts for the remainder of the year would be level with FY 2011 collections. Collections have moderated and receipts through February 2012 are up 5.7 percent. However, February receipts representing holiday retail sales in December were up just 0.5 percent over February 2011. Due to the collection pattern in FY 2011, the FY 2012 estimate is not being adjusted during the Third Quarter Review. Total FY 2011 Sales Tax receipts rose 3.5 percent over FY 2010 due to strong collections during the last part of the year. Last year's receipts through February 2011 were up just 1.5 percent, while revenue for the remaining months rose a robust 6.6 percent.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$145,094,542	\$149,338,465	\$150,898,324	\$150,898,324	\$0	0.0%

The *FY 2012 Third Quarter Review* estimate for Business, Professional and Occupational License (BPOL) Taxes of \$150,898,324 represents no change from the FY 2012 fall estimate. During the fall 2011 revenue review, the FY 2012 estimate for BPOL Taxes was increased \$1.6 million, representing 4.0 percent growth over the FY 2011 level. The estimate was based on an econometric model that uses Sales Tax receipts and employment in the County as predictors, final FY 2011 collections and a review of general economic conditions. The current model indicates that BPOL receipts could be stronger than originally projected. However, since County businesses file and pay their BPOL taxes simultaneously on March 1 each year based on their gross receipts during the previous calendar year, little actual data is available at this time to help estimate FY 2012 receipts. Therefore, the FY 2012 BPOL estimate has not been adjusted during the Third Quarter review.

RECORDATION/DEED OF CONVEYANCE TAXES

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$26,383,687	\$25,373,488	\$26,236,399	\$27,728,460	\$1,492,061	5.7%

The *FY 2012 Third Quarter Review* estimate for Deed of Conveyance and Recordation Taxes of \$27,728,460 represents an increase of \$1,492,061, or 5.7 percent, over the FY 2012 fall estimate. Based on collection trends, the FY 2012 estimate for Deed of Conveyance and Recordation Taxes was increased \$0.9 million during the fall 2011 revenue review. Collections have continued to trend higher primarily due to increased mortgage refinancing activity. Deed of Conveyance Taxes are projected to be \$4,615,112 and Recordation Taxes are projected to be \$23,113,348. Combined, the Third Quarter estimate represents an increase of 5.1 percent over FY 2011 receipts.

COMMUNICATIONS SALES AND USE TAX

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$50,724,263	\$52,312,013	\$48,026,604	\$48,026,604	\$0	0.0%

The *FY 2012 Third Quarter Review* estimate for the Communications Tax of \$48,026,604 represents no change from the FY 2012 fall estimate. During the fall 2011 revenue review, the FY 2012 estimate was reduced \$4.3 million based on current receipts and a notification from the Commonwealth of Virginia that a \$14.3 million statewide refund would be processed in FY 2012. The refund was due to erroneous collection of taxes on data services by a wireless provider. Prior to the refund, Communications Tax collections were down 2.2 percent. Including the County's share of the refund, \$2.7 million, the FY 2012 Communications Tax represents a decline of 5.3 percent from FY 2011 receipts.

BANK FRANCHISE TAX

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$16,523,093	\$9,248,658	\$11,500,000	\$11,500,000	\$0	0.0%

The *FY 2012 Third Quarter Review* estimate for the Bank Franchise Tax of \$11,500,000 represents no change from the FY 2012 fall estimate. During the fall revenue review, the estimate for the Bank Franchise Tax was increased \$2.3 million based on general information from the State regarding bank reserves. FY 2010 and FY 2011 collections from the Bank Franchise Tax were \$16.8 million and \$16.5 million, respectively. These levels were more than double FY 2009 receipts of \$8.1 million. The increases in FY 2010 and FY 2011 were primarily the result of banks holding significant reserves above those required by the Federal Reserve. In addition, due to economic concerns, banks were making relatively fewer loans, which also increased their assets, the basis for the Bank Franchise Tax. Reportedly, bank reserves are still high but not to the extent they were during the recession. Revenue from the Bank Franchise Tax is not received until late May and June, making it a difficult category to project.

TRANSIENT OCCUPANCY TAX

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$18,339,532	\$18,459,655	\$18,889,718	\$18,889,718	\$0	0.0%

The *FY 2012 Third Quarter Review* estimate for the Transient Occupancy Tax of \$18,889,718 represents no change from the FY 2012 fall estimate. During the fall 2011 revenue review, the FY 2012 estimate was increased \$0.4 million, reflecting 3.0 percent growth over FY 2011. This estimate was based on the assumption that Transient Occupancy Taxes would increase at a similar rate as in FY 2011, which rose 2.9 percent. Because of the way revenues are remitted and accounted for, there is very little data in the fall on which to base an estimate. For example, Transient Occupancy Tax receipts through mid-August each year represent receipts for the previous fiscal year. Also, while tax receipts are required to be remitted to the County quarterly, some hotels remit more frequently, causing month-to-month growth trends to vary considerably. Year-to-date collections through January 2012 are up significantly, however this is due to delayed payments in FY 2011; therefore, no adjustment is being made to the Transient Occupancy Tax estimate during the Third Quarter Review.

PERMITS, FEES AND REGULATORY LICENSES

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$34,267,179	\$30,152,648	\$34,013,055	\$34,835,666	\$822,611	2.4%

The *FY 2012 Third Quarter Review* estimate for Permits, Fees and Regulatory Licenses is \$34,835,666, an increase of \$0.8 million, or 2.4 percent, over the FY 2012 fall estimate and is due to an increase in Land Development Services (LDS) Building and Inspection fees. During the fall 2011 revenue review, the FY 2012 estimate for LDS Building and Inspection fees was increased \$3.4 million to \$24.0 million based on an upward trend in permitting activity. This trend continued until January, when collections fell

nearly 20 percent compared to January 2011. The FY 2012 Third Quarter estimate for LDS fees has been increased \$0.8 million to \$24.8 million, based on year-to-date collections, which are up over 26 percent. As evidenced by the most recent decline in January 2012 collections, this rate of growth is not expected to continue due to the significant increase experienced during the last five months of FY 2011. During the first seven months of FY 2011, receipts rose 13.6 percent while the last five months of FY 2011 rose nearly 25 percent. The FY 2012 estimate assumes that receipts for the remaining months of the fiscal year will fall, on average, 15 percent.

FINES AND FORFEITURES

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$16,563,245	\$16,868,801	\$16,497,731	\$16,497,731	\$0	0.0%

The *FY 2012 Third Quarter Review* estimate for Fines and Forfeitures of \$16,497,731 reflects no change from the FY 2012 fall estimate. During the fall 2011 revenue review, the FY 2012 estimate was reduced \$0.4 million due to lower than projected collections for General District Court Fines. The FY 2012 estimate for General District Court Fines was reduced from \$8.1 million to \$7.7 million, the level achieved in FY 2011.

REVENUE FROM THE USE OF MONEY AND PROPERTY

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$18,808,108	\$16,711,665	\$19,618,898	\$19,678,898	\$60,000	0.3%

The *FY 2012 Third Quarter Review* estimate for Revenue from the Use of Money and Property is \$19,678,898 and represents an increase of \$60,000 over the FY 2012 fall estimate. This increase is the result of a contract with Wegmans for the use of certain Government Center parking spaces during weekends and holidays. During the fall 2011 revenue review, this category was increased \$2.9 million due to an increase in Investment Interest to \$15.6 million. This increase was based on a higher anticipated annual yield and General Fund percentage. The estimated annual yield was raised from 0.60 percent to 0.65 percent and the General Fund percentage was increased from 69.8 percent to 72.1 percent based on current investment activity.

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT¹

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$136,132,404	\$127,708,562	\$129,867,129	\$129,729,112	(\$138,017)	-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 2012 Third Quarter Review* estimate for Revenue from the Commonwealth and Federal Government of \$129,729,112 reflects a net decrease of \$138,017, or 0.1 percent, from the FY 2012 fall

estimate. An increase in revenue of \$0.4 million is associated with the Child Care Assistance and Referral Program and will be entirely offset with additional expenditure requirements. In addition, the estimated revenue and expenditures associated with the Adoption Subsidy Program have been reduced \$1.0 million to more accurately align the program's budget with actual spending. More information regarding these adjustments can be found in the Administrative Adjustments Section of this document.

In addition, federal funding of \$0.5 million has been received for holding illegal immigrants in County jails. Due to the uncertainty regarding the amount of the federal appropriation for this program, no revenue estimate had been included in the FY 2012 budget. The FY 2012 amount received for this program by the County is less than one-third the amount received two years ago.

During the fall 2011 revenue review, the revenue estimate for reimbursable salaries in the Sheriff's Department from the Virginia Compensation Board was raised \$2.2 million based on actual FY 2011 experience and FY 2012 year-to-date collections.

RECOVERED COSTS / OTHER REVENUE

FY 2011 Actual	FY 2012 Revised as of FY 2011 Carryover	FY 2012 Fall Estimate	FY 2012 Third Quarter Estimate	Increase/ (Decrease)	Percent Change
\$12,502,027	\$12,089,289	\$11,399,344	\$11,399,344	\$0	0.0%

The *FY 2012 Third Quarter Review* estimate for Recovered Costs/Other Revenue of \$11,399,344 reflects no change from the FY 2012 fall estimate. The FY 2012 estimate was reduced a net \$0.7 million during the fall 2011 revenue review. The County provides and bills the City of Fairfax for certain governmental services. The FY 2012 estimate for the reimbursement to be received from the City by the County was reduced \$1.0 million as a result of the reconciliation of the City's share of the actual FY 2011 expenses utilizing revised population figures for the City based on the 2010 Census, which were much lower than the estimate used from the Weldon Cooper Center for Public Service. Partially offsetting this revenue decrease in FY 2012 was a net increase of \$0.3 million in various categories based on collection trends.