

# General Fund Revenue Overview

## Summary of General Fund Revenue and Transfers In

| Category  | FY 2023 Actual         | FY 2024 Adopted Budget Plan | FY 2024 Revised Budget Plan <sup>1</sup> | FY 2025 Advertised Budget Plan | Change from Revised  |             |
|---|------------------------|-----------------------------|--|--------------------------------|----------------------|-------------|
|   |                        |                             |  |                                | Increase/ (Decrease) | % Change    |
| Real Estate Taxes - Current and Delinquent                        | \$3,219,286,874        | \$3,372,250,645             | \$3,377,500,645                          | \$3,606,167,233                | \$228,666,588        | 6.8%        |
| Personal Property Taxes - Current and Delinquent <sup>2</sup>     | 770,964,756            | 737,455,015                 | 748,307,017                              | 812,668,437                    | 64,361,420           | 8.6%        |
| Other Local Taxes   | 609,266,024            | 608,008,172                 | 609,246,843                              | 620,601,783                    | 11,354,940           | 1.9%        |
| Permits, Fees and Regulatory Licenses                             | 9,839,241              | 9,835,922                   | 9,788,910                                | 12,654,661                     | 2,865,751            | 29.3%       |
| Fines and Forfeitures   | 7,873,896              | 7,476,019                   | 8,272,926                                | 8,513,504                      | 240,578              | 2.9%        |
| Revenue from Use of Money/Property                                | 118,639,690            | 126,702,223                 | 156,635,315                              | 155,012,512                    | (1,622,803)          | (1.0%)      |
| Charges for Services  | 62,976,188             | 63,309,540                  | 67,566,065                               | 69,058,078                     | 1,492,013            | 2.2%        |
| Revenue from the Commonwealth and Federal Government <sup>2</sup> | 154,657,550            | 155,300,858                 | 155,300,858                              | 155,453,973                    | 153,115              | 0.1%        |
| Recovered Costs / Other Revenue                                   | 19,823,365             | 17,419,244                  | 18,234,080                               | 20,363,644                     | 2,129,564            | 11.7%       |
| <b>Total Revenue</b>  | <b>\$4,973,327,584</b> | <b>\$5,097,757,638</b>      | <b>\$5,150,852,659</b>                   | <b>\$5,460,493,825</b>         | <b>309,641,166</b>   | <b>6.0%</b> |
| Transfers In  | 19,712,936             | 9,864,707                   | 9,864,707                                | 10,344,474                     | 479,767              | 4.9%        |
| <b>Total Receipts</b>   | <b>\$4,993,040,520</b> | <b>\$5,107,622,345</b>      | <b>\$5,160,717,366</b>                   | <b>\$5,470,838,299</b>         | <b>310,120,933</b>   | <b>6.0%</b> |

<sup>1</sup> FY 2024 revenue estimates were increased a net \$53.1 million as part of the fall 2023 revenue review. Explanations of these changes can be found in the following narrative. The *FY 2024 Third Quarter Review* may contain further adjustments as necessary.

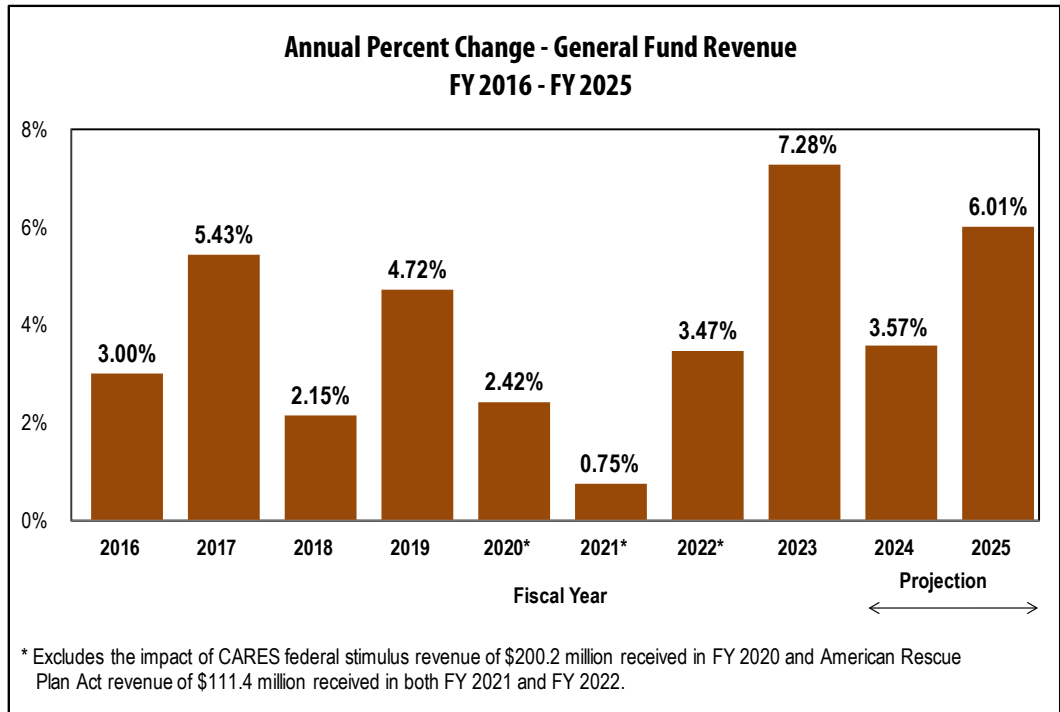
<sup>2</sup> The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

As reflected in the preceding table, FY 2025 General Fund revenues are projected to be \$5,460,493,825, an increase of \$362,736,187 or 7.1 percent over the FY 2024 Adopted Budget Plan. FY 2024 revenue estimates were increased a net \$53.1 million in a number of revenue categories as part of the fall 2023 revenue review. As a result, the FY 2025 General Fund revenue reflects an increase of \$309,641,166 or 6.0 percent over the *FY 2024 Revised Budget Plan*, which contains the latest FY 2024 revenue estimates. The revenue increase in FY 2025 is primarily due to an increase of \$228.7 million, or 6.8 percent, in Real Estate Tax revenue as a result of a 2.73 percent rise in the Real Estate assessment base, as well as a 4-cent increase in the proposed Real Estate tax rate from \$1.095 per \$100 of assessed value in FY 2024 to \$1.135 in FY 2025. It should be noted that Real Estate tax revenue reflects the allocation of the projected value of one penny of the Real Estate tax rate (\$32.32 million) to Fund 30300, Affordable Housing Development and Investment. In addition, Personal Property Tax revenue is projected to increase \$64.4 million, or 8.6 percent, based on the projected full market vehicle assessed values in FY 2025. In FY 2024, a discounted 90-percent vehicle assessment ratio was used. Other Local Taxes are expected to increase \$11.4 million, or 1.9 percent, on projected growth in Local Sales Tax, Business, Professional, and Occupational License Tax, and Transient Occupancy Tax.

Incorporating Transfers In, FY 2025 General Fund receipts are anticipated to be \$5,470,838,299. The Transfers In to the General Fund total \$10.3 million and reflect \$2.3 million from Fund 40030, Cable Communications, \$3.4 million from Fund 69010, Sewer Operation and Maintenance, \$1.6 million from Fund 40100, Stormwater Services, and \$3.0 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 2016. Revenues rose at an average annual growth rate of 4.1 percent in the period from FY 2016 to FY 2019. In FY 2020, revenues were impacted by the COVID-19 pandemic. The County received \$200.2 million from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Fund to deal with the effects of the pandemic and as a result General Fund revenue grew 7.03 percent. Absent this one-time federal stimulus revenue, actual FY 2020 revenue would have increased 2.42 percent over FY 2019. A revenue decline of 1.19 percent occurred in FY 2021, because the amount of pandemic-related General Fund revenue received from the federal government decreased to approximately \$111 million. Absent this pandemic-related American Rescue Plan Act (ARPA) federal revenue, actual FY 2021 revenue reflected an increase of 0.75 percent over FY 2020. In FY 2022, General Fund revenues increased 3.47 percent, excluding the impact of the additional ARPA revenue of \$111 million that the County received from the federal government. In FY 2023, actual General Fund revenue increased 4.76 percent. Excluding the impact of ARPA revenue of \$111 million received in FY 2022, the General Fund revenue in FY 2023 increased 7.28 percent. In FY 2024, it is projected to increase 3.57 percent, followed by an increase of 6.01 percent in FY 2025.



## Economic Indicators

The U.S. economy expanded at rates of 4.9 percent and 3.3 percent in the third and fourth quarters of 2023. For all of 2023, real Gross Domestic Product (GDP) increased 2.5 percent compared to an increase of 1.9 percent in 2022. Defying expectations of a slowdown, the labor market remained remarkably resilient despite the impact of higher interest rates with payroll growth averaging 255,000 jobs per month in 2023. The economy continued to add jobs at a solid clip at the beginning of 2024, with 353,000 jobs added in January. The unemployment rate stands at 3.7 percent as of January 2024.

In addition to continued employment growth over the last year, the major economic story has been moderating inflation. In December 2023, the year-over-year increase in the Consumer Price Index (CPI) was 3.4 percent, down considerably from the December 2022 rate of 6.5 percent, but still higher than the Federal Reserve Board's target rate of 2 percent.

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In January, the Federal Reserve maintained the benchmark interest rate at the current target range of 5.25 to 5.5 percent, marking the fourth straight meeting since summer 2023 that the central bank has opted to hold rates steady. It is likely that rates have reached their peak for this hiking cycle following back-to-back rate hikes between March 2022 and July 2023 aimed at curbing inflation. The Fed is expected to dial back its restrictive monetary policy and commence rate cuts at some point during 2024. However, the Fed has made clear that policymakers will wait for continued evidence that inflation has been stabilized on a sustained basis before it will be appropriate to begin the easing cycle to avoid any damage to the economy. While in 2022 the consensus view among economists was for what many called “the most anticipated recession in history,” the combination of moderating inflation, robust labor market, and improvements in the Consumer Confidence Index in the last couple of months of 2023, currently suggests that the Federal Reserve is increasingly likely to achieve a coveted “soft landing” for the economy.

Despite a significant jump in mortgage rates, U.S. housing prices were also surprisingly resilient in 2023. Mortgage rates were on an upward trend for most of 2023, reaching a 23-year high of over 8 percent in October. Since then, rates have declined primarily due to market expectations of rate cuts by the Federal Reserve coupled with moderating inflationary pressures. While the number of total annual home sales was the lowest since 2012, home prices remained strong as a result of very low inventory of houses for sale, along with generally stable demand due to new household formation. The Case-Shiller 20-City Composite Home Price Index, a widely followed measure of U.S. home prices, posted a year-over-year increase of 5.4 percent in November. With mortgage rates easing and the Federal Reserve guiding toward a slightly more accommodative stance, the momentum for the housing market going into 2024 appears poised to see more price appreciation, with some recovery in the number of home sales as well.

In terms of the local economy, the number of jobs in Northern Virginia grew at a rate of 2.0 percent in 2023, after increasing by 3.3 percent in 2022. According to a report by the George Mason University Stephen S. Fuller Institute, the Washington region’s economy performed well in 2023, though it is considerably lagging peer metros in job growth. The report also noted that in 2024, significant economic uncertainty remains as to whether the region is in the midst of a soft landing or the start of a recession. The *Washington Leading Index*, which is designed to forecast the performance of the metropolitan area’s economy six to eight months in advance, has posted declines for four consecutive months, which suggests that the region’s economy will contract in the coming months.

In Fairfax County, the unemployment rate averaged 2.5 percent in 2023, which was unchanged from 2022. Based on preliminary estimates from IHS Markit, the County’s Gross County product (GCP), adjusted for inflation, increased at a rate of 2.0 percent in 2023, slightly higher than the 1.6 percent increase experienced in 2022. According to IHS Markit, the County’s economy is expected to grow at a 2.1 percent rate in 2024.

### **Local Housing Market**

Based on information from Bright MLS, the average sales price of homes sold in Fairfax County rose 3.8 percent from \$761,799 in 2022 to \$790,367 in 2023. Home prices increased primarily as a result of the tight inventory of homes for sale. Since bottoming out in 2009, the average home sales price has risen 89.4 percent, or at an average annual growth rate of 4.7 percent. Bright MLS also reported that 11,218 homes sold in the County in 2023, down 22.6 percent compared to 2022. Homes that sold during 2023 were on the market for an average of 18 days, one day longer than in 2022.

## **Local Nonresidential Market**

According to the Fairfax County Economic Development Authority, the direct office vacancy rate at year-end 2023 was 17.2 percent, up from 16.7 percent at year-end 2022. The overall office vacancy rate, which includes empty sublet space, was 18.1 percent at year-end 2023, up from 17.8 percent recorded at year-end 2022. The amount of empty office space increased to 21.6 million square feet.

Fairfax County recorded 6.2 million square feet of office leasing in 2023, amounting to a slight decrease from the 2022 figure of 6.6 million square feet. For the second year in a row, leasing totals amounted to approximately two-thirds of the pre-pandemic average. While this could indicate a new normal, there is an expectation office leasing could continue its recovery once interest rates come down and more of the workforce returns to the office.

Typically, the County would see office construction levels above two million square feet year after year, but under the post-pandemic financial climate in which many developers are unable to obtain financing that would kickstart construction of a project, there is currently one million square feet under construction, across five buildings. Three of the office buildings under construction commenced work without a committed tenant but are expected to capture some of the trophy office demand due to location along the Silver Line and proximity to in-demand amenities.

There were no office projects that were delivered during 2023, but there were two office buildings demolished to accommodate the development of a data center. The two office buildings were vacant since delivery in 2013.

## **Fee and Charges Review**

It should be noted that as the County Executive developed the FY 2025 budget, it was necessary to identify reduction options for consideration. In addition, a review of the County's fees and charges in the General Fund was conducted during the fall of 2023. Fees and user charges were compared to state maximum rates and to those of surrounding jurisdictions, and the actual costs of service provision were analyzed. As a result of this review, an increase to the Cigarette Tax rate has been proposed that is anticipated to generate an additional \$1.3 million in FY 2025. In addition, proposed Zoning fee adjustments are estimated to generate an additional \$1.0 million, while proposed enhancements to Fire Marshal fees and Fire Prevention Code permits, and overtime testing fees are expected to generate an additional \$1.5 million. A more detailed discussion of these adjustments can be found in the following narrative.

## **Revenue**

The FY 2024 and FY 2025 General Fund revenue estimates discussed in this section are based on a review of Fairfax County economic indicators, actual FY 2023 receipts, and FY 2024 year-to-date collection trends. Forecasts of economic activity in the County are provided by IHS Markit 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 2025.

In FY 2025, current and delinquent Real Estate Tax revenue comprises 66.0 percent of total County General Fund revenues. FY 2025 Real Estate property values were established as of January 1, 2024 and reflect market activity through calendar year 2023. The Real Estate Tax base is projected to increase 2.73 percent in FY 2025 and is made up of a 1.91 percent increase in total equalization (reassessment of existing residential and nonresidential properties), and an increase of 0.82 percent for new construction. On average, home prices continued to increase in 2023 due to demand exceeding supply, but only moderately compared to the previous two years. The office market in the County continued to struggle in 2023 due to rising vacancies and difficulties refinancing or meeting debt obligations during a period of higher interest rates. In terms of revenue projections, future

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revenue forecasts must account for this trend in the office market which negatively impacts the County's real estate base, as well as any changes in consumer behavior impacting sales tax and business tax revenue.

## Major Revenue Sources

The following major revenue categories discussed in this section comprise 98.8 percent of total FY 2025 General Fund revenue. Unless otherwise indicated, comparative data are presented relative to the *FY 2024 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 2023 Actual         | FY 2024 Adopted Budget Plan | FY 2024 Revised Budget Plan <sup>1</sup> | FY 2025 Advertised Budget Plan | Change from Revised   |             |
|---|------------------------|-----------------------------|--|--------------------------------|-----------------------|-------------|
|   |                        |                             |  |                                | Increase / (Decrease) | % Change    |
| Real Estate Tax - Current   | \$3,204,029,004        | \$3,362,215,285             | \$3,362,215,285                          | \$3,590,531,873                | \$228,316,588         | 6.8%        |
| Personal Property Tax - Current <sup>2</sup>                      | 738,514,812            | 716,190,154                 | 721,292,156                              | 785,103,576                    | 63,811,420            | 8.8%        |
| <i>Paid Locally</i>   | 527,200,868            | 504,876,210                 | 509,978,212                              | 573,789,632                    | 63,811,420            | 12.5%       |
| <i>Reimbursed by Commonwealth</i>                                 | 211,313,944            | 211,313,944                 | 211,313,944                              | 211,313,944                    | 0                     | 0.0%        |
| Business, Professional and Occupational License Tax-Current       | 195,040,792            | 191,720,120                 | 197,971,425                              | 201,930,853                    | 3,959,428             | 2.0%        |
| Local Sales Tax   | 240,066,648            | 247,849,578                 | 243,988,880                              | 246,428,769                    | 2,439,889             | 1.0%        |
| Recordation/Deed of Conveyance Taxes                              | 27,817,612             | 27,632,106                  | 22,964,570                               | 23,309,038                     | 344,468               | 1.5%        |
| Bank Franchise Tax  | 30,927,958             | 26,078,885                  | 28,991,958                               | 29,861,717                     | 869,759               | 3.0%        |
| Gas & Electric Utility Taxes                                      | 44,463,959             | 44,880,523                  | 44,880,523                               | 44,880,523                     | 0                     | 0.0%        |
| Vehicle License Fee   | 26,774,826             | 26,813,573                  | 27,131,196                               | 27,538,164                     | 406,968               | 1.5%        |
| Transient Occupancy Tax   | 22,259,139             | 23,077,522                  | 23,550,000                               | 24,021,000                     | 471,000               | 2.0%        |
| Cigarette Tax   | 4,516,087              | 4,262,574                   | 4,075,000                                | 5,161,680                      | 1,086,680             | 26.7%       |
| Permits, Fees and Regulatory Licenses                             | 9,839,241              | 9,835,922                   | 9,788,910                                | 12,654,661                     | 2,865,751             | 29.3%       |
| Investment Interest   | 116,296,231            | 124,501,922                 | 154,435,014                              | 152,791,044                    | (1,643,970)           | (1.1%)      |
| Charges for Services  | 62,976,188             | 63,309,540                  | 67,566,065                               | 69,058,078                     | 1,492,013             | 2.2%        |
| Fines and Forfeitures   | 7,873,896              | 7,476,019                   | 8,272,926                                | 8,513,504                      | 240,578               | 2.9%        |
| Recovered Costs/Other Revenue                                     | 19,823,365             | 17,419,244                  | 18,234,080                               | 20,363,644                     | 2,129,564             | 11.7%       |
| Revenue from the Commonwealth and Federal Government <sup>2</sup> | 154,657,550            | 155,300,858                 | 155,300,858                              | 155,453,973                    | 153,115               | 0.1%        |
| <b>Total Major Revenue Sources</b>                                | <b>\$4,905,877,308</b> | <b>\$5,048,563,825</b>      | <b>\$5,090,658,846</b>                   | <b>\$5,397,602,097</b>         | <b>\$306,943,251</b>  | <b>6.0%</b> |

<sup>1</sup> FY 2024 revenue estimates were increased a net \$53.1 million as part of fall 2023 revenue review. Explanations of these changes can be found in the following narrative. The *FY 2024 Third Quarter Review* may contain further adjustments, as necessary.

<sup>2</sup> 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 Taxes

### REAL ESTATE TAX-CURRENT

| FY 2023<br>Actual | FY 2024<br>Adopted | FY 2024<br>Revised | FY 2025<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|-------------------|--------------------|--------------------|-----------------------|-------------------------|-------------------|
| \$3,204,029,004   | \$3,362,215,285    | \$3,362,215,285    | \$3,590,531,873       | \$228,316,588           | 6.8%              |

The FY 2025 Advertised Budget Plan estimate for Current Real Estate Taxes is \$3,590,531,873 and represents an increase of \$228,316,588 or 6.8 percent over the *FY 2024 Revised Budget Plan* estimate. The increase is the result of the rise of the Real Estate tax base of 2.73 percent as compared to the FY 2024 valuation of real property, as well as a 4-cent increase in the proposed Real Estate tax rate from \$1.095 per \$100 of assessed value in FY 2024 to \$1.135 in FY 2025.

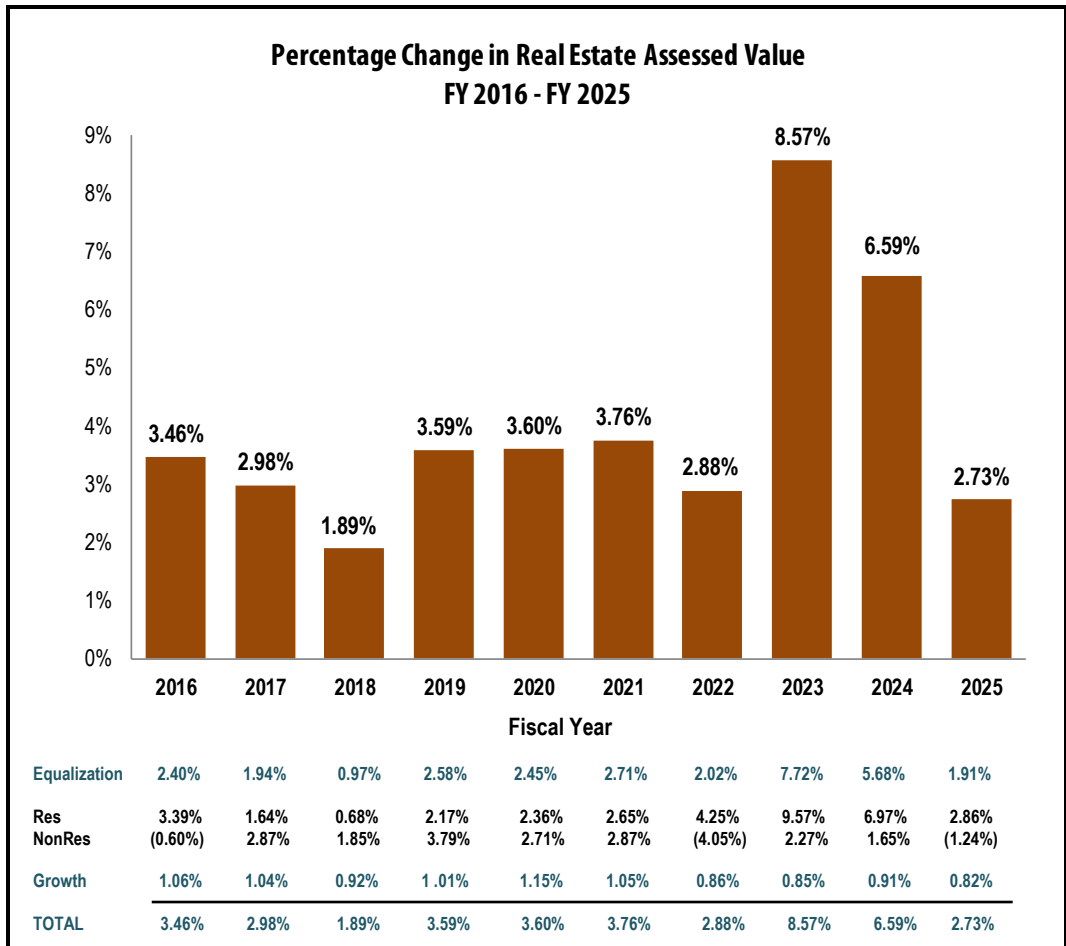
The FY 2025 value of assessed real property represents an increase of 2.73 percent, as compared to the FY 2024 Real Estate Land Book, and is comprised of an increase in equalization of 1.91 percent and an increase of 0.82 percent associated with new construction. The FY 2025 figures reflected in this document are based on final assessments for Tax Year 2024 (FY 2025), which were established as of January 1, 2024. In addition to the revenue shown in the table above, the projected value of one penny on the Real Estate Tax rate (\$32.32 million) is allocated to Fund 30300, Affordable Housing Development and Investment, and \$4.9 million is allocated to Fund 70040, Mosaic District Community Development Authority. Throughout FY 2025, 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 99.65 percent.

The FY 2025 Main Assessment Book Value is \$323,888,593,610 and represents an increase of \$8,618,532,660, or 2.73 percent, over the FY 2024 main assessment book value of \$315,270,060,950.

As a result of the housing market crisis and a general decline in economic conditions during the Great Recession, the real estate assessment base in Fairfax County declined for two consecutive years in FY 2010 and FY 2011, after experiencing years of double-digit advances in the early 2000s. Since FY 2012, the assessment base has increased by an average annual rate of 3.46 percent through FY 2022. In FY 2023, it increased a strong 8.57 percent, followed by an increase of 6.59 percent in FY 2024. This was primarily due to the historically low mortgage rates (below 3 percent for a 30-year fixed rate mortgage) and a very tight supply of homes for sale on the market. In FY 2025, growth in the real estate assessment base decelerated relative to the previous two years, increasing only 2.73 percent. While the supply of homes for sale was still very low during calendar year 2023, mortgage rates increased substantially, reaching over 8 percent in October, resulting in a significantly diminished housing affordability. In addition, the nonresidential real estate assessments decreased, primarily driven by declines in office building values.

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The following chart shows changes in the County's assessed value base from FY 2016 to FY 2025.



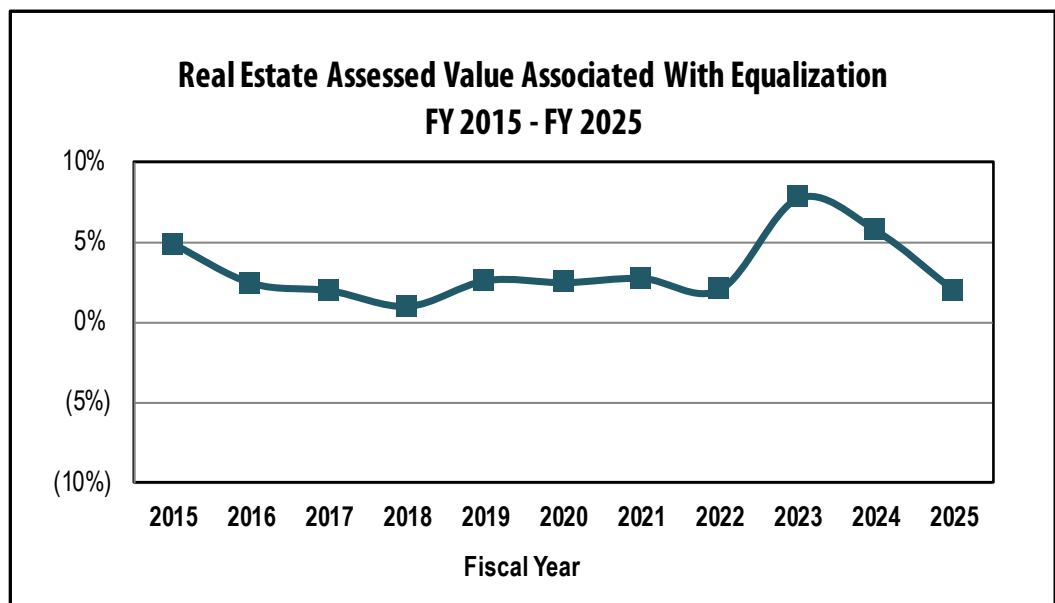
The overall change in the assessment base is comprised of equalization and normal growth. For reporting purposes, individual properties are identified as being in either the equalization category or the growth category, but not both. Equalization properties are those whose values change due to market 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 2025 assessment base reflects a total equalization increase of 1.91 percent and an increase of 0.82 percent associated with the growth component. As a result of changes in equalization and growth, the residential portion of the total assessment base increased from 76.26 percent in FY 2024 to 76.67 percent in FY 2025. The following table reflects changes in the Real Estate Tax assessment base from FY 2019 through FY 2025.

## Main Real Estate Assessment Book Value and Changes

(in millions)

| Assessed Base Change Due To: | FY 2019            | FY 2020            | FY 2021            | FY 2022            | FY 2023            | FY 2024            | FY 2025            |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Equalization</b>          | <b>\$6,140.1</b>   | <b>\$6,032.5</b>   | <b>\$6,908.6</b>   | <b>\$5,340.6</b>   | <b>\$21,024.3</b>  | <b>\$16,809.5</b>  | <b>\$6,011.5</b>   |
| <b>% Change</b>              | 2.58%              | 2.45%              | 2.71%              | 2.02%              | 7.72%              | 5.68%              | 1.91%              |
| <b>Residential</b>           | 2.17%              | 2.36%              | 2.65%              | 4.25%              | 9.57%              | 6.97%              | 2.86%              |
| <b>Nonresidential</b>        | 3.79%              | 2.71%              | 2.87%              | (4.05%)            | 2.27%              | 1.65%              | (1.24%)            |
| <b>Normal Growth</b>         | <b>\$2,403.1</b>   | <b>\$2,825.1</b>   | <b>\$2,693.0</b>   | <b>\$2,284.2</b>   | <b>\$2,327.6</b>   | <b>\$2,690.1</b>   | <b>\$2,607.0</b>   |
| <b>% Change</b>              | 1.01%              | 1.15%              | 1.05%              | 0.86%              | 0.85%              | 0.91%              | 0.82%              |
| <b>Residential</b>           | 0.57%              | 0.68%              | 0.67%              | 0.76%              | 0.78%              | 0.85%              | 0.54%              |
| <b>Nonresidential</b>        | 2.29%              | 2.47%              | 2.10%              | 1.13%              | 1.08%              | 1.10%              | 1.78%              |
| <b>Total Change</b>          | <b>\$8,543.2</b>   | <b>\$8,857.6</b>   | <b>\$9,601.7</b>   | <b>\$7,624.8</b>   | <b>\$23,351.9</b>  | <b>\$19,499.6</b>  | <b>\$8,618.5</b>   |
| <b>% Change</b>              | 3.59%              | 3.60%              | 3.76%              | 2.88%              | 8.57%              | 6.59%              | 2.73%              |
| <b>Total Book</b>            | <b>\$246,334.3</b> | <b>\$255,192.0</b> | <b>\$264,793.6</b> | <b>\$272,418.5</b> | <b>\$295,770.4</b> | <b>\$315,270.1</b> | <b>\$323,888.6</b> |

Equalization, or reassessment of existing residential and nonresidential property, represents an increase in value of \$6,011,527,410, or 1.91 percent, in FY 2025. While residential property values increased in FY 2025, non-residential values declined. Overall, residential equalization reflects a 2.86 percent increase in FY 2025, compared to a 6.97 percent increase in FY 2024. Nonresidential equalization decreased 1.24 percent in FY 2025, compared to a 1.65 percent increase in FY 2024. Changes in the assessment base as a result of equalization are shown in the following graph.



In 2023, even with mortgage rates in the 6.0 – 7.0 percent range, residential real estate in Fairfax County continued to experience a modestly strong sellers' market due to historically low inventories,



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as was the case throughout Northern Virginia. By the end of calendar year 2023, home prices, on average, were somewhat higher than they were 12 months prior, but the increase was below what the County experienced in the previous two years. This was the primary basis for determining residential assessed values for tax year 2024 (FY 2025).

The total value of residential properties including new construction in FY 2025 is \$251.0 billion.

The County’s median assessment to sales ratio is in the mid-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.

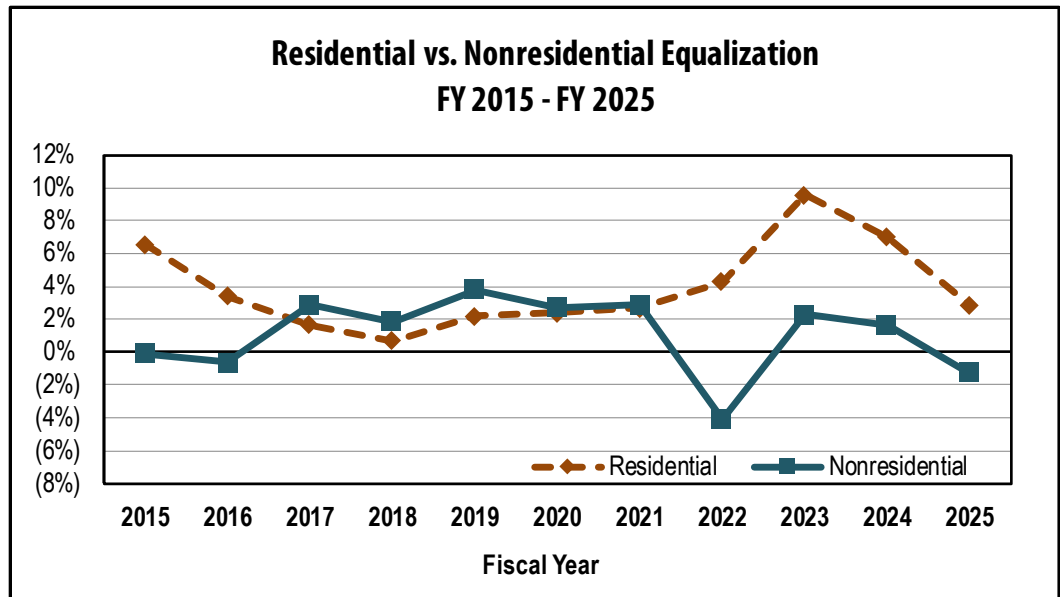
Overall, single family property values increased 2.79 percent in FY 2025. The value of single-family homes has the most impact on the total residential base because they represent almost 72.0 percent of the total. The value of townhouse properties increased 2.99 percent in FY 2025, while that of condominium properties increased 4.21 percent. Changes in residential equalization by housing type since FY 2020 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 2020      | FY 2021      | FY 2022      | FY 2023      | FY 2024      | FY 2025      |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Single Family (71.8%)                        | 2.17%        | 2.36%        | 4.17%        | 10.86%       | 7.80%        | 2.79%        |
| Townhouse/Duplex (19.9%)                     | 3.12%        | 3.43%        | 5.13%        | 8.70%        | 6.31%        | 2.99%        |
| Condominiums (7.9%)                          | 2.98%        | 4.36%        | 4.62%        | 3.98%        | 3.98%        | 4.21%        |
| Vacant Land (0.3%)                           | 3.11%        | 1.89%        | 2.07%        | 11.67%       | 6.40%        | 3.48%        |
| Other (0.1%) <sup>1</sup>                    | 1.67%        | 0.35%        | 1.95%        | 3.88%        | 9.25%        | 0.70%        |
| <b>Total Residential Equalization (100%)</b> | <b>2.36%</b> | <b>2.65%</b> | <b>4.25%</b> | <b>9.57%</b> | <b>6.97%</b> | <b>2.86%</b> |

<sup>1</sup> 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 existing residential property in the County is \$744,526. This is an increase of \$20,701, or 2.86 percent over the FY 2024 value of \$723,825. At the proposed Real Estate tax rate of \$1.135 per \$100 of assessed value, the typical residential annual tax bill will rise, on average, \$524.49 in FY 2025 to \$8,450.37.



In FY 2015 and FY 2016, nonresidential values decreased a slight 0.10 percent and another 0.60 percent, respectively. From FY 2017 to FY 2021, growth in nonresidential equalization was higher than that of residential equalization. The trend ended in FY 2022 when nonresidential equalization decreased by 4.05 percent. Most nonresidential categories experienced an assessment decrease in FY 2022 as a result of the COVID-19 pandemic. The pandemic continued through calendar year 2021 but its effects on daily life were lessened as the world returned to a “new normal.” Commercial real estate values in FY 2023 began to recover from the significant decreases seen in the previous tax year, increasing 2.27 percent overall. In calendar year 2022, nonresidential values increased modestly, with non-residential equalization reflecting an increase of 1.65 percent in FY 2024. Nonresidential real estate values in FY 2025 reflect a decrease of 1.24 percent. With increasing vacancy rates, higher capitalization rates, and the difficulties in securing commercial financing, the office sector continued to struggle, and assessments were lower as a result. Apartments, retail, and industrial properties were generally stable with slightly higher assessments in some cases. Hotel properties in Fairfax County continued the path back to normalcy with higher occupancies and increasing revenue and assessed values for tax year 2024 (FY 2025) are at or near pre-pandemic levels. Data centers continued to become more prevalent in Fairfax County with several new developments nearing completion and coming online in 2023 or 2024.

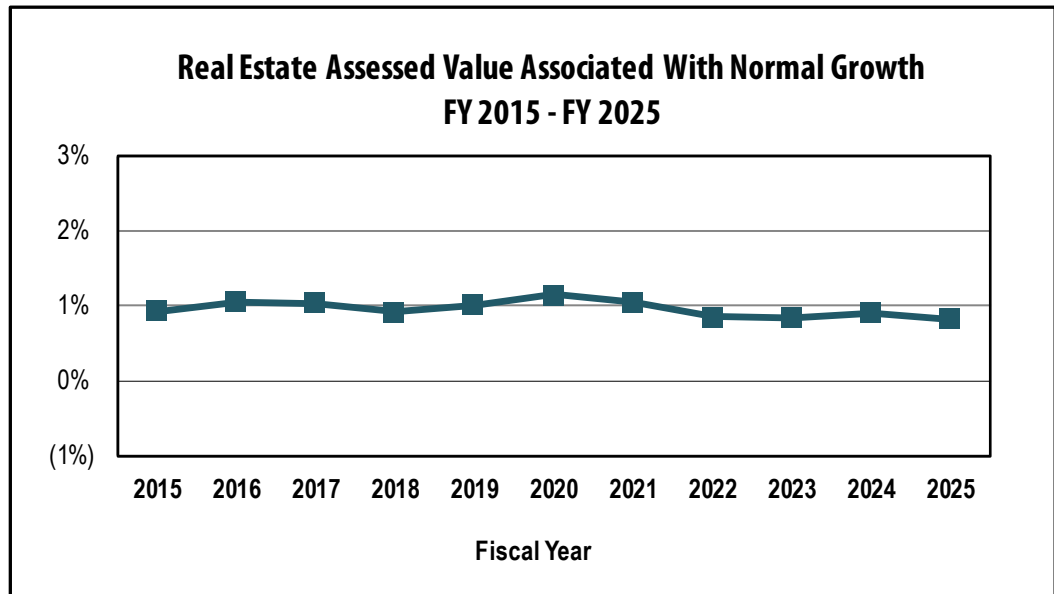
Retail properties, which increased 3.92 percent in FY 2024, posted another increase of 1.14 percent in FY 2025. Apartment values, which represent 30.8 percent of the total nonresidential base, rose 1.97 percent in FY 2025. Office Elevator properties (mid- and high-rises), which comprise 26.0 percent of the nonresidential tax base, experienced a decrease for the fourth consecutive year, declining 9.09 percent in assessed value in FY 2025 after decreasing 3.69 percent in FY 2024. The total value of nonresidential properties including new construction in FY 2025 is \$73.8 billion. Nonresidential equalization changes by category since FY 2020 are presented in the following table.

# General Fund Revenue Overview

## Nonresidential Equalization Changes

| Category (Percent of Base)                | FY 2020      | FY 2021      | FY 2022        | FY 2023      | FY 2024      | FY 2025        |
|---|--------------|--------------|----------------|--------------|--------------|----------------|
| Apartments (30.8%)                        | 2.13%        | 4.37%        | 2.78%          | 6.60%        | 4.04%        | 1.97%          |
| Office Condominiums (3.4%)                | 1.77%        | 0.43%        | (0.59%)        | 0.65%        | 1.61%        | (0.05%)        |
| Industrial (6.3%)                         | 5.90%        | 2.01%        | 0.14%          | 1.97%        | 9.59%        | (1.37%)        |
| Retail (16.9%)                            | 1.66%        | 2.59%        | (10.20%)       | 2.84%        | 3.92%        | 1.14%          |
| Office Elevator (26.0%)                   | 3.32%        | 4.01%        | (4.42%)        | (0.45%)      | (3.69%)      | (9.09%)        |
| Office - Low Rise (2.0%)                  | 2.75%        | 1.77%        | (3.28%)        | 2.41%        | (1.17%)      | (3.67%)        |
| Vacant Land (3.2%)                        | 4.28%        | (0.13%)      | (5.36%)        | (0.74%)      | (3.27%)      | (1.84%)        |
| Hotels (2.7%)                             | 6.62%        | 2.23%        | (44.20%)       | 1.92%        | 14.46%       | 22.17%         |
| Other (8.7%)                              | 2.80%        | 1.52%        | (3.75%)        | 0.84%        | 3.91%        | 2.83%          |
| <b>Nonresidential Equalization (100%)</b> | <b>2.71%</b> | <b>2.87%</b> | <b>(4.05%)</b> | <b>2.27%</b> | <b>1.65%</b> | <b>(1.24%)</b> |

The Growth component increased the FY 2025 assessment base by \$2,607,005,250, or 0.82 percent, over the FY 2024 assessment book value. New construction increased the residential property base by 0.54 percent and nonresidential properties by 1.78 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 2025 Real Estate Tax revenue estimate:

Exonerations, Certificates and Tax Abatements are anticipated to reduce the Real Estate assessment base by \$1,325.7 million in FY 2025, resulting in a reduction in levy of \$15.0 million.

Additional Assessments expected to be included in the new Real Estate base total \$875.0 million, or a levy increase of \$9.9 million, and include both prorated assessments and additional supplemental assessments. Prorated assessments are supplemental assessments that include assessments which are made during the year for new construction that is completed subsequent to finalizing the original assessment book.

The Real Estate Tax Relief Program is projected to reduce the Real Estate assessment base in FY 2025 by \$4,100.0 million. The reduction in tax levy due to the Tax Relief program is

## General Fund Revenue Overview

approximately \$46.5 million at the proposed Real Estate tax rate of \$1.135 per \$100 of assessed value. For FY 2025, the income limits of the Tax Relief for Seniors and People with Disabilities program are as follows: 100 percent exemption for elderly and disabled taxpayers with incomes up to \$60,000; 75 percent exemption for eligible applicants with income between \$60,001 and \$70,000; 50 percent exemption for eligible applicants with income between \$70,001 and \$80,000; and 25 percent exemption if income is between \$80,001 and \$90,000. The allowable asset limit in FY 2025 is \$400,000 for all ranges of tax relief. Relief is granted to a maximum limit of 125 percent of the mean assessed value of all residential properties in Fairfax County as of January 1, 2024.

In FY 2024, the Board of Supervisors approved a Real Estate Tax Deferral program for eligible seniors and people with disabilities. To qualify for the program, total combined gross household income from the immediately preceding year may not exceed \$100,000. Additionally, the total net worth of applicants and owners may not exceed \$500,000, not including the value of the home, its furnishings and the home site. The deferred real estate taxes are subject to an annual compounding interest at the rate of the prime rate set by the Wall Street Journal plus 1.00 percent per year (not to exceed 8.00 percent in total). The deferred taxes and accumulated interest may not exceed 10 percent of the assessed value of the property and are due to the County upon the sale or transfer of the property and within one year of the date of passing of the eligible applicant.

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. In addition, the surviving spouse of a veteran who has been killed in action may be eligible for a full or partial exemption of real estate taxes for their principal residence and up to one acre of land. For tax years beginning on or after January 1, 2017, a surviving spouse of a first responder killed in the line of duty may be eligible for a full or partial exemption of real estate taxes for their principal residence and up to one acre of land. The following table shows FY 2025 income and asset thresholds for the Real Estate Tax Relief Program.

**FY 2025 Real Estate Tax Relief Program**

|  | Income Limit              | Asset Limit | Percent Relief                               |
|--|---------------------------|-------------|--|
| Elderly and Disabled*  | Up to \$60,000            | \$400,000   | 100%   |
|  | Over \$60,000 to \$70,000 |             | 75%  |
|  | Over \$70,000 to \$80,000 |             | 50%  |
|  | Over \$80,000 to \$90,000 |             | 25%  |
| 100% Disabled Veterans or Surviving Spouse   | No Limit                  | No Limit    | 100%   |
| Surviving Spouse of Veteran Killed in Action or First Responder Killed in the Line of Duty | No Limit                  | No Limit    | Full or partial based on mean assessed value |

\* Relief is granted to a maximum limit of 125% of the mean assessed value of all residential properties in Fairfax County as of January 1, 2024.

The FY 2025 local assessment base of \$319,337,929,900 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of \$3,624,485,505 is calculated using the proposed Real Estate Tax rate of \$1.135 per \$100 of assessed value. Based on an expected local collection rate of 99.65 percent, revenue from local assessments is estimated to be \$3,611,799,806. In FY 2025, every 0.01 percentage point change

## General Fund Revenue Overview

in the collection rate on the locally assessed Real Estate Tax levy yields a revenue change of \$0.4 million, while every penny on the tax rate yields \$32.32 million in revenue.

Added to the local assessment base is an estimated \$1,403,488,035 in assessed value for Public Service Corporations (PSC) property. Using the proposed Real Estate tax rate of \$1.135 per \$100 of assessed value, the tax levy on PSC property is \$15,929,589. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is \$320,741,417,935, with a total tax levy of \$3,640,415,094 at the proposed Real Estate Tax rate of \$1.135 per \$100 of assessed value. Estimated FY 2025 revenue from the Real Estate Tax, including receipts from Public Service Corporations totals \$3,627,729,395. Of this amount, the value of one cent on the Real Estate Tax rate, \$32,318,822, has been directed to Fund 30300, Affordable Housing Development and Investment, and \$4,878,700 has been directed to Fund 70040, Mosaic District Community Development Authority.

### FY 2025 Estimated Real Estate Assessments and Tax Levy

|                                       | Assessed Value           | FY 2025 Tax Levy<br>at \$1.135/\$100 of<br>Assessed Value |
|---------------------------------------|--------------------------|---|
| FY 2024 Real Estate Book              | \$315,270,060,950        | \$3,578,315,192   |
| FY 2025 Equalization                  | 6,011,527,410            | \$68,230,836  |
| FY 2025 Growth                        | 2,607,005,250            | 29,589,510  |
| <b>TOTAL FY 2025 REAL ESTATE BOOK</b> | <b>\$323,888,593,610</b> | <b>\$3,676,135,538</b>                                    |
| Exonerations                          | (\$1,250,000,000)        | (\$14,187,500)  |
| Certificates                          | (11,000,000)             | (124,850)   |
| Tax Abatements                        | (64,663,710)             | (733,933)   |
| <b>Subtotal Exonerations</b>          | <b>(\$1,325,663,710)</b> | <b>(\$15,046,283)</b>                                     |
| Supplemental Assessments              | \$875,000,000            | \$9,931,250   |
| Tax Relief                            | (4,100,000,000)          | (46,535,000)  |
| <b>Local Assessments</b>              | <b>\$319,337,929,900</b> | <b>\$3,624,485,505</b>                                    |
| Public Service Corporation            | \$1,403,488,035          | \$15,929,589  |
| <b>TOTAL<sup>1</sup></b>              | <b>\$320,741,417,935</b> | <b>\$3,640,415,094</b>                                    |

<sup>1</sup> Includes the Mosaic District Tax Increment Financing (TIF) assessed value based on the difference between the 2007 Base Assessed Value and the Current Assessed Value, which in FY 2025 is \$722,460,620, with a tax levy of \$8,199,928.

Mosaic District Community Development Authority (CDA) was created to assist commercial investment in the Merrifield area of the County. The Mosaic CDA issued bonds, the proceeds from which are to be used to finance certain public infrastructure improvements within the Mosaic District to support mixed-use development within the District. The CDA bonds are payable primarily from certain incremental real estate tax revenues collected by the County in the District. The Mosaic District Tax Increment Financing (TIF) assessed value is based on the difference between the 2007 Base Assessed Value and the Current Assessed Value, which in FY 2025 is \$722,460,620, with a

# General Fund Revenue Overview

tax levy of \$8,199,928 at the proposed Real Estate Tax rate of \$1.135 per \$100 of assessed value. Based on an expected collection rate of 99.65 percent, revenue from the Mosaic TIF tax assessment is estimated to be \$8,171,228. Per the bond documents, the County is to transfer to the CDA only those tax increment revenues required for debt service payments, which equates to \$4,878,700 in FY 2025. Accordingly, the difference of \$3,292,528 will be retained in the General Fund. For more information, see Fund 70040, Mosaic District Community Development Authority, in Volume 2 of the budget.

Total General Fund revenue from the Real Estate Tax is \$3,590,531,873. The total local collection rates experienced in this category since FY 2010 are shown in the following table:

### Real Estate Tax Local Collection Rates

| Fiscal Year | Collection Rate | Fiscal Year                   | Collection Rate |
|-------------|-----------------|-------------------------------|-----------------|
| 2010        | 99.71%          | 2018                          | 99.74%          |
| 2011        | 99.67%          | 2019                          | 99.75%          |
| 2012        | 99.69%          | 2020                          | 99.75%          |
| 2013        | 99.71%          | 2021                          | 99.66%          |
| 2014        | 99.74%          | 2022                          | 99.67%          |
| 2015        | 99.77%          | 2023                          | 99.66%          |
| 2016        | 99.75%          | 2024 (estimated) <sup>1</sup> | 99.65%          |
| 2017        | 99.79%          | 2025 (estimated) <sup>1</sup> | 99.65%          |

<sup>1</sup> In FY 2025, every 0.1 percentage point change in the collection rate yields a revenue change of \$3.6 million.

The Commercial/Industrial percentage of the County's FY 2025 Real Estate Tax base is 15.58 percent, a decrease of 0.58 percentage point from the FY 2024 level of 16.16 percent. Commercial/Industrial property values as a percentage of the Real Estate Tax base decreased in FY 2025 as a result of the growth experienced in the residential real estate values and the decline in assessed values of commercial properties, particularly office buildings. The Commercial/Industrial percentage is based on Virginia land use codes and includes all nonresidential property except multi-family rental apartments, which make up 7.75 percent of the County's Real Estate Tax base in FY 2025. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

### Commercial/Industrial Percentages

| Fiscal Year | Percentage | Fiscal Year | Percentage |
|-------------|------------|-------------|------------|
| 2010        | 22.67%     | 2018        | 19.12%     |
| 2011        | 19.70%     | 2019        | 19.43%     |
| 2012        | 19.64%     | 2020        | 19.66%     |
| 2013        | 20.77%     | 2021        | 19.72%     |
| 2014        | 19.96%     | 2022        | 18.17%     |
| 2015        | 19.01%     | 2023        | 17.00%     |
| 2016        | 18.67%     | 2024        | 16.16%     |
| 2017        | 18.89%     | 2025        | 15.58%     |

### **FY 2024 Current Real Estate Tax Revenue**

No changes have been made to the FY 2024 Real Estate Tax revenue estimate at this time.

## Personal Property Taxes

### PERSONAL PROPERTY TAX-CURRENT

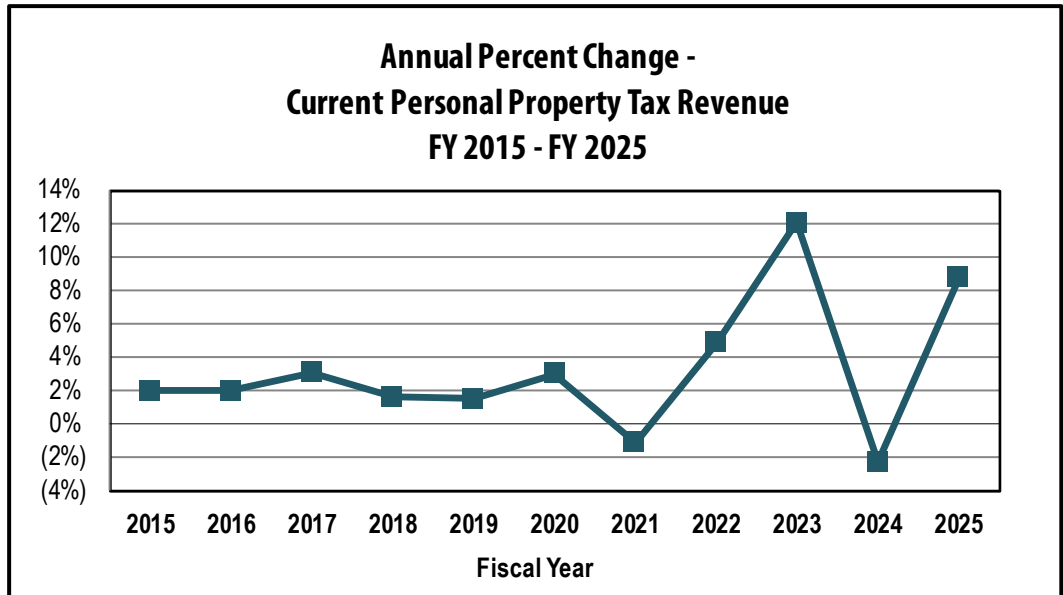
|                            | FY 2023<br>Actual    | FY 2024<br>Adopted   | FY 2024<br>Revised   | FY 2025<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|----------------------------|----------------------|----------------------|----------------------|-----------------------|-------------------------|-------------------|
| <b>Paid Locally</b>        | \$527,200,868        | \$504,876,210        | \$509,978,212        | \$573,789,632         | \$63,811,420            | 12.5%             |
| <b>Reimbursed by State</b> | 211,313,944          | 211,313,944          | 211,313,944          | 211,313,944           | 0                       | 0.0%              |
| <b>Total</b>               | <b>\$738,514,812</b> | <b>\$716,190,154</b> | <b>\$721,292,156</b> | <b>\$785,103,576</b>  | <b>\$63,811,420</b>     | <b>8.8%</b>       |

The FY 2025 Advertised Budget Plan estimate for Personal Property Tax revenue of \$785,103,576 reflects an increase of \$63,811,420 or 8.8 percent over the FY 2024 Revised Budget Plan estimate. Due to pandemic related supply chain disruptions and shortages of computer chips, car prices moved significantly higher during the pandemic. To partially offset the unprecedented increase to vehicle values, the Board of Supervisors passed a resolution adopting a vehicle assessment ratio of 85 percent of the trade-in value for Tax Year 2022 (FY 2023). Normally, vehicles are assessed at 100 percent of the trade-in value. Based on information from J.D. Power, vehicle assessed values as of January 1, 2023 declined compared to the January 2022 levels. Given the decline, the Board of Supervisors approved a 90 percent vehicle assessment ratio for Tax Year 2023 (FY 2024) rather than the 85 percent used in FY 2023. Based on preliminary information for Tax Year 2024, the January 1, 2024 vehicle values are expected to be lower than last year. The revenue estimates presented here assume that vehicles will be assessed at 100 percent of the trade-in value and no assessment ratio will be utilized for Tax Year 2024 (FY 2025).

The Personal Property Tax on vehicles represents 80.4 percent of the total assessment base in FY 2025. 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. Due to the substantial increase in the average vehicle levy in FY 2023 and the capped reimbursement amount from the state, the PPTRA percentage decreased to 49.5 percent, down from 57.5 percent in FY 2022. For FY 2024, the PPTRA percentage was set at 51.0 percent. It is preliminarily set at 50.0 percent for FY 2025.

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

# General Fund Revenue Overview



From FY 2015 through FY 2020, annual growth in Personal Property Tax revenue averaged 2.2 percent. Receipts declined 1.1 percent in FY 2021 as a result of the COVID-19 pandemic. The number of vehicles in the County dropped 4.0 percent, while the average vehicle levy was 1.4 percent higher compared to the previous year. In FY 2022, Current Personal Property Tax revenue increased 4.9 percent over the FY 2021 level. The FY 2022 average vehicle levy increased 7.2 percent as a result of strong demand and limited supply of new and used vehicles, while the overall business personal property levy decreased 1.4 percent. As shown in the chart above, a significant increase of 12.1 percent occurred in FY 2023 primarily due to strong vehicle levy. Used car values appreciated on average by 33 percent, as indicated by the January 1, 2022 values from J.D. Power. To offset the unprecedented increase in car values, the County applied an 85 percent assessment ratio for FY 2023. Using the lower assessment ratio resulted in an effective average assessed value increase of 16.4 percent. In FY 2024, a 90-percent assessment ratio was used. FY 2024 Personal Property Tax receipts are projected to decline 2.3 percent primarily as a result of a projected 4.3 percent decrease in the average vehicle tax levy. The vehicle volume in FY 2024 is projected to increase 2.9 percent after declining 2.3 percent in FY 2023. Preliminary analysis with data from J.D. Power indicates that January 1, 2024 car values continued to decline for a second consecutive year. At 100 percent of the trade-in value, with no assessment ratio applied in FY 2025, the average vehicle levy is projected to increase 9.9 percent compared to the discounted FY 2024 average vehicle levy. Vehicle volume is anticipated to increase by 1.0 percent.



# General Fund Revenue Overview

Changes in vehicle volume and average vehicle levy since FY 2015 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 2015        | 0.0%                       | \$451                | 1.3%                     |
| FY 2016        | 0.0%                       | \$457                | 1.3%                     |
| FY 2017        | 0.7%                       | \$468                | 2.4%                     |
| FY 2018        | 0.8%                       | \$469                | 0.1%                     |
| FY 2019        | 0.0%                       | \$478                | 2.0%                     |
| FY 2020        | (0.1%)                     | \$495                | 3.5%                     |
| FY 2021        | (4.0%)                     | \$502                | 1.4%                     |
| FY 2022        | 0.6%                       | \$538                | 7.2%                     |
| FY 2023        | (2.3%)                     | \$626                | 16.4%                    |
| FY 2024 (est.) | 2.9%                       | \$599                | (4.3%)                   |
| FY 2025 (est.) | 1.0%                       | \$658                | 9.9%                     |

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. Average annual growth in business personal property levy was 2.6 percent from FY 2018 through FY 2021. In FY 2022, it decreased 2.7 percent, followed by an increase of 3.5 percent in FY 2023. An increase of 1.5 percent is projected for FY 2025.

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. Effective January 1, 2022, Machinery and Tools equipment is depreciated starting at 50 percent of the original cost for the first year of ownership and 10 percent less each succeeding year, until it reaches a floor of 10 percent in the fifth year.

Personal Property Tax revenue estimates are based on a tax rate of \$4.57 per \$100 of valuation for vehicles and business property, except for Machinery and Tools which are taxed at a rate of \$2.00 per \$100 of assessed value, and a tax rate of \$1.135 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 2025 Estimated Personal Property Assessments and Tax Levy

| Category                                   | FY 2025 Assessed Value  | Tax Rate (per \$100) | FY 2025 Tax Levy     | Percent of Total Levy |
|--|-------------------------|----------------------|----------------------|-----------------------|
| <b>Vehicles</b>                            |                         |                      |                      |                       |
| Privately Owned                            | \$13,490,595,228        | 4.57                 | \$556,172,204        | 69.7%                 |
| Business Owned                             | 814,449,883             | 4.57                 | 33,254,918           | 4.2%                  |
| Leased                                     | 1,319,175,312           | 4.57                 | 52,572,878           | 6.6%                  |
| <b>Subtotal</b>                            | <b>\$15,624,220,423</b> |                      | <b>\$642,000,000</b> | <b>80.4%</b>          |
| <b>Business Personal Property</b>          |                         |                      |                      |                       |
| Furniture and Fixtures                     | \$2,375,652,033         | 4.57                 | \$109,550,545        | 13.7%                 |
| Computer Equipment                         | 690,079,073             | 4.57                 | 31,929,023           | 4.0%                  |
| Machinery and Tools                        | 12,001,900              | 2.00                 | 240,038              | 0.0%                  |
| Research and Development                   | 64,727                  | 4.57                 | 2,958                | 0.0%                  |
| <b>Subtotal</b>                            | <b>\$3,077,797,733</b>  |                      | <b>\$141,722,564</b> | <b>17.7%</b>          |
| <b>Other Personal Property</b>             |                         |                      |                      |                       |
| Boats, Trailers, Miscellaneous             | \$24,075,777            | 4.57                 | \$1,100,263          | 0.1%                  |
| Mobile Homes                               | 15,396,388              | 1.135                | 174,749              | 0.1%                  |
| <b>Subtotal</b>                            | <b>\$39,472,165</b>     |                      | <b>\$1,275,012</b>   | <b>0.2%</b>           |
| Exonerations                               | (\$91,770,962)          | 4.57                 | (\$35,324,891)       | (4.4%)                |
| Omitted Assessments                        | 410,594,156             | 4.57                 | 7,849,976            | 1.0%                  |
| <b>Total Local Assessed Value and Levy</b> | <b>\$19,060,313,515</b> |                      | <b>\$757,522,661</b> | <b>94.9%</b>          |
| <b>Public Service Corporations</b>         |                         |                      |                      |                       |
| Equalized                                  | \$3,549,356,476         | \$1.135              | \$40,285,196         | 5.0%                  |
| Vehicles                                   | 8,850,700               | 4.57                 | 404,477              | 0.1%                  |
| <b>Subtotal</b>                            | <b>\$3,558,207,176</b>  |                      | <b>\$40,689,673</b>  | <b>5.1%</b>           |
| <b>TOTAL</b>                               | <b>\$22,618,520,691</b> |                      | <b>\$798,212,334</b> | <b>100.0%</b>         |

FY 2025 Personal Property Tax assessments including Public Service Corporations are projected to be \$22,618,520,691 with a total tax levy of \$798,212,334. Personal Property Tax revenue collections are projected to be \$785,103,576, of which \$211.3 million will be reimbursed from the state. The collection rate associated with the taxpayer's share is estimated to be 97.6 percent. Total collection rates experienced in this category since FY 2010 are shown in the following table:

# General Fund Revenue Overview

## Personal Property Tax Collection Rates

| Fiscal Year | Collection Rate | Fiscal Year                   | Collection Rate |
|-------------|-----------------|-------------------------------|-----------------|
| 2010        | 97.8%           | 2018                          | 98.3%           |
| 2011        | 97.9%           | 2019                          | 98.0%           |
| 2012        | 98.2%           | 2020                          | 97.6%           |
| 2013        | 98.4%           | 2021                          | 96.4%           |
| 2014        | 97.4%           | 2022                          | 96.9%           |
| 2015        | 98.4%           | 2023                          | 96.9%           |
| 2016        | 98.5%           | 2024 (estimated)              | 97.6%           |
| 2017        | 98.4%           | 2025 (estimated) <sup>1</sup> | 97.6%           |

<sup>1</sup> In FY 2025, each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately \$0.5 million, and each penny on the tax rate yields a revenue change of \$1.6 million.

### FY 2024 Current Personal Property Tax Revenue

The FY 2024 Personal Property Tax estimate was increased \$5.1 million during the fall 2023 revenue review based on final Public Service Corporation assessments by the Commonwealth of Virginia and higher than projected vehicle and business tax levies.

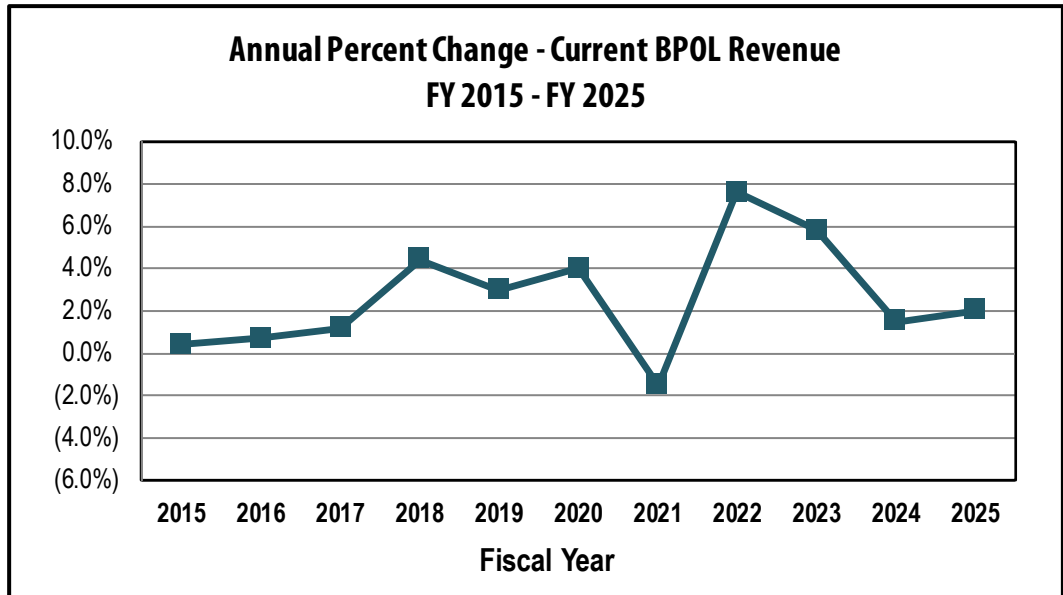
## Business, Professional and Occupational License Tax

### BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

| FY 2023 Actual | FY 2024 Adopted | FY 2024 Revised | FY 2025 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$195,040,792  | \$191,720,120   | \$197,971,425   | \$201,930,853      | \$3,959,428          | 2.0%           |

The FY 2025 Advertised Budget Plan estimate for Business, Professional, and Occupational License Taxes (BPOL) of \$201,930,853 reflects an increase of \$3,959,428 or 2.0 percent over the *FY 2024 Revised Budget Plan*. As shown in the following chart, due to lower federal government procurement spending and anemic job growth, BPOL receipts were flat in FY 2015, increasing only 0.4 percent over FY 2014. BPOL receipts increased 0.7 percent in FY 2016 and 1.2 percent in FY 2017 as job growth resumed. FY 2018 receipts increased 4.4 percent over the FY 2017 level, which was the strongest growth rate since FY 2011, followed by an increase of 3.0 percent in FY 2019 and 4.0 percent in FY 2020. FY 2021 BPOL revenue was expected to decrease 5.4 percent due to the negative impact of the pandemic on economic activity in the County. However, actual FY 2021 BPOL collections decreased less than expected and ended the year only 1.5 percent below the FY 2020 level. FY 2022 BPOL receipts rebounded strongly, increasing 7.6 percent, as they were positively impacted by the reopening of the economy during calendar year 2021, and by the significant support of federal government stimulus. In FY 2023, BPOL receipts increased 5.8 percent over the FY 2022 level. In FY 2023, the combined Consultant and Business Service Occupations categories, which represent almost 43 percent of total BPOL receipts, increased 3.4 percent over the FY 2022 level. The Retail category, which represents almost 20 percent of total BPOL receipts, increased 12.2 percent. Also heavily impacted by the pandemic disruption in FY 2021, the Hotel/Motel category increased 42.4 percent in FY 2023 following an increase of 62.5 percent in FY 2022.

# General Fund Revenue Overview



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 throughout the fiscal year. Based on actual FY 2023 receipts and an econometric model using calendar year Sales Tax receipts and employment as predictors, the FY 2024 BPOL estimate was increased by \$6.3 million during the fall 2023 revenue review, reflecting an increase of 1.5 percent over the FY 2023 actual level. Consistent with model projections, BPOL revenue is expected to increase moderately by 2.0 percent in FY 2025.

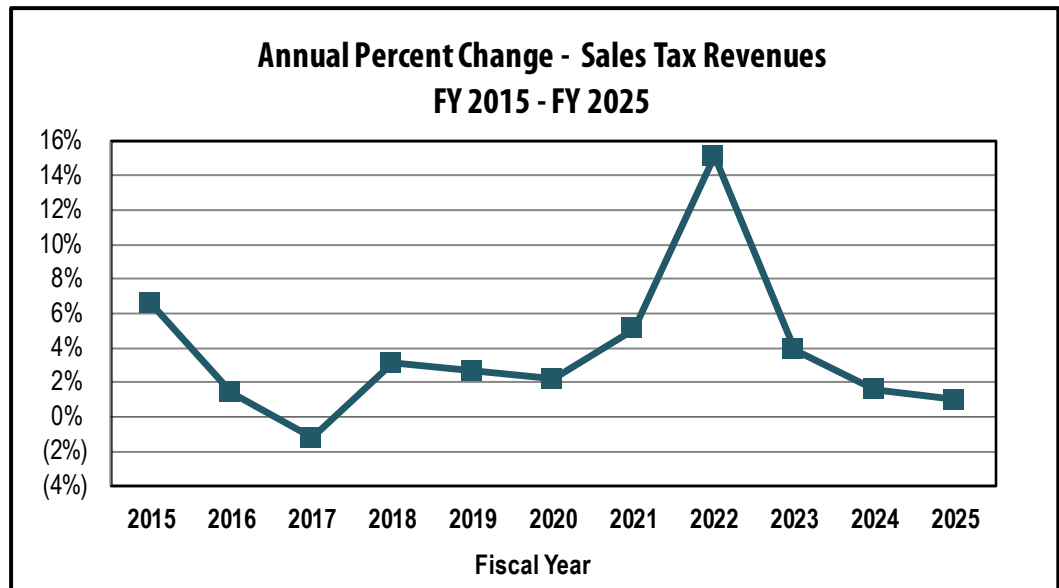
## Local Sales Tax

### LOCAL SALES TAX

| FY 2023 Actual | FY 2024 Adopted | FY 2024 Revised | FY 2025 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$240,066,648  | \$247,849,578   | \$243,988,880   | \$246,428,769      | \$2,439,889          | 1.0%           |

The FY 2025 Advertised Budget Plan estimate for Sales Tax receipts of \$246,428,769 reflects an increase of \$2,439,889 or 1.0 percent over the FY 2024 Revised Budget Plan. The following chart illustrates that the level of Sales Tax receipts has varied with economic conditions.

## General Fund Revenue Overview



Total FY 2015 Sales Tax receipts rebounded strongly by 6.6 percent, after a slowdown in FY 2014. FY 2016 had a modest increase of 1.4 percent. Growth would have been weaker absent a transfer of \$2.2 million that the County received in FY 2016 as the result of a state audit. FY 2017 receipts ended the fiscal year 1.2 percent down from FY 2016. The decline was primarily due to a \$2.5 million refund during the year and the \$2.2 million audit increase received in FY 2016, which made the annual comparison less favorable. FY 2018 collections increased 3.1 percent, followed by a 2.7 percent increase in FY 2019. In FY 2020, Sales tax revenue was significantly higher through March 2020 primarily as a result of a new law enacted by the Virginia General Assembly as of July 1, 2019 requiring the collection of state and local sales taxes from remote internet sellers in response to the provisions of the U.S. Supreme Court decisions in the South Dakota v. Wayfair, Inc. case. However, due to store closures and economic disruption as a result of the COVID-19 pandemic, FY 2020 receipts fell sharply at the end of the fiscal year. Overall, FY 2020 collections were only 2.2 percent higher than the FY 2019 level. Staff had originally anticipated that FY 2021 Sales Tax revenue would fall considerably due to business breakdowns and the economic recession, but receipts held up well, in large part due to a pandemic-related shift toward online spending, and actual FY 2021 collections increased 5.1 percent over the FY 2020 level. The FY 2022 Sales Tax revenue increased a strong 15.1 percent primarily as a result of federal stimulus and as consumers continued spending more on goods rather than services. In FY 2023, Sales Tax revenue increased 3.9 percent over the FY 2022 level. During the fall 2023 revenue review, the FY 2024 estimate was reduced a total of \$3.9 million based on actual FY 2023 collections and year-to-date receipts, representing an increase of only 1.6 percent. As the economic boost from the federal COVID stimulus begins to wane, Sales Tax collections are expected to slow in FY 2024 relative to the previous year's growth rate. Through January 2024, FY 2024 Sales Tax receipts are up 2.3 percent. Staff will continue to closely monitor consumer confidence and spending and any necessary adjustments to the current estimate will be included as part of the *FY 2024 Third Quarter Review*. Consistent with econometric model projections and the expectations of a potential soft landing, Sales Tax receipts in FY 2025 are projected to rise 1.0 percent over the FY 2024 estimate.

## Recordation/Deed of Conveyance Taxes

### RECORDATION/DEED OF CONVEYANCE TAXES

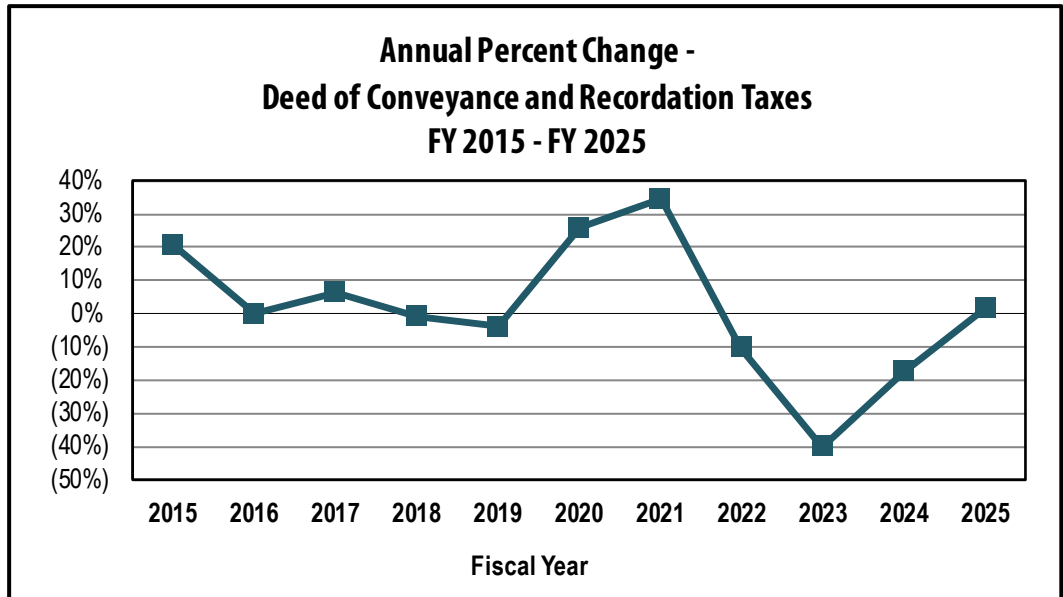
| FY 2023<br>Actual | FY 2024<br>Adopted | FY 2024<br>Revised | FY 2025<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|-------------------|--------------------|--------------------|-----------------------|-------------------------|-------------------|
| \$27,817,612      | \$27,632,106       | \$22,964,570       | \$23,309,038          | \$344,468               | 1.5%              |

The FY 2025 Advertised Budget Plan estimate for Recordation and Deed of Conveyance Taxes of \$23,309,038 reflects an increase of \$344,468, or 1.5 percent, over the FY 2024 Revised Budget Plan. The FY 2025 estimate is comprised of \$17,375,946 in Recordation Tax revenues and \$5,933,092 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.

As shown on the following chart, FY 2015 receipts grew a strong 20.5 percent. Receipts in FY 2016 remained level. FY 2017 collections grew 6.4 percent over the FY 2016 level. As a result of increasing mortgage interest rates and declining volume of mortgage refinancing activity, FY 2018 receipts were down a combined 0.7 percent. FY 2019 collections decreased another 3.9 percent. Due to historically low mortgage interest rates, which spurred a significant increase in refinancing activity, the combined receipts increased 25.8 percent in FY 2020 and another 34.4 percent in FY 2021. However, FY 2022 combined receipts declined 10.5 percent as mortgage interest rates increased substantially during the second half of the fiscal year. FY 2023 receipts declined a combined 40.1 percent because of significantly lower refinancing activity and fewer home sales associated with elevated mortgage rates. As the 30-year mortgage rates reached 8 percent in the fall of 2023, the highest level since 2000, FY 2024 receipts continued to decline and were down 21.0 percent through the end of December compared to the same period in FY 2023. During the fall 2023 revenue review, the FY 2024 estimate was decreased by \$4.7 million, reflecting a decline of 17.4 percent from the FY 2023 level. FY 2025 receipts are projected to increase 1.5 percent, based on the expectation that mortgage rates will decline and the number of home sales will start to recover.

# General Fund Revenue Overview



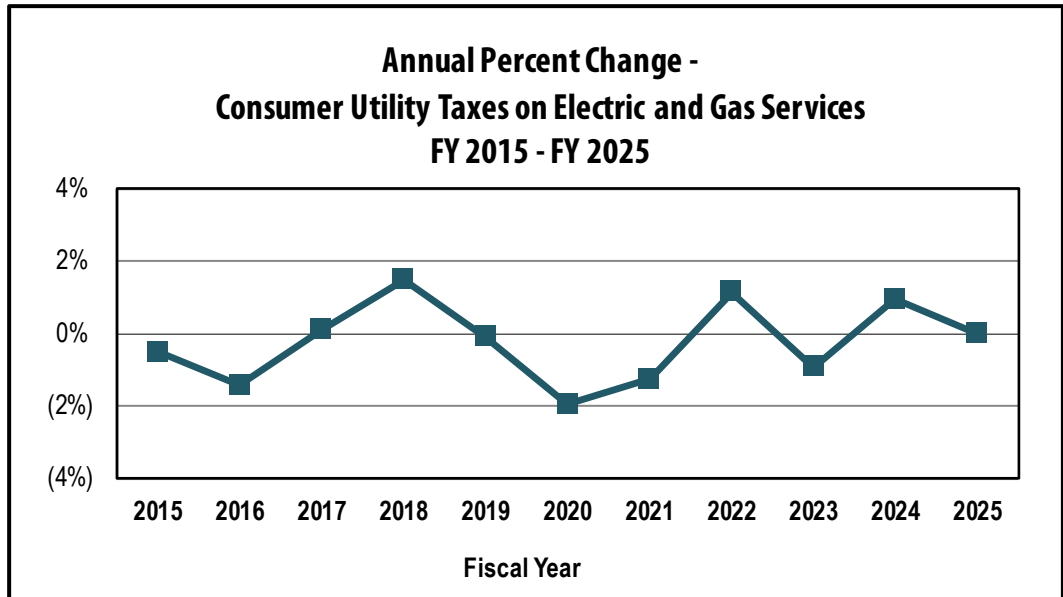
## Consumer Utility Taxes

### CONSUMER UTILITY TAXES - GAS AND ELECTRIC

| FY 2023 Actual | FY 2024 Adopted | FY 2024 Revised | FY 2025 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$44,463,959   | \$44,880,523    | \$44,880,523    | \$44,880,523       | \$0                  | 0.0%           |

The FY 2025 Advertised Budget Plan estimate for Consumer Utility Taxes on gas and electric services of \$44,880,523 reflects no change from the *FY 2024 Revised Budget Plan*. The FY 2025 estimate is comprised of \$35,456,157 in taxes on electric service and \$9,424,366 in taxes on gas service. County residents and businesses are subject to Consumer Utility Taxes based on their consumption of electricity and gas services.

# General Fund Revenue Overview



Revenues from Consumer Utility Taxes on gas and electric services from FY 2015 to FY 2020 declined at an average annual rate of just 0.4 percent. In FY 2021, collections decreased another 1.3 percent. Growth resumed in FY 2022, when receipts increased 1.1 percent, before declining 0.9 percent in FY 2023. Receipts are projected to increase 0.9 percent in FY 2024 and remain level in FY 2025.

Tax rates by customer class are shown in the following table.

## Consumer Utility Taxes on Electricity and Natural Gas

| Electricity                      |                             | Natural Gas                         |                             |
|----------------------------------|-----------------------------|-------------------------------------|-----------------------------|
| Electric Power Customer Class    | Monthly Tax FY 2001-FY 2025 | Natural Gas Customer Class          | Monthly Tax FY 2001-FY 2025 |
| <b>Residential</b>               | \$0.00605 per kWh           | <b>Residential</b>                  | \$0.05259 per CCF           |
| Minimum                          | +\$0.56 per bill            | Minimum                             | +\$0.56 per bill            |
| Maximum                          | \$4.00 per bill             | Maximum                             | \$4.00 per bill             |
| <b>Master Metered Apartments</b> | \$0.00323 per kWh           | <b>Master Metered Apartments</b>    | \$0.01192 per CCF           |
| Minimum                          | +\$0.56 / dwelling unit     | Minimum                             | +\$0.56 / dwelling unit     |
| Maximum                          | \$4.00 / dwelling unit      | Maximum                             | \$4.00 / dwelling unit      |
| <b>Commercial</b>                | \$0.00594 per kWh           | <b>Nonresidential</b>               | \$0.04794 per CCF           |
| Minimum                          | + \$1.15 per bill           | Minimum                             | + \$0.845 per bill          |
| Maximum                          | \$1,000 per bill            | Maximum                             | \$300 per bill              |
| <b>Industrial</b>                | \$0.00707 per kWh           | <b>Nonresidential Interruptible</b> | \$0.00563 per CCF           |
| Minimum                          | +\$1.15 per bill            | Minimum                             | +\$4.50 per meter           |
| Maximum                          | \$1,000 per bill            | Maximum                             | \$300 per meter             |



## Vehicle Registration License Fee

### VEHICLE REGISTRATION LICENSE FEE

| FY 2023<br>Actual | FY 2024<br>Adopted | FY 2024<br>Revised | FY 2025<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|-------------------|--------------------|--------------------|-----------------------|-------------------------|-------------------|
| \$26,774,826      | \$26,813,573       | \$27,131,196       | \$27,538,164          | \$406,968               | 1.5%              |

The FY 2025 Advertised Budget Plan estimate for Vehicle Registration Fee revenue of \$27,538,164 reflects an increase of \$406,968 or 1.5 percent compared to the *FY 2024 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. During the fall 2023 review of revenues, the FY 2024 revenue estimate was increased by \$0.3 million based on year-to-date collection trends. 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

### TRANSIENT OCCUPANCY TAX

| FY 2023<br>Actual | FY 2024<br>Adopted | FY 2024<br>Revised | FY 2025<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|-------------------|--------------------|--------------------|-----------------------|-------------------------|-------------------|
| \$22,259,139      | \$23,077,522       | \$23,550,000       | \$24,021,000          | \$471,000               | 2.0%              |

The FY 2025 Advertised Budget Plan estimate for Transient Occupancy Tax (TOT) of \$24,021,000 reflects an increase of \$471,000 or 2.0 percent over the *FY 2024 Revised Budget Plan*. 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. It should be noted that based on legislation enacted during the 2020 General Assembly session, the County was granted additional taxing authority, which could provide new revenue options. The legislation removed the rate ceiling for the Transient Occupancy Tax rate. Rates between 2 and 5 percent are required to be earmarked for tourism promotion, but there is no restriction on the use of funds at a tax rate above 5 percent.

From FY 2015 through FY 2019, average annual growth in Transient Occupancy receipts was 3.4 percent. Actual FY 2020 receipts declined 31.2 percent due to the impact of the COVID-19 pandemic, followed by another decline of 57.9 percent in FY 2021. FY 2022 collections partially recovered and increased 135.8 percent compared to FY 2021. However, the FY 2022 level was still well below the pre-pandemic collections, as business travel was slow to recover. FY 2023 collections continued to have a robust recovery, increasing a strong 42.2 percent compared to FY 2022 and bringing the collections back to near pre-pandemic level. As part of the fall 2023 revenue review, the FY 2024 estimate was increased by \$472,478 based on actual FY 2023 receipts and year-to-date

# General Fund Revenue Overview

collection trends, reflecting an increase of 5.8 percent over the previous fiscal year. The FY 2025 estimate assumes a modest increase of 2.0 percent.

## Cigarette Tax

### CIGARETTE TAX

| FY 2023 Actual | FY 2024 Adopted | FY 2024 Revised | FY 2025 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$4,516,087    | \$4,262,574     | \$4,075,000     | \$5,161,680        | \$1,086,680          | 26.7%          |

The FY 2025 Advertised Budget Plan estimate for Cigarette Tax of \$5,161,680 reflects an increase of \$1,086,680 or 26.7 percent over the *FY 2024 Revised Budget Plan*. It should be noted that this level of revenue includes a proposed increase in the cigarette tax rate from 30 cents per pack to 40 cents per pack effective July 1, 2024. This is the maximum rate that counties are allowed to levy in Virginia. During the 2020 General Assembly, new legislation authorized all counties in Virginia to impose cigarette taxes at a rate not to exceed 40 cents per pack.

Cigarette Tax receipts have been down for eleven consecutive years, decreasing 3.7 percent in FY 2023. As part of the fall 2023 revenue review, the FY 2024 estimate was reduced by \$187,574 based on actual FY 2023 receipts and year-to-date collection trends, reflecting a decrease of 9.8 percent from the previous fiscal year. FY 2025 Cigarette Tax receipts are anticipated to increase by 26.7 percent primarily as a result of the new proposed tax rate.

## Permits, Fees and Regulatory Licenses

### PERMITS, FEES AND REGULATORY LICENSES

| FY 2023 Actual | FY 2024 Adopted | FY 2024 Revised | FY 2025 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$9,839,241    | \$9,835,922     | \$9,788,910     | \$12,654,661       | \$2,865,751          | 29.3%          |

The FY 2025 Advertised Budget Plan estimate for Permits, Fees, and Regulatory Licenses of \$12,654,661 reflects an increase of \$2,865,751 or 29.3 percent over the *FY 2024 Revised Budget Plan*. As part of the FY 2025 budget development process, County staff conducted a review of General Fund user fees with a focus on maximizing cost recovery and consistency with other jurisdictions. As a result, a number of revenue enhancements are recommended, including adjustments in Zoning fees, Fire Prevention Code Permits and Fire Marshal fees. It should be noted that Zoning fees have not been comprehensively adjusted since 2011, and the last time the Fire Prevention Code Permits and Fire Marshal fees were adjusted was in 2015.

The *FY 2024 Revised Budget Plan* estimate for Permits, Fees, and Regulatory Licenses of \$9,788,910 reflects a net decrease of \$47,012, or 0.5 percent, from the FY 2024 Adopted Budget Plan estimate based on actual FY 2023 receipts and collection trends year-to-date in FY 2024.

## Fines and Forfeitures

### FINES AND FORFEITURES

| FY 2023<br>Actual | FY 2024<br>Adopted | FY 2024<br>Revised | FY 2025<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|-------------------|--------------------|--------------------|-----------------------|-------------------------|-------------------|
| \$7,873,896       | \$7,476,019        | \$8,272,926        | \$8,513,504           | \$240,578               | 2.9%              |

The FY 2025 Advertised Budget Plan estimate for Fines and Forfeitures of \$8,513,504 reflects an increase of \$240,578 or 2.9 percent over the *FY 2024 Revised Budget Plan*. The projected increase is based on the anticipation that a number of revenue categories, which were impacted during the COVID-19 pandemic, would continue to recover in FY 2024 and FY 2025.

The FY 2024 estimate for Fines and Forfeitures was increased by a net \$0.8 million during the fall 2023 revenue review. General District Court Fines revenue was up 25.5 percent through December and the revised FY 2024 estimate was increased by \$816,655. Alarm Ordinance Violations revenue was down 24.8 percent through December and the revised FY 2024 estimate was reduced by \$125,563. In addition, several other Fines and Forfeitures revenue categories have recovered from the negative pandemic impact and were adjusted as part of the *FY 2024 Revised Budget Plan*.

## Investment Interest

### INVESTMENT INTEREST

| FY 2023<br>Actual | FY 2024<br>Adopted | FY 2024<br>Revised | FY 2025<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|-------------------|--------------------|--------------------|-----------------------|-------------------------|-------------------|
| \$116,296,231     | \$124,501,922      | \$154,435,014      | \$152,791,044         | (\$1,643,970)           | (1.1%)            |

The FY 2025 Advertised Budget Plan estimate for Investment Interest of \$152,791,044 reflects a decrease of \$1,643,970 or 1.1 percent from the *FY 2024 Revised Budget Plan*. Revenue from this category is a function of the amount invested, the prevailing interest rates earned on investments, and the percentage of the total pooled investment portfolio attributable to the General Fund.

Revenue from Interest on Investments is highly dependent on Federal Reserve actions. 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. As a result, the Investment Interest revenue trended down for several years and dropped to as little as \$10.7 million in FY 2015, with an average annual yield of just 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. As a result, FY 2016 Interest on Investments increased \$5.5 million to \$16.2 million at an annual yield of 0.66 percent. The Fed raised the interest rate again in December 2016 and continued raising it at a gradual pace throughout 2017. FY 2017 revenue was \$27.5 million at an average annual yield of 1.14 percent. The FY 2018 Interest on Investments revenue was \$41.4 million with an annual yield of 1.61 percent. The federal funds rate was increased four times throughout 2018 and FY 2019 revenue was \$69.0 million at an average annual yield of 2.53 percent. The Federal Reserve was expected to continue raising rates

# General Fund Revenue Overview

throughout 2019; however, in July, September, and October 2019, it reduced the rate by quarter percentage point at each meeting, bringing it to 1.50-1.75 percent range. Based on the actions of the Fed, the FY 2020 revenue was \$64.1 million with a yield of 2.14 percent.

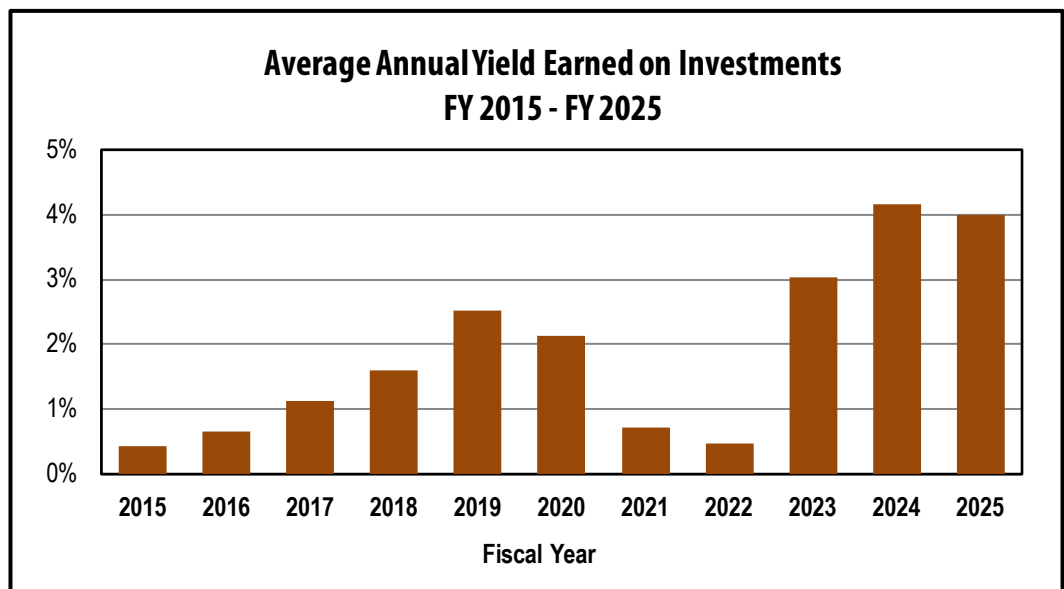
In the face of the coronavirus crisis, the Federal Reserve implemented two emergency rate cuts in the beginning of March 2020 and took the benchmark interest rate to near zero. The Fed's actions negatively impacted the earnings that the County generated on its portfolio investments. General Fund Investment Interest revenue in FY 2021 declined by \$41.1 million, or 64.2 percent, from the FY 2020 level and the average yield was 0.72 percent. FY 2022 revenue declined another 25.1 percent and was \$17.2 million with an average yield of just 0.48 percent.

In 2022, the Fed pivoted toward tighter monetary policy in the face of persistently high inflation and tight labor market and raised the Fed funds rate at an unprecedented pace. With the last hike in summer 2023, the Fed moved the target range to 5.25-5.50 percent, which is the highest level since early 2001. As a result of these actions, the County generated substantially higher Investment Interest earnings on its portfolio in FY 2023, earning \$116.3 million with a yield of 3.03 percent, which is an increase of \$99.1 million compared with FY 2022.

With moderating inflation, the Fed has kept the Fed funds rate unchanged since August 2023. It appears that currently the Fed is waiting for more data on inflation and the labor market to determine when to dial back its restrictive monetary policy and commence rate cuts. The FY 2024 estimate of \$154.4 million reflects an increase of \$38.1 million over the FY 2023 level and is based on a projected average yield of 4.15 percent. Any necessary adjustments to the FY 2024 projected average yield and revenue will be included in the *FY 2024 Third Quarter Review*.

The Fed has signaled that it is expected to make several rate cuts at some point during calendar year 2024. The projected FY 2025 Investment Interest revenue of \$152.8 million assumes an average annual yield of 4.00 percent and a General Fund percentage net of administrative fees of 80.0 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.

The following table shows the yield earned on investments since FY 2015.



## Charges for Services

### CHARGES FOR SERVICES

| FY 2023<br>Actual | FY 2024<br>Adopted | FY 2024<br>Revised | FY 2025<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|-------------------|--------------------|--------------------|-----------------------|-------------------------|-------------------|
| \$62,976,188      | \$63,309,540       | \$67,566,065       | \$69,058,078          | \$1,492,013             | 2.2%              |

The FY 2025 Advertised Budget Plan estimate for Charges for Services revenue of \$69,058,078 reflects an increase of \$1,492,013 or 2.2 percent over the *FY 2024 Revised Budget Plan*. This increase is primarily the result of projected increases in School-Age Child Care (SACC) revenues and Emergency Medical Services (EMS) Transport fee revenue.

SACC fees of \$29.1 million comprise 42.2 percent of the total Charges for Services category. In FY 2025, SACC fees revenue is projected to grow \$0.8 million over the FY 2024 estimate. The Emergency Medical Services (EMS) Transport fees, which comprise 36.8 percent of the total Charges for Services category, are projected to increase \$0.7 million over the FY 2024 estimate. In addition, based on a review of County user fees and charges, several revenue enhancements are recommended for FY 2025. The proposed adjustments are estimated to generate an additional \$0.4 million in FY 2025. It should be noted that partially offsetting this increase is a decrease of \$0.6 million in Non-County Resident Sport Fees revenue. This revenue had previously been reflected in the General Fund; however, beginning in FY 2025, all revenue associated with field use will be reflected in Fund 30010, General Construction and Contributions, and directly applied to the Athletic Sports Program.

During the fall 2023 revenue review, the FY 2024 estimate for Charges for Services was increased a net \$4.3 million. The Emergency Medical Services (EMS) Transport fees revenue estimate was increased by \$0.4 million, and SACC fees estimate was increased by \$3.3 million, based on actual FY 2023 receipts and year-to-date collection trends. Partially offsetting this increase is a decrease of \$0.3 million in projected County Clerk fees based on collection trends.

## Recovered Costs/Other Revenue

### RECOVERED COSTS / OTHER REVENUE

| FY 2023<br>Actual | FY 2024<br>Adopted | FY 2024<br>Revised | FY 2025<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|-------------------|--------------------|--------------------|-----------------------|-------------------------|-------------------|
| \$19,823,365      | \$17,419,244       | \$18,234,080       | \$20,363,644          | \$2,129,564             | 11.7%             |

The FY 2025 Advertised Budget Plan estimate for Recovered Costs/Other Revenue of \$20,363,644 reflects an increase of \$2,129,564 or 11.7 percent over the *FY 2024 Revised Budget Plan*. The increase is primarily associated with the projected billings for the City of Fairfax Shared Governmental Expenses and Public Assistance reimbursement in FY 2025.

During the fall 2023 revenue review, the estimate for Recovered Costs/Other Revenue was increased a net \$1.1 million over the FY 2024 Adopted Budget Plan estimate. The increase was mainly due to adjusting the estimate for School Health Reimbursement based on the anticipated revenue to be received in FY 2024.

## Revenue from the Commonwealth/Federal Government

### REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT<sup>1</sup>

| FY 2023<br>Actual | FY 2024<br>Adopted | FY 2024<br>Revised | FY 2025<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|-------------------|--------------------|--------------------|-----------------------|-------------------------|-------------------|
| \$154,657,550     | \$155,300,858      | \$155,300,858      | \$155,453,973         | \$153,115               | 0.1%              |

<sup>1</sup> 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 2025 Advertised Budget Plan estimate for Revenue from the Commonwealth and Federal Government of \$155,453,973 reflects an increase of \$153,115 or 0.1 percent over the *FY 2024 Revised Budget Plan*. This net increase is associated primarily with the Department of Family Services expenditure adjustments primarily for Foster Care Maintenance rate increases approved by the state legislature in FY 2024 to help address inflationary pressures. The revenue increase is fully offset by an increase in expenditures for no net impact to the General Fund.

Revenue adjustments as a result of state budget actions on the new biennium budget will be considered as part of the Add-on package in April for inclusion in the County's FY 2025 Adopted Budget Plan.

The *FY 2024 Revised Budget Plan* estimate for Revenue from the Commonwealth and Federal Government remains the same as the FY 2024 Adopted Budget Plan.