

# COUNTY STAFF PRESENTATION TO THE BOARD OF SUPERVISORS

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*Budget Workshop*

***FORECAST***

*March 8, 2008*

# Economy

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- *Fairfax County's Coincident Index fell in December over the same month a year ago for the first time in 48 months*
- *Fairfax County's Leading Index decreased 2.9% in December – the largest drop since right after 9/11*
- *Inflation in the Metro area rose 4.9% in January*
- *February Consumer Confidence – lowest level in nearly 15 years except for at the beginning of Iraqi War in 2003*
- *Sales Tax receipts in February for December retail sales fell 0.1% from February 2007*

# Economy

## January 2008 Housing Market

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- *538 homes sold, down 46% from January 2007 when 1,004 homes sold*
- *Average price fell from \$531,143 to \$472,016, a decrease of 11.1%*
- *Median price fell from \$456,250 to \$395,000, a decrease of 13.4%*
- *Days on the market rose from 106 last January to 132 days*
- *1,330 foreclosures in January 2008 compared to 74 last year*

# Home Price Forecasts

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- *23 regional analysts polled in February 2008*
  - *Median prediction: Metro area home prices will fall 3.5% in 2008*
- *Moody's Economy.com January 2008 forecast*
  - *Fairfax County home prices will fall an average of 6% in both 2008 and 2009*

# Economy

## Office Market Update

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### ■ *Office Vacancy rates*

- *Direct office vacancy rate rose from 8.5% at mid-year 2007 to 9.2% at year-end*

- *Including sublets, the rate rose from 10.2% to 10.9%*

- *In the next six months, over 3 million sq. ft. of space is expected to deliver -- more than the annual total of each of the last five years*

- *Office vacancy rate will rise in 2008 impacting FY 2010 assessments*

## Forecast -- FY 2010

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- *No growth in revenues anticipated in FY 2010*
- *Further deterioration in real estate market could result in negative revenue growth*
- *County and School spending needs 4-5% annually to maintain existing services and programs*
- *Need to replace one-time funding used to balance FY 2009*
- *Estimated \$200 million deficit*
- *Recommend multi-year process to review services and revenue options*

# Revenue Forecast Assumptions

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- *County's Economy will be at a virtual standstill through mid-2009*
- *No significant job growth until 2010*
- *Foreclosures in 2008 and 2009 will impact the housing market through FY 2011*
- *No growth in Federal Procurement Spending due to the federal deficit*
- *Non-residential property values will rise at much more modest rates due to oversupply of office space*

# Real Estate Tax Base

	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Equalization</b>	<b>11.51%</b>	<b>(2.75)%</b>	<b>(6.48)%</b>	<b>(2.46)%</b>	<b>(1.29)%</b>	<b>0.36%</b>	<b>0.57%</b>	<b>0.80%</b>	<b>1.77%</b>
- Residential	13.06	(1.90)	(3.74)	(0.52)	0.01	0.49	(0.23)	(0.50)	0.04
- Nonresidential	7.85	(4.80)	(13.22)	(7.86)	(5.28)	(0.09)	3.27	5.05	7.12
<b>Growth</b>	<b>5.26</b>	<b>1.79</b>	<b>0.40</b>	<b>1.08</b>	<b>1.97</b>	<b>2.16</b>	<b>2.13</b>	<b>1.93</b>	<b>2.19</b>
<b>TOTAL</b>	<b>16.77%</b>	<b>(0.96)%</b>	<b>(6.08)%</b>	<b>(1.38)%</b>	<b>0.68%</b>	<b>2.52%</b>	<b>2.70%</b>	<b>2.73%</b>	<b>3.96%</b>
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Equalization</b>	<b>2.96%</b>	<b>5.13%</b>	<b>9.70%</b>	<b>11.72%</b>	<b>9.94%</b>	<b>9.54%</b>	<b>20.80%</b>	<b>19.76%</b>	<b>2.47%</b>
- Residential	0.77	5.13	11.26	16.27	14.55	11.29	23.09	20.57	(0.33)
- Nonresidential	9.24	5.15	5.92	0.52	(2.94)	3.74	12.74	16.64	13.57
<b>Growth</b>	<b>3.37</b>	<b>3.81</b>	<b>3.94</b>	<b>3.42</b>	<b>2.54</b>	<b>2.50</b>	<b>2.69</b>	<b>2.94</b>	<b>1.68</b>
<b>TOTAL</b>	<b>6.33%</b>	<b>8.94%</b>	<b>13.64%</b>	<b>15.14%</b>	<b>12.48%</b>	<b>12.04%</b>	<b>23.49%</b>	<b>22.70%</b>	<b>4.15%</b>
	<b>FORECAST</b>								
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>		
<b>Equalization</b>	<b>(1.02)%</b>	<b>(1.80)%</b>	<b>(0.70)%</b>	<b>0.85%</b>	<b>2.00%</b>	<b>2.90%</b>	<b>3.65%</b>		
- Residential	(3.38)	(4.00)	(2.00)	0.00	1.00	2.00	3.00		
- Nonresidential	7.00	4.75	3.00	3.00	4.50	5.00	5.00		
<b>Growth</b>	<b>1.53</b>	<b>1.00</b>	<b>0.90</b>	<b>0.90</b>	<b>1.30</b>	<b>1.45</b>	<b>1.45</b>		
<b>TOTAL</b>	<b>0.51%</b>	<b>(0.80)%</b>	<b>0.20%</b>	<b>1.75%</b>	<b>3.30%</b>	<b>4.35%</b>	<b>5.10%</b>		



# Projected Revenue Growth Rates

<b>Category</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<i>Real Estate Tax</i>	0.51%	(0.80)%	0.20%	1.75%
<i>Personal Property Tax</i>	(0.29)%	(0.50)%	0.75%	1.50%
<i>Sales Tax</i>	4.00%	3.00%	3.00%	3.00%
<i>BPOL</i>	4.50%	4.50%	5.00%	5.00%
<i>Yield on Investments</i>	2.20%	2.00%	2.50%	2.75%
<i>State/Fed Revenue</i>	0.25%	0.00%	0.00%	0.00%

# Revenue Growth Rates

