

ATTACHMENT II:

**SUMMARY OF
GENERAL FUND RECEIPTS**

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Attachment II

SUMMARY OF GENERAL FUND REVENUE AND TRANSFERS IN

Category	FY 2001 Actual	FY 2002 Adopted Budget Plan	FY 2002 Revised Budget Plan	FY 2002 Actual Receipts	Over the FY 2002 Revised Budget Plan	
					Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	\$1,085,995,525	\$1,226,142,926	\$1,229,727,617	\$1,232,657,413	\$2,929,796	0.24%
Personal Property Taxes - Current and Delinquent ¹	437,316,910	446,181,232	467,940,919	471,684,756	3,743,837	0.80%
Other Local Taxes	360,365,264	372,204,163	353,859,015	360,262,631	6,403,616	1.81%
Permits, Fees and Regulatory Licenses	31,908,008	33,892,369	28,990,840	28,609,183	(381,657)	-1.32%
Fines and Forfeitures	9,116,533	11,595,781	10,024,451	10,318,703	294,252	2.94%
Revenue from Use of Money/Property	58,939,714	44,674,492	27,838,356	28,237,414	399,058	1.43%
Charges for Services	32,751,935	33,000,331	34,109,394	35,241,909	1,132,515	3.32%
Revenue from the Commonwealth and Federal Government ¹	119,545,408	132,191,413	128,085,410	127,079,686	(1,005,724)	-0.79%
Recovered Costs/ Other Revenue	5,434,555	5,778,390	5,582,309	5,899,820	317,511	5.69%
Total Revenue	\$2,141,373,852	\$2,305,661,097	\$2,286,158,311	\$2,299,991,515	\$13,833,204	0.61%
Transfers In	1,683,800	2,914,594	4,614,594	4,614,594	0	0.00%
Total Receipts	\$2,143,057,652	\$2,308,575,691	\$2,290,772,905	\$2,304,606,109	\$13,833,204	0.60%

¹ 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.

General Fund Revenues and Transfers In for FY 2002 are \$2,304,606,109, an increase of \$13,833,204, or 0.6 percent, over the *FY 2002 Revised Budget Plan* estimate. FY 2002 actual General Fund Revenues and Transfers In are \$4.0 million, or 0.2 percent, less than estimated in the *FY 2002 Adopted Budget Plan*. The \$13.8 million increase in FY 2002 receipts over the *FY 2002 Revised Budget Plan* is due primarily to variances in the revenue categories discussed on the following pages of this Attachment.

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FY 2003 Revenue Adjustments

Two Administrative Adjustments to FY 2003 General Fund revenues have been made. Sales Tax receipts did not experience positive growth in any of the 12 months of FY 2002; therefore, the FY 2003 estimate is reduced \$1.3 million, a level consistent with FY 2002 actual Sales Tax receipts. A reduction in Interest on Investments is also required. During the FY 2003 Add-On process, FY 2003 estimated Interest on Investments was increased \$4.1 million based on a projected increase in interest rates. At that time, the Federal Reserve was expected to raise rates in the range of 50 to 75 basis points beginning in June. Since Add-On, the Federal Reserve has indicated that a rise in interest rates is not immediately warranted. Many economists expect that the Federal Reserve will hold interest rates steady for the remainder of 2002 and adjustments in 2003 are likely to be around 25 basis points. The yield on instruments currently being purchased by the County is approximately 1.8 percent compared to the FY 2003 Adopted Budget Plan estimate of 3.0 percent. The FY 2003 Interest on Investment estimate is reduced \$12.0 million based on the anticipation that interest rates will remain at their current level.

Aside from the adjustments mentioned above and adjustments associated with expenditure increases, as noted in the Administrative Adjustment section, no other revenue adjustments have been made to FY 2003. Staff is closely monitoring all revenue categories and will make any necessary adjustments as part of the fall revenue review.

REAL PROPERTY TAXES

Actual Real Property Taxes in FY 2002 are \$1,232,657,413, an increase of \$2,929,796, or 0.2 percent, over the *FY 2002 Revised Budget Plan*. This increase is primarily the result of higher than anticipated Current Real Estate Tax receipts of \$2,585,269.

REAL ESTATE TAX-CURRENT

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Actual	Increase/ (Decrease)	Percent Change
\$1,079,282,128	\$1,219,263,688	\$1,222,848,379	\$1,225,433,648	\$2,585,269	0.21%

FY 2002 actual collections for current Real Estate Taxes are \$1,225,433,648, an increase of \$2,585,269, or 0.2 percent, over the *FY 2002 Revised Budget Plan*. This increase is primarily due to lower than anticipated tax relief applications, higher than expected supplemental assessments, and an increase in the collection rate. FY 2002 represented the second year of a two-year plan to expand the income limits associated with the Real Estate Tax Relief Program for the Elderly and Disabled. The *FY 2002 Revised Budget Plan* included a \$9.8 million reduction in Real Estate Tax revenue from tax relief. Actual tax relief in FY 2002 was \$8.9 million, \$0.9 million lower than anticipated. Supplemental assessments, which are assessments for new construction that have been completed during the fiscal year, were \$7.5 million, \$0.3 million more than projected.

In addition, the *FY 2002 Revised Budget Plan* estimate included a collection rate of 99.50 percent. The actual FY 2002 collection rate was 99.61 percent. The increase in revenue due to the rise in the collection rate is \$1.4 million. The FY 2003 Adopted Budget Plan estimate for Current Real Estate Tax revenue incorporates estimates for tax relief of \$11.6 million, which includes an increase in the asset limit allowed to qualify for tax relief. The FY 2003 projected collection rate is 99.50 percent.

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PERSONAL PROPERTY TAXES

Actual Personal Property Taxes in FY 2002 are \$471,684,756, an increase of \$3,743,837, or 0.8 percent, over the *FY 2002 Revised Budget Plan*. Current Personal Property Tax receipts reflect a decrease of \$1,055,693 from the *FY 2002 Revised Budget Plan* estimate while Delinquent Personal Property Tax collections represent an increase of \$4,799,530 over the *FY 2002 Revised Budget Plan*.

PERSONAL PROPERTY TAX-CURRENT

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Actual	Increase/ (Decrease)	Percent Change
\$427,509,066	\$437,980,673	\$458,819,970	\$457,764,277	(\$1,055,693)	-0.23%

Actual FY 2002 collections for Current Personal Property Taxes are \$457,764,277, a decrease of \$1,055,693, or 0.2 percent, from the *FY 2002 Revised Budget Plan* estimate. Of the total FY 2002 revenue, \$271.5 million is paid locally and \$186.3 million is the portion reimbursed by the Commonwealth of Virginia under the Personal Property Tax Relief Act. The FY 2002 revenue decrease is a result of lower than anticipated collections primarily from Public Service Corporations (PSC), higher than anticipated omitted levy and lower than anticipated exonerations. The *FY 2002 Revised Budget Plan* included a projected 97.0 percent collection rate. Due to several bankruptcy filings of Public Service Corporations through the State, however, \$3.2 million in revenue was not received this fiscal year. The actual FY 2002 collection rate is 96.26 percent resulting in a revenue decrease of \$3.5 million from the *FY 2002 Revised Budget Plan*. Absent the PSC bankruptcies, the FY 2002 collection rate would have been 96.73 percent. The decrease in revenue is partially offset by an increase in omitted levy of \$0.7 million and lower than anticipated exonerations of \$1.8 million. Staff will be reviewing this category to determine the impact that the PSC bankruptcies may have on FY 2003.

PERSONAL PROPERTY TAX-DELINQUENT

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Actual	Increase/ (Decrease)	Percent Change
\$9,807,844	\$8,200,559	\$9,120,949	\$13,920,479	\$4,799,530	52.62%

Actual FY 2002 collections for Personal Property delinquents are \$13,920,479, an increase of \$4,799,530, or 52.6 percent, over the *FY 2002 Revised Budget Plan*. This increase reflects the significant discovery and enforcement efforts of Department of Tax Administration staff. It should be noted that delinquent collections vary annually due to factors such as the economy and previous years' collections.

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OTHER LOCAL TAXES

Actual FY 2002 collections for Other Local Taxes represent a net increase of \$6,403,616 over the *FY 2002 Revised Budget Plan* and are primarily due to increases in Business, Professional and Occupational Licenses, Sales Tax Receipts and Deed of Conveyance and Recordation Taxes.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Actual	Increase/ (Decrease)	Percent Change
\$89,266,311	\$87,154,888	\$87,154,888	\$91,291,754	\$4,136,866	4.75%

FY 2002 actual Current Business, Professional, and Occupational License (BPOL) Tax receipts are \$91,291,754, an increase of \$4,136,866, or 4.8 percent, over the *FY 2002 Revised Budget Plan* primarily due to higher than anticipated BPOL levy. The *FY 2002 Revised Budget Plan* estimate assumed that BPOL Tax receipts would be at a level consistent with FY 2001. Actual FY 2002 BPOL receipts represent an increase of 2.3 percent over FY 2001. Real estate related businesses including Money Lenders, Contractors, Builders and Developers grew 7.0 percent. The Retail Merchants category, which comprises approximately 23 percent of total BPOL receipts, grew at a rate of only 0.2 percent.

So far, the economic rebound has been slower than anticipated and its strength through calendar year 2002 is uncertain. Businesses are continuing to downsize as evidenced by the over 50 percent increase in May's initial claims for unemployment in Fairfax County. In addition, higher defense related appropriations have not yet enhanced the region's job growth as had been expected. Since it is unclear that economic growth will be sustained throughout calendar year 2002, no change has been made to the *FY 2003 Adopted Budget Plan* estimate of \$87,154,888 which represents a decline of 4.5 percent from actual FY 2002 BPOL receipts.

LOCAL SALES TAX

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Actual	Increase/ (Decrease)	Percent Change
\$133,492,619	\$145,388,327	\$125,063,140	\$125,577,043	\$513,903	0.41%

FY 2002 actual Sales Tax receipts are \$125,577,043, an increase of \$513,903, or 0.4 percent, over the *FY 2002 Revised Budget Plan*. FY 2002 collections represent a 5.9 percent drop from FY 2001. This decrease represents only the second time in 30 years that Sales Tax receipts have fallen from their previous year's level. The *FY 2002 Revised Budget Plan* estimate incorporated a drop of 6.3 percent from the FY 2001 level based on year-to-date growth through February. The last four months of FY 2002; however, fell somewhat less than expected at a rate of 5.3 percent resulting in an overall FY 2002 decrease of 5.9 percent.

The *FY 2003 Adopted Budget Plan* estimate represents growth of 1.1 percent, over FY 2002 actual receipts. Since not one month of FY 2002 experienced positive growth over the same month of FY 2001, the FY 2003 estimate has been lowered \$1.3 million to a level consistent with FY 2002 receipts. Sales Tax receipts during FY 2003 will be closely monitored and any necessary adjustments will be made at the fall revenue review or at the Third Quarter review. Each one percentage point change in Sales Tax receipts results in a revenue change of \$1.3 million.

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RECORDATION/DEED OF CONVEYANCE TAXES

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Actual	Increase/ (Decrease)	Percent Change
\$16,337,407	\$13,424,948	\$18,749,039	\$19,807,587	\$1,058,548	5.65%

Actual FY 2002 revenue from Recordation and Deed of Conveyance taxes is \$19,807,587, an increase of \$1,058,548, or 5.7 percent, over the *FY 2002 Revised Budget Plan* estimate. 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 revenues more sensitive to interest rate fluctuations. Overall receipts in both categories grew due to the strong demand relative to housing supply as well as rising median sales prices. Increased mortgage refinancing due to low mortgage rates also boosted Recordation collections. In FY 2002, the average rate on 30-year conventional mortgages was 6.9 percent, down from 7.5 percent in FY 2001.

PERMITS, FEES AND REGULATORY LICENSES
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FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Actual	Increase/ (Decrease)	Percent Change
\$31,908,008	\$33,892,369	\$28,990,840	\$28,609,183	(\$381,657)	-1.32%

Actual FY 2002 revenue from Permits, Fees and Regulatory Licenses is \$28,609,183, a decrease of \$381,657, or 1.3 percent, from the *FY 2002 Revised Budget Plan* estimate. This decrease is primarily due to reductions of: \$94,946 in fees charged by the Department of Public Works and Environmental Services (DPWES) for planning, building, and site permits; \$87,655 in Acceptance Test Overtime Fees; and, \$148,337 in Zoning Fees.

Actual FY 2002 revenue from planning, building and site permits is \$23,221,172, a decrease of \$94,946, or 0.4 percent from the *FY 2002 Revised Budget Plan* estimate. FY 2002 fees represent a decrease of 11.9 percent from actual FY 2001 receipts. This reduction and the decline in Acceptance Test Overtime Fees and Zoning Fees reflect a lower than expected level of construction activity in the County.

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REVENUE FROM THE USE OF MONEY AND PROPERTY

Actual FY 2002 Revenue From the Use of Money and Property is \$28,237,414, an increase of \$399,058, or 1.4 percent, over the *FY 2002 Revised Budget Plan* estimate and is primarily due to an increase in Interest on Investments.

INTEREST ON INVESTMENTS

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Actual	Increase/ (Decrease)	Percent Change
\$56,321,542	\$41,994,566	\$25,120,000	\$25,424,651	\$304,651	1.21%

Actual FY 2002 Interest on Investments is \$25,424,651, an increase of \$304,651, or 1.2 percent, over the *FY 2002 Revised Budget Plan*. This increase is the result of a slightly higher than anticipated average yield and General Fund percentage offset by an decrease in the average portfolio. The average actual FY 2002 portfolio of \$1,512.8 million earned a yield of 2.58 percent compared to the FY 2002 estimated portfolio and yield of \$1,570.0 million and 2.50 percent, respectively. Total FY 2002 interest on pooled cash is \$39.0 million. The \$25.4 million General Fund portion represents a General Fund percentage of 65.17 percent compared to the estimated 64.00 percent included in the *FY 2002 Revised Budget Plan*.

The FY 2003 Adopted Budget Plan included an estimated yield of 3.0 percent based on a projected increase in interest rates; however, the Federal Reserve has held rates steady since January and there is no indication that rates will rise soon. Currently, investment instruments are being purchased with an average yield of only 1.8 percent. The FY 2003 estimate for Interest on Investments; therefore, has been reduced to \$17,985,478, a decrease of \$11,990,319 from the FY 2003 Adopted Budget Plan based on the projection that rates will remain as their current level through FY 2003. This category will be closely monitored since the yield earned on the County's portfolio and the availability of investment instruments are quickly affected by changes in interest rates made by the Federal Reserve.

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CHARGES FOR SERVICES

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FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Actual	Increase/ (Decrease)	Percent Change
\$32,751,935	\$33,000,331	\$34,109,394	\$35,241,909	\$1,132,515	3.32%

FY 2002 actual Charges for Services are \$35,241,909, an increase of \$1,132,515, or 3.3 percent, over the *FY 2002 Revised Budget Plan*. This increase is primarily due to higher than anticipated receipts for County Clerk Fees and the School Aged Child Care (SACC) program. Actual FY 2002 County Clerk fees are \$828,634 higher than anticipated in the *FY 2002 Revised Budget Plan* estimate as a result of continued strong housing market activity in the last quarter of FY 2002. Actual FY 2002 SACC fee revenue is \$17,663,957, an increase of \$677,038 over the *FY 2002 Revised Budget Plan* due to lower than projected subsidy levels for reduced fee participants. These increases are offset by a net decrease of \$0.4 million in various other Charges for Services including Health Department Fees, Recreation Fees and Library Overdue Penalties.

REVENUE FROM THE COMMONWEALTH AND FEDERAL GOVERNMENT

REVENUE FROM THE COMMONWEALTH AND FEDERAL GOVERNMENT¹

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Actual	Increase/ (Decrease)	Percent Change
\$119,545,408	\$129,432,700	\$128,085,410	\$127,079,686	(\$1,005,724)	-0.79%

¹ Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998. See the "Personal Property Tax - Current" heading in this section.

Actual FY 2002 revenues from the Commonwealth and Federal Government are \$127,079,686, a net decrease of \$1,005,724, or 0.8 percent, from the *FY 2002 Revised Budget Plan*. This net decrease is primarily due to a reduction of \$2.1 million in revenue from the Commonwealth for State supported employees. As part of the State's FY 2002 budget balancing plan, the Compensation Board's June payments for State reimbursable positions were delayed until July, the beginning of FY 2003. This action is not anticipated to impact the County's FY 2003 budget as it is expected that the State will remain on this schedule and make reimbursements during FY 2003 for 12 months.

The decrease in FY 2002 Revenue from the Commonwealth and Federal Government is offset by a net increase of \$1.1 million. The *FY 2002 Revised Budget Plan* estimate incorporated HB599 Law Enforcement funding as included in the House version of the State budget bill but final funding included in the State's budget was \$0.4 million more than estimated. Also, ABC profits were \$0.4 million higher than anticipated due to growth in revenue that occurred during the last quarter of the fiscal year. At the time of the Third Quarter Review, ABC profits were up only 1.1 percent over the same period of FY 2001. Actual FY 2002 ABC profits are \$2.5 million and represent an increase of 19.1 percent over FY 2001 receipts. In addition a net increase of \$0.3 million in Revenue from the Commonwealth is associated with reimbursement of expenses associated with the Adult Detention Center.