

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

Category	FY 2003 Actual	FY 2004 Revised as of Carryover	FY 2004 Fall Estimate <sup>1</sup>	Over the FY 2004	FY 2004 Third Quarter	Over the FY 2004	Percent Change
				Revised		Increase/ (Decrease)	
Real Estate Taxes - Current and Delinquent	\$1,396,533,630	\$1,491,722,515	\$1,494,511,662	\$2,789,147	\$1,496,037,213	\$1,525,551	0.10%
Personal Property Taxes - Current and Delinquent <sup>2</sup>	466,495,383	478,368,147	469,532,544	(8,835,603)	469,532,544	0	0.00%
Other Local Taxes	373,594,301	372,943,906	384,213,348	11,269,442	387,323,983	3,110,635	0.81%
Permits, Fees and Regulatory Licenses	27,743,163	26,851,322	26,902,515	51,193	26,902,515	0	0.00%
Fines and Forfeitures	11,046,988	12,309,433	12,778,263	468,830	12,778,263	0	0.00%
Revenue from Use of Money/Property	20,742,288	16,372,803	18,233,375	1,860,572	18,233,375	0	0.00%
Charges for Services	40,549,148	38,221,548	41,941,708	3,720,160	41,941,708	0	0.00%
Revenue from the Commonwealth and Federal Government <sup>2</sup>	126,674,608	117,124,711	117,723,049	598,338	130,523,639	12,800,590	10.87%
Recovered Costs/ Other Revenue	5,424,424	5,395,848	5,931,450	535,602	6,052,139	120,689	2.03%
<b>Total Revenue</b>	<b>\$2,468,803,933</b>	<b>\$2,559,310,233</b>	<b>\$2,571,767,914</b>	<b>\$12,457,681</b>	<b>\$2,589,325,379</b>	<b>\$17,557,465</b>	<b>0.68%</b>
Transfers In	3,925,732	1,396,150	1,396,150	0	1,396,150	0	0.00%
<b>Total Receipts</b>	<b>\$2,472,729,665</b>	<b>\$2,560,706,383</b>	<b>\$2,573,164,064</b>	<b>\$12,457,681</b>	<b>\$2,590,721,529</b>	<b>\$17,557,465</b>	<b>0.68%</b>

<sup>1</sup> FY 2004 revenue estimates were revised as part of a fall 2003 review of revenues. Explanation of these changes can be found in the following narrative. These figures are included in the FY 2005 Advertised Budget Plan.

<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.

Total receipts, including Transfers In, are \$2,590,721,529 and reflect an increase of \$17,557,465 or 0.7 percent over the FY 2004 Fall Estimate. FY 2004 Transfers In totaling \$1.4 million remain unchanged from the FY 2004 Fall Estimate.

As noted in the FY 2005 Advertised Budget Plan, \$12.5 million in revenue adjustments were made prior to Third Quarter during development of the FY 2005 Budget. These adjustments are reflected in the FY 2004 Fall Estimate discussed throughout this Attachment. The net increase of \$12.5 million in adjustments includes \$26.4 million in additional revenue, offset by reductions totaling \$13.9 million. Increases include \$10.6 million in Recordation and Deed of Conveyance taxes and \$3.6 million in Clerk Fees based on higher than anticipated receipts as a result of strong home sales and mortgage refinancing activity; \$4.3 million in Sales Tax receipts based on collections; \$2.6 million in Business, Professional and Occupational License (BPOL) tax revenues partially due to real estate related businesses; \$2.8 million in Real Estate Taxes due to additional supplemental assessments and final Public Service Corporation assessments; and, \$0.6 million in Revenue from the Commonwealth for libraries and the Adult Detention Center. The offsetting decreases include an \$8.4 million reduction in anticipated Personal Property Tax receipts primarily due to a decrease in business purchases during calendar year 2002; a \$4.0 million decrease in Mobile Telecommunications Tax receipts partially due to a delay in implementing the tax; as well as reductions in categories including Photo Red Light Violations, Health Department Fees and Library Overdue Penalties based on year-to-date receipts. These adjustments are discussed in more detail in the following narrative.

The net *FY 2004 Third Quarter Review* increase in total General Fund revenue of \$17.6 million is primarily due to \$12.8 million in additional Revenue from the Commonwealth and Federal Government. Nearly all of this increase represents one-time revenue or revenue associated with required expenditure increases. In addition, \$3.1 million in additional Sales Tax receipts is anticipated based on collections through February 2004; and \$1.5 million in Real Estate Tax revenue is based on refinements in estimates for exonerations and supplemental assessments. In total, since FY 2003 Carryover, the FY 2004 estimate of revenues has increased a net \$30.0 million, or 1.2 percent.

Projecting revenue in times of economic change is challenging. Many of the County's revenue sources are just beginning to show the affects of a modest economic recovery and for most categories a consistent trend has not yet been established. A number of revenue categories are extremely sensitive to economic conditions and there is the potential that actual receipts may deviate from the revenue estimates included in this Attachment. For example, Recordation and Deed of Conveyance Taxes experienced significant growth during the first four months of the fiscal year, but growth in Deed of Conveyance Taxes has moderated and Recordation Tax revenue has dropped over 16 percent over the past three months. The level of home sales and mortgage refinancing will greatly impact the receipts in these categories for the rest of the fiscal year. Also, monthly Sales Tax receipts have experienced significant monthly variation making projections of final year-end receipts difficult. These and all other revenue categories are closely monitored with respect to revenue collections and economic activity impacts. Any necessary FY 2005 revenue adjustments will be included in the Add-on Review.

**REAL ESTATE TAX-CURRENT**

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$1,387,669,725	\$1,484,843,277	\$1,487,632,424	\$1,489,157,975	\$1,525,551	0.10%

The *FY 2004 Third Quarter Review* estimate of \$1,489,157,975 for Current Real Estate Tax revenue represents an increase of \$1,525,551, or 0.1 percent, over the FY 2004 Fall Estimate. During the fall revenue review, the estimate for Real Estate Taxes was increased \$2.8 million due to refinements to estimates of supplemental assessments and final Public Service Corporation assessments.

The *FY 2004 Third Quarter Estimate* is increased an additional \$1.5 million over the FY 2004 Fall Estimate. Exonerations are lower than originally estimated, resulting in a revenue increase of \$1.1 million and supplemental assessments are \$0.4 million higher than expected. No change has been made to the anticipated Real Estate collection rate of 99.50 percent, the same rate incorporated in the FY 2005 Advertised Budget Plan estimate. Each 0.10 percent change in the collection rate generates \$1.5 million.

**PERSONAL PROPERTY TAX-CURRENT**

	<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
Paid Locally	\$264,881,703	\$265,123,472	\$256,675,869	\$256,675,869	\$0	0.00%
Reimbursed by State	192,306,644	204,656,116	204,656,116	204,656,116	0	0.00%
Total	\$457,188,347	\$469,779,588	\$461,331,985	\$461,331,985	\$0	0.00%

The *FY 2004 Third Quarter Review* estimate for Current Personal Property Taxes of \$461,331,985 remains unchanged from the FY 2004 Fall Estimate. During the fall review of revenues, the FY 2004 estimate for Personal Property Taxes was reduced \$8.4 million due to a decrease in business levy. Business Personal Property is primarily comprised of assessments on furniture, fixtures, and computer equipment. Based on actual business filings, business levy dropped due to lower than projected business purchases of furniture and computer equipment made during calendar year 2002.

Total growth in FY 2004 Personal Property Tax revenue is projected to be 0.9 percent over FY 2003. The estimated collection rate is unchanged from the FY 2004 Fall Estimate of 97.5 percent, which is consistent with the rate included in the FY 2005 Advertised Budget Plan.

**LOCAL SALES TAX**

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$126,785,250	\$126,246,519	\$130,588,808	\$133,699,443	\$3,110,635	2.38%

The *FY 2004 Third Quarter Review* estimate for Sales Tax receipts represents an increase of \$3.1 million over the FY 2004 Fall Estimate. During the fall revenue review, the Sales Tax estimate was increased \$4.3 million to \$130.6 million based on receipts through November. During FY 2004, Sales Tax revenue has experienced significant monthly variation. During the first 4 months of the fiscal year, Sales Tax receipts were increasing at a 6.4 percent pace. In December and January; however, Sales Tax revenue grew nearly 24 percent over the

same months of FY 2003. Receipts then fell 1.1 percent in February which represents retail sales that occurred in December 2003. Year-to-date, Sales Tax receipts are up 9.0 percent. Due to the monthly variation in Sales Tax receipts, the *FY 2004 Third Quarter Review* estimate, which represents 5.5 percent growth over actual FY 2003 receipts, assumes that revenue for the remainder of the fiscal year will be at a level consistent with the last 5 months of FY 2003.

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

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$93,427,421	\$93,117,590	\$95,763,107	\$95,763,107	\$0	0.00%

The *FY 2004 Third Quarter Review* estimate for Business, Professional and Occupational License (BPOL) Taxes of \$95,763,107 represents no change from the FY 2004 Fall Estimate. During the fall revenue review, the estimate for BPOL revenue was increased \$2.6 million based on actual FY 2003 receipts and projected trends in business activity. In FY 2003, BPOL receipts experienced growth of 2.3 percent over FY 2002 due to growth in receipts from Realtors, Money Lenders and Retail establishments offset with a reduction in BPOL taxes from Contractors, Builders, and Developers. Home buying, mortgage refinancing and retail sales continued to grow during calendar year 2003, the basis for FY 2004 BPOL revenue. Based on these trends and an econometric model using Sales Tax receipts and mortgage interest rates as predictors, the FY 2004 estimate for BPOL was increased to \$95.8 million during the fall revenue review, representing growth of 2.5 percent over the FY 2003 level.

Since businesses file and pay their BPOL Taxes simultaneously on March 1, there is little information about current collections. However, actual BPOL billing data for FY 2004 will be available in time to make any necessary adjustments to the FY 2005 estimate during the Add-on Review Process.

**CONSUMER UTILITY TAXES**

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$85,892,727	\$89,858,179	\$85,892,727	\$85,892,727	\$0	0.00%

The *FY 2004 Third Quarter Review* estimate for Consumer Utility Taxes represents no change from the FY 2004 Fall Estimate. During the fall revenue review, the estimate for Consumer Utility Tax revenues was reduced \$4.0 million to a level consistent with FY 2003 based on year-to-date collections and recent trends in taxes on telephone service. In FY 2003, receipts from telephone utility taxes fell for the first time, dropping 4.7 percent from FY 2002. The telephone utility tax base has been diminished as a result of increased use of cell phones and cable Internet access, as well as, local job reductions. This trend in telephone usage is expected to continue and when combined with modest growth in taxes from gas and electric utilities, total Consumer Utility Taxes are expected to remain at their FY 2003 level in FY 2004.

**RECORDATION/DEED OF CONVEYANCE TAXES**

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$27,005,707	\$16,329,979	\$27,005,707	\$27,005,707	\$0	0.00%

The *FY 2004 Third Quarter Review* estimate for Deed of Conveyance and Recordation Taxes of \$27,005,707 reflects no change from the FY 2004 Fall Estimate. Deed of Conveyance Tax revenues are projected to be \$5,812,743 and Recordation Tax revenues are projected to be \$21,192,964.

Due to higher than anticipated year-to-date receipts, Deed of Conveyance and Recordation Tax revenues were increased \$1,336,818 and \$9,338,910, respectively, during the fall revenue review to a level consistent with FY 2003. Strong demand in the housing market, low mortgage interest rates, and rising median sales prices contributed to this growth.

Since the fall review, growth in Deed of Conveyance Tax revenue has moderated considerably and Recordation Tax revenue has dropped an average of 16.2 percent in the three months ending January 2004 compared to the same period of FY 2003. This reduction indicates that mortgage refinancing has decreased. This trend is anticipated to continue through the remainder of the fiscal year.

**MOBILE LOCAL TELECOMMUNICATIONS TAX**

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$0	\$9,500,000	\$5,500,000	\$5,500,000	\$0	0.00%

The *FY 2004 Third Quarter Review* estimate for Mobile Local Telecommunications Tax represents no change from the FY 2004 Fall Estimate. During the fall revenue review, the estimate for Mobile Local Telecommunications Tax revenues was reduced \$4.0 million to \$5,500,000 as a result of delays in implementing the tax by mobile telephone service providers due to complicated software change and the lack of data on the number of mobile telecommunication service users in Fairfax County. By the end of February, this tax has generated \$3.4 million in revenue and is anticipated to achieve the *FY 2004 Third Quarter Review* estimate by the end of FY 2004.

**PERMITS, FEES AND REGULATORY LICENSES**

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$27,743,163	\$26,851,322	\$26,902,515	\$26,902,515	\$0	0.00%

The *FY 2004 Third Quarter Review* estimate of \$26,902,515 reflects no change from the FY 2004 Fall Estimate. During the fall revenue review, Permits, Fees and Regulatory Licenses were increased \$51,193. Fire Marshal Fees and Acceptance Test Overtime Fees were increased \$84,666 and \$37,255, respectively. Offsetting these increases was a reduction of \$97,229 in anticipated Zoning Fee revenue. In addition, estimates of various revenue categories were adjusted to reflect a net increase of \$26,501, based on year-to-date receipts in these categories.

Fees charged by the Department of Public Works and Environmental Services (DPWES) for planning, building, and site permits are the major component of this category and are projected to be \$21.0 million in FY 2004, a decrease of 5.8 percent from the level achieved in FY 2003 due to slower construction activity in the County. The FY 2004 estimate for DPWES fees has remained unchanged since the FY 2004 Adopted Budget Plan.

**INTEREST ON INVESTMENTS**

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$17,818,481	\$13,433,065	\$15,147,062	\$15,147,062	\$0	0.00%

The *FY 2004 Third Quarter Review* estimate for Interest on Investments of \$15,147,062 represents no change from the FY 2004 Fall Estimate. During the fall revenue review, the FY 2004 estimate for Interest on Investment was increased \$1.7 million as a result of a higher than projected portfolio and General Fund percentage offset by a drop in the anticipated yield from 1.40 percent to 1.18 percent. The decrease in yield was primarily due to a 0.5 percentage point reduction in interest rates by the Federal Reserve in June 2003. Investments currently being purchased are yielding a rate of just 1.1 percent. No change during the *FY 2004 Third Quarter Review* is recommended based on interest earned year-to-date and a projection for the remainder of the fiscal year.

**FINES AND FORFEITURES**

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$11,046,988	\$12,309,433	\$12,778,263	\$12,778,263	\$0	0.00%

The *FY 2004 Third Quarter Review* estimate for Fines and Forfeitures of \$12,778,263 represents no change from the FY 2004 Fall Estimate. During the FY 2004 fall revenue review, estimated revenue for Fines and Forfeitures was increased \$468,830. The revenue estimate for Alarm Ordinance Violations was increased \$0.8 million based on year-to-date collections; while, estimated revenue from Photo Red Light Violations was reduced \$0.5 million primarily due to signal timing changes instituted by the Virginia Department of Transportation and delayed camera rotation to other intersections. Various other fine categories were increased a net \$0.2 million during the fall revenue review based on year-to-date collections.

**CHARGES FOR SERVICES**

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$40,549,148	\$38,221,548	\$41,941,708	\$41,941,708	\$0	0.00%

The *FY 2004 Third Quarter Review* estimate for Charges for Services of \$41,941,708 represents no change from the FY 2004 Fall Estimate. During the fall revenue review, the estimate for Charges for Services was increased \$3.7 million, primarily due to increases in Clerk Fees and School Aged Child Care (SACC) fee revenue offset with decreases in Recreation Fees, Health Department Fees and Library Overdue Penalties. SACC revenue was increased \$1.0 million based on year-to-date collections and Clerk Fee revenue was increased \$3.6 million reflecting a strong level of activity in the local real estate market. A decrease in anticipated Health Department Fees of \$0.3 million was due to reduced General Medical Clinic Fees as a result of a State decision to stop charging for 3 immunizations and a reduction in vaccinations due to a decrease in international travel. Library Overdue Penalties was reduced \$0.2 million due to a decline in book circulation; while anticipated Recreation Fees were decreased \$0.4 million reflecting year-end FY 2003 receipts and year-to-date collections.

**RECOVERED COST / OTHER REVENUE**

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$5,424,424	\$5,395,848	\$5,931,450	\$6,052,139	\$120,689	2.03%

The *FY 2004 Third Quarter Review* estimate for Recovered Cost / Other Revenue represents an increase of \$120,689 million, or 2.0 percent, over the FY 2004 Fall Estimate. This increase is due to a new \$1 per day fee charged beginning January 12, 2004 to inmates to defray the costs associated with the housing and care of prisoners. The fee is in accordance with a recent change to the Code of Virginia. An increase for full year implementation of this fee will be included during the FY 2005 Add-on Review.

During the fall revenue review, the FY 2004 estimate for Recovered Cost / Other Revenue was increased \$0.5 million due primarily to an increase in City of Fairfax Shared Government Expenses.

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

<b>FY 2003 Actual</b>	<b>FY 2004 Revised as of Carryover</b>	<b>FY 2004 Fall Estimate</b>	<b>FY 2004 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$126,674,608	\$117,124,711	\$117,723,049	\$130,523,639	\$12,800,590	10.87%

<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 2004 Third Quarter Review* estimate for Revenue from the Commonwealth and Federal Government represents a net increase of \$12,800,590, or 10.9 percent, over the FY 2004 Fall Estimate.

During the fall revenue review, the estimate for Revenue from the Commonwealth and Federal Government was increased \$0.6 million including \$0.1 million in State aid for local libraries and \$0.5 million in additional State reimbursement for expenses associated with the Adult Detention Center.

The *FY 2004 Third Quarter Review* estimate for Revenue from the Commonwealth and Federal Government is increased an additional \$12.8 million over the FY 2004 Fall Estimate. Additional revenue of \$0.4 million is anticipated for the County's share of Virginia ABC profits, \$0.9 million in State Shared Sheriff Expenses and \$0.4 million in State reimbursement for expense associated with the Adult Detention Center based on year-to-date collections.

The *FY 2004 Third Quarter Review* estimate for Public Assistance Programs represents an increase of \$10.2 million much of which is one-time revenue or revenue associated with expenditure increases. Additional funding of \$5.8 million is the result of policy changes which expanded eligibility for the Child Care Assistance and Referral (CCAR) Program and will result in the receipt of both current year and one year retroactive funding for some participants in FY 2004. Nearly all of this funding must be directed toward child care related requirements. An additional \$1.0 million in FY 2004 is due to increased state funding for foster care and adoption subsidies entirely offset with required expenditure increases. Lastly, an increase of \$3.4 million in one-time revenue is associated with revenue maximization through the Local Cost Allocation Plan (LCAP) resulting from higher levels of reimbursement for services provided over the last two years. Beginning in FY 2005, the Virginia Department of Social Services will only allow expenses to be claimed for one year in arrears.

Revenue of \$0.2 million is expected from the Commonwealth for reimbursement of costs associated with the February 2004 Presidential Primary Election. Other sources of one-time revenue include \$0.8 million for expenditures associated with Hurricane Isabel from the Federal Emergency Management Agency (FEMA) and Federal revenue of \$0.7 million associated with the Help America Vote Act which will reimburse the County for one voting machine per polling place to provide access for the visually impaired. These increases are partially offset by an anticipated decrease of \$0.9 million in federal funding for incarcerating illegal aliens due primarily to a decrease in federal appropriation for this funding stream.