

# General Fund Revenue Overview

## Summary of General Fund Revenue and Transfers In

| Category  | FY 2019 Actual         | FY 2020 Adopted Budget Plan | FY 2020 Revised Budget Plan <sup>1</sup> | FY 2021 Advertised Budget Plan | Change from Revised  |             |
|---|------------------------|-----------------------------|--|--------------------------------|----------------------|-------------|
|   |                        |                             |  |                                | Increase/ (Decrease) | % Change    |
| Real Estate Taxes - Current and Delinquent                        | \$2,796,959,177        | \$2,890,593,420             | \$2,894,699,521                          | \$3,054,277,725                | \$159,578,204        | 5.5%        |
| Personal Property Taxes - Current and Delinquent <sup>2</sup>     | 633,140,857            | 640,494,857                 | 648,813,426                              | 653,781,779                    | 4,968,353            | 0.8%        |
| Other Local Taxes   | 528,245,784            | 537,425,572                 | 544,268,928                              | 547,921,558                    | 3,652,630            | 0.7%        |
| Permits, Fees and Regulatory Licenses                             | 55,874,600             | 53,559,013                  | 54,872,084                               | 54,973,621                     | 101,537              | 0.2%        |
| Fines and Forfeitures   | 12,258,740             | 12,583,545                  | 11,795,664                               | 11,795,664                     | 0                    | 0.0%        |
| Revenue from Use of Money/Property                                | 71,181,118             | 82,283,249                  | 60,896,621                               | 48,452,270                     | (12,444,351)         | (20.4%)     |
| Charges for Services  | 85,476,153             | 83,305,683                  | 86,396,338                               | 87,154,390                     | 758,052              | 0.9%        |
| Revenue from the Commonwealth and Federal Government <sup>2</sup> | 140,078,106            | 140,019,660                 | 142,321,103                              | 142,118,771                    | (202,332)            | (0.1%)      |
| Recovered Costs / Other Revenue                                   | 18,610,536             | 16,934,540                  | 15,695,731                               | 16,234,444                     | 538,713              | 3.4%        |
| <b>Total Revenue</b>  | <b>\$4,341,825,071</b> | <b>\$4,457,199,539</b>      | <b>\$4,459,759,416</b>                   | <b>\$4,616,710,222</b>         | <b>156,950,806</b>   | <b>3.5%</b> |
| Transfers In  | 10,173,319             | 9,081,414                   | 9,081,414                                | 8,707,781                      | (373,633)            | (4.1%)      |
| <b>Total Receipts</b>   | <b>\$4,351,998,390</b> | <b>\$4,466,280,953</b>      | <b>\$4,468,840,830</b>                   | <b>\$4,625,418,003</b>         | <b>156,577,173</b>   | <b>3.5%</b> |

<sup>1</sup> FY 2020 revenue estimates were increased a net \$2.6 million as part of the *FY 2019 Carryover Review* and the fall 2019 review of revenues. Explanations of these changes can be found in the following narrative. The *FY 2020 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.

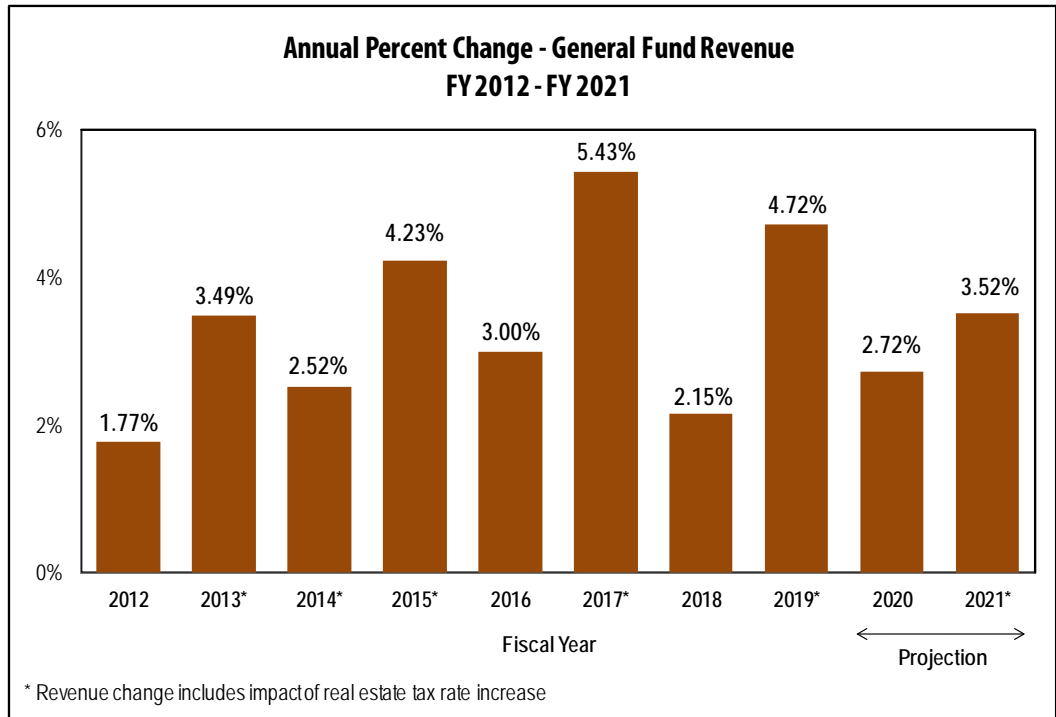
As reflected in the preceding table, FY 2021 General Fund revenues are projected to be \$4,616,710,222, an increase of \$159,510,683 or 3.6 percent over the FY 2020 Adopted Budget Plan. FY 2020 revenue estimates were increased a net \$2.6 million in a number of revenue categories as part of the *FY 2019 Carryover Review* and the fall 2019 review of revenues. As a result, the FY 2021 General Fund revenue reflects an increase of \$156,950,806 or 3.5 percent over the *FY 2020 Revised Budget Plan*, which contains the latest FY 2020 revenue estimates. The revenue increase in FY 2021 is primarily the result of a 3.8 percent rise in the Real Estate assessment base and a \$0.03 increase in the proposed Real Estate tax rate from \$1.15 to \$1.18 per \$100 of assessed value. It should be noted that Real Estate tax revenue reflects the allocation of the projected value of one and one-half pennies of the Real Estate tax rate (\$39.74 million) to Fund 30300, Affordable Housing Development and Investment. In addition, Personal Property Taxes are projected to increase \$5.0 million due to an increase in vehicle and business levy; and Other Local Taxes are expected to increase \$3.7 million on projected growth in Local Sales Tax, Transient Occupancy Tax, and Business, Professional, and Occupational License Tax. Partially offsetting these increases is a projected \$12.4 million decrease in Revenue from Use of Money and Property because of declining interest rates.

Incorporating Transfers In, FY 2021 General Fund receipts are anticipated to be \$4,625,418,003. The Transfers In to the General Fund total \$8.7 million and reflect \$2.4 million from Fund 40030, Cable Communications, \$2.9 million from Fund 69010, Sewer Operation and Maintenance, \$1.1 million from Fund 40100, Stormwater Services, and \$2.3 million from various other funds for indirect support provided by the County's General Fund agencies.

The following chart shows General Fund revenue growth since FY 2012. Revenues rose at an average annual growth rate of 3.3 percent in the period from FY 2012 to FY 2016. General Fund

# General Fund Revenue Overview

revenue in FY 2017 increased 5.43 percent primarily as a result of a 2.98 percent rise in real estate assessments and a 4-cent increase in the Real Estate tax rate. FY 2018 revenue increased 2.15 percent as a result of a 1.89 percent rise in real estate assessments, as well as modest growth in other revenue categories. In FY 2019, General Fund revenue increased 4.72 percent primarily as a result of a 3.59 percent rise in real estate assessments and a 2-cent increase in the Real Estate tax rate. Revenue growth of 2.72 percent is projected in FY 2020. In FY 2021, General Fund revenue is expected to increase 3.52 percent.



## Economic Indicators

The current economic expansion, which began more than a decade ago, is the longest in U.S. history. The U.S. economy expanded at a rate of 2.1 percent in the fourth quarter of 2019. In the third quarter, real Gross Domestic Product (GDP) also grew 2.1 percent. For all of 2019, real GDP increased 2.3 percent, which underperformed the 2.9 percent growth experienced in 2018. The FY 2021 General Fund revenue forecast assumes that the U.S. economy will continue to expand in 2020 and 2021, albeit at lower rates.

During 2019, the economy continued to add jobs at a healthy pace. By the end of the year, the unemployment rate at 3.5 percent stood at a level not seen since December 1969. Sustained job growth drove wages up throughout 2019 and early 2020, with January average hourly earnings 3.1 percent higher year-over-year, marking the 18th consecutive month of 3 percent or more of wage gains. Wages are rising even faster at the lower end of the income spectrum. This bodes well for consumer spending, which has been the bright spot of the economic expansion. In fact, higher consumer spending accounted for roughly 80 percent of real GDP growth in 2019.

Following four increases in the federal funds rate in 2018, the Federal Reserve decreased the target range three times during 2019 as part of what Fed Chairman Jerome Powell has described as a “midcycle adjustment” in a maturing economic expansion. Powell has characterized the U.S. economy as strong, led by solid consumer spending but vulnerable to exogenous factors and uncertainties such as global economic weakness and tensions related to the U.S.-China trade war.

The Federal Open Market Committee signaled that the moves to ease policy could be nearing a pause, with Powell saying that Federal Reserve officials “see the current stance of monetary policy as likely to remain appropriate.”

The FY 2021 General Fund revenue forecast assumes that the local economy will continue to expand in 2020 and 2021. Employment gains in the Washington region were solid and even accelerated towards the end of 2019. The majority of the new jobs were created in Northern Virginia. The increase in federal government contract spending as a result of the Bipartisan Budget Agreement of 2018 and the federal budget appropriations agreements from December 2019 for the current fiscal year have reduced the uncertainty around federal policy that the region had experienced in recent years. In Fairfax County, employment in the first half of 2019 was approximately 1.5 percent higher than in the first half of 2018. The County’s annual unemployment rate fell to 2.3 percent, the lowest in 12 years. According to estimates from IHS Markit, the County’s Gross County Product (GCP), adjusted for inflation, increased at a rate of 3.1 percent in 2018 and another 2.2 percent in 2019.

Factors that could impact the region’s economic outlook are the uncertainties related to the November 2020 U.S. election, as well as the direction of the expected “Phase Two” trade negotiations with China.

### **Local Housing Market**

Based on information from Bright MLS, the average sales price of homes sold in Fairfax County rose 3.9 percent from \$578,723 in 2018 to \$601,506 in 2019. Home prices continue to increase primarily as a result of the tight inventory of homes for sale and low mortgage rates. Since 2009, the average home sales price has risen 44.2 percent, or an average annual growth rate of 3.7 percent.

Bright MLS also reported that 16,144 homes sold in the County in 2019, up 2.9 percent compared to 2018. Homes that sold during 2019 were on the market for an average of 24 days, down from 52 days in 2018.

### **Local Nonresidential Market**

According to the Fairfax County Economic Development Authority, the direct office vacancy rate at year-end 2019 was 13.9 percent, down from 14.9 percent at year-end 2018. The overall office vacancy rate, which includes empty sublet space, was 14.4 percent at year-end 2019, down from 15.5 percent recorded at year-end 2018. The amount of empty office space fell to 17.1 million square feet. Industry experts expect vacancy rates to remain relatively stable through 2020 as tenants monitor economic conditions and the direction of the federal budget.

At year-end 2019, office development continued around Metro stations in the Silver Line corridor and in other areas of the County as well. Eight office buildings, totaling more than 2.7 million square feet, were under construction in three submarkets as of December 2019. The amount of new space delivered in 2019 was slightly more than 600,000 square feet, with an expectation of 1.2 million square feet of deliveries in 2020.

Office leasing activity totaled over 9 million square feet at the end of 2019. As has been the case for the past several years, most of the leasing activity during 2019 involved government renewals and metro-adjacent relocations. Lease rates for new space are adjusting to market conditions as many tenants are taking advantage of favorable rates, and others are looking to capitalize on market conditions by consolidating operations in newer space near Metro stations. Submarkets along and near the Silver Line – Tysons, Reston and the Herndon area – are especially well-positioned to take advantage of this trend. More than 56 million square feet of new office space is in the development pipeline countywide.

# General Fund Revenue Overview

## Revenue

In FY 2021, current and delinquent Real Estate Tax revenue comprises 66.2 percent of total County General Fund revenues. FY 2021 Real Estate property values were established as of January 1, 2020 and reflect market activity through calendar year 2019. The Real Estate Tax base is projected to increase 3.76 percent in FY 2021 and is made up of a 2.71 percent increase in total equalization (reassessment of existing residential and nonresidential properties), and an increase of 1.05 percent for new construction.

The FY 2020 and FY 2021 General Fund revenue estimates discussed in this section are based on a review of Fairfax County economic indicators, actual FY 2019 receipts, and FY 2020 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 2021.

## Major Revenue Sources

The following major revenue categories discussed in this section comprise 99.1 percent of total FY 2021 General Fund revenue. Unless otherwise indicated, comparative data are presented relative to the *FY 2020 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 2019 Actual         | FY 2020 Adopted Budget Plan | FY 2020 Revised Budget Plan <sup>1</sup> | FY 2021 Advertised Budget Plan | Change from Revised   |             |
|---|------------------------|-----------------------------|--|--------------------------------|-----------------------|-------------|
|   |                        |                             |  |                                | Increase / (Decrease) | % Change    |
| Real Estate Tax - Current   | \$2,786,854,901        | \$2,881,632,405             | \$2,884,588,506                          | \$3,044,015,045                | \$159,426,539         | 5.5%        |
| Personal Property Tax - Current <sup>2</sup>                      | 616,124,197            | 625,254,378                 | 631,672,947                              | 636,384,193                    | 4,711,246             | 0.7%        |
| Paid Locally  | 404,810,253            | 413,940,434                 | 420,359,003                              | 425,070,249                    | 4,711,246             | 1.1%        |
| Reimbursed by   | 211,313,944            | 211,313,944                 | 211,313,944                              | 211,313,944                    | 0                     | 0.0%        |
| Local Sales Tax   | 187,037,828            | 193,194,909                 | 197,708,570                              | 202,651,284                    | 4,942,714             | 2.5%        |
| Recordation/Deed of Conveyance                                    | 30,729,364             | 28,488,338                  | 34,471,875                               | 31,212,155                     | (3,259,720)           | (9.5%)      |
| Bank Franchise Tax  | 23,699,652             | 23,654,317                  | 23,654,317                               | 23,890,860                     | 236,543               | 1.0%        |
| Gas & Electric Utility Taxes                                      | 45,838,073             | 45,533,698                  | 45,639,081                               | 45,867,276                     | 228,195               | 0.5%        |
| Communications Sales Tax  | 6,911,547              | 5,399,506                   | 3,492,634                                | 1,415,924                      | (2,076,710)           | (59.5%)     |
| Vehicle License Fee   | 27,426,110             | 27,464,107                  | 27,464,107                               | 27,601,428                     | 137,321               | 0.5%        |
| Transient Occupancy Tax   | 22,918,266             | 23,249,668                  | 23,491,223                               | 24,078,504                     | 587,281               | 2.5%        |
| Cigarette Tax   | 5,787,235              | 5,916,915                   | 5,477,039                                | 5,422,269                      | (54,770)              | (1.0%)      |
| Permits, Fees and Regulatory Licenses                             | 55,874,600             | 53,559,013                  | 54,872,084                               | 54,973,621                     | 101,537               | 0.2%        |
| Investment Interest   | 69,032,333             | 80,017,523                  | 58,630,895                               | 46,118,088                     | (12,512,807)          | (21.3%)     |
| Charges for Services  | 85,476,153             | 83,305,683                  | 86,396,338                               | 87,154,390                     | 758,052               | 0.9%        |
| Fines and Forfeitures   | 12,258,740             | 12,583,545                  | 11,795,664                               | 11,795,664                     | 0                     | 0.0%        |
| Recovered Costs/ Other Revenue                                    | 18,610,536             | 16,934,540                  | 15,695,731                               | 16,234,444                     | 538,713               | 3.4%        |
| Revenue from the Commonwealth and Federal Government <sup>2</sup> | 140,078,106            | 140,019,660                 | 142,321,103                              | 142,118,771                    | (202,332)             | (0.1%)      |
| <b>Total Major Revenue Sources</b>                                | <b>\$4,301,813,485</b> | <b>\$4,419,591,001</b>      | <b>\$4,419,497,419</b>                   | <b>\$4,575,641,101</b>         | <b>\$156,143,682</b>  | <b>3.5%</b> |

<sup>1</sup> FY 2020 revenue estimates were increased a net \$2.6 million as part of the *FY 2019 Carryover Review* and the fall 2019 review of revenues. Explanations of these changes can be found in the following narrative. The *FY 2020 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 2019 Actual  | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|-----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$2,786,854,901 | \$2,881,632,405 | \$2,884,588,506 | \$3,044,015,045    | \$159,426,539        | 5.5%           |

The FY 2021 Advertised Budget Plan estimate for Current Real Estate Taxes is \$3,044,015,045 and represents an increase of \$159,426,539 or 5.5 percent over the *FY 2020 Revised Budget Plan* estimate. The increase is the result of a 3.76 percent increase in the FY 2021 valuation of real property, as compared to the FY 2020 Real Estate Land Book and a \$0.03 increase in the proposed Real Estate tax rate from \$1.15 to \$1.18 per \$100 of assessed value. In addition, FY 2021 Real Estate Tax revenue reflects the allocation of the projected value of one and one-half pennies of the Real Estate Tax rate (\$39.74 million) to Fund 30300, Affordable Housing Development and Investment.

The FY 2021 Advertised Budget Plan includes a proposed Real Estate Tax rate increase of \$0.03 to \$1.18 per \$100 of assessed value in FY 2021 from the \$1.15 per \$100 of assessed value in FY 2020. The overall revenue increase associated with the proposed \$0.03 increase in the Real Estate tax rate is \$79,482,306, of which \$26,494,000 is allocated to Fund 30300, Affordable Housing Development and Investment. It should be noted that the Real Estate Tax rate impacts two classes of personal property: mobile homes and non-vehicle Public Service Corporation property. The total General Fund impact of the \$0.03 increase is \$52,988,306. The FY 2021 value of assessed real property represents an increase of 3.76 percent, as compared to the FY 2020 Real Estate Land Book, and is comprised of an increase in equalization of 2.71 percent and an increase of 1.05 percent associated with new construction. The FY 2021 figures reflected in this document are based on final assessments for Tax Year 2020 (FY 2021), which were established as of January 1, 2020.

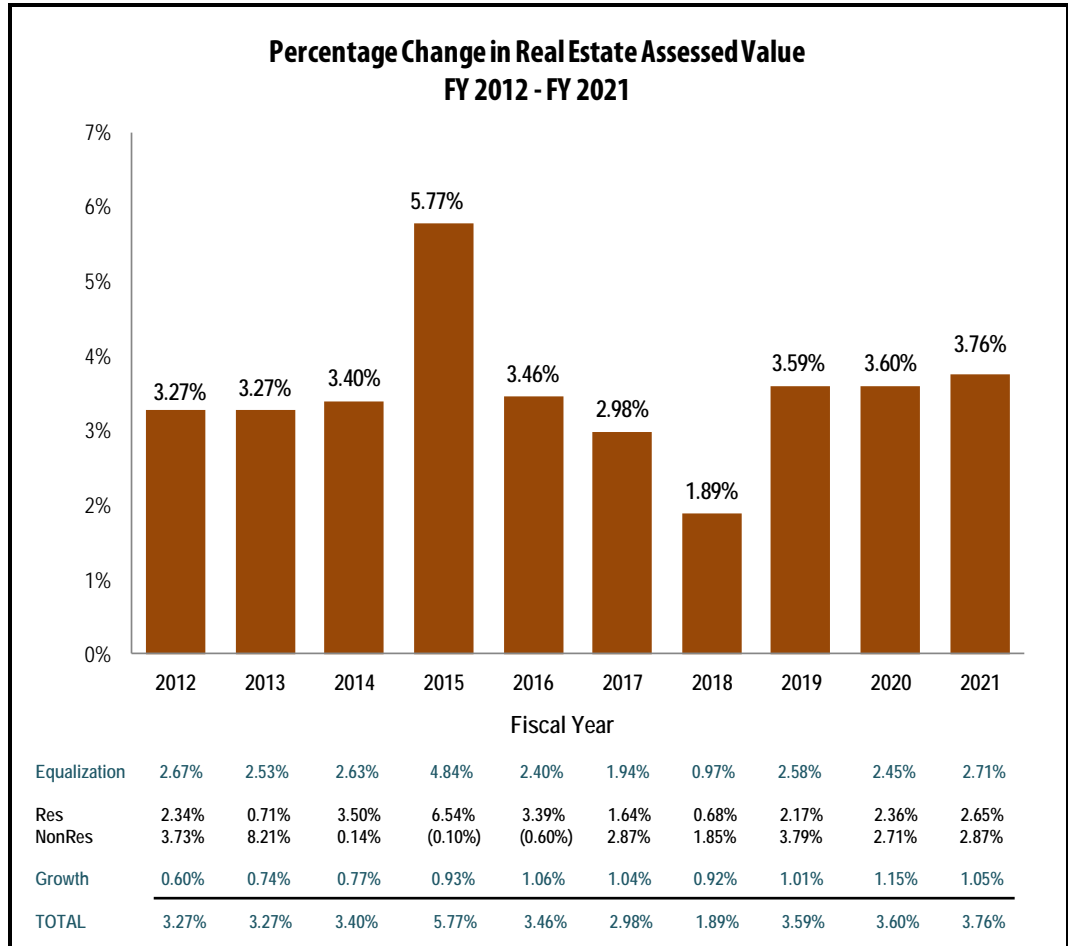
In addition to the revenue shown in the table above, the projected value of one and one-half pennies on the Real Estate Tax rate (\$39.74 million) is allocated to Fund 30300, Affordable Housing Development and Investment, and \$5.7 million is allocated to Fund 70040, Mosaic District Community Development Authority. Throughout FY 2021, 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 99.70 percent.

The FY 2021 Main Assessment Book Value is \$264,793,644,730 and represents an increase of \$9,601,689,780, or 3.76 percent, over the FY 2020 main assessment book value of \$255,191,954,950.

From FY 2005 through FY 2007, the assessment base experienced double-digit advances. Deceleration began in FY 2008, when the assessment base rose just 4.15 percent, and continued in FY 2009 with a modest increase of 0.51 percent. Following the financial crisis and a general decline in economic conditions, the FY 2010 assessment base declined 9.95 percent, which was the largest drop on record. The assessment base decreased for a second consecutive year in FY 2011, declining 9.20 percent. Since FY 2012, the assessment base has experienced an average annual growth of 3.52 percent through FY 2021.

# General Fund Revenue Overview

The following chart shows changes in the County's assessed value base from FY 2012 to FY 2021.

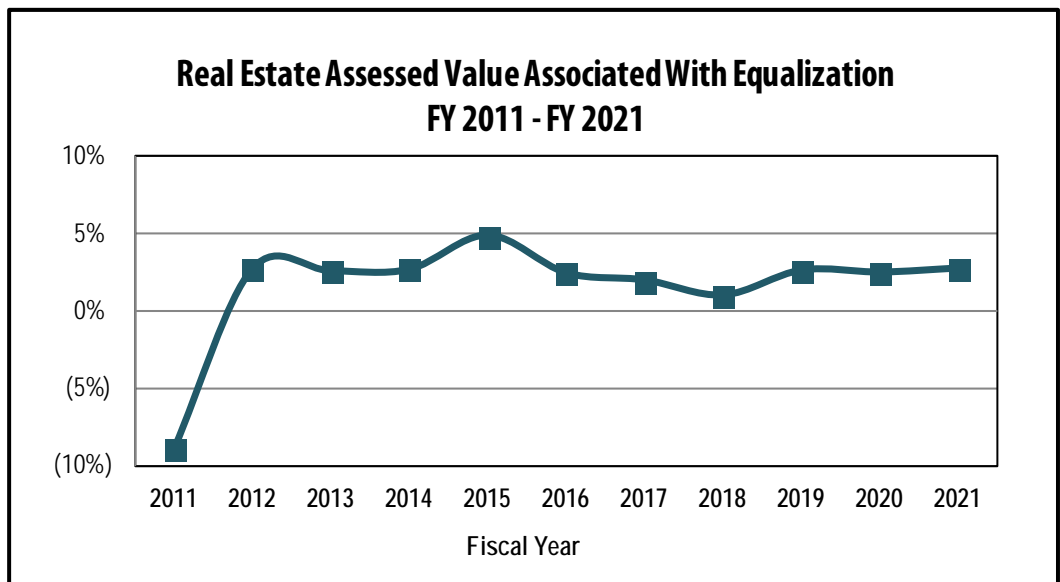


The overall change in the assessment base is comprised of equalization and normal growth. For reporting purposes, individual properties are identified as being in either the equalization category or the growth category, but not both. Equalization properties are those whose values change due to market 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 2021 assessment base reflects a total equalization increase of 2.71 percent and an increase of 1.05 percent associated with the growth component. As a result of changes in equalization and growth, the residential portion of the total assessment base decreased from 73.30 percent in FY 2020 to 72.88 percent in FY 2021. The following table reflects changes in the Real Estate Tax assessment base from FY 2015 through FY 2021.

## Main Real Estate Assessment Book Value and Changes (in millions)

| Assessed Base Change Due To: | FY 2015            | FY 2016            | FY 2017            | FY 2018            | FY 2019            | FY 2020            | FY 2021            |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Equalization</b>          | <b>\$10,026.1</b>  | <b>\$5,269.7</b>   | <b>\$4,401.5</b>   | <b>\$2,269.9</b>   | <b>\$6,140.1</b>   | <b>\$6,032.5</b>   | <b>\$6,908.6</b>   |
| % Change                     | 4.84%              | 2.40%              | 1.94%              | 0.97%              | 2.58%              | 2.45%              | 2.71%              |
| <b>Residential</b>           | 6.54%              | 3.39%              | 1.64%              | 0.68%              | 2.17%              | 2.36%              | 2.65%              |
| <b>Nonresidential</b>        | (0.10%)            | (0.60%)            | 2.87%              | 1.85%              | 3.79%              | 2.71%              | 2.87%              |
| <b>Normal Growth</b>         | <b>\$1,922.0</b>   | <b>\$2,318.0</b>   | <b>\$2,362.6</b>   | <b>\$2,148.1</b>   | <b>\$2,403.1</b>   | <b>\$2,825.1</b>   | <b>\$2,693.0</b>   |
| % Change                     | 0.93%              | 1.06%              | 1.04%              | 0.92%              | 1.01%              | 1.15%              | 1.05%              |
| <b>Residential</b>           | 0.51%              | 0.51%              | 0.56%              | 0.36%              | 0.57%              | 0.68%              | 0.67%              |
| <b>Nonresidential</b>        | 2.13%              | 2.74%              | 2.54%              | 2.61%              | 2.29%              | 2.47%              | 2.10%              |
| <b>Total Change</b>          | <b>\$11,948.1</b>  | <b>\$7,587.7</b>   | <b>\$6,764.2</b>   | <b>\$4,418.0</b>   | <b>\$8,543.2</b>   | <b>\$8,857.6</b>   | <b>\$9,601.7</b>   |
| % Change                     | 5.77%              | 3.46%              | 2.98%              | 1.89%              | 3.59%              | 3.60%              | 3.76%              |
| <b>Total Book</b>            | <b>\$219,021.3</b> | <b>\$226,609.0</b> | <b>\$233,373.1</b> | <b>\$237,791.1</b> | <b>\$246,334.3</b> | <b>\$255,192.0</b> | <b>\$264,793.6</b> |

Equalization, or reassessment of existing residential and nonresidential property, represents an increase in value of \$6,908,637,840, or 2.71 percent, in FY 2021. Both residential and non-residential property values rose in FY 2021. Growth in non-residential equalization has been higher than that of residential equalization in the last five years. Overall, residential equalization reflects a 2.65 percent increase in FY 2021, compared to a 2.36 percent increase in FY 2020. Nonresidential equalization rose 2.87 percent in FY 2021, compared to a 2.71 percent increase in FY 2020. Changes in the assessment base as a result of equalization are shown in the following graph.



Residential equalization rose at double digit rates from FY 2002 through FY 2007 due to high demand but a limited supply of housing. Strong job growth, the easy availability of credit and profit-led speculation contributed to price appreciation in the local housing market. This rapid appreciation in home values was followed by several years of declines from FY 2008 through FY 2011 during the

# General Fund Revenue Overview

Great Recession and the housing market crisis, as the inventory of homes for sale grew and home prices dropped in the County, as they did throughout the Northern Virginia area. Since FY 2012, the value of residential properties in the County has increased every year. The total value of residential properties including new construction in FY 2021 is \$193.6 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.

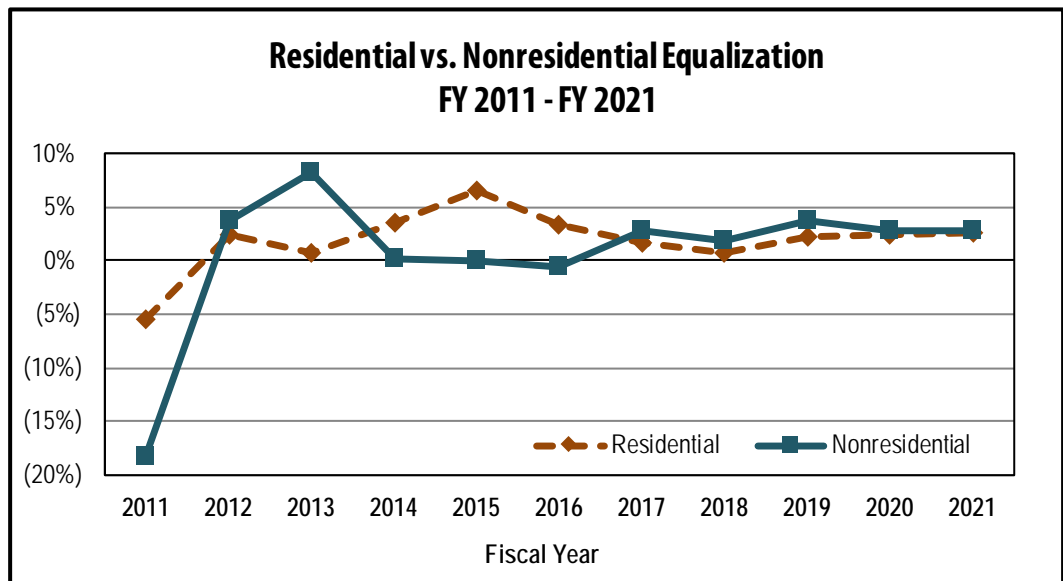
Overall, single family property values increased 2.36 percent in FY 2021. The value of single family homes has the most impact on the total residential base because they represent 71.3 percent of the total. The value of townhouse properties increased 3.43 percent in FY 2021, while that of condominium properties increased 4.36 percent. Changes in residential equalization by housing type since FY 2016 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 2016      | FY 2017      | FY 2018      | FY 2019      | FY 2020      | FY 2021      |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Single Family (71.3%)                        | 3.27%        | 1.69%        | 0.62%        | 2.11%        | 2.17%        | 2.36%        |
| Townhouse/Duplex (20.1%)                     | 3.81%        | 2.05%        | 1.37%        | 2.86%        | 3.12%        | 3.43%        |
| Condominiums (8.1%)                          | 4.48%        | 0.73%        | (0.32%)      | 1.68%        | 2.98%        | 4.36%        |
| Vacant Land (0.4%)                           | 3.03%        | 0.92%        | 0.03%        | 2.01%        | 3.11%        | 1.89%        |
| Other (0.1%) <sup>1</sup>                    | 2.56%        | 6.42%        | 9.52%        | 9.70%        | 1.67%        | 0.35%        |
| <b>Total Residential Equalization (100%)</b> | <b>3.39%</b> | <b>1.64%</b> | <b>0.68%</b> | <b>2.17%</b> | <b>2.36%</b> | <b>2.65%</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 residential property in the County is \$580,272. This is an increase of \$14,980 over the FY 2020 value of \$565,292. At the proposed Real Estate tax rate of \$1.18 per \$100 of assessed value, the typical residential annual tax bill will rise, on average, \$346.35 in FY 2021 to \$6,847.21.





## General Fund Revenue Overview

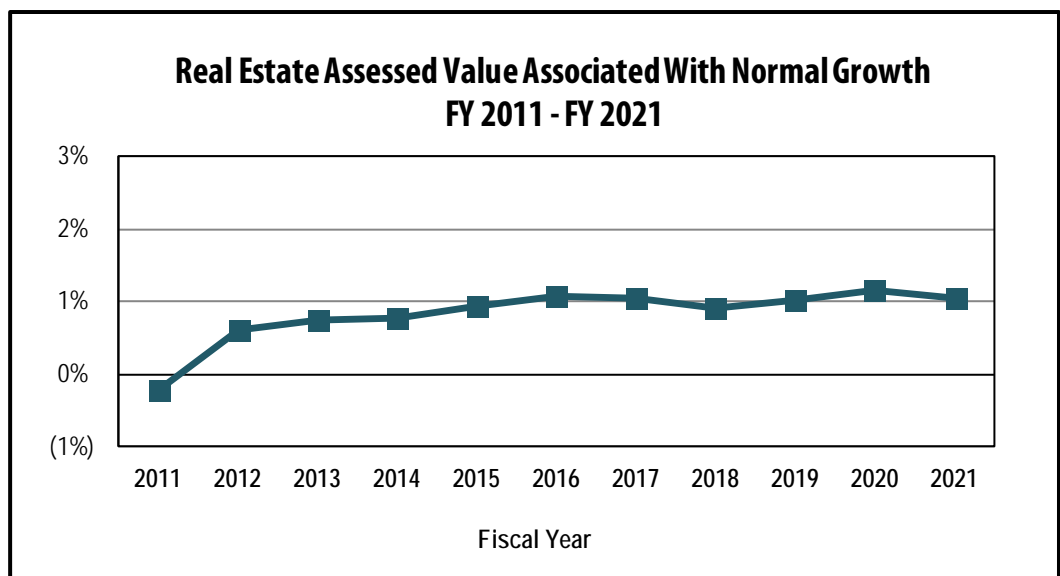
After experiencing a record decline of 18.29 percent in FY 2011, nonresidential equalization rebounded 3.73 percent in FY 2012, and a strong 8.21 percent in FY 2013. In FY 2014, nonresidential values stayed essentially level with FY 2013, increasing only 0.14 percent. In FY 2015 and FY 2016, nonresidential values decreased a slight 0.10 percent and another 0.60 percent, respectively. In the last five years since FY 2017, growth in non-residential equalization has been higher than that of residential equalization. The total value of nonresidential properties including new construction in FY 2021 is \$71.2 billion.

Office Elevator properties (mid- and high-rises), the largest component of the nonresidential tax base at 31.2 percent, experienced an increase of 4.01 percent in FY 2021 after increasing 3.32 percent in FY 2020. Apartment values, which represent 25.5 percent of the total nonresidential base, rose 4.37 percent in FY 2021. Retail properties increased 2.59 percent in FY 2021 after a 1.66 percent rise in FY 2020. Nonresidential equalization changes by category since FY 2016 are presented in the following table.

### Nonresidential Equalization Changes

| Category (Percent of Base)                | FY 2016        | FY 2017      | FY 2018      | FY 2019      | FY 2020      | FY 2021      |
|---|----------------|--------------|--------------|--------------|--------------|--------------|
| Apartments (25.5%)                        | 1.20%          | 2.92%        | 3.37%        | 2.40%        | 2.13%        | 4.37%        |
| Office Condominiums (3.6%)                | 0.58%          | 1.86%        | 0.49%        | 1.19%        | 1.77%        | 0.43%        |
| Industrial (6.8%)                         | 5.83%          | 7.43%        | (0.26%)      | 9.61%        | 5.90%        | 2.01%        |
| Retail (17.3%)                            | 2.46%          | 1.60%        | 7.39%        | 7.00%        | 1.66%        | 2.59%        |
| Office Elevator (31.2%)                   | (4.67%)        | 3.42%        | (1.39%)      | 2.82%        | 3.32%        | 4.01%        |
| Office - Low Rise (2.7%)                  | (5.00%)        | 1.73%        | 1.39%        | 1.11%        | 2.75%        | 1.77%        |
| Vacant Land (3.2%)                        | (4.62%)        | 1.50%        | (1.17%)      | (0.35%)      | 4.28%        | (0.13%)      |
| Hotels (3.5%)                             | 0.26%          | 3.61%        | (0.12%)      | 8.13%        | 6.62%        | 2.23%        |
| Other (6.2%)                              | 5.26%          | 3.70%        | 6.73%        | 6.13%        | 2.80%        | 1.52%        |
| <b>Nonresidential Equalization (100%)</b> | <b>(0.60%)</b> | <b>2.87%</b> | <b>1.85%</b> | <b>3.79%</b> | <b>2.71%</b> | <b>2.87%</b> |

The Growth component increased the FY 2021 assessment base by \$2,693,051,940, or 1.05 percent, over the FY 2020 assessment book value. New construction increased the residential property base by 0.67 percent and nonresidential properties by 2.10 percent.



## General Fund Revenue Overview

In addition to the final equalization and normal growth adjustments in the Main Assessment Book, the following projected adjustments were made to the FY 2021 Real Estate Tax revenue estimate:

Exonerations, Certificates and Tax Abatements are anticipated to reduce the Real Estate assessment base by \$1,022.7 million in FY 2021, resulting in a reduction in levy of \$12.1 million.

Additional Assessments expected to be included in the new Real Estate base total \$585.0 million, or a levy increase of \$6.9 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 2021 by \$2,877.0 million. The reduction in tax levy due to the Tax Relief program is approximately \$33.9 million at the proposed Real Estate tax rate of \$1.18 per \$100 of assessed value. In FY 2021, the income limits of the Tax Relief program provide 100 percent exemption for elderly and disabled taxpayers with incomes up to \$52,000; 50 percent exemption for eligible applicants with income between \$52,001 and \$62,000; and 25 percent exemption if income is between \$62,001 and \$72,000. The allowable asset limit in FY 2021 is \$340,000 for all ranges of tax relief. 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 2021 income and asset thresholds for the Real Estate Tax Relief Program.

**FY 2021 Real Estate Tax Relief Program**

|  | Income Limit              | Asset Limit | Percent Relief                               |
|--|---------------------------|-------------|--|
| Elderly and Disabled   | Up to \$52,000            |             | 100%   |
|  | Over \$52,000 to \$62,000 | \$340,000   | 50%  |
|  | Over \$62,000 to \$72,000 |             | 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 |

The FY 2021 local assessment base of \$261,478,924,730 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of \$3,085,451,311 is calculated using the proposed Real Estate Tax rate of \$1.18 per \$100 of assessed value. Based on an expected local collection rate of 99.70 percent, revenue from local assessments is estimated to be \$3,076,194,957. In FY 2021, every 0.01 percentage point change in the collection rate on the locally assessed Real Estate Tax levy yields a revenue change of \$0.3 million, while every penny on the tax rate yields \$26.5 million in revenue.

Added to the local assessment base is an estimated \$1,120,820,980 in assessed value for Public Service Corporations (PSC) property. Using the proposed Real Estate tax rate of \$1.18 per \$100 of

## General Fund Revenue Overview

assessed value, the tax levy on PSC property is \$13,225,688. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is \$262,599,745,710, with a total tax levy of \$3,098,676,999 at the proposed Real Estate Tax rate of \$1.18 per \$100 of assessed value. Estimated FY 2021 revenue from the Real Estate Tax, including receipts from Public Service Corporations totals \$3,089,420,645. Of this amount, the approximate value of one and one-half cents on the Real Estate Tax rate, \$39,741,000, has been directed to Fund 30300, Affordable Housing Development and Investment, and \$5,664,600 has been directed to Fund 70040, Mosaic District Community Development Authority.

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 2021 is \$634,327,000, with a tax levy of \$7,485,059 at the proposed Real Estate Tax rate of \$1.18 per \$100 of assessed value. Based on an expected collection rate of 99.70 percent, revenue from the Mosaic TIF tax assessment is estimated to be \$7,462,604. 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 \$5,664,600 in FY 2021. Accordingly, the difference of \$1,798,004 will be retained in the General Fund. For more information, see Fund 70040, Mosaic District Community Development Authority, in Volume 2 of the budget.

# General Fund Revenue Overview

## FY 2021 Estimated Real Estate Assessments and Tax Levy

|                                       | Assessed Value           | FY 2021 Tax Levy<br>at \$1.18/\$100 of<br>Assessed Value |
|---------------------------------------|--------------------------|--|
| FY 2020 Real Estate Book              | \$255,191,954,950        | \$3,011,265,068  |
| FY 2021 Equalization                  | 6,908,637,840            | 81,521,926   |
| FY 2021 Growth                        | 2,693,051,940            | 31,778,013   |
| <b>TOTAL FY 2021 REAL ESTATE BOOK</b> | <b>\$264,793,644,730</b> | <b>\$3,124,565,007</b>                                   |
| Exonerations                          | (\$1,000,000,000)        | (\$11,800,000)   |
| Certificates                          | (11,000,000)             | (129,800)  |
| Tax Abatements                        | (11,720,000)             | (138,296)  |
| <b>Subtotal Exonerations</b>          | <b>(\$1,022,720,000)</b> | <b>(\$12,068,096)</b>                                    |
| Supplemental Assessments              | \$585,000,000            | \$6,903,000  |
| Tax Relief                            | (2,877,000,000)          | (33,948,600)   |
| <b>Local Assessments</b>              | <b>\$261,478,924,730</b> | <b>\$3,085,451,311</b>                                   |
| Public Service Corporation            | \$1,120,820,980          | \$13,225,688   |
| <b>TOTAL<sup>1</sup></b>              | <b>\$262,599,745,710</b> | <b>\$3,098,676,999</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 2021 is \$634,327,000, with a tax levy of \$7,485,059.

Total General Fund revenue from the Real Estate Tax is \$3,044,015,045. The total local collection rates experienced in this category since FY 2006 are shown in the following table:

### Real Estate Tax Local Collection Rates

| Fiscal Year | Collection Rate | Fiscal Year                   | Collection Rate |
|-------------|-----------------|-------------------------------|-----------------|
| 2006        | 99.62%          | 2014                          | 99.74%          |
| 2007        | 99.64%          | 2015                          | 99.77%          |
| 2008        | 99.66%          | 2016                          | 99.75%          |
| 2009        | 99.66%          | 2017                          | 99.79%          |
| 2010        | 99.71%          | 2018                          | 99.74%          |
| 2011        | 99.67%          | 2019                          | 99.75%          |
| 2012        | 99.69%          | 2020 (estimated) <sup>1</sup> | 99.70%          |
| 2013        | 99.71%          | 2021 (estimated) <sup>1</sup> | 99.70%          |

<sup>1</sup> In FY 2021, every 0.1 percentage point change in the collection rate yields a revenue change of \$3.1 million.

The Commercial/Industrial percentage of the County's FY 2021 Real Estate Tax base is 19.72 percent, an increase of 0.06 percentage point over the FY 2020 level of 19.66 percent. Commercial/Industrial property values as a percentage of the Real Estate Tax base increased in

## General Fund Revenue Overview

FY 2021 as a result of new office construction and a slightly slower increase experienced in the residential portion of the Real Estate Tax base. The Commercial/Industrial percentage is based on Virginia land use codes and includes all nonresidential property except multi-family rental apartments, which make up 7.40 percent of the County's Real Estate Tax base in FY 2021. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

### Commercial/Industrial Percentages

| Fiscal Year | Percentage | Fiscal Year | Percentage |
|-------------|------------|-------------|------------|
| 2006        | 17.36%     | 2014        | 19.96%     |
| 2007        | 17.22%     | 2015        | 19.01%     |
| 2008        | 19.23%     | 2016        | 18.67%     |
| 2009        | 21.06%     | 2017        | 18.89%     |
| 2010        | 22.67%     | 2018        | 19.12%     |
| 2011        | 19.70%     | 2019        | 19.43%     |
| 2012        | 19.64%     | 2020        | 19.66%     |
| 2013        | 20.77%     | 2021        | 19.72%     |

### FY 2020 Current Real Estate Tax Revenue

As part of the fall 2019 revenue review, the FY 2020 Real Estate Tax revenue estimate was increased a net \$3.0 million compared to the FY 2020 Adopted Budget Plan estimate. The increase is due to higher supplemental assessments and PSC levy, as well as lower than expected exonerations and tax relief.

## Personal Property Taxes

### PERSONAL PROPERTY TAX-CURRENT

|                     | FY 2019<br>Actual    | FY 2020<br>Adopted   | FY 2020<br>Revised   | FY 2021<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|---------------------|----------------------|----------------------|----------------------|-----------------------|-------------------------|-------------------|
| Paid Locally        | \$404,810,253        | \$413,940,434        | \$420,359,003        | \$425,070,249         | \$4,711,246             | 1.1%              |
| Reimbursed by State | 211,313,944          | 211,313,944          | 211,313,944          | 211,313,944           | 0                       | 0.0%              |
| <b>Total</b>        | <b>\$616,124,197</b> | <b>\$625,254,378</b> | <b>\$631,672,947</b> | <b>\$636,384,193</b>  | <b>\$4,711,246</b>      | <b>0.7%</b>       |

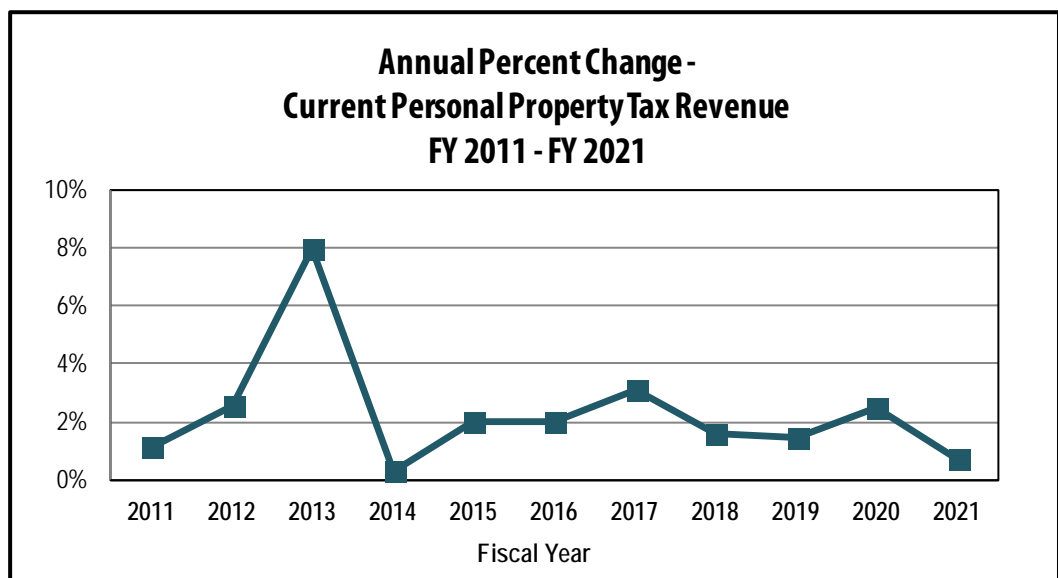
The FY 2021 Advertised Budget Plan estimate for Personal Property Tax revenue of \$636,384,193 represents an increase of \$4,711,246 or 0.7 percent over the FY 2020 Revised Budget Plan estimate. The increase is due to a projected higher vehicle volume and average vehicle levy based on a preliminary analysis of vehicles currently in the County valued with information from the National Automobile Dealers Association, as well as an increase in the Business Personal Property levy. In addition, the proposed \$0.03 increase in the Real Estate Tax rate to \$1.18 per \$100 of assessed value impacts two classes of personal property: mobile homes and non-vehicle Public Service Corporation property resulting in a revenue increase of \$0.9 million.

The Personal Property Tax on vehicles represents 76.6 percent of the total assessment base in FY 2021. 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

## General Fund Revenue Overview

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 a continued increase in vehicle volume in the County and increasing average vehicle levy, the reimbursement percentage has been declining in recent years. Based on an estimate of the number and value of vehicles that will be eligible for tax relief in FY 2021, the reimbursement percentage is anticipated to be set at 58.5 percent, down from 59.0 percent in FY 2020.

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



From FY 2011 through FY 2019, annual growth in Personal Property Tax receipts has averaged 2.6 percent. During this period, as illustrated in the chart above, a sharp increase of 7.9 percent occurred in FY 2013. A reduction in the supply of new vehicles increased prices of both new and used automobiles. The decrease in supply was a result of a decline in U.S. auto production due to the slowdown in the economy and the earthquake and tsunami in Japan, which not only impacted Japanese automakers but also U.S. automakers that rely on parts from Japan. This situation caused the value of many used vehicles to depreciate less than what traditionally has been experienced and resulted in some vehicles actually appreciating over the year. This was not unique to Fairfax County, but was experienced nationwide. Personal Property Tax receipts are expected to increase 2.5 percent in FY 2020, and growth of 0.7 percent is projected in FY 2021. The vehicle component, which comprises 76.6 percent of total Personal Property levy, is expected to increase 0.5 percent based on a preliminary analysis of vehicles in the County valued with information from the National Automobile Dealers Associations (NADA). Total vehicle volume is forecast to remain stable in FY 2020 and FY 2021.

## General Fund Revenue Overview

Changes in vehicle volume and average vehicle levy since FY 2011 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 2011        | 0.9%                       | \$397                | 2.6%                     |
| FY 2012        | 0.7%                       | \$411                | 3.5%                     |
| FY 2013        | 0.7%                       | \$437                | 6.3%                     |
| FY 2014        | 0.9%                       | \$445                | 1.8%                     |
| 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 (est.) | (0.1%)                     | \$495                | 3.5%                     |
| FY 2021 (est.) | 0.2%                       | \$496                | 0.3%                     |

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. As government contractors cut back employment due to lower federal procurement spending, they delayed business expansions. Business levy rose a modest 0.8 percent in FY 2014 and 1.0 percent in FY 2015. Growth accelerated in FY 2016 to 1.2 percent and a strong 4.4 percent in FY 2017. Business levy decreased a slight 0.2 percent in FY 2018, likely due to depreciating value of newly acquired business personal property one year after acquisition, particularly given the strong growth experienced in FY 2017. Federal procurement spending in the County has continued to increase after the decline experienced due to the sequester, along with employment growth in Professional and Business Services jobs. As a result, business personal property levy grew 0.6 percent in FY 2019 and is anticipated to increase 3.4 percent in FY 2020. Growth of 1.0 percent is projected for FY 2021.

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.

Personal Property Tax revenue estimates are based on a tax rate of \$4.57 per \$100 of valuation for vehicles and business property, and a tax rate of \$1.18 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 2021 Estimated Personal Property Assessments and Tax Levy

| Category                                   | FY 2021 Assessed Value  | Tax Rate (per \$100) | FY 2021 Tax Levy     | Percent of Total Levy |
|--|-------------------------|----------------------|----------------------|-----------------------|
| <b>Vehicles</b>                            |                         |                      |                      |                       |
| Privately Owned                            | \$10,271,325,460        | 4.57                 | \$410,767,970        | 63.8%                 |
| Business Owned                             | 608,118,802             | 4.57                 | 24,505,209           | 3.8%                  |
| Leased                                     | 1,450,691,509           | 4.57                 | 58,427,868           | 9.1%                  |
| <b>Subtotal</b>                            | <b>\$12,330,135,771</b> |                      | <b>\$493,701,047</b> | <b>76.6%</b>          |
| <b>Business Personal Property</b>          |                         |                      |                      |                       |
| Furniture and Fixtures                     | \$2,102,775,395         | 4.57                 | \$96,681,220         | 15.0%                 |
| Computer Equipment                         | 791,329,720             | 4.57                 | 36,309,195           | 5.6%                  |
| Machinery and Tools                        | 32,890,520              | 4.57                 | 1,506,875            | 0.2%                  |
| Research and Development                   | 235,908                 | 4.57                 | 10,781               | 0.0%                  |
| <b>Subtotal</b>                            | <b>\$2,927,231,543</b>  |                      | <b>\$134,508,071</b> | <b>20.8%</b>          |
| <b>Other Personal Property</b>             |                         |                      |                      |                       |
| Boats, Trailers, Miscellaneous             | \$20,537,654            | 4.57                 | \$938,571            | 0.1%                  |
| Mobile Homes                               | 14,949,405              | 1.18                 | 176,403              | 0.1%                  |
| <b>Subtotal</b>                            | <b>\$35,487,059</b>     |                      | <b>\$1,114,974</b>   | <b>0.2%</b>           |
| Exonerations                               | (\$119,608,122)         | 4.57                 | (\$28,319,584)       | (4.4%)                |
| Omitted Assessments                        | 290,058,158             | 4.57                 | 6,293,241            | 1.0%                  |
| <b>Total Local Assessed Value and Levy</b> | <b>\$15,463,304,409</b> |                      | <b>\$607,297,749</b> | <b>94.3%</b>          |
| <b>Public Service Corporations</b>         |                         |                      |                      |                       |
| Equalized                                  | \$3,110,960,815         | \$1.18               | \$36,709,338         | 5.7%                  |
| Vehicles                                   | 6,494,139               | 4.57                 | 296,782              | 0.0%                  |
| <b>Subtotal</b>                            | <b>\$3,117,454,954</b>  |                      | <b>\$37,006,120</b>  | <b>5.7%</b>           |
| <b>TOTAL</b>                               | <b>\$18,580,759,363</b> |                      | <b>\$644,303,869</b> | <b>100.0%</b>         |

FY 2021 Personal Property Tax assessments including Public Service Corporations are \$18,580,759,363, with a total tax levy of \$644,303,869. Personal Property Tax revenue collections are projected to be \$636,384,193, of which \$211.3 million will be reimbursed from the state. The collection rate associated with the taxpayer's share is estimated to be 98.0 percent. Total collection rates experienced in this category since FY 2006 are shown in the following table:



# General Fund Revenue Overview

## Personal Property Tax Collection Rates

| Fiscal Year | Collection Rate | Fiscal Year                   | Collection Rate |
|-------------|-----------------|-------------------------------|-----------------|
| 2006        | 98.1%           | 2014                          | 97.4%           |
| 2007        | 98.3%           | 2015                          | 98.4%           |
| 2008        | 98.0%           | 2016                          | 98.5%           |
| 2009        | 97.9%           | 2017                          | 98.4%           |
| 2010        | 97.8%           | 2018                          | 98.3%           |
| 2011        | 97.9%           | 2019                          | 98.0%           |
| 2012        | 98.2%           | 2020 (estimated) <sup>1</sup> | 98.0%           |
| 2013        | 98.4%           | 2021 (estimated) <sup>1</sup> | 98.0%           |

<sup>1</sup> Each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately \$0.4 million, and each penny on the tax rate yields a revenue change of \$1.3 million.

### FY 2020 Current Personal Property Tax Revenue

Since the adoption of the FY 2020 budget, the FY 2020 Personal Property Tax estimate has been increased a net \$6.4 million primarily due to a higher projected vehicle and business levy.

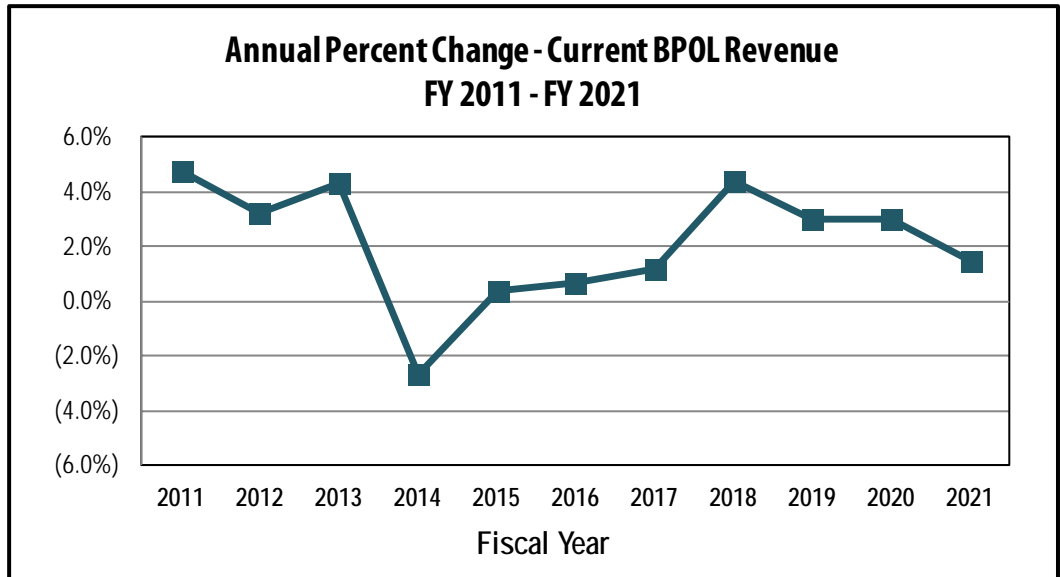
## Business, Professional and Occupational License Tax

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

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$167,155,844  | \$173,382,796   | \$172,125,305   | \$174,707,185      | \$2,581,880          | 1.5%           |

The FY 2021 Advertised Budget Plan estimate for Business, Professional, and Occupational License Taxes (BPOL) of \$174,707,185 reflects an increase of \$2,581,880 or 1.5 percent over the *FY 2020 Revised Budget Plan*. As shown in the following chart, FY 2011 BPOL receipts, which were based on the gross receipts of businesses in calendar year 2010, reflected the improvement in local economic conditions after the Great Recession and increased 4.7 percent. Receipts increased a moderate 3.2 percent in FY 2012, and 4.3 percent in FY 2013, but decreased 2.7 percent in FY 2014 likely due to lower federal government procurement spending. Due to anemic job growth, BPOL receipts were essentially 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. Actual FY 2018 receipts increased 4.4 percent over the FY 2017 level, which was the strongest growth rate since FY 2011. FY 2019 grew 3.0 percent. The combined Consultant and Business Service Occupations categories, which represent over 42 percent of total BPOL receipts, increased 3.0 percent over the FY 2018 level. The Retail category, which represents over 19 percent of total BPOL receipts, also rose 3.0 percent in FY 2019.

# 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 2019 receipts, which were slightly lower than projected, the FY 2020 BPOL estimate was decreased \$1.3 million from the FY 2020 Adopted Budget Plan level during the fall 2019 revenue review. Receipts are expected to increase 3.0 percent in FY 2020, the same rate as the one experienced in FY 2019. Growth of 1.5 percent is projected for FY 2021.

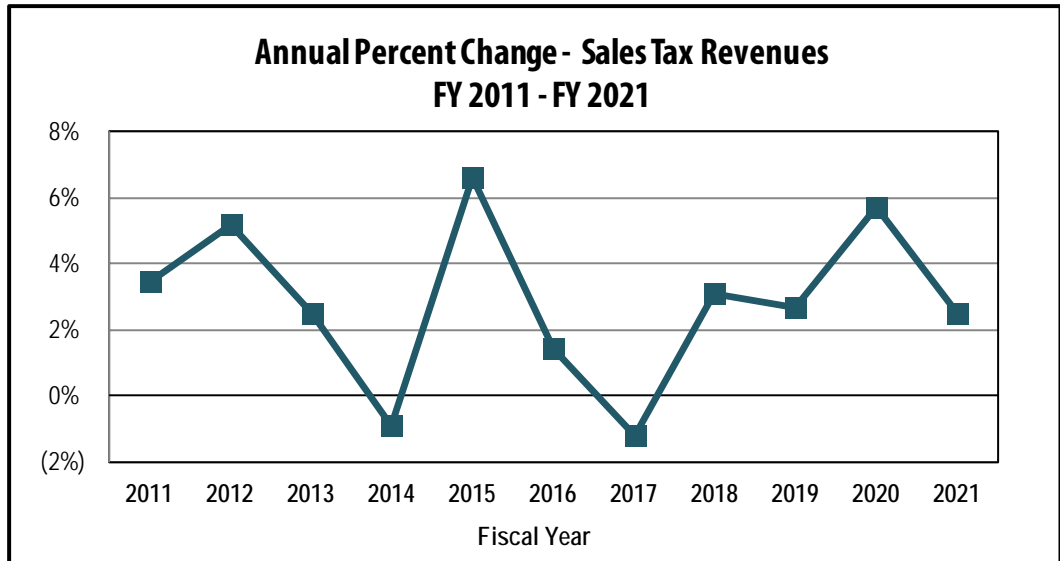
## Local Sales Tax

### LOCAL SALES TAX

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$187,037,828  | \$193,194,909   | \$197,708,570   | \$202,651,284      | \$4,942,714          | 2.5%           |

The FY 2021 Advertised Budget Plan estimate for Sales Tax receipts of \$202,651,284 reflects an increase of \$4,942,714 or 2.5 percent over the FY 2020 Revised Budget Plan. The following chart illustrates that the level of Sales Tax receipts has varied with economic conditions.

## General Fund Revenue Overview



After two consecutive years of decline due to the Great Recession, FY 2011 Sales Tax receipts rose 3.5 percent. Growth continued in FY 2012 with Sales taxes rising 5.2 percent, the strongest rate of growth since FY 2005. In FY 2013, Sales Tax receipts continued to grow but at a more modest rate of 2.5 percent. Total FY 2014 Sales Tax receipts were down 0.9 percent, the first decline in four years. The decline was primarily due to the severe winter weather, as well as federal sequestration and refunds for prior year's receipts totaling \$2.0 million. After increasing a strong 6.6 percent in FY 2015, Sales Tax receipts in FY 2016 grew a modest 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. Actual FY 2018 collections increased 3.1 percent and 2.7 percent in FY 2019. During the fall 2019 revenue review, the FY 2020 estimate was increased \$4.5 million based on year-to-date collections, which were up 6.4 percent through December. It is likely that a significant part of the increase is due to a new law passed by the Virginia General Assembly and signed by the Governor requiring the collection of state and local sales taxes from remote internet sellers in response to the provisions of the U.S. Supreme Court decision in the South Dakota v. Wayfair, Inc. case. The law went into effect on July 1. The revised FY 2020 estimate reflects a growth rate of 5.7 percent over the FY 2019 actual receipts. Sales Tax receipts in FY 2021 are projected to rise 2.5 percent over the FY 2020 estimate based on the anticipation that consumer spending will increase moderately throughout FY 2021.

### Recordation/Deed of Conveyance Taxes

#### RECORDATION/DEED OF CONVEYANCE TAXES

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$30,729,364   | \$28,488,338    | \$34,471,875    | \$31,212,155       | (\$3,259,720)        | (9.5%)         |

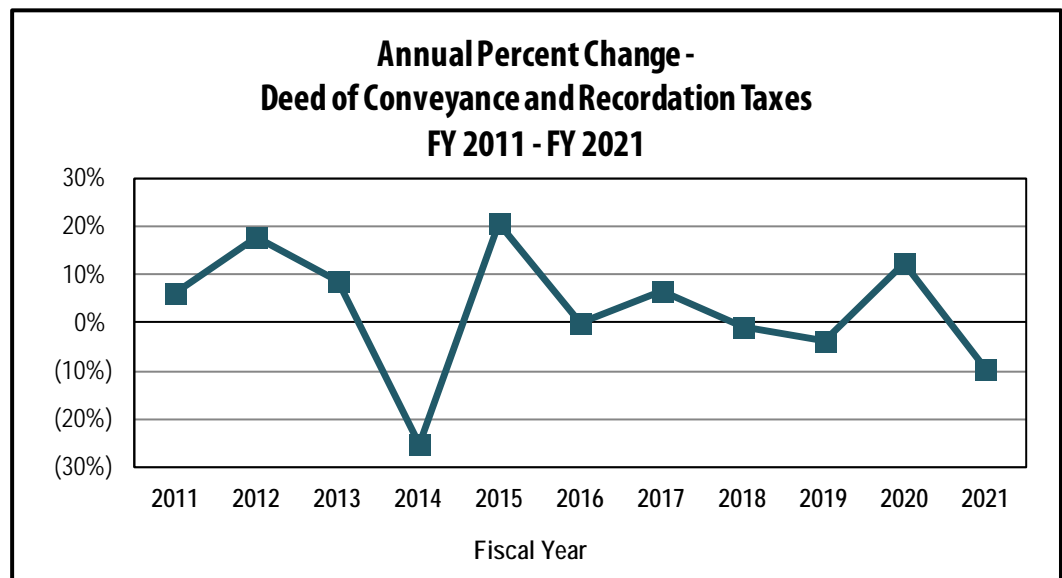
The FY 2021 Advertised Budget Plan estimate for Recordation and Deed of Conveyance Taxes of \$31,212,155 represents a decrease of \$3,259,720 from the *FY 2020 Revised Budget Plan*. The FY 2021 estimate is comprised of \$23,540,000 in Recordation Tax revenues and \$7,672,155 in Deed of Conveyance Tax revenues. Recordation and Deed of Conveyance Taxes are levied in association

## General Fund Revenue Overview

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.

Primarily due to increased mortgage refinancing activity as a result of historically low mortgage interest rates, revenues increased 6.1 percent in FY 2011, 17.6 percent in FY 2012, and 8.5 percent in FY 2013. FY 2014 receipts declined a combined 25.4 percent due to a decline in mortgage refinancing as a result of higher interest rates, as well as a decline in the number of home sales. After increasing a strong 20.5 percent in FY 2015, 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. Through the first half of FY 2020, combined receipts are up over 60 percent as a result of sharply lower mortgage interest rates, which spurred a significant increase in refinancing activity. The FY 2020 estimate for Recordation and Deed of Conveyance Tax revenue was increased \$6.0 million as part of the fall 2019 revenue review, reflecting an increase of 12.2 percent. FY 2021 receipts are projected to decrease a combined 9.5 percent based on the anticipation that refinancing activity will be lower compared to FY 2020.



## Consumer Utility Taxes

### CONSUMER UTILITY TAXES - GAS AND ELECTRIC

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$45,838,073   | \$45,533,698    | \$45,639,081    | \$45,867,276       | \$228,195            | 0.5%           |

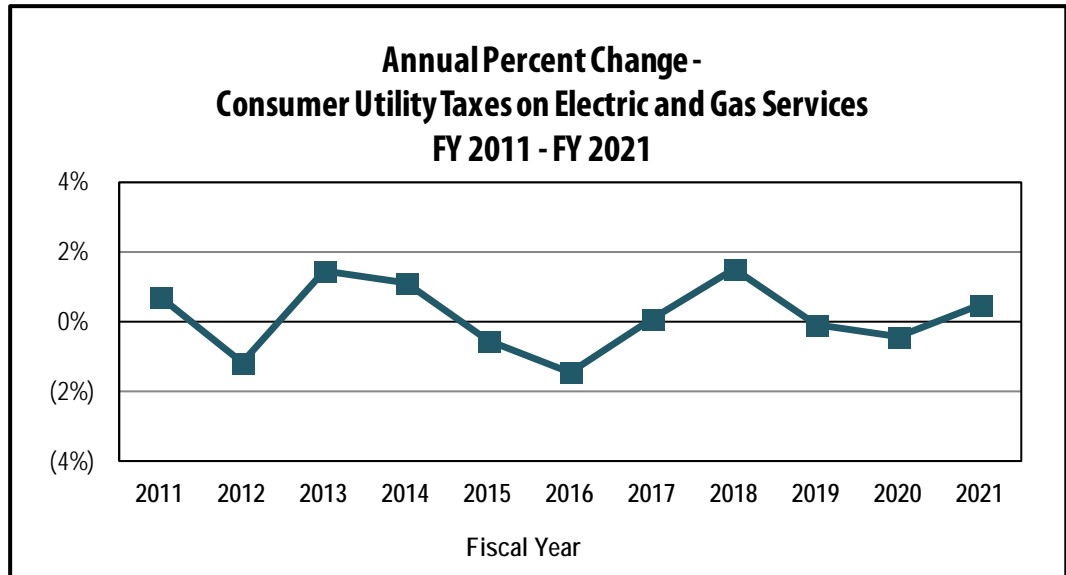
The FY 2021 Advertised Budget Plan estimate for Consumer Utility Taxes on gas and electric services of \$45,867,276 represents an increase of \$228,195 or 0.5 percent over the *FY 2020 Revised Budget Plan*. The FY 2021 estimate is comprised of \$36,199,484 in taxes on electric service and \$9,667,792 in taxes on gas service. County residents and businesses are subject to Consumer Utility Taxes based on their consumption of electricity and gas services. 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 2021 | Natural Gas Customer Class          | Monthly Tax FY 2001-FY 2021 |
| <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             |

Revenues from Consumer Utility Taxes on gas and electric services from FY 2011 to FY 2019 have remained stable, growing at an average annual rate of just 0.1 percent. The FY 2020 revenue estimate reflects a slight decrease of 0.4 percent from the FY 2019 level. Growth of 0.5 percent is projected in FY 2021.

## General Fund Revenue Overview



## Communication Sales Tax

### COMMUNICATIONS SALES TAX

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$6,911,547    | \$5,399,506     | \$3,492,634     | \$1,415,924        | (\$2,076,710)        | (59.5%)        |

The FY 2021 Advertised Budget Plan estimate for the General Fund portion of the Communications Sales Tax of \$1,415,924 reflects a decrease of \$2,076,710 or 59.5 percent from the FY 2020 Revised Budget Plan due to a change in the distribution of revenue among funds within the County in order to cover all the expenses of Fund 40090, E-911. The Communications Tax is a statewide tax that was first implemented in January 2007, after the 2006 Virginia General Assembly session approved legislation that changed the way in which taxes are levied on communications services. Based on this legislation, local taxes on land line and wireless telephone services were replaced with a 5 percent statewide Communication Sales Tax. In addition to the communications services previously taxed, the 5 percent Communication Sales Tax applies to satellite television and radio services, internet calling and long-distance telephone charges. As part of this legislation, local E-911 fees were repealed and replaced with a statewide \$0.75 per line fee. These rates were meant to provide revenue neutrality with FY 2006 receipts, which were \$85.5 million for Fairfax County. All communications taxes are remitted to the state for distribution to localities based on the locality's share of total statewide FY 2006 collections of these taxes. Fairfax County's share is determined by the state and is set at 18.89 percent. Of the total tax, the Cable Franchise portion is directed to Fund 40030, Cable Communications. Prior to FY 2015, the percentage of the remaining revenue was directed to Fund 40090, E-911 and the General Fund based on their relative share of the tax in FY 2006. However, to cover all the expenses in the E-911 Fund, a transfer from the General Fund was still required. To eliminate the need for a General Fund transfer, beginning in FY 2015, more Communications Sales Tax revenue is directed to Fund 40090, E-911. The FY 2020 General Fund estimate was reduced \$1.9 million as part of the fall 2019 revenue review based on actual receipts during FY 2019 and collection trends during FY 2020. In FY 2021, total Communications Sales Taxes are projected to be \$64.9 million. Of the total tax, Cable Franchise Fees of \$14.4 million will

## General Fund Revenue Overview

be directed to Fund 40030, Cable Communications. Of the remaining tax, \$49.1 million will be posted in Fund 40090, E-911 and \$1.4 million to the General Fund in FY 2021.

The distribution of the tax since FY 2019 is shown below. The table illustrates that this tax has eroded significantly over the years compared to the \$85.5 million collected by the County in FY 2006.

### Communications Sales Tax Revenue

| Fund                             | FY 2019<br>Actual   | FY 2020<br>Projected | FY 2021<br>Projected |
|----------------------------------|---------------------|----------------------|----------------------|
| Fund 10001, General Fund         | \$6,911,547         | \$3,492,634          | \$1,415,924          |
| Fund 40030, Cable Communications | 16,403,475          | 15,130,806           | 14,374,266           |
| Fund 40090, E-911                | 44,450,304          | 46,986,272           | 49,062,982           |
| <b>Total</b>                     | <b>\$67,765,326</b> | <b>\$65,609,712</b>  | <b>\$64,853,172</b>  |

## Vehicle Registration License Fee

### VEHICLE REGISTRATION LICENSE FEE

| FY 2019<br>Actual | FY 2020<br>Adopted | FY 2020<br>Revised | FY 2021<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|-------------------|--------------------|--------------------|-----------------------|-------------------------|-------------------|
| \$27,426,110      | \$27,464,107       | \$27,464,107       | \$27,601,428          | \$137,321               | 0.5%              |

The FY 2021 Advertised Budget Plan estimate for Vehicle Registration Fee revenue of \$27,601,428 reflects an increase of \$137,321 or 0.5 percent over the *FY 2020 Revised Budget Plan* based on the assumption that vehicle volume in the County will increase modestly throughout the year. 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. The net FY 2020 estimate remains unchanged based on actual collections year-to-date. 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 2019<br>Actual | FY 2020<br>Adopted | FY 2020<br>Revised | FY 2021<br>Advertised | Increase/<br>(Decrease) | Percent<br>Change |
|-------------------|--------------------|--------------------|-----------------------|-------------------------|-------------------|
| \$22,918,266      | \$23,249,668       | \$23,491,223       | \$24,078,504          | \$587,281               | 2.5%              |

The FY 2021 Advertised Budget Plan estimate for Transient Occupancy Tax of \$24,078,504 reflects an increase of \$587,281 or 2.5 percent over the *FY 2020 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

# General Fund Revenue Overview

convention and visitors' bureau located in the County. The remaining 75 percent must be used by the County to promote tourism.

During FY 2013 and FY 2014, business travel was reported to have been down in the region due to federal spending reductions and Transient Occupancy Tax revenue declined for two consecutive years. After rising a robust 9.3 percent in FY 2015, Transient Occupancy receipts increased 2.3 percent in FY 2016. FY 2017 collections increased a strong 6.6 percent, partially due to the Presidential Inauguration in January 2017. Actual FY 2018 receipts were down 2.0 percent, the first decline since FY 2014. FY 2019 collections increased 3.6 percent. During the fall 2019 revenue review, the FY 2020 estimate was increased \$0.2 million, reflecting growth of 2.5 percent over the FY 2019 level. FY 2021 estimate reflects the same growth rate of 2.5 percent.

## Cigarette Tax

### CIGARETTE TAX

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$5,787,235    | \$5,916,915     | \$5,477,039     | \$5,422,269        | (\$54,770)           | (1.0%)         |

The FY 2021 Advertised Budget Plan estimate for Cigarette Tax of \$5,422,269 reflects a decrease of \$54,770 or 1.0 percent from the *FY 2020 Revised Budget Plan*. Fairfax County and Arlington County are the only counties in Virginia authorized to levy a tax on cigarettes. The maximum rate authorized is the greater of 5.0 cents per pack or the rate levied by the Commonwealth. The County's rate is 30 cents per pack, the same as the state rate.

Cigarette Tax receipts fell for a seventh consecutive year, decreasing 11.0 percent in FY 2019. During the fall 2019 revenue review, the FY 2020 estimate was decreased \$0.4 million, reflecting a decline of 5.4 percent, based on actual receipts during FY 2019 and year-to-date collections trends. FY 2021 Cigarette Tax receipts are anticipated to decline 1.0 percent.

## Bank Franchise Tax

### BANK FRANCHISE TAX

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$23,699,652   | \$23,654,317    | \$23,654,317    | \$23,890,860       | \$236,543            | 1.0%           |

The FY 2021 Advertised Budget Plan estimate for Bank Franchise Tax of \$23,890,860 reflects an increase of \$236,543 or 1.0 percent over the *FY 2020 Revised Budget Plan*. Billing for the Bank Franchise Tax is done by the Department of Tax Administration in the middle of March, with payment of the FY 2020 bills due by June 1. As a result, little actual data is available during the fall 2019 revenue review in order to revise the FY 2020 estimate, which remains at the adopted level.



## Permits, Fees and Regulatory Licenses

### PERMITS, FEES AND REGULATORY LICENSES

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$55,874,600   | \$53,559,013    | \$54,872,084    | \$54,973,621       | \$101,537            | 0.2%           |

The FY 2021 Advertised Budget Plan estimate for Permits, Fees, and Regulatory Licenses of \$54,973,621 reflects an increase of \$101,537 or 0.2 percent over the *FY 2020 Revised Budget Plan*. This increase is primarily due to a modest increase in Fire Marshal Fees and various other fees. It should be noted that revenue from Home Childcare Permits in the amount of \$15,353 is transferred from the General Fund to Fund 40045, Early Childhood Birth to 5.

Land Development Service (LDS) fees for building permits, site plans, and inspection services make up over three-quarters of the Permits, Fees, and Regulatory Licenses category. Changes in LDS fee revenue typically track closely to the current condition of the real estate market, as well as the size and complexity of projects submitted to LDS for review. The revised FY 2020 estimate for LDS fee revenue of \$41.7 million was increased \$1.3 million during the *FY 2019 Carryover Review* due to increased building permit and elevator inspection fees. It should be noted that the increase in LDS fee revenue was offset by a corresponding expenditure increase, for no net impact to the General Fund. Staff will continue to monitor permitting activity and revenue collections and any necessary FY 2020 revenue adjustments will be included as part of the *FY 2020 Third Quarter Review*. The FY 2021 estimate for LDS fee revenue remains at the FY 2020 level.

During the fall 2019 revenue review, various permits and fees were reviewed and, based on actual FY 2019 receipts and year-to-date collections, FY 2020 estimates were increased a net \$0.1 million.

## Investment Interest

### INVESTMENT INTEREST

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$69,032,333   | \$80,017,523    | \$58,630,895    | \$46,118,088       | (\$12,512,807)       | (21.3%)        |

The FY 2021 Advertised Budget Plan estimate for Investment Interest of \$46,118,088 reflects a decrease of \$12,512,807 or 21.3 percent from the *FY 2020 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. From 2004 to 2006, the Federal Reserve increased interest rates from 1.0 percent to 5.25 percent in an effort to stem inflation. As a result of higher rates, the annual average yield on County investments was 5.1 percent in FY 2007, and revenue from Interest on Investments was a record high of \$92.1 million. 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 0.43 percent.

## General Fund Revenue Overview

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.

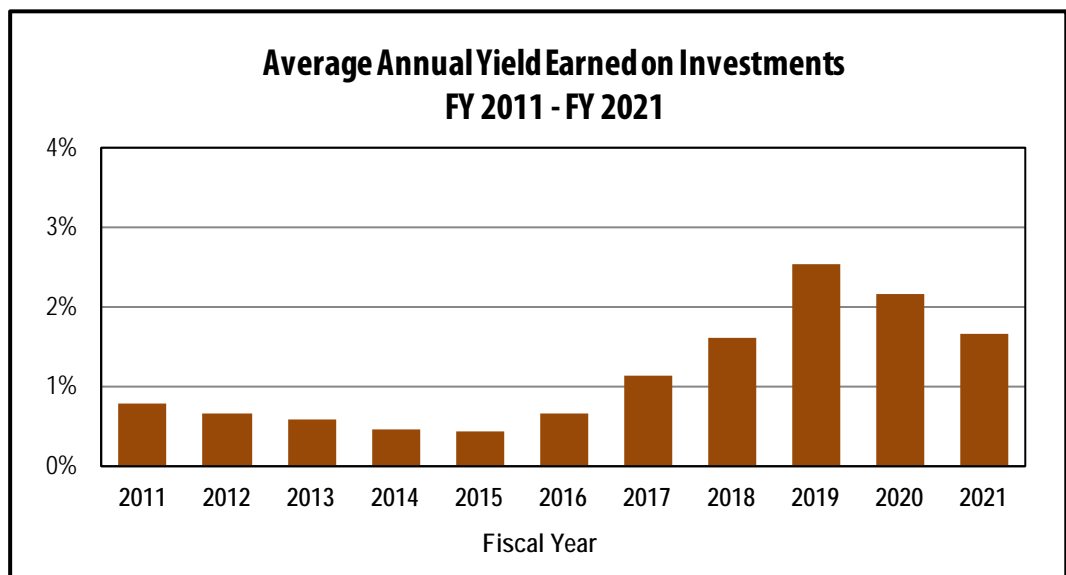
The federal funds rate was increased four times throughout 2018 and FY 2019 revenue was \$69.0 million at an average annual yield 2.53 percent.

This revenue category required a substantial adjustment during the fall 2019 revenue review of FY 2020 estimates. At the time of the preparation of the FY 2020 Adopted Budget Plan revenue estimate, the Fed had indicated that two interest rate hikes were possible in 2019. Staff expected that the annual yield on the investment portfolio will be 3.00 percent in FY 2020. The Federal Reserve did not raise rates in its March and June 2019 meetings and downgraded its expected rate path to signal that no rate increases were likely in 2019. However, in July, September, and October 2019, the Fed 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 estimate was decreased a total of \$21.4 million. The FY 2020 estimate assumes a yield of 2.16 percent.

The FY 2021 Advertised Budget Plan estimate for Investment Interest of \$46.1 million is based on a projected average yield of 1.67 percent, a portfolio size of \$3.6 billion and a General Fund percentage net of administrative fees of 77.7 percent. It assumes no further rate cuts by the Fed. 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.

Staff will continue to monitor the impact of the Fed actions on County investment earnings.

The following table shows the yield earned on investments since FY 2011.



# General Fund Revenue Overview

## Charges for Services

### CHARGES FOR SERVICES

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$85,476,153   | \$83,305,683    | \$86,396,338    | \$87,154,390       | \$758,052            | 0.9%           |

The FY 2021 Advertised Budget Plan estimate for Charges for Services revenue of \$87,154,390 reflects an increase of \$758,052 or 0.9 percent over the FY 2020 Revised Budget Plan. This increase is primarily the result of projected increases in School Age Child Care (SACC) fee revenue.

SACC fees, which comprise over 54 percent of the total Charges for Services category, are projected to increase \$0.8 million or 1.7 percent to \$47.2 million in FY 2021.

The estimate for SACC fee revenue was increased by \$2.9 million during the fall 2019 revenue review based on actual FY 2019 receipts and year-to-date collection trends. Various other revenue estimates for Charges for Services revenue have been increased a net \$0.2 million based on a review of actual FY 2019 receipts and year-to-date collections.

## Fines and Forfeitures

### FINES AND FORFEITURES

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$12,258,740   | \$12,583,545    | \$11,795,664    | \$11,795,664       | \$0                  | 0.0%           |

The FY 2021 Advertised Budget Plan estimate for Fines and Forfeitures of \$11,795,664 reflects no change from the FY 2020 Revised Budget Plan.

The FY 2020 estimate for Fines and Forfeitures was decreased a net \$0.8 million during the fall 2019 revenue review. The decrease is primarily the result of adjusting the estimate for General District Court fines, as well as Parking Violations revenue based on actual FY 2019 receipts and year-to-date collection trends in FY 2020.

## Recovered Costs/Other Revenue

### RECOVERED COSTS / OTHER REVENUE

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$18,610,536   | \$16,934,540    | \$15,695,731    | \$16,234,444       | \$538,713            | 3.4%           |

The FY 2021 Advertised Budget Plan estimate for Recovered Costs/Other Revenue of \$16,234,444 reflects an increase of \$538,713 or 3.4 percent over the FY 2020 Revised Budget Plan. During the fall 2019 revenue review, the revenue estimate for Recovered Costs/Other Revenue was decreased a net \$1.2 million from the FY 2020 Adopted Budget Plan estimate. The decrease is associated with adjusting the estimate for the City of Fairfax Shared Governmental Expenses reimbursement, which was reduced \$1.2 million as a result of the reconciliation of the City's share of expenses based on actual utilization and expenses during FY 2019.

# General Fund Revenue Overview

The FY 2021 estimate for the City of Fairfax reimbursement for governmental services is expected to be level with FY 2020 absent the adjustment described above, resulting in an increase of \$0.7 million. Revenue from Child Care Services for Other Jurisdictions in the amount of \$155,918 is transferred from the General Fund to Fund 40045, Early Childhood Birth to 5.

## Revenue from the Commonwealth/Federal Government

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

| FY 2019 Actual | FY 2020 Adopted | FY 2020 Revised | FY 2021 Advertised | Increase/ (Decrease) | Percent Change |
|----------------|-----------------|-----------------|--------------------|----------------------|----------------|
| \$140,078,106  | \$140,019,660   | \$142,321,103   | \$142,118,771      | (\$202,332)          | (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 2021 Advertised Budget Plan estimate for Revenue from the Commonwealth and Federal Government of \$142,118,771 reflects a decrease of \$202,332 or 0.1 percent from the *FY 2020 Revised Budget Plan* estimate. A decrease of \$350,000 is based on actual experience with state and federal revenues received in recent years associated with the Adoption Subsidy program. In addition, Revenue from the Federal Government in the amount of \$44,689 supporting school readiness activities is transferred from the General Fund to Fund 40045, Early Childhood Birth to 5. It is also anticipated that FY 2021 federal funding for the Criminal Alien Assistance Program will be \$0.3 million lower than the actual funding already received in FY 2020. Partially offsetting these decreases is an increase of \$0.4 million associated with contract rate increases for the providers of mandated services. The revenue increase is completely offset by an expenditure increase. An increase of \$0.1 million is associated with state reimbursement for a position to provide intensive, specialized support to families challenged with parental substance abuse. The revenue increase is completely offset by an expenditure increase.

The *FY 2020 Revised Budget Plan* estimate for Revenue from the Commonwealth and Federal Government represents an increase of \$2.3 million over the FY 2020 Adopted Budget Plan estimate as a result of adjustments made during the *FY 2019 Carryover Review* and the fall 2019 revenue review.

The *FY 2019 Carryover Review* included an increase of \$1.3 million associated with state and federal reimbursement funding for additional positions in the Public Assistance program. The positions will continue to address the increase in caseloads and compliance issues in the Adult and Aging Division and the Self-Sufficiency Division within the Department of Family Services. The revenue increase is fully offset by an expenditure increase for no net impact to the General Fund.

During the fall 2019 review, the salary reimbursements from the Commonwealth for the Sheriff's Office, the Department of Tax Administration, the Department of Finance, and the Commonwealth's Attorney were increased a net \$0.3 million based on actual FY 2019 experience and FY 2020 year-to-date collections. In addition, the state reimbursement for the County's Health Department was increased \$0.1 million based on the approved amount in the Commonwealth's budget. An increase of \$0.8 million in Revenue from the Federal Government is associated with actual federal funding received in FY 2020 for the Criminal Alien Assistance Program.