

**FY 2006 Third Quarter Review**

**Attachment II – General Fund Receipts / Transfers In**

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

Category	FY 2005 Actual	FY 2006 Revised Budget Plan as of Carryover	FY 2006 Fall Estimate <sup>1</sup>	Increase/ (Decrease) Over the Revised	FY 2006 Third Quarter Budget Plan	Over the FY 2006 Revised Budget Plan	
						Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	\$1,637,904,220	\$1,770,769,093	\$1,770,769,093	\$0	\$1,770,769,093	\$0	0.00%
Personal Property Taxes - Current and Delinquent <sup>2</sup>	473,930,757	483,080,154	492,352,392	9,272,238	493,674,882	1,322,490	0.27%
Other Local Taxes	463,173,399	461,103,072	488,490,766	27,387,694	490,131,510	1,640,744	0.34%
Permits, Fees and Regulatory Licenses	27,961,574	32,543,251	32,108,389	(434,862)	32,108,389	0	0.00%
Fines and Forfeitures	15,523,328	12,276,152	14,972,768	2,696,616	14,972,768	0	0.00%
Revenue from Use of Money/Property	30,198,542	41,615,533	65,080,993	23,465,460	65,080,993	0	0.00%
Charges for Services	47,537,672	49,458,631	52,715,205	3,256,574	53,588,886	873,681	1.66%
Revenue from the Commonwealth and Federal Governments <sup>2</sup>	129,924,908	124,767,363	126,847,818	2,080,455	129,038,101	2,190,283	1.73%
Recovered Costs/ Other Revenue	7,247,017	6,591,348	6,819,695	228,347	7,747,678	927,983	13.61%
<b>Total Revenue</b>	<b>\$2,833,401,417</b>	<b>\$2,982,204,597</b>	<b>\$3,050,157,119</b>	<b>\$67,952,522</b>	<b>\$3,057,112,300</b>	<b>\$6,955,181</b>	<b>0.23%</b>
Transfers In	1,666,444	2,604,307	2,604,307	0	2,604,307	0	0.00%
<b>Total Receipts</b>	<b>\$2,835,067,861</b>	<b>\$2,984,808,904</b>	<b>\$3,052,761,426</b>	<b>\$67,952,522</b>	<b>\$3,059,716,607</b>	<b>\$6,955,181</b>	<b>0.23%</b>

<sup>1</sup>FY 2006 revenue estimates were revised as part of a fall 2005 review of revenues. Explanation of these changes can be found in the following narrative. These figures are included in the FY 2007 Advertised Budget Plan.

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

Total receipts, including Transfers In, are \$3,059,716,607 and reflect an increase of \$6,955,181, or 0.2 percent, over the FY 2006 Fall Estimate. FY 2006 Transfers In totaling \$2.6 million remain unchanged from the FY 2006 Fall Estimate.

As noted in the FY 2007 Advertised Budget Plan, \$68.0 million in revenue adjustments were made prior to

Third Quarter during development of the FY 2007 Budget. These adjustments are reflected in the FY 2006 Fall Estimate discussed throughout this Attachment. The net increase of \$68.0 million in adjustments includes \$68.4 million in additional revenue, offset by reductions totaling \$0.4 million. Increases include \$23.6 million in Investment Interest based on an increase in projected yield; \$13.8 million in Recordation and Deed of Conveyance receipts based on collections in the first four months of FY 2006; \$9.3 million in Current Personal Property due to an increase in estimated vehicle levy; \$7.3 million in Business, Professional and Occupational License (BPOL) tax revenues based on FY 2005 receipts and business trends expected in FY 2006; \$3.9 million in Transient Occupancy Tax revenue based on collections for the first quarter of FY 2006; \$3.2 million in Clerk Fees due to increased year-to-date collections; \$2.4 million in General District Court Fines based on the first four months of collections and significant traffic code enforcement; \$2.1 million in Revenue from the Commonwealth and Federal Government and \$2.8 million in various categories based on higher than anticipated collections occurring during the first four months of FY 2006. The offsetting \$0.4 million decrease represents a reduction in anticipated Permits, Fees and Regulatory Licenses primarily due to a decline in Zoning Fee revenue. These adjustments are discussed in more detail in the following narrative. Any impact to FY 2007 revenue estimates from these FY 2006 adjustments is already included in the FY 2007 Advertised Budget Plan.

General Fund revenue included in the *FY 2006 Third Quarter Review* is increased a net \$7.0 million over the FY 2006 Fall Estimate. This increase is due to \$5.1 million in additional Recordation Tax revenue; \$0.9 million in Clerk Fee revenue attributed to real estate market activity; \$2.1 million in Consumer Utility Tax revenue based on higher than expected year-to-date collections; \$1.3 million in net Current and Delinquent Personal Property Tax revenue; and, \$0.9 million in Recovered Costs for the anticipated reimbursement of expenses relating to the deployment of personnel to the Gulf Region as part of hurricane relief efforts. In addition, Revenue from the Commonwealth / Federal Government is increased \$2.2 million primarily due to a revenue match from the state for the Child Care Assistance and Referral Program. These increases are partially offset by a reduction of \$5.6 million in estimated Sales Tax revenue due to lower than anticipated year-to-date collections. In total, since FY 2005 Carryover, the FY 2006 estimate of revenues has increased a net \$74.9 million, or 2.5 percent.

FY 2006 General Fund revenue is showing the effects of continued strong economic growth in calendar year 2005. Historically low interest rates have kept home sales and mortgage refinancings up higher than anticipated. However, the economic circumstances that fueled robust growth in 2005 are expected to moderate in 2006. The timing of this moderation is critical in projecting fiscal year-end receipts. A number of revenue categories are extremely sensitive to economic conditions and there is the potential that actual receipts may deviate from the revenue estimates included in this Attachment. For example, during the first seven months of the fiscal year, Deed of Conveyance and Recordation Tax receipts experienced healthy growth of 9.3 percent and 34.3 percent, respectively; but both categories experienced a significant decrease in February. When compared to February 2005, Deed of Conveyance Taxes fell 34.1 percent and Recordation Taxes dropped 22.0 percent. The level of home sales and mortgage refinancing for the remainder of the year will greatly impact year-end receipts in these categories. These and all other revenue categories are closely monitored with respect to revenue collections and economic activity impacts. Any necessary FY 2007 revenue adjustments will be included in the Add-On Review.

**REAL ESTATE TAX - CURRENT AND DELINQUENT**

<b>FY 2005 Actual</b>	<b>FY 2006 Revised as of Carryover</b>	<b>FY 2006 Fall Estimate</b>	<b>FY 2006 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$1,637,904,220	\$1,770,769,093	\$1,770,769,093	\$1,770,769,093	\$0	0.00%

The FY 2006 estimate for Current and Delinquent Real Estate Tax revenue of \$1,770,769,093 has remained unchanged since FY 2005 Carryover. While no change has been recommended during the *FY 2006 Third Quarter Review*, FY 2006 year-end collections may be impacted by changes in supplemental assessments, exonerations, participation in the tax relief program, and the collection rate achieved on current year taxes, which is estimated to be 99.61 percent.

**PERSONAL PROPERTY TAX - CURRENT**

	<b>FY 2005 Actual</b>	<b>FY 2006 Revised as of Carryover</b>	<b>FY 2006 Fall Estimate</b>	<b>FY 2006 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
Paid Locally	\$263,234,277	\$272,724,966	\$281,997,204	\$280,263,322	(\$1,733,882)	-0.61%
Reimbursed by State	191,157,702	202,154,629	202,154,629	198,219,342	(3,935,287)	-1.95%
Total	\$454,391,979	\$474,879,595	\$484,151,833	\$478,482,664	(\$5,669,169)	-1.17%

The *FY 2006 Third Quarter Review* estimate for Current Personal Property Taxes of \$478,482,664 represents a decrease of \$5,669,169 from the FY 2006 Fall Estimate. This reduction is based on lower than anticipated vehicle levy partially offset by increases in business and Public Service Corporation levy.

During the fall revenue review, the FY 2006 estimate for Personal Property Taxes was increased \$9.3 million due to projected increases in vehicle levy. Vehicle sales were strong during the summer due in part to generous dealer incentives including “employee pricing.” Vehicle sales were projected to continue at a robust rate through the end of 2005; however, vehicle sales slowed dramatically during the latter part of 2005. While the FY 2006 Fall Estimate included projected vehicle levy growth of 9.9 percent, actual billing information indicates an increase of 7.6 percent. This results in an estimated revenue reduction of \$8.3 million. Partially offsetting this reduction is an increase of \$1.7 million due to increased business levy and \$0.9 million in Public Service Corporation revenue. Total estimated FY 2006 Personal Property Tax revenue represents growth of 5.3 percent over FY 2005 actual receipts.

**PERSONAL PROPERTY TAX - DELINQUENTS**

<b>FY 2005 Actual</b>	<b>FY 2006 Revised as of Carryover</b>	<b>FY 2006 Fall Estimate</b>	<b>FY 2006 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$19,538,777	\$8,200,559	\$8,200,559	\$15,192,218	\$6,991,659	85.26%

The *FY 2006 Third Quarter Review* estimate for Delinquent Personal Property Taxes of \$15,192,218 represents an increase of \$7.0 million over the FY 2006 Fall Estimate based on higher than anticipated collections-to-date. Collection of delinquent taxes is a function of previous years’ collection rates on current Personal Property Taxes, current economic conditions, and staff collection efforts. The current healthy

economy enhances the collection of both business and individual delinquent accounts. Collections of delinquent taxes have also been impacted by continued aggressive staff collection efforts.

#### SALES TAX

FY 2005 Actual	FY 2006 Revised as of Carryover	FY 2006 Fall Estimate	FY 2006 Third Quarter	Increase/ (Decrease)	Percent Change
\$147,781,944	\$158,222,129	\$158,222,129	\$152,612,349	(\$5,609,780)	-3.55%

The *FY 2006 Third Quarter Review* estimate for Sales Tax receipts of \$152,612,349 represents a decrease of \$5,609,780, or 3.6 percent, from the FY 2006 Fall Estimate. Due to a lack of actual collection data while the Virginia Department of Taxation was implementing a computer system change, the *FY 2006 Revised Budget Plan* estimate for Sales Tax revenue was not adjusted during the fall revenue review. During the computer system change, Sales Tax receipts were estimated for all localities from September through November at 5.5 percent over the respective month the prior year. Estimated and actual receipts were reconciled in December and year-to-date collections through February 2006 are up just 2.5 percent over the same period of FY 2005, while the *FY 2006 Revised Budget Plan* estimate represents growth of 7.1 percent. Because Sales Tax receipts slowed during the last five months of FY 2005, FY 2006 Sales Tax receipts during the remainder of the year are expected to show somewhat higher growth than that which is currently being experienced. The *FY 2006 Third Quarter Review* estimate for Sales Tax revenue reflects projected growth of 3.3 percent over FY 2005.

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

FY 2005 Actual	FY 2006 Revised as of Carryover	FY 2006 Fall Estimate	FY 2006 Third Quarter	Increase/ (Decrease)	Percent Change
\$115,117,435	\$113,528,190	\$120,873,307	\$120,873,307	\$0	0.00%

The *FY 2006 Third Quarter Review* estimate for Business, Professional and Occupational License (BPOL) Taxes of \$120,873,307 represents no change from the FY 2006 Fall Estimate. During the fall revenue review, the estimate for BPOL revenue was increased \$7.3 million based on actual FY 2005 receipts and projected trends in business activity. In FY 2005, BPOL receipts experienced a 12.9 percent increase over FY 2004 due primarily to growth in receipts from consultants, business services (companies that provide services to other businesses) and realtors. Factors impacting these categories such as federal procurement spending, home buying and mortgage refinancing continued to rise during calendar year 2005, the basis for the FY 2006 BPOL estimate. Based on these trends, the estimate for BPOL was increased to \$120.9 million during the fall revenue review, representing growth of 5.0 percent over the FY 2005 level.

Since businesses file and pay their BPOL Taxes simultaneously on March 1, there is little information about current collections. However, actual BPOL billing data for FY 2006 may be available in time to make any necessary adjustments to the FY 2007 estimate during the Add-on Review Process.

**RECORDATION/DEED OF CONVEYANCE TAXES**

<b>FY 2005 Actual</b>	<b>FY 2006 Revised as of Carryover</b>	<b>FY 2006 Fall Estimate</b>	<b>FY 2006 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$48,674,084	\$34,867,317	\$48,674,084	\$53,809,399	\$5,135,315	10.55%

The *FY 2006 Third Quarter Review* estimate for Deed of Conveyance and Recordation Taxes of \$53,809,399 reflects an increase of \$5,135,315, or 10.6 percent, over the FY 2006 Fall Estimate. Deed of Conveyance Taxes are projected to be \$9,804,572 and Recordation Taxes are projected to be \$44,004,827.

Collections in these categories have been higher than anticipated due to continued strong real estate market activity. During the fall revenue review, the estimates for Deed of Conveyance Taxes and Recordation Taxes were increased \$2.1 million and \$11.7 million, respectively to the levels achieved in FY 2005.

Since the fall review, mortgage interest rates have remained low contributing to continued strong mortgage refinancing and home sales. For the first eight months of FY 2006, Recordation Tax revenue is up 27.3 percent over FY 2005. As noted earlier, Recordation Tax revenue dropped significantly in February compared to February 2005. The *FY 2006 Third Quarter Review* estimate assumes that for the remainder of the fiscal year, Recordation Tax receipts will fall 10 percent from the level experienced during the last four months of FY 2005. If receipts drop at a faster pace than projected, revenue at year-end will fall short of the estimate. The *FY 2006 Third Quarter Review* estimate for Deed of Conveyance represents no change from the FY 2006 Fall Estimate of \$9.8 million.

**TRANSIENT OCCUPANCY TAX**

<b>FY 2005 Actual</b>	<b>FY 2006 Revised as of Carryover</b>	<b>FY 2006 Fall Estimate</b>	<b>FY 2006 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$14,629,545	\$14,270,184	\$18,195,782	\$18,195,782	\$0	0.00%

The *FY 2006 Third Quarter Review* estimate for Transient Occupancy Tax is \$18,195,782 and is unchanged from the FY 2006 Fall Estimate. During the fall revenue review, the Transient Occupancy Tax estimate was increased \$3.9 million based on higher than anticipated collections due to increases in hotel occupancy and room rental rates.

**CONSUMER UTILITY TAX**

<b>FY 2005 Actual</b>	<b>FY 2006 Revised as of Carryover</b>	<b>FY 2006 Fall Estimate</b>	<b>FY 2006 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$84,676,016	\$85,422,983	\$85,422,983	\$87,538,192	\$2,115,209	2.48%

The *FY 2006 Third Quarter Review* estimate for Consumer Utility Taxes of \$87,538,192 represents an increase of \$2,115,209, or 2.5 percent, over the FY 2006 Fall Estimate due to higher than anticipated growth in the telephone and electric components of this category. Based on receipts during FY 2003 to FY 2005,

Consumer Utility taxes on telephones were expected to drop 1.9 percent in FY 2006; however, year-to-date collections are up 5.8 percent. Likewise, the FY 2006 Fall Estate for utility taxes on electric usage represented projected growth of 3.2 percent in FY 2006; but collections are currently up 5.7 percent.

**MOBILE TELECOMMUNICATIONS TAX**

FY 2005 Actual	FY 2006 Revised as of Carryover	FY 2006 Fall Estimate	FY 2006 Third Quarter	Increase/ (Decrease)	Percent Change
\$11,513,349	\$11,330,000	\$11,513,349	\$11,513,349	\$0	0.00%

The *FY 2006 Third Quarter Review* estimate for Mobile Local Telecommunications Tax represents no change from the FY 2006 Fall Estimate. During the fall revenue review, the estimate for Mobile Local Telecommunications Tax revenues was increased \$0.2 million to \$11.5 million, a level consistent with FY 2005 receipts and collections during the first half of FY 2006.

**PERMITS, FEES AND REGULATORY LICENSES**

FY 2005 Actual	FY 2006 Revised as of Carryover	FY 2006 Fall Estimate	FY 2006 Third Quarter	Increase/ (Decrease)	Percent Change
\$27,961,574	\$32,543,251	\$32,108,389	\$32,108,389	\$0	0.00%

The *FY 2006 Third Quarter Review* estimate for Permits, Fees and Regulatory Licenses is \$32,108,389, which reflects no change from the FY 2006 Fall Estimate. During the fall revenue review, Zoning Fee revenue was decreased \$0.4 million from \$1.8 million to \$1.4 million. The FY 2006 Adopted Budget Plan included a Zoning Fee increase effective July 1, 2005; however, collections in FY 2005 were lower than anticipated. The FY 2006 estimate for Zoning Fees of \$1,430,941 represents an increase of 50 percent over FY 2005 actual receipts of \$955,219. The decrease in Zoning Fees was partially offset by modest increases in other categories based on FY 2006 year-to-date collections.

Land Development Services fees charged for planning, building, and site permits are the major component of this category and are projected to be \$25.2 million in FY 2006. The FY 2006 estimate for DPWES fees has remained unchanged since the FY 2006 Adopted Budget Plan.

**FINES AND FORFEITURES**

<b>FY 2005 Actual</b>	<b>FY 2006 Revised as of Carryover</b>	<b>FY 2006 Fall Estimate</b>	<b>FY 2006 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$15,523,328	\$12,276,152	\$14,972,768	\$14,972,768	\$0	0.00%

The *FY 2006 Third Quarter Review* estimate for Fines and Forfeitures of \$14,972,768 represents no change from the FY 2006 Fall Estimate. During the fall revenue review, the FY 2006 estimate for Fines and Forfeitures was increased a net \$2.7 million based on an evaluation of prior year actual receipts and collections-to-date for each revenue category. Based on this analysis, General District Court Fines were increased \$2.4 million to \$7.9 million, the level achieved in FY 2005. In addition, the estimate for administrative fees charged for collection of delinquent taxes was increased \$0.7 million. Offsetting this increase was a decrease of \$0.4 million in projected Parking Violation revenue to \$3.2 million, the same level achieved in FY 2005.

**INTEREST ON INVESTMENTS**

<b>FY 2005 Actual</b>	<b>FY 2006 Revised as of Carryover</b>	<b>FY 2006 Fall Estimate</b>	<b>FY 2006 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$27,110,409	\$38,329,212	\$61,923,037	\$61,923,037	\$0	0.00%

The *FY 2006 Third Quarter Review* estimate for Interest on Investments of \$61,923,037 represents no change from the FY 2006 Fall Estimate. During the fall revenue review, the FY 2006 estimate for Interest on Investment was increased \$23,593,825 due primarily to an increase in the projected yield from 3.0 percent to 3.8 percent. Revenue from Interest on Investments is highly dependent on Federal Reserve actions. Since June 2005, the Fed has increased the federal funds rate from 3.25 percent to 4.50 percent as of January 31, 2006. Also during the fall revenue review, the anticipated investment portfolio was increased from \$1,878.1 million to \$2,241.0 million and the portion of interest earned attributed to the General Fund was increased from 67 percent to 70 percent. No change during the *FY 2006 Third Quarter Review* is recommended based on interest earned year-to-date and a projection for the remainder of the fiscal year.

**CHARGES FOR SERVICES**

<b>FY 2005 Actual</b>	<b>FY 2006 Revised as of Carryover</b>	<b>FY 2006 Fall Estimate</b>	<b>FY 2006 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$47,537,672	\$49,458,631	\$52,715,205	\$53,588,886	\$873,681	1.66%

The *FY 2006 Third Quarter Review* estimate for Charges for Services of \$53,588,886 represents an increase of \$873,681, or 1.7 percent, over the FY 2006 Fall Estimate due to an increase in projected Clerk Fees. Clerk Fees are estimated to rise \$0.9 million in FY 2006 based on year-to-date collections which are higher than anticipated due to continued strong home sales and mortgage refinancing activity.

During the fall revenue review, the estimate for Charges for Services was increased a net \$3.3 million primarily due to a rise in County Clerk Fees based on year-to-date collections which reflected the strong level of activity in the local real estate market.

**RECOVERED COSTS / OTHER REVENUE**

FY 2005 Actual	FY 2006 Revised as of Carryover	FY 2006 Fall Estimate	FY 2006 Third Quarter	Increase/ (Decrease)	Percent Change
\$7,247,017	\$6,591,348	\$6,819,695	\$7,747,678	\$927,983	13.61%

The *FY 2006 Third Quarter Review* estimate for Recovered Costs/Other Revenue of \$7,747,678 represents an increase of \$0.9 million, or 13.6 percent, over the FY 2006 Fall Estimate. The increase is entirely associated with an anticipated reimbursement of \$927,983 for the deployment of Fire and Rescue personnel to the Gulf Region for hurricane disaster relief as part of an Emergency Management Assistance Compact mission.

During the fall revenue review, Recovered Cost/Other Revenue was increased a net \$228,347 primarily due to an increase of \$200,366 in Contract Rebate revenue based on current year receipts and actual FY 2005 collections.

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

FY 2005 Actual	FY 2006 Revised as of Carryover	FY 2006 Fall Estimate	FY 2006 Third Quarter	Increase/ (Decrease)	Percent Change
\$129,924,908	\$124,767,363	\$126,847,818	\$129,038,101	\$2,190,283	1.73%

<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 2006 Third Quarter Review* estimate for Revenue from the Commonwealth and Federal Government represents a net increase of \$2,190,283, or 1.7 percent, over the FY 2006 Fall Estimate. Additional revenue of \$2.0 million is anticipated for the Child Care Assistance and Referral Program to support increased enrollment. In addition, \$83,397 is expected from the Community Services Block Grants, \$58,839 for the Healthy Families Program and \$10,132 for the Foster Care and Adoption Program. These increases will be entirely offset by increased expenditure requirements.

During the fall 2005 review, FY 2006 revenue estimate for Revenue from the Commonwealth and Federal Government was increased \$2,250,432. This increase is primarily due to State reimbursement for its share of actual County expenditures associated with the Adult Detention Center, Juvenile Detention Center, Health Department and Constitutional Officers. In addition, \$0.7 million was due to federal reimbursement under the Criminal Alien Assistance Program based on notification received in November 2005 from the U.S. Department of Justice for holding illegal criminal aliens in the County jail during FY 2005. This revenue had not been budgeted as the funding had been slated for elimination.