SUMMARY OF GENERAL FUND REVENUE AND TRANSFERS IN

Category	FY 2018 Actual	FY 2019 Adopted Budget Plan	FY 2019 Revised Budget Plan	FY 2020 Advertised Budget Plan	FY 2020 Adopted Budget Plan	Change from the FY 2020 Advertised Budget Plan: Increase/ (Decrease)	Change from the FY 2020 Advertised Budget Plan: Percent Change
Real Estate Taxes - Current and Delinquent	$2,651,840,881	$2,790,371,574	$2,790,371,574	$2,890,593,420	$2,890,593,420	$0	0.0%
Personal Property Taxes - Current and Delinquent[1]	622,435,842	623,280,032	632,574,132	637,770,970	640,494,857	2,723,887	0.4%
Other Local Taxes	526,923,911	521,305,877	527,182,680	527,746,118	537,425,572	9,679,454	1.8%
Permits, Fees and Regulatory Licenses	52,721,959	53,009,977	54,055,534	53,559,013	53,559,013	0	0.0%
Fines and Forfeitures	12,178,390	12,178,536	12,438,697	12,583,545	12,583,545	0	0.0%
Revenue from Use of Money/Property	43,523,165	49,159,119	69,585,705	82,283,249	82,283,249	0	0.0%
Charges for Services	82,474,118	81,868,225	82,845,373	83,305,683	83,305,683	0	0.0%
Revenue from the Commonwealth and Federal Government[1]	136,763,218	133,833,796	136,909,664	139,699,660	140,019,660	320,000	0.2%
Recovered Costs / Other Revenue	17,405,819	16,636,952	18,283,193	16,934,540	16,934,540	0	0.0%
Total Revenue	**$4,146,267,303**	**$4,281,644,088**	**$4,324,246,552**	**$4,444,476,198**	**$4,457,199,539**	**$12,723,341**	0.3%
Transfers In	10,068,651	10,173,319	10,173,319	9,081,414	9,081,414	0	0.0%
Total Receipts	**$4,156,335,954**	**$4,291,817,407**	**$4,334,419,871**	**$4,453,557,612**	**$4,466,280,953**	**$12,723,341**	**0.3%**

[1] The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

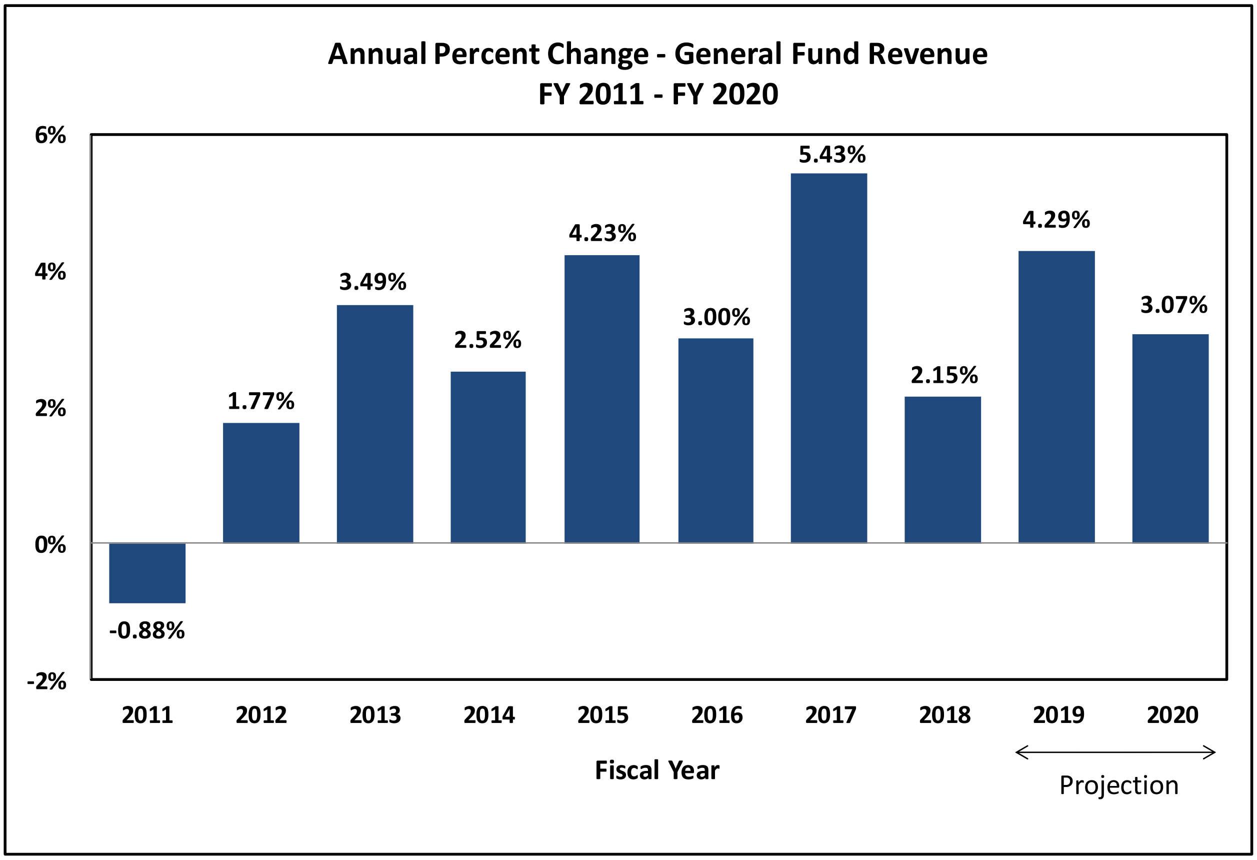
As reflected in the preceding table, FY 2020 General Fund revenues are projected to be $4,457,199,539, an increase of $12,723,341 or 0.3 percent over the FY 2020 Advertised Budget Plan. The increase is primarily the result of higher revenue from Personal Property taxes, Sales Tax, Bank Franchise Tax, and Business, Professional, and Occupational License Taxes (BPOL) based on revised revenue projections. These adjustments are discussed in the following pages.

The FY 2020 General Fund revenue represents an increase of $132,952,987 or 3.1 percent over the *FY 2019 Revised Budget Plan*, which contains the latest FY 2019 revenue estimates, and an increase of $175,555,451 or 4.1 percent over the FY 2019 Adopted Budget Plan. The net increase is primarily the result of a $100.2 million increase over the *FY 2019 Revised Budget Plan* in Real Estate Tax revenue due to a rise in FY 2020 real estate assessments. Other FY 2020 revenue increases over the *FY 2019 Revised Budget Plan* estimates include an increase of $7.9 million in Personal Property Taxes due to an increase in vehicle and business levy; an increase of $12.7 million in Revenue from Use of Money and Property primarily because of a projected rise in interest rates, and an increase of $10.2 million in Other Local Taxes on projected growth in Local Sales Tax, Transient Occupancy Tax, and Business, Professional, and Occupational License Tax.

Incorporating Transfers In, FY 2020 General Fund receipts are anticipated to be $4,466,280,953. The Transfers In to the General Fund total $9.1 million and reflect $2.8 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.

General Fund Revenue Overview

The following chart shows General Fund revenue growth since FY 2011. Revenues rose at an average annual growth rate of 3.0 percent in the period from FY 2011 to FY 2016. General Fund 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 is projected to increase a 4.29 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 3.07 percent is projected in FY 2020.



Economic Indicators

In 2018, real Gross Domestic Product (GDP) grew at a rate of 2.9 percent, which outperformed the 2.2 percent growth experienced in 2017. The U. S. economy continued to expand during the first quarter of 2019 at a rate of 3.1 percent.

In May, the unemployment rate stood at 3.6 percent, unchanged from the previous month's 49-year low. The economy continued to add jobs at the beginning of 2019, with a streak of over 100 straight months of job gains. The average monthly jobs growth in the past 12 months was 196,000 jobs and remains above the 2017 annual average of 179,000 jobs per month. Wages also continued to rise in May, with average hourly earnings up 3.1 percent over the past 12 months. This marks the 10th consecutive month that year-over-year wage gains were at or above 3 percent. Prior to 2018, nominal average hourly wage gains had not reached 3 percent since April 2009. The current economic expansion, buttressed by strong consumer spending thanks to rising wage growth and strong labor market gains, is the second longest in history at 119 months. With the effect of the fiscal stimulus provided by the Tax Cuts and Jobs Act of 2017 decreasing, economists expect a slowdown in growth in 2019 relative to 2018. Other potential headwinds for the U.S. economy include a slowdown in global economic growth and weaker international trade as a result of rising tariffs. However, even under the most pessimistic scenario, absent a dangerous acceleration in U.S./China trade tensions, this business cycle is expected to extent into 2020.

The Federal Reserve raised the federal funds rate four times throughout 2018. At the end of 2018, the Fed indicated that further interest rate hikes were possible in 2019. However, in both its March and June meetings, it decided to keep interest rates steady and even opened the door for potential rate cuts later this year if economic activity weakens. The Federal Open Market Committee, which sets the rates, said it continues to see "sustained" economic expansion but that "uncertainties about [its] outlook have increased."

After a slow recovery from the Great Recession and sequestration, Virginia's economic performance picked up the pace in 2018. The increase in federal government contract spending as a result of the Bipartisan Budget Agreement of 2018 bodes well for Virginia's economy in the short-term. In addition, attracting Amazon's HQ2 to Northern Virginia is expected to provide a boost to the region's economic performance, spur innovation and further diversify the economy away from federal spending dependency.

In Fairfax County, job gains accelerated in 2018. There were almost 10,600 more jobs in the County in 2018 compared to 2017, an increase of 1.8 percent. Almost half of the new jobs were in the Professional and Business Services sector, which includes most federal contractors. This sector grew 2.4 percent in 2018, more than twice the rate of growth experienced in 2017. However, the number of Professional and Business Services jobs has still not fully recovered from the cuts experienced as a result of the sequester in 2013 and 2014 and is still 1.3 percent below the 2012 level. The County's unemployment rate stands at 2.5 percent as of March 2019, slightly lower than a year ago. According to estimates from IHS Markit, the County's Gross County Product (GCP), adjusted for inflation, increased at a rate of 1.9 percent in 2017, and growth accelerated to an estimated 3.3 percent in 2018.

The region's economic performance was impacted temporarily by the 35-day partial government shutdown in the beginning of 2019. According to Dr. Stephen Fuller, a George Mason University professor, 40 percent of the region's 360,000 federal workers were furloughed or worked without pay and 25 percent of the federal contractor workforce was laid off during the shutdown. While the full impact of the shutdown in the long-term is unclear and hard to quantify, it did impact the economy negatively in the short-term as a result of reduced spending by federal workers. Some of the costs were also transferred to local governments in the form of higher public assistance expenditures and lower tax revenues. The region's economic outlook is facing more uncertainty in the fall of 2019. Absent a new deal on the federal budget by Congress, the sequester-level discretionary spending caps are scheduled to return on October 1, 2019, which could translate into lower procurement contract spending for the region.

Local Housing Market

Based on information from the Metropolitan Regional Information System (MRIS), the average sales price of homes sold in Fairfax County rose 1.9 percent from $567,829 in 2017 to $578,723 in 2018. Home prices continue to increase primarily as a result of tight inventory of homes for sale. Since 2009, the average home sales price has risen 38.7 percent, or an average annual growth of 3.7 percent.

MRIS also reported that 15,683 homes sold in the County in 2018, down 2.6 percent from 2017. Homes that sold during 2018 were on the market for an average of 52 days, down from 61 days in 2017.

Local Nonresidential Market

According to the Fairfax County Economic Development Authority, the direct office vacancy rate at year-end 2018 was 14.9 percent, down from 15.5 percent at year-end 2017. The overall office vacancy rate, which includes empty sublet space, was 15.5 percent at year-end 2018, down from 16.3 percent recorded at year-end 2017. The amount of empty office space fell to 18.4 million square feet. Industry experts expect vacancy rates to remain relatively stable through 2019 as tenants monitor economic conditions and the direction of the federal budget.

At year-end 2018, office development continued around Metro stations in the Silver Line corridor and in other areas of the County as well. Six office buildings totaling more than 1.5 million square feet were underway in three submarkets in December 2018. The amount of new space delivered in 2018 – more than 1.5 million square feet – exceeded the roughly 870,000 square feet delivered in 2017.

Office leasing activity topped 9.6 million square feet by the end of 2018. As has been the case for the past several years, the overwhelming majority of leasing activity during 2018 involved renewals and consolidations. 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 54 million square feet of new office space is in the development pipeline countywide.

Revenue

In FY 2020, current and delinquent Real Estate Tax revenue comprises almost 65.0 percent of total County General Fund revenues. FY 2020 Real Estate property values were established as of January 1, 2019 and reflect market activity through calendar year 2018. The Real Estate Tax base is projected to increase 3.60 percent in FY 2020 and is made up of a 2.45 percent increase in total equalization (reassessment of existing residential and nonresidential properties), and an increase of 1.15 percent for new construction.

The FY 2019 and FY 2020 General Fund revenue estimates discussed in this section are based on a review of Fairfax County economic indicators, actual FY 2018 receipts, and FY 2019 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 2020.

MAJOR REVENUE SOURCES

The following major revenue categories discussed in this section comprise 98.9 percent of total FY 2020 General Fund revenue. Unless otherwise indicated, comparative data are presented relative to the FY 2020 Advertised 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."

						Change from the FY 2020 Advertised Budget Plan	
Category	**FY 2018 Actual**	**FY 2019 Adopted Budget Plan**	**FY 2019 Revised Budget Plan**	**FY 2020 Advertised Budget Plan**	**FY 2020 Adopted Budget Plan**	**Increase / (Decrease)**	**Percent Change**
Real Estate Tax - Current	$2,641,900,635	$2,781,410,559	$2,781,410,559	$2,881,632,405	$2,881,632,405	$0	0.0%
Personal Property Tax							
Current[1]	606,998,834	608,539,553	617,333,653	622,530,491	625,254,378	2,723,887	0.4%
Paid Locally	395,684,890	397,225,609	406,019,709	411,216,547	413,940,434	2,723,887	0.7%
Reimbursed by Commonwealth	211,313,944	211,313,944	211,313,944	211,313,944	211,313,944	0	0.0%
Business, Professional and Occupational License Tax-Current	162,298,747	160,086,487	169,400,328	167,204,226	173,382,796	6,178,570	3.7%
Local Sales Tax	182,172,429	185,686,835	186,726,741	191,394,909	193,194,909	1,800,000	0.9%
Recordation/Deed of Conveyance Taxes	31,960,941	31,193,902	28,488,338	28,488,338	28,488,338	0	0.0%
Bank Franchise Tax	22,596,914	20,879,555	21,450,000	21,664,500	23,654,317	1,989,817	9.2%
Gas & Electric Utility Taxes	45,883,971	45,533,698	45,533,698	45,533,698	45,533,698	0	0.0%
Communications Sales Tax	12,856,026	10,528,299	8,366,196	5,688,439	5,399,506	(288,933)	(5.1%)
Vehicle License Fee	27,227,944	27,464,107	27,464,107	27,464,107	27,464,107	0	0.0%
Transient Occupancy Tax	22,129,369	22,120,618	22,682,603	23,249,668	23,249,668	0	0.0%
Cigarette Tax	6,502,880	6,561,630	5,976,682	5,916,915	5,916,915	0	0.0%
Permits, Fees and Regulatory Licenses	52,721,959	53,009,977	54,055,534	53,559,013	53,559,013	0	0.0%
Investment Interest	41,438,317	46,992,592	67,403,726	80,017,523	80,017,523	0	0.0%
Charges for Services	82,474,118	81,868,225	82,845,373	83,305,683	83,305,683	0	0.0%
Fines and Forfeitures	12,178,390	12,178,536	12,438,697	12,583,545	12,583,545	0	0.0%
Recovered Costs / Other Revenue	17,405,819	16,636,952	18,283,193	16,934,540	16,934,540	0	0.0%
Revenue from the Commonwealth and Federal Government[1]	136,763,218	133,833,796	136,909,664	139,699,660	140,019,660	320,000	0.2%
Total Major Revenue Sources	**$4,105,510,511**	**$4,244,525,321**	**$4,286,769,092**	**$4,406,867,660**	**$4,419,591,001**	**$12,723,341**	**0.3%**

[2] 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 TAX-CURRENT

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$2,641,900,635	$2,781,410,559	$2,781,410,559	$2,881,632,405	$2,881,632,405	$0	0.0%

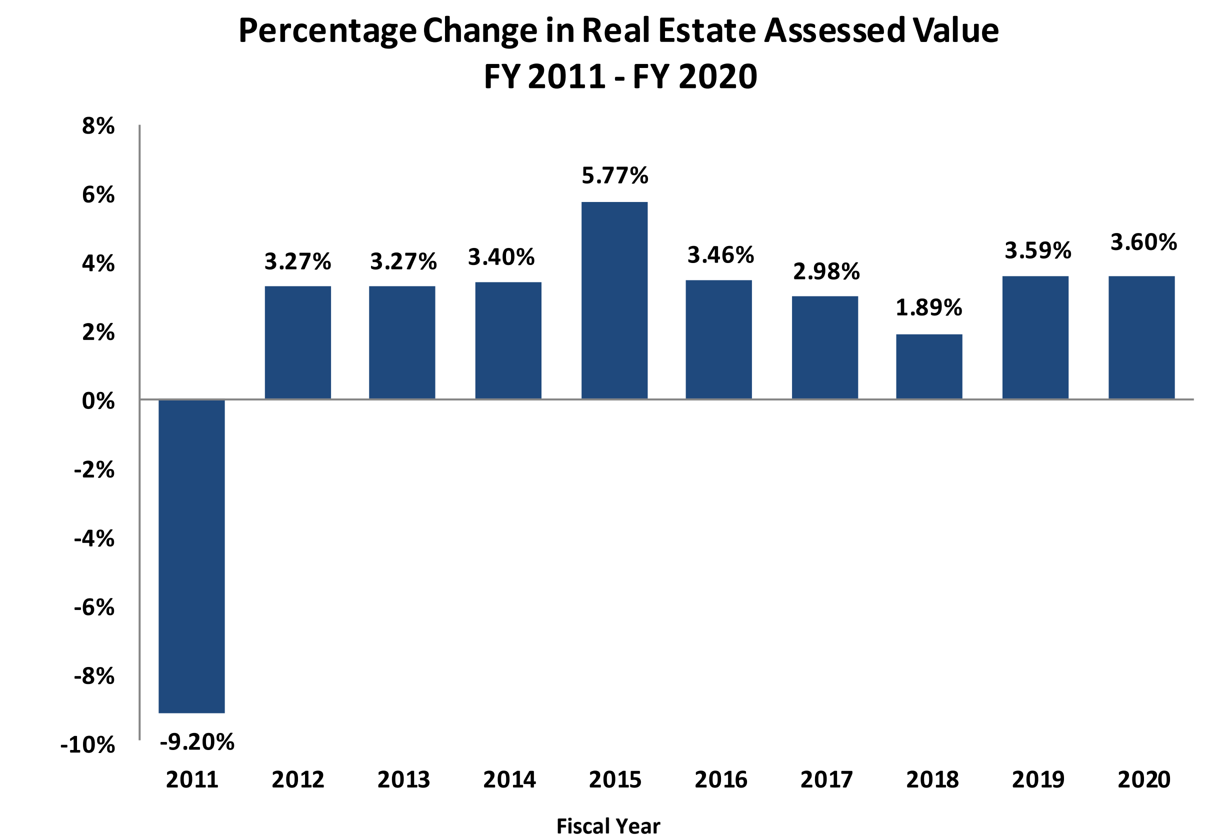
The FY 2020 Adopted Budget Plan estimate for Current Real Estate Taxes is $2,881,632,405 and represents no change from the FY 2020 Advertised Budget Plan estimate and an increase of $100,221,846 or 3.6 percent over the *FY 2019 Revised Budget Plan* estimate. The increase is the result of the rise of the Real Estate tax base of 3.60 percent. The adopted FY 2020 Real Estate tax rate is $1.15 per $100 of assessed value, the same as in FY 2019.

The FY 2020 value of assessed real property represents an increase of 3.60 percent, as compared to the FY 2019 Real Estate Land Book, and is comprised of an increase in equalization of 2.45 percent and an increase of 1.15 percent associated with new construction. The FY 2020 figures reflected in this document are based on final assessments for Tax Year 2019 (FY 2020), which were established as of January 1, 2019. In addition to the revenue shown in the table above, the projected value of one-half penny on the Real Estate Tax rate ($12.8 million) is allocated to The Penny for Affordable Housing Fund and $5.5 million is allocated to Fund 70040, Mosaic District Community Development Authority. Throughout FY 2020, 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 2020 **Main Assessment Book Value** is $255,191,954,950 and represents an increase of $8,857,622,800, or 3.60 percent, over the FY 2019 main assessment book value of $246,334,332,150.

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 3.49 percent through FY 2020.

The following chart shows changes in the County's assessed value base from FY 2011 to FY 2020.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Equalization	**-8.98%**	**2.67%**	**2.53%**	**2.63%**	**4.84%**	**2.40%**	**1.94%**	**0.97%**	**2.58%**	**2.45%**
Res	-5.56	2.34	0.71	3.50	6.54	3.39%	1.64%	0.68%	2.17%	2.36%
NonRes	-18.29	3.73	8.21	0.14	-0.10	-0.60%	2.87%	1.85%	3.79%	2.71%
Growth	**-0.22%**	**0.60%**	**0.74%**	**0.77%**	**0.93%**	**1.06%**	**1.04%**	**0.92%**	**1.01%**	**1.15%**
TOTAL	**-9.20%**	**3.27%**	**3.27%**	**3.40%**	**5.77%**	**3.46%**	**2.98%**	**1.89%**	**3.59%**	**3.60%**

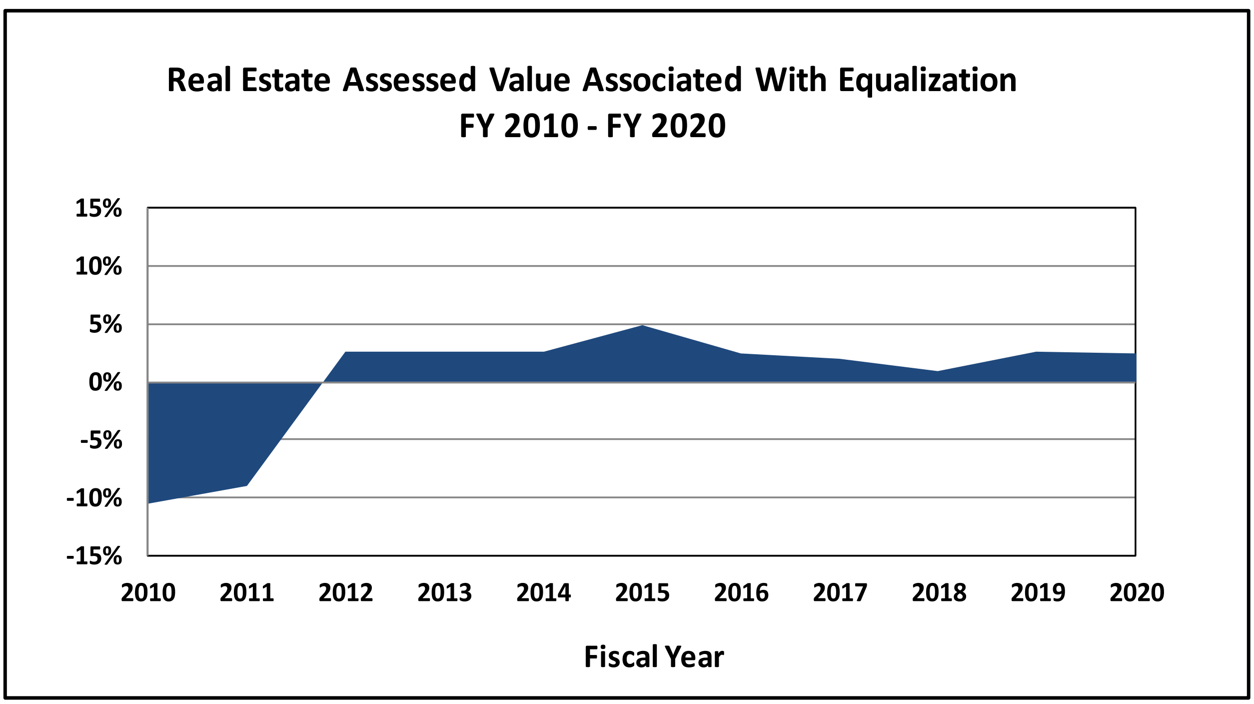
The overall change in the assessment base is comprised of **equalization** and **normal growth.** For reporting purposes, individual properties are identified as being in either the equalization category or the growth category, but not both. Equalization properties are those whose values change due to 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 2020 assessment base reflects a total equalization increase of 2.45 percent and an increase of 1.15 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 73.81 percent in FY 2019 to 73.30 percent in FY 2020. The following table reflects changes in the Real Estate Tax assessment base from FY 2014 through FY 2020.

Main Real Estate Assessment Book Value and Changes

(in millions)

Assessed Base Change Due To:	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Equalization	**$5,259.4**	**$10,026.1**	**$5,269.7**	**$4,401.5**	**$2,269.9**	**$6,140.1**	**$6,032.5**
% Change	2.63%	4.84%	2.40%	1.94%	0.97%	2.58%	2.45%
Residential	3.50%	6.54%	3.39%	1.64%	0.68%	2.17%	2.36%
Nonresidential	0.14%	(0.10%)	(0.60%)	2.87%	1.85%	3.79%	2.71%
Normal Growth	**$1,550.4**	**$1,922.0**	**$2,318.0**	**$2,362.6**	**$2,148.1**	**$2,403.1**	**$2,825.1**
% Change	0.77%	0.93%	1.06%	1.04%	0.92%	1.01%	1.15%
Residential	0.42%	0.51%	0.51%	0.56%	0.36%	0.57%	0.68%
Nonresidential	1.79%	2.13%	2.74%	2.54%	2.61%	2.29%	2.47%
Total Change	**$6,809.8**	**$11,948.1**	**$7,587.7**	**$6,764.2**	**$4,418.0**	**$8,543.2**	**$8,857.6**
% Change	3.40%	5.77%	3.46%	2.98%	1.89%	3.59%	3.60%
Total Book	$207,073.1	$219,021.3	$226,609.0	$233,373.1	$237,791.1	$246,334.3	$255,192.0

Equalization, or reassessment of existing residential and nonresidential property, represents an increase in value of $6,032,548,910, or 2.45 percent, in FY 2020. Both residential and non-residential property values rose in FY 2020. Growth in non-residential equalization has been higher than that of residential equalization in the last four years. Overall, residential equalization reflects a 2.36 percent increase in FY 2020, compared to a 2.17 percent increase in FY 2019. Nonresidential equalization rose 2.71 percent in FY 2020, compared to a 3.79 percent increase in FY 2019. 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. In FY 2008, FY 2009, FY 2010, and FY 2011, overall residential equalization declined 0.33 percent, 3.38 percent, 12.55 percent, and 5.56 percent, respectively, as the inventory of homes for sale grew and home prices fell in the County, as they did throughout the Northern Virginia area. After falling four consecutive years, the value of residential properties in the County increased in the last nine years. The total value of residential properties including new construction in FY 2020 is $187.4 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.

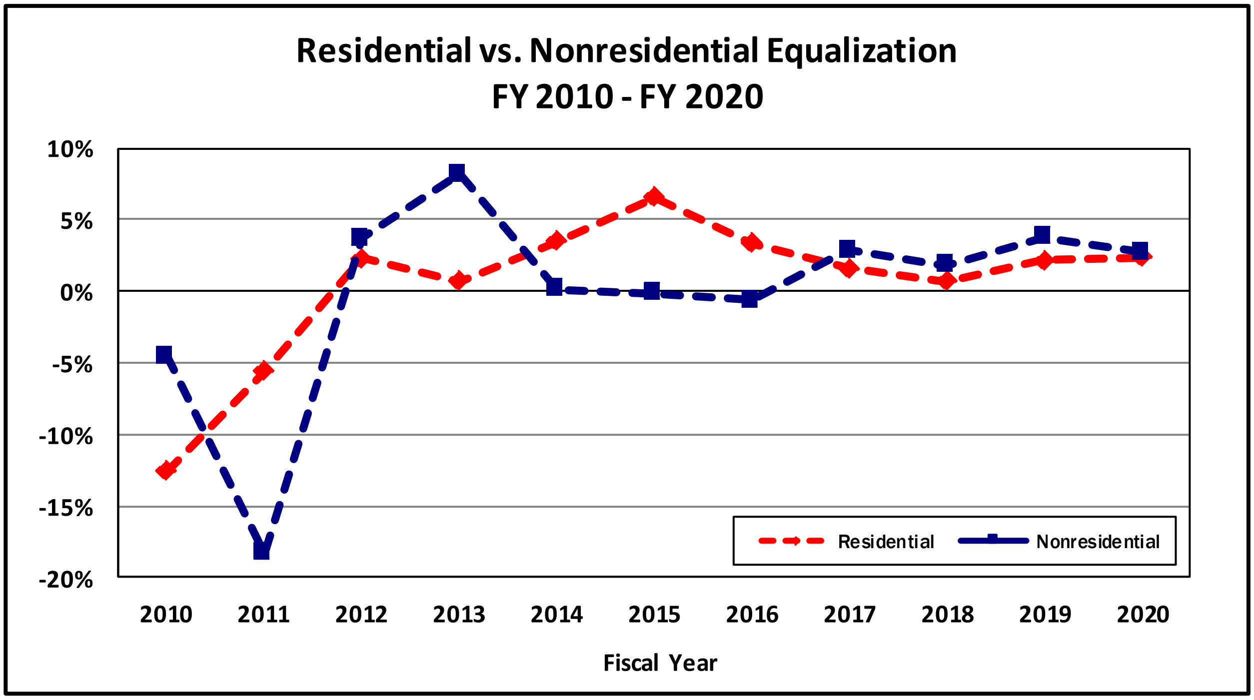
Overall, single family property values increased 2.17 percent in FY 2020. The value of single family homes has the most impact on the total residential base because they represent nearly 72 percent of the total. The value of townhouse properties increased 3.12 percent in FY 2020, while that of condominium properties increased 2.98 percent. Changes in residential equalization by housing type since FY 2015 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 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Single Family (71.6%)	5.82%	3.27%	1.69%	0.62%	2.11%	2.17%
Townhouse/Duplex (19.9%)	8.39%	3.81%	2.05%	1.37%	2.86%	3.12%
Condominiums (8.0%)	10.51%	4.48%	0.73%	(0.32%)	1.68%	2.98%
Vacant Land (0.4%)	3.38%	3.03%	0.92%	0.03%	2.01%	3.11%
Other (0.1%)[1]	3.42%	2.56%	6.42%	9.52%	9.70%	1.67%
Total Residential Equalization (100%)	**6.54%**	**3.39%**	**1.64%**	**0.68%**	**2.17%**	**2.36%**

[1] 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 $562,601. This is an increase of $12,971 over the FY 2019 value of $549,630. At the Real Estate tax rate of $1.15 per $100 of assessed value, the typical residential annual tax bill will rise, on average, $149.16 in FY 2020 to $6,469.91.



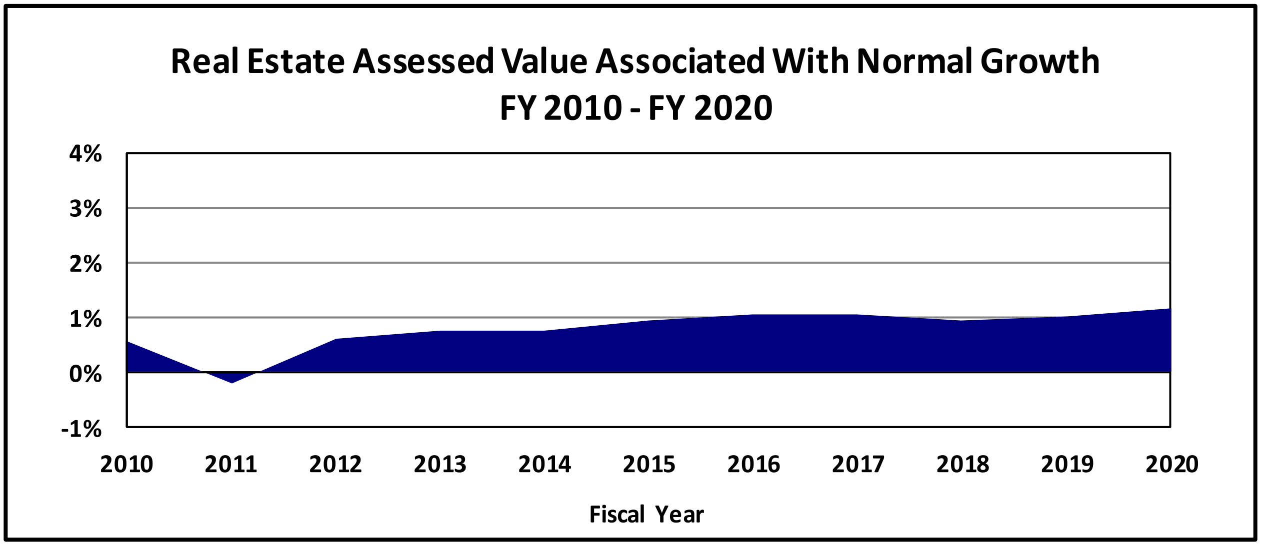
After experiencing a record decline of 18.29 percent in FY 2011, **nonresidential equalization** rebounded 3.73 percent in FY 2012, and a strong 8.21 percent in FY 2013. In FY 2014, nonresidential values stayed essentially level with FY 2013, increasing only 0.14 percent. In FY 2015 and FY 2016, nonresidential values decreased a slight 0.10 percent and another 0.60 percent, respectively, before increasing 2.87 percent in FY 2017 and 1.85 percent in FY 2018. In FY 2019, nonresidential values increased 3.79 percent, followed by an increase of 2.71 percent in FY 2020. The total value of nonresidential properties including new construction in FY 2020 is $67.8 billion.

Office Elevator properties (mid- and high-rises), the largest component of the nonresidential tax base at 31.0 percent, experienced an increase of 3.32 percent in FY 2020 after increasing 2.82 percent in FY 2019. Apartment values, which represent 25.2 percent of the total nonresidential base, rose 2.13 percent in FY 2020. Retail properties increased only 1.66 percent in FY 2020 after a strong 7.00 percent rise in FY 2019. Nonresidential equalization changes by category since FY 2015 are presented in the following table.

Nonresidential Equalization Changes

Category (Percent of Base)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Apartments (25.2%)	3.59%	1.20%	2.92%	3.37%	2.40%	2.13%
Office Condominiums (3.7%)	(0.07%)	0.58%	1.86%	0.49%	1.19%	1.77%
Industrial (6.9%)	1.77%	5.83%	7.43%	(0.26%)	9.61%	5.90%
Retail (17.4%)	1.52%	2.46%	1.60%	7.39%	7.00%	1.66%
Office Elevator (31.0%)	(2.93%)	(4.67%)	3.42%	(1.39%)	2.82%	3.32%
Office - Low Rise (2.7%)	(2.41%)	(5.00%)	1.73%	1.39%	1.11%	2.75%
Vacant Land (3.3%)	(1.19%)	(4.62%)	1.50%	(1.17%)	(0.35%)	4.28%
Hotels (3.5%)	(4.82%)	0.26%	3.61%	(0.12%)	8.13%	6.62%
Other (6.3%)	2.37%	5.26%	3.70%	6.73%	6.13%	2.80%
Nonresidential Equalization (100%)	**(0.10%)**	**(0.60%)**	**2.87%**	**1.85%**	**3.79%**	**2.71%**

The **Growth** component increased the FY 2020 assessment base by $2,825,073,890, or 1.15 percent, over the FY 2019 assessment book value. New construction increased the residential property base by 0.68 percent and nonresidential properties by 2.47 percent.



In addition to the final equalization and normal growth adjustments in the Main Assessment Book, the following projected adjustments were made to the FY 2020 Real Estate Tax revenue estimate:

Exonerations, Certificates and Tax Abatements are anticipated to reduce the Real Estate assessment base by $1,023.4 million in FY 2020, resulting in a reduction in levy of $11.8 million.

Additional Assessments expected to be included in the new Real Estate base total $525.0 million, or a levy increase of $5.0 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 2020 by $2,770.0 million. The reduction in tax levy due to the Tax Relief program is approximately $31.9 million at the Real Estate tax rate of $1.15 per $100 of assessed value. In FY 2020, 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 2020 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 2020 income and asset thresholds for the Real Estate Tax Relief Program.

FY 2020 Real Estate Tax Relief Program	Income Limit	Asset Limit	Percent Relief
Elderly and Disabled	Up to $52,000	$340,000	100%
	Over $52,000 to $62,000		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	No Limit	No Limit	full or partial based on mean assessed value
Surviving Spouse of First Responder Killed in the Line of Duty	No Limit	No Limit	full or partial based on mean assessed value

The FY 2020 local assessment base of $251,923,563,580 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of $2,897,120,981 is calculated using the Real Estate Tax rate of $1.15 per $100 of assessed value. Based on an expected local collection rate of 99.70 percent, revenue from local assessments is estimated to be $2,888,429,618. In FY 2020, 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 $25.5 million in revenue.

Added to the local assessment base is an estimated $1,000,000,000 in assessed value for Public Service Corporations (PSC) property. Using the Real Estate tax rate of $1.15 per $100 of assessed value, the tax levy on PSC property is $11,500,000. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is $252,923,563,580, with a total tax levy of $2,908,620,981 at the Real Estate Tax rate of $1.15 per $100 of assessed value. Estimated FY 2020 revenue from the Real Estate Tax, including receipts from Public Service Corporations totals $2,899,929,618. Of this amount, the approximate value of one-half cent on the Real Estate Tax rate, $12,763,000, has been directed to Fund 30300, The Penny for Affordable Housing Fund and $5,534,213 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 2020 is $610,031,670, with a tax levy of $7,015,364 at the Real Estate Tax rate of $1.15 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 $6,994,318. 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 $5,534,213 in FY 2020. Accordingly, the difference of $1,460,105 will be retained in the General Fund. For more information, see Fund 70040, Mosaic District Community Development Authority, in Volume 2 of the budget.

FY 2020 Estimated Real Estate Assessments and Tax Levy

	Assessed Value	FY 2020 Tax Levy at $1.15/$100 of Assessed Value
FY 2019 Real Estate Book	$246,334,332,150	$2,832,844,820
FY 2020 Equalization	6,032,548,910	69,374,312
FY 2020 Growth	2,825,073,890	32,488,350
TOTAL FY 2020 REAL ESTATE BOOK	**$255,191,954,950**	**$2,934,707,482**
Exonerations	($1,000,000,000)	($11,500,000)
Certificates	(13,000,000)	(149,500)
Tax Abatements	(10,391,370)	(119,501)
Subtotal Exonerations	($1,023,391,370)	($11,769,001)
Supplemental Assessments	$525,000,000	$6,037,500
Tax Relief	(2,770,000,000)	(31,855,000)
Local Assessments	**$251,923,563,580**	**$2,897,120,981**
Public Service Corporation	$1,000,000,000	$11,500,000
TOTAL[1]	**$252,923,563,580**	**$2,908,620,981**

[1] 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 2020 is $610,031,670, with a tax levy of $7,015,364.

Total General Fund revenue from the Real Estate Tax is $2,881,632,405. The total local collection rates experienced in this category since FY 2005 are shown in the following table:

Real Estate Tax Local Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
2005	99.62%	**2013**	99.71%
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 (estimated)[1]**	99.70%
2012	99.69%	**2020 (estimated)[1]**	99.70%

[1] In FY 2020, every 0.1 percentage point change in the collection rate yields a revenue change of $2.9 million.

The Commercial/Industrial percentage of the County's FY 2020 Real Estate Tax base is 19.66 percent, an increase of 0.23 percentage point over the FY 2019 level of 19.43 percent. Commercial/Industrial property values as a percentage of the Real Estate Tax base increased in FY 2020 as a result of new office construction and a 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 7.04 percent of the County's Real Estate Tax base in FY 2020. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

Commercial/Industrial Percentages

Fiscal Year	Percentage	Fiscal Year	Percentage
2005	18.20%	**2013**	20.77%
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%

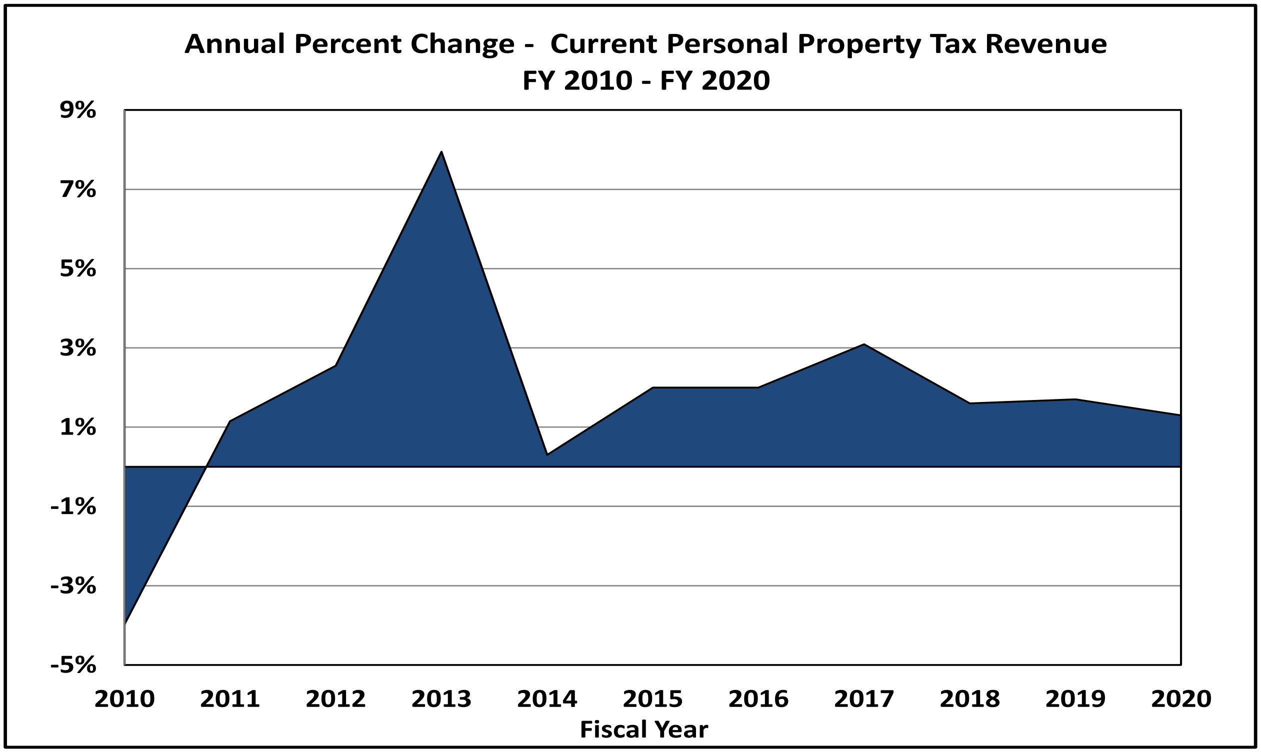
PERSONAL PROPERTY TAX-CURRENT

	FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
Paid Locally	$395,684,890	$397,225,609	$406,019,709	$411,216,547	$413,940,434	$2,723,887	0.7%
Reimbursed by State	211,313,944	211,313,944	211,313,944	211,313,944	211,313,944	0	0.0%
Total	$606,998,834	$608,539,553	$617,333,653	$622,530,491	$625,254,378	$2,723,887	0.4%

The FY 2020 Adopted Budget Plan estimate for Personal Property Tax revenue of $625,254,378 represents an increase of $2,723,887 or 0.4 percent over the FY 2020 Advertised Budget Plan estimate. The increase is due to higher average vehicle levy based on final analysis of vehicles currently in the County valued with information from the National Automobile Dealers Association. This assessed value will be reflected in FY 2020 bills.

The Personal Property Tax on vehicles represents 77.0 percent of the total assessment base in FY 2020. 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 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 2020, the reimbursement percentage is set at 59.0 percent.

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



In FY 2010, receipts decreased 4.0 percent mainly as a result of a significant decline of 10.8 percent in average vehicle levy reflecting the downturn in the economy in calendar year 2009. FY 2011 Personal Property Tax receipts increased 1.1 percent due to an increase in the average vehicle levy, partially offset with a decrease in business volume and average business levy. FY 2012 Personal Property Tax receipts increased 2.6 percent due to an increase in both the average vehicle and business levies. FY 2013 receipts increased a solid 7.9 percent mainly as a result of a rise of 7.1 percent in total vehicle levy. 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. Since FY 2014 through FY 2018, Personal Property Tax revenue has experienced an average annual growth of 2.2 percent. Personal Property Tax receipts are expected to increase 1.7 percent in FY 2019, and growth of 1.3 percent is projected in FY 2020. The vehicle component, which comprises 77.0 percent of total Personal Property levy, is expected to increase 2.6 percent based on an analysis of vehicles in the County valued with information from the National Automobile Dealers Associations (NADA). Total vehicle volume is forecast to remain essentially level in FY 2019 and FY 2020.

Changes in vehicle volume and average vehicle levy since FY 2010 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 2010	0.1%	$387	(10.8%)
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 (est.)	0.0%	$478	2.0%
FY 2020 (est.)	(0.1%)	$491	2.8%

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. Business levy is anticipated to resume growing at 0.6 percent in FY 2019 and 1.2 percent in FY 2020.

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 $1.15 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.

FY 2020 Estimated Personal Property Assessments and Tax Levy

Category	FY 2020 Assessed Value	Tax Rate (per $100)	FY 2020 Tax Levy	Percent of Total Levy
Vehicles				
Privately Owned	$10,243,153,411	$4.57	$408,638,578	64.6%
Business Owned	591,219,065	4.57	23,863,196	3.8%
Leased	1,402,368,933	4.57	55,159,500	8.7%
Subtotal	$12,236,741,409		$487,661,274	77.0%
Business Personal Property				
Furniture and Fixtures	$1,993,315,078	$4.57	$91,648,834	14.5%
Computer Equipment	810,848,798	4.57	37,222,906	5.9%
Machinery and Tools	31,062,799	4.57	1,423,501	0.2%
Research and Development	184,989	4.57	8,454	0.0%
Subtotal	$2,835,411,664		$130,303,695	20.6%
Other Personal Property				
Boats, Trailers, Miscellaneous	$18,242,247	$4.57	$867,985	0.1%
Mobile Homes	12,439,160	1.15	145,989	0.1%
Subtotal	$30,681,407		$1,013,974	0.2%
Exonerations	($85,387,074)	$4.57	($27,854,052)	-4.4%
Omitted Assessments	244,851,806	4.57	6,189,789	1.0%
Total Local Assessed Value and Levy	$15,262,299,212		$597,314,680	94.4%
Public Service Corporations				
Equalized	$3,073,690,180	$1.15	$35,347,437	5.6%
Vehicles	6,833,171	4.57	312,276	0.0%
Subtotal	$3,080,523,351		$35,659,713	5.6%
TOTAL	**$18,342,822,563**		**$632,974,393**	**100.0%**

FY 2020 Personal Property Tax assessments including Public Service Corporations are $18,342,822,563, with a total tax levy of $632,974,393. Personal Property Tax revenue collections are projected to be $625,254,378, 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 2005 are shown in the following table:

Personal Property Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
2005	97.9%	**2013**	98.4%
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 (estimated)[1]**	98.0%
2012	98.2%	**2020 (estimated)[1]**	98.0%

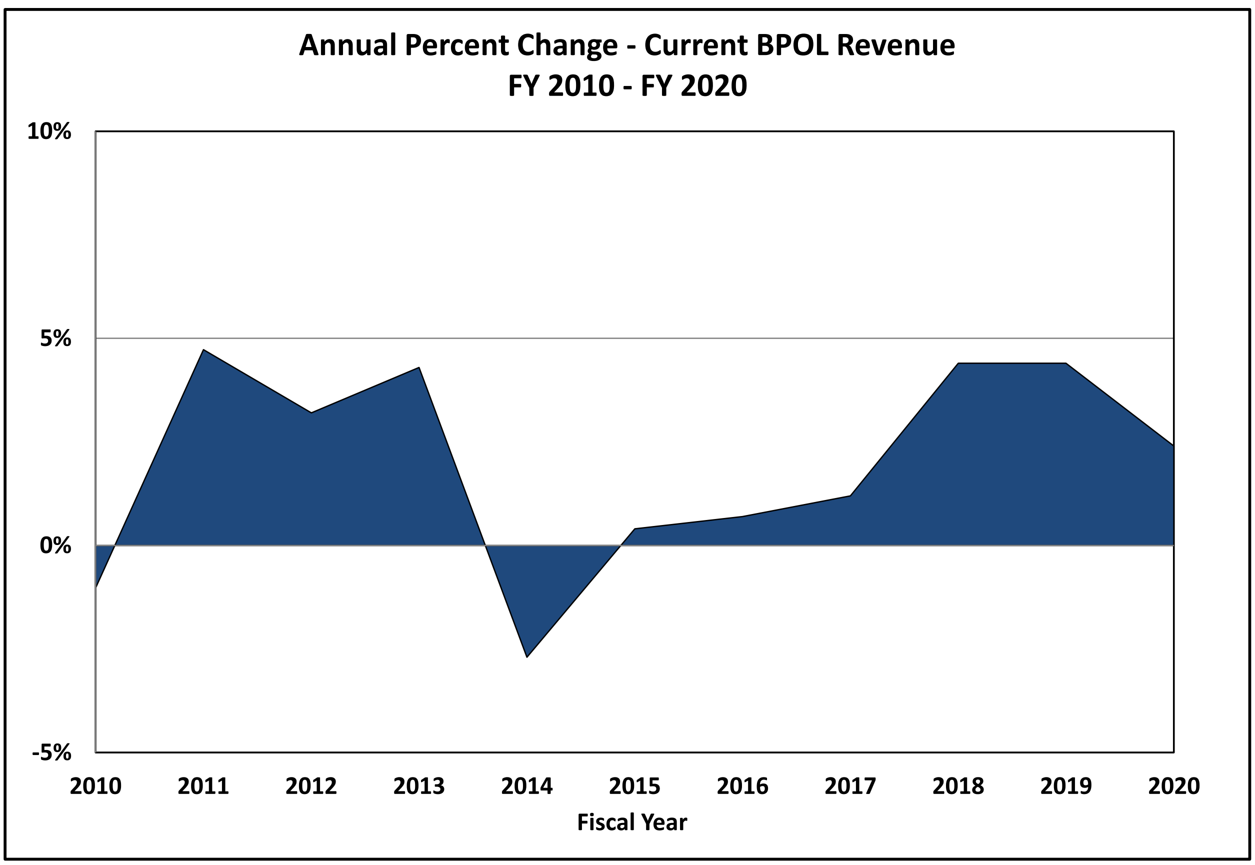
[1] Each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately $0.4 million, and each penny on the tax rate yields a revenue change of $1.3 million.

FY 2019 Current Personal Property Tax Revenue
Since the adoption of the FY 2019 budget, the FY 2019 Personal Property Tax estimate has been increased a net $8.8 million primarily due to a higher projected vehicle levy.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$162,298,747	$160,086,487	$169,400,328	$167,204,226	$173,382,796	$6,178,570	3.7%

The FY 2020 Adopted Budget Plan estimate for Business, Professional, and Occupational License Taxes (BPOL) of $173,382,796 reflects an increase of $6,178,570 or 3.7 percent over the FY 2020 Advertised Budget Plan and growth of 2.4 percent over the *FY 2019 Revised Budget Plan*. As shown in the following chart, FY 2010 BPOL receipts, which were based on the gross receipts of businesses in calendar year 2009, fell 1.0 percent due to the downturn in the in the local economy. Growth of 4.7 percent in FY 2011 BPOL receipts reflected the improvement in local economic conditions. 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. The combined Consultant and Business Service Occupations categories, which represent almost 42 percent of total BPOL receipts, increased 5.5 percent over the FY 2017 level, after growing only 0.5 percent the previous year. The Retail category, which represents 19 percent of total BPOL receipts, rose 0.8 percent in FY 2018.



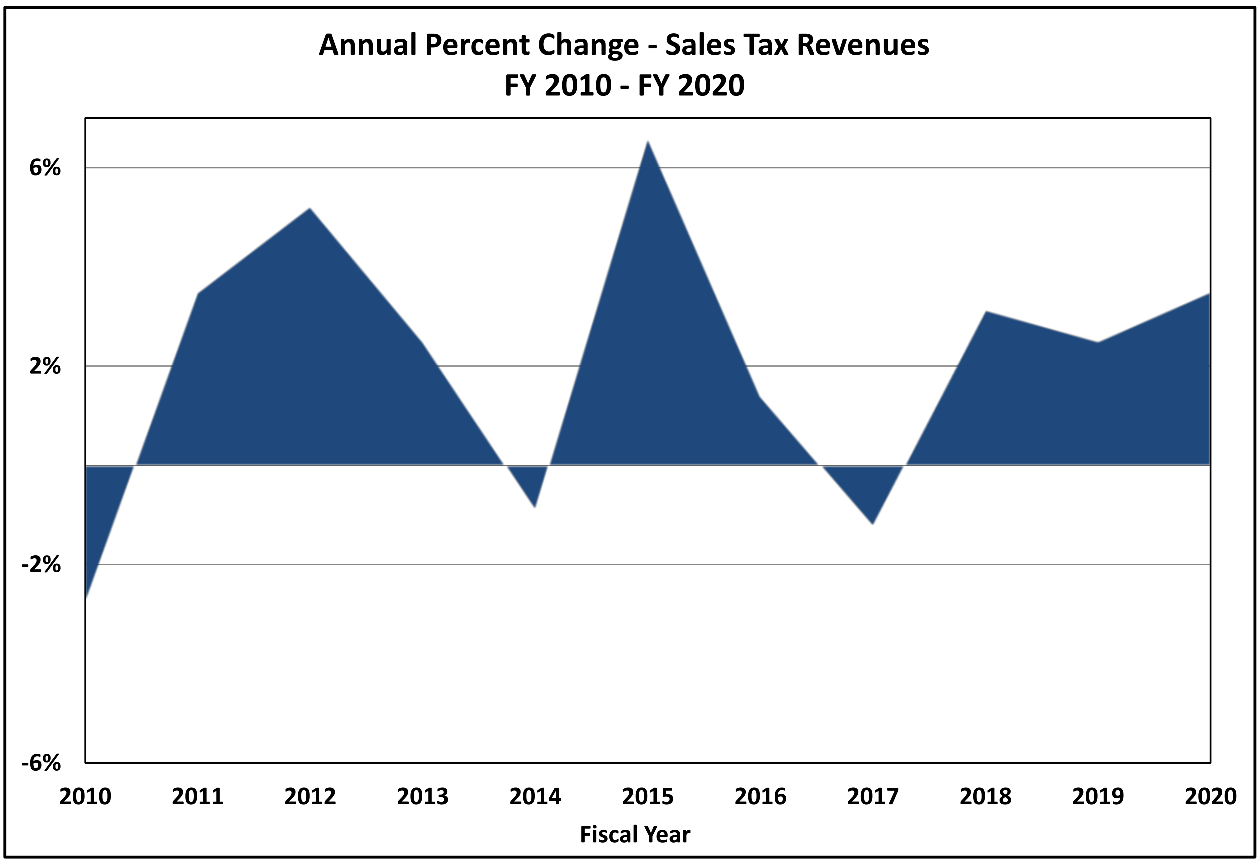
General Fund Revenue Overview

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 2018 receipts and an econometric model using calendar year Sales Tax receipts and employment as predictors, the FY 2019 BPOL estimate was increased $4.6 million during the fall 2018 revenue review. Based on initial tax year 2018 BPOL returns processed by the Department of Tax Administration in March and early April, the FY 2019 BPOL estimate was increased an additional $4.7 million during the FY 2020 Add-on and Mark-up processes, for a projected growth rate of 4.4 percent in FY 2019, the same rate as the one experienced in FY 2018. Based on the preliminary FY 2019 year-end estimate, the FY 2020 estimate has been increased $6.2 million to reflect 2.4 percent growth over FY 2019 expected receipts.

LOCAL SALES TAX

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$182,172,429	$185,686,835	$186,726,741	$191,394,909	$193,194,909	$1,800,000	0.9%

The FY 2020 Adopted Budget Plan estimate for Sales Tax receipts of $193,194,909 reflects an increase of $1.8 million or 0.9 percent over the FY 2020 Advertised Budget Plan. The following chart illustrates that the level of Sales Tax receipts has varied with economic conditions.



Sales Tax collections fell 2.8 percent in FY 2010, following a decline of 4.4 percent in FY 2009 due to the national recession which began in December 2007. Sales Tax receipts rose 3.5 percent in FY 2011, the first increase since FY 2008. 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. During the fall 2018 revenue review, the FY 2019 estimate was increased $1.0 million based on year-to-date collections, which were up 2.7 percent through December. The revised FY 2019 estimate reflects a growth rate of 2.5 percent over the FY 2018 actual receipts. FY 2019 Sales Tax receipts through May are up 2.3 percent, slightly lower than the projected growth of 2.5 percent. Sales Tax receipts in FY 2020 are projected to rise 3.5 percent over the FY 2019 estimate based on the anticipation that consumer spending will increase moderately throughout FY 2020. The additional $1.8 million over the FY 2020 Advertised Budget Plan identified as part of the FY 2020 Mark-up process is the result of new state legislation passed by the General Assembly relating to the collection of online sales taxes in response to the provisions of the U.S. Supreme Court decision in the *South Dakota v. Wayfair, Inc.* case.

RECORDATION/DEED OF CONVEYANCE TAXES

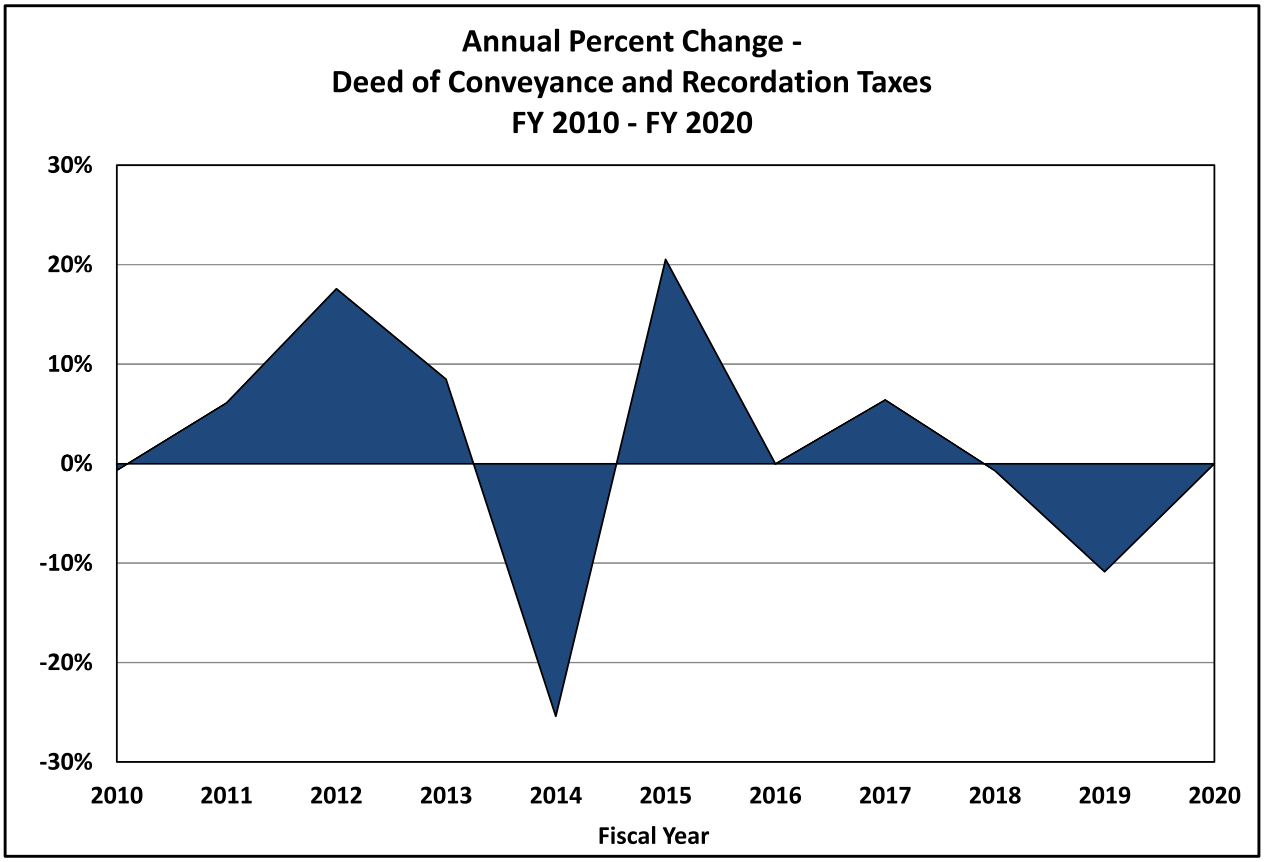
FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$31,960,941	$31,193,902	$28,488,338	$28,488,338	$28,488,338	$0	0.0%

The FY 2020 Adopted Budget Plan estimate for Recordation and Deed of Conveyance Taxes of $28,488,338 represents no change from the FY 2020 Advertised Budget Plan. The FY 2020 estimate is comprised of $21,697,038 in Recordation Tax revenues and $6,791,300 in Deed of Conveyance Tax revenues. Recordation and Deed of Conveyance Taxes are levied in association with the sale or transfer of real property located in the County. Recordation Taxes are also levied when mortgages on property located in the County are refinanced, making 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.

Revenue from these categories decreased a slight 0.7 percent in FY 2010. 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. This downward trend was expected to continue during FY 2019, with collections down a combined 9.4 percent through December. Based on this information, the Recordation

Tax estimate was decreased $2.5 million during the fall 2018 revenue review, reflecting a decrease of 11.9 percent. The Deed of Conveyance Tax estimate was decreased $0.2 million, reflecting a decline of 7.4 percent. However, since December, mortgage interest rates have declined, spurring an increase in refinancing activity. As a result, through the end of May Recordation Tax revenue is down 3.5 percent, while Deed of Conveyance Tax revenue is up 0.1 percent. The FY 2020 estimate for Recordation and Deed of Conveyance Tax revenue assumes no growth over the FY 2019 revenue estimate.



CONSUMER UTILITY TAXES - GAS AND ELECTRIC

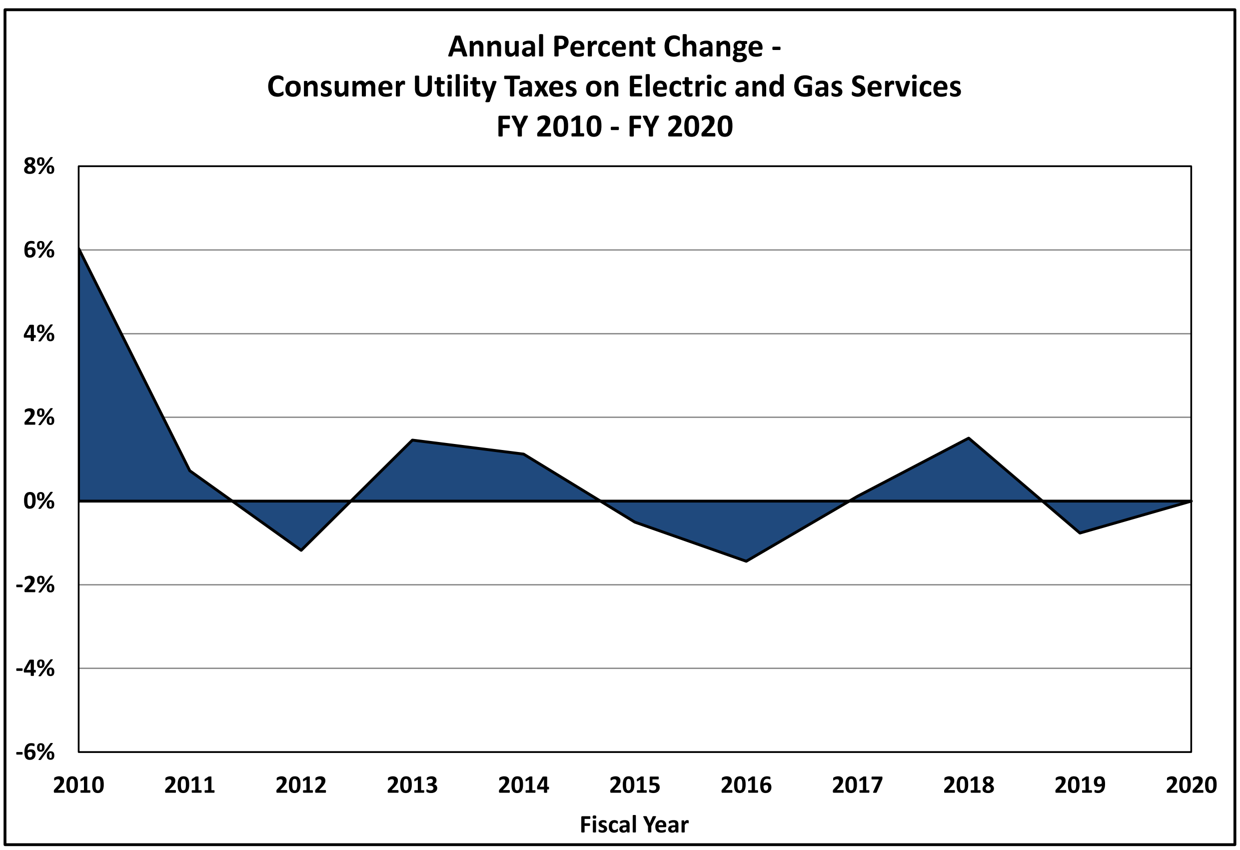
FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$45,883,971	$45,533,698	$45,533,698	$45,533,698	$45,533,698	$0	0.0%

The FY 2020 Adopted Budget Plan estimate for Consumer Utility Taxes on gas and electric services of $45,533,698 represents no change from the FY 2020 Advertised Budget Plan. The FY 2020 estimate is comprised of $36,349,049 in taxes on electric service and $9,184,649 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 2020**	**Natural Gas Customer Class**	**Monthly Tax FY 2001 - FY 2020**
Residential	$0.00605 per kWh	**Residential**	$0.05259 per CCF
Minimum	+$0.56 per bill	Minimum	+$0.56 per bill
Maximum	$4.00 per bill	Maximum	$4.00 per bill
Master Metered Apartments	$0.00323 per kWh	**Master Metered Apartments**	$0.01192 per CCF
Minimum	+$0.56 / dwelling unit	Minimum	+$0.56 / dwelling unit
Maximum	$4.00 / dwelling unit	Maximum	$4.00 / dwelling unit
Commercial	$0.00594 per kWh	**Nonresidential**	$0.04794 per CCF
Minimum	+ $1.15 per bill	Minimum	+ $0.845 per bill
Maximum	$1,000 per bill	Maximum	$300 per bill
Industrial	$0.00707 per kWh	**Nonresidential Interruptible**	$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 2010 to FY 2018 have remained stable, growing at an average annual rate of just 0.2 percent. The FY 2019 revenue estimate remains at the adopted level and no growth is projected in FY 2020.



COMMUNICATIONS SALES TAX

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$12,856,026	$10,528,299	$8,366,196	$5,688,439	$5,399,506	($288,933)	(5.1%)

The FY 2020 Adopted Budget Plan estimate for the General Fund portion of the Communications Sales Tax of $5,399,506 reflects a decrease of $288,933 or 5.1 percent from the FY 2020 Advertised 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 2019 General Fund estimate was reduced $2.2 million as part of the fall 2018 revenue review based on actual receipts during FY 2018 and collection trends during FY 2019. In FY 2020, total Communications Sales Taxes are projected to be $68.0 million. Of the total tax, Cable Franchise Fees of $15.6 million will be directed to Fund 40030, Cable Communications. Of the remaining tax, $47.0 million will be posted in Fund 40090, E-911 and $5.4 million to the General Fund in FY 2020.

The distribution of the tax since FY 2018 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 2018	FY 2019 Projected	FY 2020 Projected
Fund 40030, Cable Communications	$17,146,263	$16,631,875	$15,599,422
Fund 40090, E-911	42,012,354	44,450,304	46,986,272
General Fund	12,856,026	8,366,196	5,399,506
Total	$72,014,643	$69,448,375	$67,985,200

VEHICLE REGISTRATION LICENSE FEE

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$27,227,944	$27,464,107	$27,464,107	$27,464,107	$27,464,107	$0	0.0%

The FY 2020 Adopted Budget Plan estimate for Vehicle Registration Fee revenue of $27,464,107 reflects no change from the FY 2020 Advertised Budget Plan based on the assumption that vehicle volume in the County will remain stable 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 FY 2019 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

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$22,129,369	$22,120,618	$22,682,603	$23,249,668	$23,249,668	$0	0.0%

The FY 2020 Adopted Budget Plan estimate for Transient Occupancy Tax of $23,249,668 reflects no change from the FY 2020 Advertised Budget Plan and an increase of $567,065 or 2.5 percent over the *FY 2019 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 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. Based on actual year-to-date collections, the FY 2019 estimate was increased $0.6 million during the fall 2018 revenue review, reflecting a growth of 2.5 percent over the FY 2018 level. FY 2020 estimate reflects the same growth rate of 2.5 percent.

CIGARETTE TAX

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$6,502,880	$6,561,630	$5,976,682	$5,916,915	$5,916,915	$0	0.0%

The FY 2020 Adopted Budget Plan estimate for Cigarette Tax of $5,916,915 reflects no change from the FY 2020 Advertised Budget Plan and a decrease of $59,767 or 1.0 percent from the *FY 2019 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 sixth consecutive year, decreasing 4.9 percent in FY 2018. During the fall 2018 revenue review, the FY 2019 estimate was decreased $0.6 million, reflecting a decline of 8.1 percent, based on actual receipts during FY 2018 and year-to-date collections trends. FY 2020 Cigarette Tax receipts are anticipated to decline 1.0 percent.

BANK FRANCHISE TAX

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$22,596,914	$20,879,555	$21,450,000	$21,664,500	$23,654,317	$1,989,817	9.2%

The FY 2020 Adopted Budget Plan estimate for Bank Franchise Tax of $23,654,317 reflects an increase of $1,989,817 or 9.2 percent over the FY 2020 Advertised 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 2019 bills due by June 1. As a result, little actual data was available during the *FY 2019 Third Quarter Review* in order to revise the FY 2019 estimate. However, based on current billings, FY 2019 Bank Franchise Tax receipts are anticipated to be higher than originally projected. The FY 2020 revised estimate of $23.7 million represents no change from the anticipated FY 2019 level.

PERMITS, FEES AND REGULATORY LICENSES

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$52,721,959	$53,009,977	$54,055,534	$53,559,013	$53,559,013	$0	0.0%

The FY 2020 Adopted Budget Plan estimate for Permits, Fees, and Regulatory Licenses of $53,559,013 reflects no change from the FY 2020 Advertised Budget Plan and a decrease of $496,521 or 0.9 percent from the *FY 2019 Revised Budget Plan.*

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 FY 2019 estimate for LDS fee revenue of $41.1 million was increased $0.8 million during the *FY 2019 Third Quarter Review* due to increased site plan and building permit activity in the County. 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. The FY 2020 LDS fee revenue estimate of $40.4 million reflects a decrease of 1.6 percent from the projected FY 2019 level; staff will continue to monitor permitting activity and revenue collections and any necessary FY 2020 revenue adjustments will be included in future quarterly budget reviews.

INVESTMENT INTEREST

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$41,438,317	$46,992,592	$67,403,726	$80,017,523	$80,017,523	$0	0.0%

The FY 2020 Adopted Budget Plan estimate for Investment Interest of $80,017,523 reflects no change from the FY 2020 Advertised Budget Plan and an increase of $12,613,797 or 18.7 percent over the *FY 2019 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.

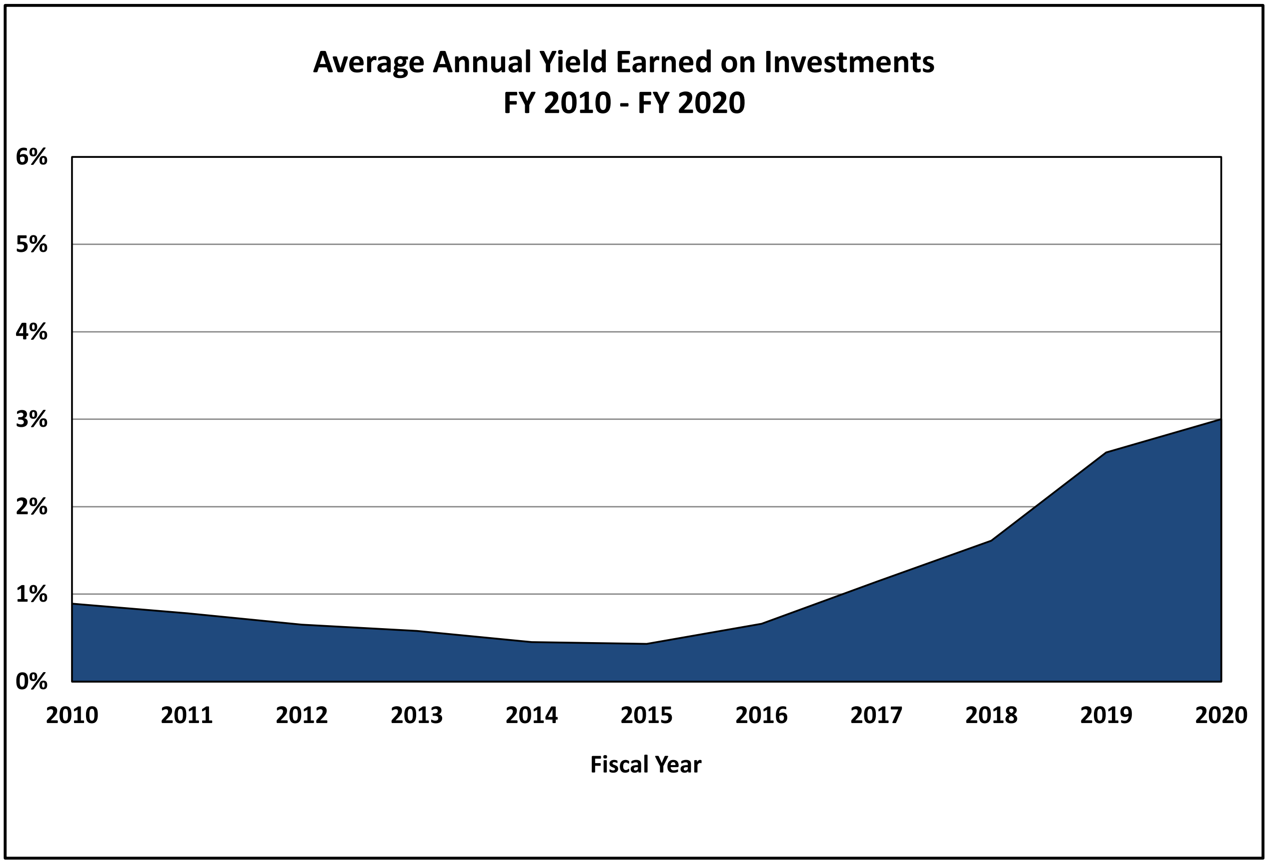
In December 2015, the Federal Reserve raised the target range for the federal funds rate by a quarter-percentage point for the first time in almost a decade as policy makers cited the improved labor market conditions and the solid pace of economic activity. As a result, FY 2016 Interest on Investments 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 now stands at a range of 2.25 percent to 2.5 percent. The FY 2019 Adopted Budget Plan estimate had assumed an average annual yield of 1.95 percent. Based on the actual FY 2018 level and year-to-date activity, the FY 2019 estimate of Interest on Investments was increased $20.4 million during the fall 2018 revenue review to $67.4 million. The projected annual yield for FY 2019 is 2.62 percent.

The FY 2020 Adopted Budget Plan estimate for Investment Interest of $80.0 million is based on a projected average yield of 3.00 percent, a portfolio size of $3.6 billion and a General Fund percentage net of administrative fees of 77.10 percent. 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.

General Fund Revenue Overview

This revenue category is extremely sensitive to economic change and may require adjustments during FY 2020. At the time of the preparation of the FY 2020 Advertised Budget Plan revenue estimate, the Fed had indicated that two interest rate hikes were possible in 2019. However, 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 are likely in 2019. The Fed said the labor market "remains strong" but economic growth has "slowed from its solid rate in the fourth quarter." Many expect that the Fed is preparing to cut interest rates as early as July 2019, should economic conditions worsen. 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 2010.



CHARGES FOR SERVICES

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$82,474,118	$81,868,225	$82,845,373	$83,305,683	$83,305,683	$0	0.0%

The FY 2020 Adopted Budget Plan estimate for Charges for Services revenue of $83,305,683 reflects no change from the FY 2020 Advertised Budget Plan and an increase of $460,310 or 0.6 percent over the *FY 2019 Revised Budget Plan*. This increase is primarily the result of projected increases in School Age Child Care (SACC) fee revenue and Emergency Medical Services (EMS) Transport fee revenue.

SACC fees, which comprise over 52 percent of the total Charges for Services category, are projected to increase $0.3 million or 0.6 percent to $43.5 million in FY 2020. In addition, revenue from EMS Transport fee is projected to increase $0.2 million or 1.0 percent.

The estimate for SACC fee revenue was increased by $0.6 million during the *FY 2018 Carryover Review* as a result of increased capacity at elementary schools located throughout the County. Since the adoption of the FY 2019 budget, estimated Charges for Services revenue has been increased a net $1.0 million based on a review of actual FY 2018 receipts and year-to-date collections.

FINES AND FORFEITURES

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$12,178,390	$12,178,536	$12,438,697	$12,583,545	$12,583,545	$0	0.0%

The FY 2020 Adopted Budget Plan estimate for Fines and Forfeitures of $12,583,545 reflects no change from the FY 2020 Advertised Budget Plan and an increase of $144,848 or 1.2 percent over the *FY 2019 Revised Budget Plan*. The increase is primarily the result of higher General District Court Fines, projected to increase 1.0 percent, and Parking Violations, projected to increase 2.0 percent, in FY 2020.

The FY 2019 estimate for Fines and Forfeitures was increased a net $0.3 million during the fall 2018 revenue review. The increase is primarily the result of adjusting the estimate for Parking Violations revenue based on actual FY 2018 receipts and year-to-date collection trends in FY 2019.

RECOVERED COSTS / OTHER REVENUE

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$17,405,819	$16,636,952	$18,283,193	$16,934,540	$16,934,540	$0	0.0%

The FY 2020 Adopted Budget Plan estimate for Recovered Costs/Other Revenue of $16,934,540 reflects no change from the FY 2020 Advertised Budget Plan and a decrease of $1,348,653 or 7.4 percent from the *FY 2019 Revised Budget Plan*. During the *FY 2019 Third Quarter Review*, the revenue estimate for Recovered Costs/Other Revenue was increased $1.4 million over the FY 2019 fall estimate. The increase is associated with a reimbursement from Inova, which will be used to support maintenance and other costs for the Electronic Health Record system. The revenue increase is completely offset by an expenditure increase for no net impact to the General Fund.

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT[1]

FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted	Increase/ (Decrease)	Percent Change
$136,763,218	$133,833,796	$136,909,664	$139,699,660	$140,019,660	$320,000	0.2%

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

The FY 2020 Adopted Budget Plan estimate for Revenue from the Commonwealth and Federal Government of $140,019,660 reflects an increase of $320,000 or 0.2 percent over the FY 2020 Advertised Budget Plan estimate. The revenue adjustment is based on State budget amendments adopted during the 2019 Session of the General Assembly, which approved an increase to the state-supported employee compensation of Constitutional Officers and their employees. This is in addition to the $0.6 million increase already included in the FY 2020 Advertised Budget Plan estimate associated with the state funding for a 2.0 percent salary increase for Constitutional officers and state-supported local employees. In total, FY 2020 Revenue from the Commonwealth and Federal Government is projected to increase $3.1 million over the *FY 2019*

Revised Budget Plan level. An increase of $1.0 million is based on the projected State Aid to Localities with Police Departments (HB 599) FY 2020 distribution to Fairfax County included in the state budget. Statutory policy requires that HB 599 funding increase at the rate of General Fund revenue growth. The total estimated HB 599 funding is $26.4 million in FY 2020. An increase of $1.1 million is associated with additional positions in the Adult and Aging Division within the Department of Family Services in order to address increasing caseloads and compliance issues, as well as the transfer of grant revenue from Fund 50000, Federal-State Grant Fund, to the General Fund. This revenue increase is fully offset by an expenditure increase for no net impact to the General Fund.

The *FY 2019 Revised Budget Plan* estimate for Revenue from the Commonwealth and Federal Government represents an increase of $3.1 million over the FY 2019 Adopted Budget Plan estimate as a result of adjustments made during the *FY 2018 Carryover Review*. The revenue increase is associated with additional positions in the Public Assistance program. The positions will continue to address the increase in caseloads in the Self-Sufficiency Division and the Adult and Aging Division within the Department of Family Services, as well as increases due to the state's recent expansion of Medicaid eligibility. The revenue increase is fully offset by an expenditure increase for no net impact to the General Fund.