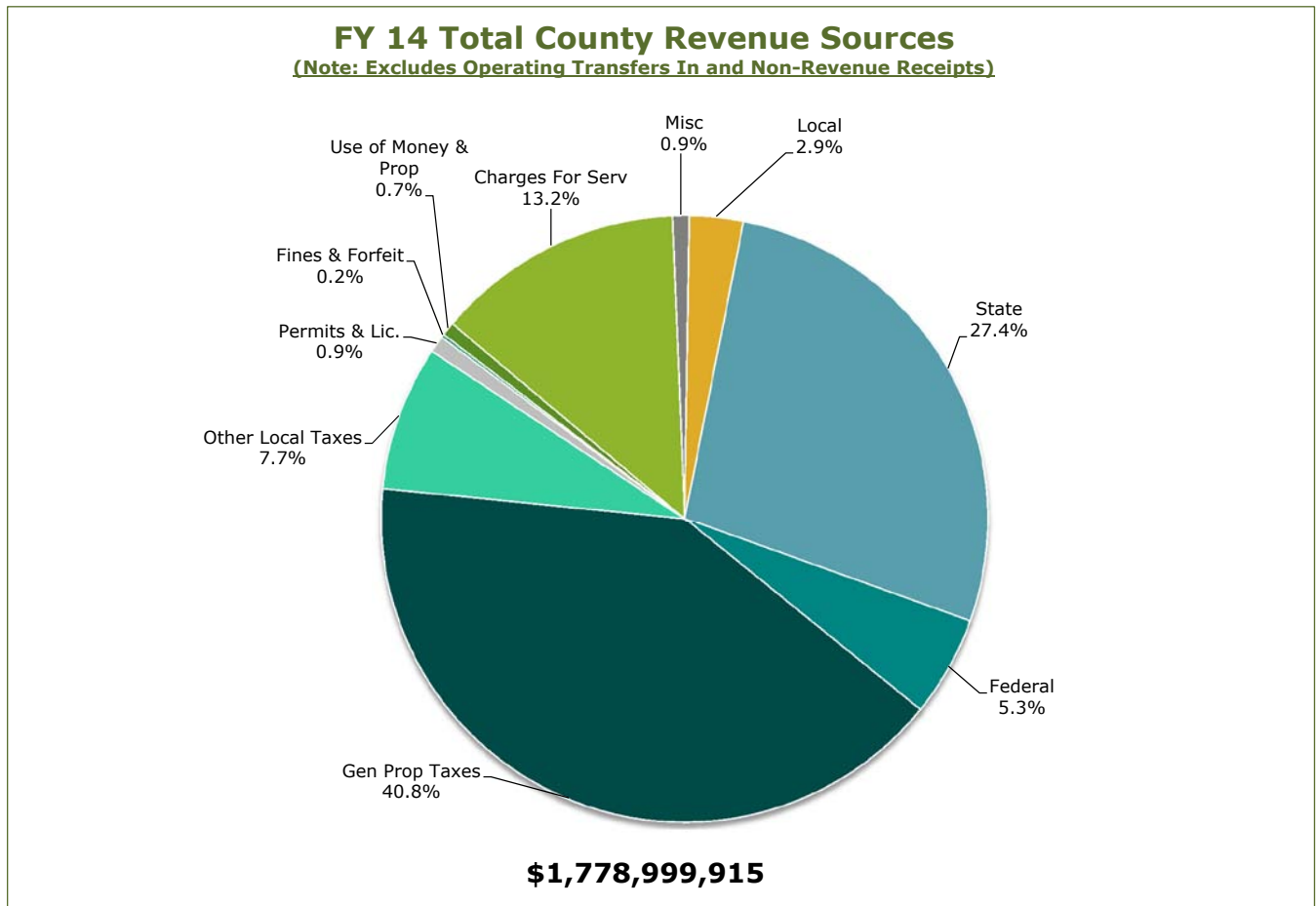




All Funds Revenue Summary (Exclusive of Transfers In and Non-revenue Receipts)



Revenue Descriptions

General property tax (40.8%), revenue from the Commonwealth of Virginia (27.4%), and charges for services (13.2%) make up 81.4% of All Funds Revenue, excluding operating transfers in and non-revenue receipts from the sale of bonds. A more detailed description of the projection process can be found in the General Revenue summary beginning on page 97.

■ **General Property Tax** - \$725,138,927; 40.8% of All Funds Revenues

General Property Taxes include real estate taxes, real and personal public service taxes, personal property taxes, and penalties and interest. In addition to the general fund, the general property tax category also funds special levies such as the County’s fire levy, gypsy moth and mosquito control levy, and special service districts.

■ **Revenue from the Commonwealth** - \$486,840,641; 27.4% of All Funds Revenues

Revenue from the Commonwealth includes non-categorical revenues, reimbursements and shared expenses, categorical welfare aid, categorical education aid (Local Composite Index or LCI), other categorical aid, and miscellaneous revenue. The LCI is provided through a formula that calculates the State share of the cost of education, as determined in the Standards of Quality, including basic aid, categorical areas, and sales tax. Education aid accounts for \$432.7 million or 88.9% of total revenue from the Commonwealth of Virginia.



- **Charges for Services** - \$235,716,682, 13.2% of All Funds Revenues

Charges for Services include court costs, Commonwealth Attorney fees, charges for correction and detention, mental health/mental retardation services, welfare and social services, libraries, sanitation and waste removal, education, parks and recreation, housing and community development, planning and community development, environmental management, public safety, internal service funds, medical insurance, and other items.

- **Other Local Taxes** - \$137,585,000; 7.7% of All Funds Revenues

Other Local Taxes include short term rental tax, local sales tax, bank stock taxes, business/professional/occupational license (BPOL) tax, motor vehicle licenses, taxes on recordation, hotel and motel tax, and franchise license tax.

- **Revenue from the Federal Government** - \$95,154,043; 5.3% of All Funds Revenues

Revenue from the Federal Government includes payments in lieu of taxes, non-categorical aid, categorical welfare aid, and other categorical aid.

- **Revenue from Other Localities** - \$51,007,928; 2.9% of All Funds Revenues

Revenue from Other Localities includes revenue and reimbursements from the City of Manassas, reimbursements from the City of Manassas Park, and revenues from other localities for services provided by the County.

- **Permits, Private Fees and Regulatory Licenses** - \$15,972,583; 0.9% of All Funds Revenues

Permits, Private Fees and Regulatory Licenses include animal licenses, development permits and licenses, fire protection permits and licenses, health protection permits and licenses, police protection permits and licenses, and other permits and licenses.

- **Miscellaneous Revenue** - \$15,576,881; 0.9% of All Funds Revenues

Miscellaneous Revenue includes recovered costs, expenditure refunds, and other miscellaneous items.

- **Revenue from Use of Money and Property** - \$12,911,459; 0.7% of All Funds Revenues

Revenue from Use of Money includes interest from pooled investments, restricted investments, market value adjustments, other interest income, banking earning credits, gain/loss on investments, and interest paid to vendors and property taxpayers. Revenue from the Use of Property includes general property rental, sale of surplus property, salvage, materials, supplies, recyclables, and recyclable bins, and gain/loss from sale of buildings, land, motor vehicles, machines and equipment.

- **Fines and Forfeitures** - \$3,095,771; 0.2% of All Funds Revenues

Fines and Forfeitures include fines, court fines, parking fines, false alarm fines and return check fees.

The following table *Projected Revenue And Other Financing Sources For The FY 2014 Budget* outlines the dollar amount of each revenue source by fund type:



All Funds Revenue Summary

Projected Revenue And Other Financing Sources For The FY 2014 Budget																
	Governmental Fund Types						Enterprise Fund Type	Fiduciary Fund Type	Internal Service Fund Type		Total Adopted FY 14					
	General	Capital Projects	Special Revenue						Solid Waste	School Age Child Care		Innovation @ Prince William	Parks and Recreation	Reg. School Prog. Fund	Self Insurance	All Others *
			Schools	Fire And Rescue Levy	Regional Jail	Housing & Comm. Dev.										
Projected Revenues:																
General Property Taxes	\$688,100,915	\$0	\$0	\$33,040,000	\$0	\$0	\$3,998,012	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$725,138,927	
Other Local Taxes	\$137,585,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$137,585,000	
Permits, Priv. Fees and Reg Lic	\$1,960,768	\$0	\$0	\$0	\$0	\$0	\$14,003,815	\$8,000	\$0	\$0	\$0	\$0	\$0	\$0	\$15,972,583	
Fines & Forfeitures	\$3,095,771	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,095,771	
Rev From Use of Money & Prop	\$8,718,546	\$0	\$1,277,748	\$0	\$0	\$25,000	\$183,839	\$1,337,500	\$0	\$0	\$0	\$0	\$1,325,000	\$43,826	\$12,911,459	
Charges for Services	\$13,612,993	\$0	\$27,238,919	\$0	\$662,774	\$3,723,190	\$7,650,321	\$17,508,000	\$500,000	\$0	\$13,500,235	\$504,398	\$118,266,633	\$32,549,219	\$235,716,682	
Miscellaneous	\$4,918,254	\$5,000,000	\$2,067,142	\$0	\$57,020	\$25,000	\$298,626	\$105,000	\$0	\$0	\$76,839	\$0	\$3,029,000	\$0	\$15,576,881	
Rev From Other Localities	\$6,844,597	\$0	\$0	\$0	\$3,369,500	\$0	\$0	\$0	\$0	\$0	\$0	\$40,793,831	\$0	\$0	\$51,007,928	
Rev From the Commonwealth of Va	\$43,866,047	\$500,000	\$432,470,896	\$0	\$9,637,228	\$0	\$0	\$40,000	\$0	\$0	\$0	\$272,602	\$0	\$53,868	\$486,840,641	
Rev from the Federal Gov	\$14,225,417	\$0	\$51,424,221	\$0	\$482,500	\$29,021,905	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$95,154,043	
Total Revenues	\$922,928,308	\$5,500,000	\$514,478,926	\$33,040,000	\$14,209,022	\$32,795,095	\$26,134,613	\$18,998,500	\$500,000	\$0	\$13,577,074	\$41,570,831	\$122,620,633	\$32,646,913	\$1,778,999,915	
Other Financing Sources (Uses):																
Operating Transfers In**	\$21,500,185	\$24,924,314	\$473,837,075	\$761,944	\$25,249,492	\$21,082	\$3,497,596	\$6,845,753	\$0	\$35,000	\$212,245	\$0	\$5,890,868	\$15,437,663	\$578,213,217	
Proceeds From Loans And Bonds	\$0	\$67,260,000	\$0	\$0	\$0	\$0	\$0	\$66,000	\$0	\$0	\$0	\$0	\$0	\$0	\$67,326,000	
Total Other Financing Sources (Uses)	\$21,500,185	\$92,184,314	\$473,837,075	\$761,944	\$25,249,492	\$21,082	\$3,497,596	\$6,911,753	\$0	\$35,000	\$212,245	\$0	\$5,890,868	\$15,437,663	\$645,539,217	
Total Revenue & Other Financing Sources	\$944,428,493	\$97,684,314	\$988,316,001	\$33,801,944	\$39,458,514	\$32,816,177	\$29,632,209	\$25,910,253	\$500,000	\$35,000	\$13,789,319	\$41,570,831	\$128,511,501	\$48,084,576	\$2,424,539,132	

Notes:

* Includes Data Processing, Fleet Maintenance and Construction Crew Internal Service Fund Budgets.

** The Operating Transfer In for the Convention and Visitors Bureau (\$1,098,812) is adopted and reported by a separate board and is excluded from this revenue report.



All Funds Revenue Summary (Cont.)

All Funds Revenue Summary

Department / Agency	FY 10 Adopted Revenue Bud.	FY 11 Adopted Revenue Bud.	FY 12 Adopted Revenue Bud.	FY 13 Adopted Revenue Bud.	FY 14 Adopted Revenue Bud.	% Change FY 13 to FY 14
<u>SECTION ONE: GENERAL FUND REVENUE SUMMARY:</u>						
<u>General Governmental:</u>						
Office Of Executive Management	\$0	\$0	\$0	\$0	\$0	---
County Attorney	\$245,186	\$245,186	\$245,186	\$245,186	\$245,186	0.00%
Sub Total	\$245,186	\$245,186	\$245,186	\$245,186	\$245,186	0.00%
<u>Administration:</u>						
Finance	\$1,660,722	\$1,681,240	\$2,075,240	\$2,139,803	\$2,200,808	2.85%
Human Resources	\$0	\$0	\$0	\$20,000	\$21,000	5.00%
Human Rights Office	\$64,580	\$64,580	\$64,580	\$28,580	\$28,580	0.00%
Information Technology	\$226,331	\$249,331	\$249,331	\$160,591	\$0	-100.00%
General Registrar	\$109,641	\$87,051	\$79,854	\$79,854	\$83,669	4.78%
Sub Total	\$2,061,274	\$2,082,202	\$2,469,005	\$2,428,828	\$2,334,057	-3.90%
<u>Judicial Administration:</u>						
Clerk Of The Court	\$4,302,781	\$4,148,407	\$3,997,184	\$4,188,600	\$4,288,729	2.39%
Commonwealth's Attorney	\$1,839,274	\$1,742,500	\$1,772,306	\$1,838,664	\$1,979,894	7.68%
Criminal Justice Services	\$1,175,355	\$1,175,355	\$1,161,671	\$1,305,599	\$1,317,333	0.90%
Juvenile Court Service Unit	\$138,660	\$136,600	\$136,600	\$50,404	\$35,643	-29.29%
General District Court	\$1,892,930	\$1,892,930	\$1,892,930	\$1,892,930	\$2,392,930	26.41%
Juvenile & Domestic Relations Court	\$60,313	\$60,313	\$60,313	\$81,517	\$81,517	0.00%
Law Library	\$110,806	\$150,806	\$145,670	\$145,670	\$145,670	0.00%
Sub Total	\$9,520,119	\$9,306,911	\$9,166,674	\$9,503,384	\$10,241,716	7.77%
<u>Planning And Development:</u>						
Economic Development	\$14,130	\$14,130	\$14,130	\$14,130	\$256,250	1713.52%
Planning (1)	\$93,095	\$293,095	\$312,501	\$235,400	\$235,400	0.00%
Transportation (1)	\$0	\$0	\$0	\$0	\$0	---
Public Works (1)	\$1,969,187	\$2,931,793	\$2,966,368	\$3,039,468	\$3,848,494	26.62%
Sub Total	\$2,076,412	\$3,239,018	\$3,292,999	\$3,288,998	\$4,340,144	31.96%
<u>Public Safety:</u>						
Fire And Rescue	\$2,226,739	\$6,216,555	\$9,333,059	\$10,002,024	\$12,661,677	26.59%
Public Safety Communications	\$2,023,252	\$1,973,252	\$2,285,235	\$2,295,235	\$2,295,235	0.00%
Sheriff	\$3,007,076	\$3,035,402	\$2,966,478	\$3,144,585	\$3,252,697	3.44%
Police	\$10,946,534	\$11,085,640	\$10,936,963	\$10,424,453	\$11,257,507	7.99%
Sub Total	\$18,203,601	\$22,310,849	\$25,521,735	\$25,866,297	\$29,467,116	13.92%
<u>Human Services:</u>						
Community Services	\$15,139,067	\$15,728,416	\$15,538,315	\$16,438,812	\$18,838,403	14.60%
Extension & Continuing Ed.	\$517,727	\$535,255	\$496,964	\$531,051	\$514,569	-3.10%
Office On Youth	\$0	\$0	\$0	\$0	\$0	---
Area Agency On Aging	\$1,120,132	\$1,101,783	\$1,377,779	\$1,735,063	\$1,846,651	6.43%
At Risk Youth And Family Services	\$5,317,823	\$5,317,823	\$5,193,327	\$5,276,365	\$5,357,922	1.55%
Public Health	\$287,343	\$298,115	\$135,526	\$137,996	\$577,711	318.64%
Social Services	\$24,270,775	\$22,759,463	\$21,648,342	\$15,824,715	\$16,437,433	3.87%
Sub Total	\$46,652,867	\$45,740,855	\$44,390,253	\$39,944,002	\$43,572,689	9.08%



All Funds Revenue Summary (Cont.)

All Funds Revenue Summary (Cont.)

Department / Agency	FY 10 Adopted Revenue Bud.	FY 11 Adopted Revenue Bud.	FY 12 Adopted Revenue Bud.	FY 13 Adopted Revenue Bud.	FY 14 Adopted Revenue Bud.	% Change FY 13 to FY 14
Debt / CIP:						
General Debt	\$3,477,208	\$3,432,009	\$5,044,025	\$4,852,060	\$4,379,316	-9.74%
Sub Total	\$3,477,208	\$3,432,009	\$5,044,025	\$4,852,060	\$4,379,316	-9.74%
Non-Departmental:						
Unclassified Administrative	\$9,922,351	\$5,148,333	\$11,135,840	\$9,848,522	\$8,792,679	-10.72%
General Revenues	\$727,859,700	\$719,754,500	\$756,073,434	\$790,298,135	\$829,561,500	4.97%
Transfers In	\$11,081,663	\$9,193,367	\$8,009,057	\$7,671,443	\$7,398,518	-3.56%
Sub Total	\$748,863,714	\$734,096,200	\$775,218,331	\$807,818,100	\$845,752,697	4.70%
Total General Fund Revenue	\$834,234,336	\$823,632,196	\$868,276,925	\$896,803,904	\$944,428,493	5.31%
SECTION TWO: NON GENERAL FUND REVENUE SUMMARY:						
Special Revenue Funds:						
Trans. To P.R.T.C.	\$0	\$0	\$0	\$0	\$0	---
Commuter Rail Station Parking	\$0	\$0	\$0	\$0	\$0	---
Comm. parking lease rev bond debt	\$1,519,867	\$1,516,464	\$0	\$0	\$0	---
Adult Detention Center	\$35,935,194	\$36,251,895	\$37,071,717	\$38,192,995	\$39,458,514	3.31%
Lake Jackson Service Dist.	\$151,460	\$152,530	\$152,530	\$152,530	\$152,530	0.00%
Bull Run Mountain Serv. Dist.	\$238,170	\$240,542	\$240,542	\$232,500	\$232,500	0.00%
Circuit Court Service District	\$0	\$0	\$0	\$0	\$0	---
Spc tax dist;Gypsy Moth/Mosq ctrl	\$1,585,835	\$1,585,835	\$1,049,847	\$1,078,928	\$1,184,200	9.76%
P. W. Parkway Trans Imprv Dst.	\$2,163,860	\$1,884,120	\$2,025,840	\$2,096,360	\$2,261,760	7.89%
234 Bypass Trans Imprv Dst	\$215,800	\$182,274	\$186,274	\$195,246	\$220,922	13.15%
Stormwater Management (1)	\$4,956,624	\$4,956,624	\$5,175,669	\$7,221,199	\$7,313,199	1.27%
Public Works; Building Dev. (1, 2)	\$0	\$0	\$0	\$0	\$0	---
Public Works- Site Dev. Fee Supp. (1)	\$1,227,965	\$1,227,965	\$1,274,146	\$1,453,197	\$2,719,652	87.15%
Planning- Site Dev. Fee Supported (1)	\$1,278,440	\$1,440,575	\$1,489,895	\$1,481,017	\$1,608,682	8.62%
Transportation- Site Dev Fee Supp (1, 2)	\$963,361	\$963,361	\$1,045,252	\$1,160,104	\$1,580,674	36.25%
Development Serv. - Dev Fee (2)	\$7,422,727	\$7,987,613	\$14,009,643	\$10,949,935	\$12,358,090	12.86%
Housing & Community Dev.	\$28,293,120	\$28,351,891	\$29,887,106	\$32,843,116	\$32,816,177	-0.08%
Total Special Revenue Funds	\$85,952,423	\$86,741,689	\$93,608,461	\$97,057,127	\$101,906,900	5.00%
Capital Projects Fund:						
Capital Improvement Projects	\$20,251,302	\$14,325,526	\$143,146,735	\$44,208,103	\$9,485,153	-78.54%
Total Capital Projects Fund	\$20,251,302	\$14,325,526	\$143,146,735	\$44,208,103	\$9,485,153	-78.54%
Enterprise Fund:						
Parks and Recreation	\$0	\$0	\$0	\$0	\$13,789,319	---
Public Works; Solid Waste	\$16,779,000	\$18,145,244	\$18,426,866	\$18,742,500	\$25,910,253	38.24%
Innovation @ Prince William	\$0	\$0	\$0	\$35,000	\$35,000	0.00%
Total Enterprise Fund	\$16,779,000	\$18,145,244	\$18,426,866	\$18,777,500	\$39,734,572	111.61%
Internal Service Funds:						
Public Works; Fleet Management	\$6,335,075	\$6,353,693	\$6,955,056	\$8,008,678	\$8,359,115	4.38%
OIT; Data Processing	\$15,271,132	\$14,556,613	\$43,254,796	\$27,416,488	\$37,905,109	38.26%
Medical Insurance	\$34,372,000	\$39,623,000	\$40,705,000	\$43,578,000	\$45,846,000	5.20%
Public Works; Small Proj. Const.	\$2,478,144	\$2,281,407	\$2,155,770	\$1,820,351	\$1,820,352	0.00%
Total Internal Service Funds	\$58,456,351	\$62,814,713	\$93,070,622	\$80,823,517	\$93,930,576	16.22%



All Funds Revenue Summary (Cont.)

All Funds Revenue Summary (Cont.)

Department / Agency	FY 10 Adopted Revenue Bud.	FY 11 Adopted Revenue Bud.	FY 12 Adopted Revenue Bud.	FY 13 Adopted Revenue Bud.	FY 14 Adopted Revenue Bud.	% Change FY 13 to FY 14
Schools:						
Operating Fund	\$771,655,350	\$752,762,281	\$783,521,780	\$833,819,720	\$866,928,763	3.97%
School Debt Service Fund	\$61,400,058	\$58,127,770	\$67,512,184	\$70,996,885	\$74,899,758	5.50%
Construction Fund	\$106,050,500	\$62,309,000	\$84,059,000	\$87,778,461	\$88,199,161	0.48%
Food Service Fund	\$29,763,365	\$32,100,111	\$34,783,797	\$36,812,137	\$39,598,822	7.57%
Warehouse	\$4,850,000	\$5,000,000	\$5,250,000	\$5,250,000	\$5,500,000	4.76%
Facilities Use Fund	\$1,026,800	\$1,084,375	\$1,409,976	\$1,488,996	\$1,388,658	-6.74%
Self Insurance Fund	\$3,302,378	\$3,333,105	\$3,490,171	\$3,506,886	\$3,582,868	2.17%
Health Insurance Fund	\$59,725,747	\$67,680,601	\$73,985,554	\$75,593,949	\$79,082,633	4.62%
Regional School Fund	\$30,563,043	\$33,824,760	\$33,900,309	\$34,583,749	\$40,793,831	17.96%
Gov School @ Innovation Pk	\$0	\$0	\$900,743	\$707,500	\$777,000	9.82%
SACC Program Fund	\$0	\$0	\$536,750	\$500,000	\$500,000	0.00%
Total Schools	\$1,068,337,241	\$1,016,222,003	\$1,089,350,264	\$1,151,038,283	\$1,201,251,494	4.36%
Grand Total All Funds	\$2,113,620,653	\$2,051,291,371	\$2,354,692,630	\$2,326,969,221	\$2,424,539,132	4.19%

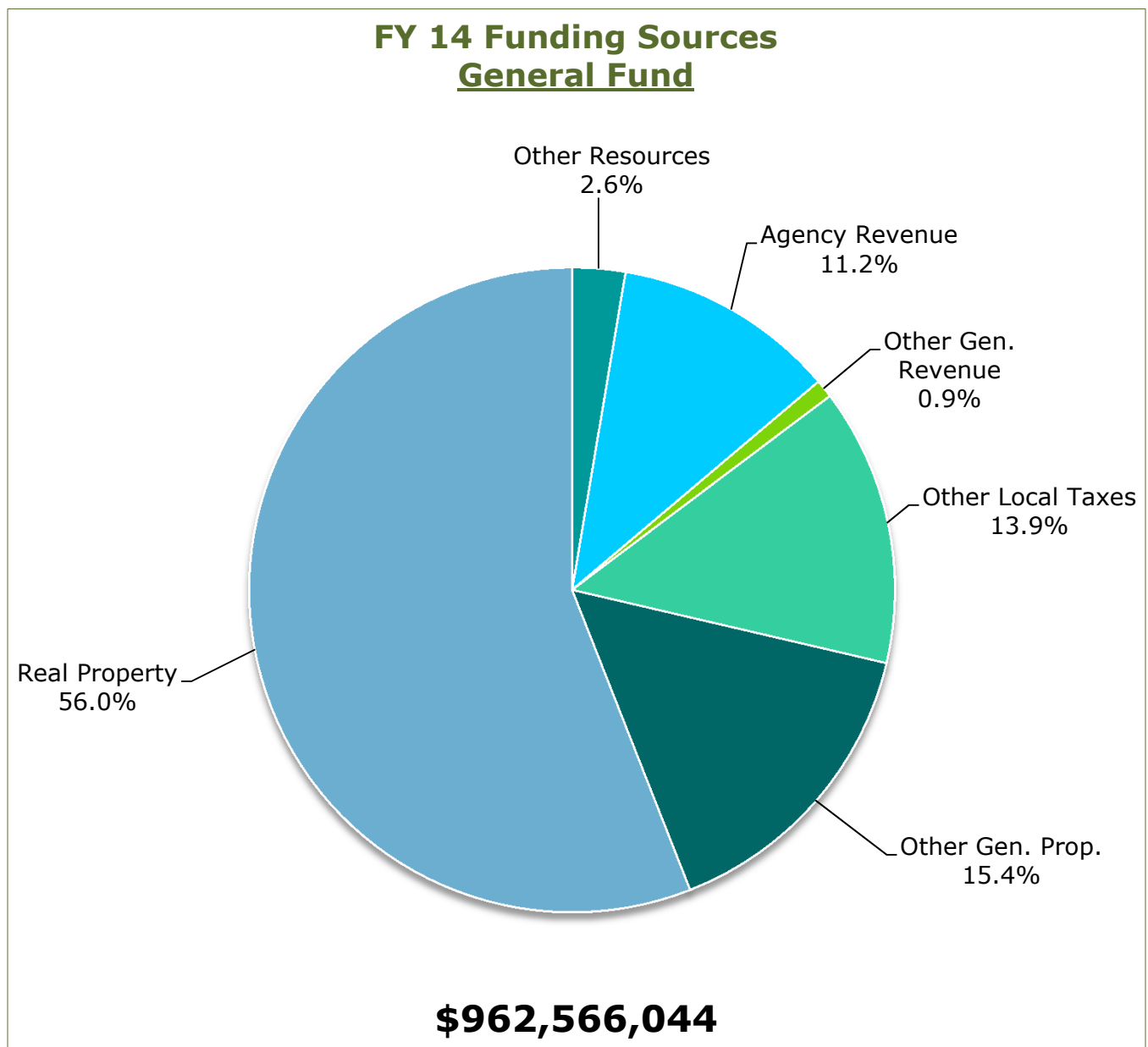
(1) For FY 09 the Development Fee supported portions of Public Works, Planning and Transportation that in prior years were included in the General Fund have been transferred to the Special Revenue Fund. The Site Development portion of Public Works has been broken out of the Stormwater Management total for FY 09.

(2) After the adoption of the FY 2009 Budget, the BOCS approved the creation of the Department of Development Administration (DDS) by transferring development fee supported portions of Public Works and Planning to DDS.



General Fund Revenue Summary

The general fund accounts for all financial transactions and resources in Prince William County other than those required to be accounted for in another fund. Thus, the general fund is the largest and most important fund used by the County. The general fund is divided into revenues and expenditures. This pie chart shows all FY 14 adopted funding sources contained within Prince William County's general fund. In other words, the chart shows where the money comes from to support the County's expenditures. The largest slice of this pie (56.0%) comes from Real Property Taxes. This source contains revenues received from the County's real estate. The next largest sources are Other General Property (15.4%) and Other Local Taxes (13.9%). Other Local Taxes contains revenues from such sources as: Sales Tax, Business, Professional & Occupational License, Public Utility Gross Receipts Tax, Consumer Utility Tax, and the Transient Occupancy Tax. Other General Property contains revenue from such sources as Personal Property and interest on taxes. Agency Revenue (11.2%) contains revenues that are collected by individual County agencies. These revenues most typically come from federal and state grants as well as private sector sources. These four pieces of the pie, when added together, make up 96.5% of total funding sources in the general fund.

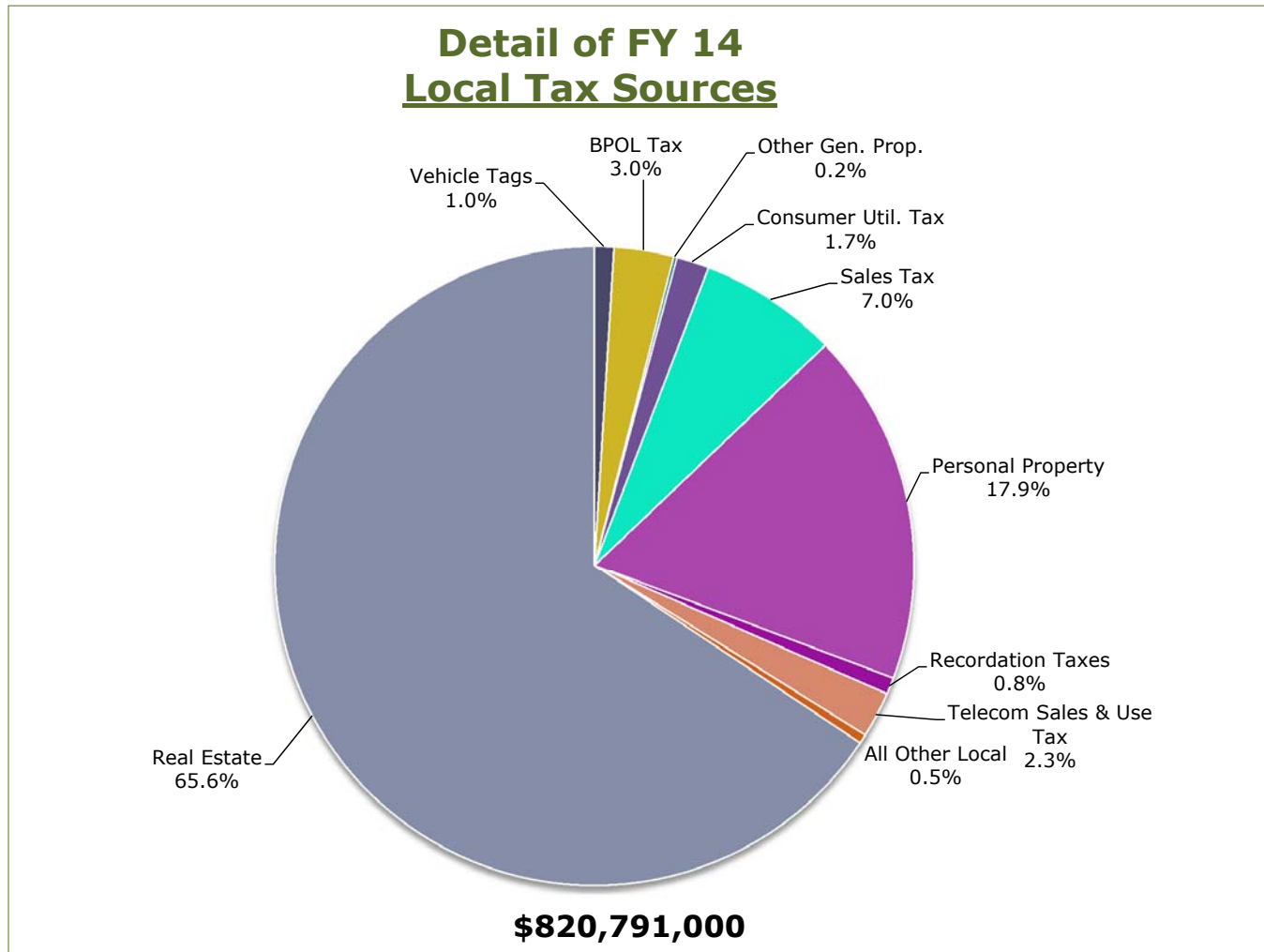




General Fund Revenue Summary

This pie chart provides detail regarding the County’s FY 14 adopted local tax sources. These taxes make up a majority of the funding sources contained in the County’s general fund. The largest source of local tax dollars (65.6%) comes from the real estate tax (\$1.181 per \$100 of assessed value) assessed on citizen’s homes and real estate properties. The next largest source (17.9%) is Personal Property Taxes (\$3.70 per \$100 of assessed value) assessed on individual and business personal property. The next source (7.0%) is Sales Tax (a tax rate of 1%) levied on the retail sale or rent of most tangible property. These three tax sources taken together provide 90.5% of total local tax dollars coming into the County. The smaller sources of tax dollars include:

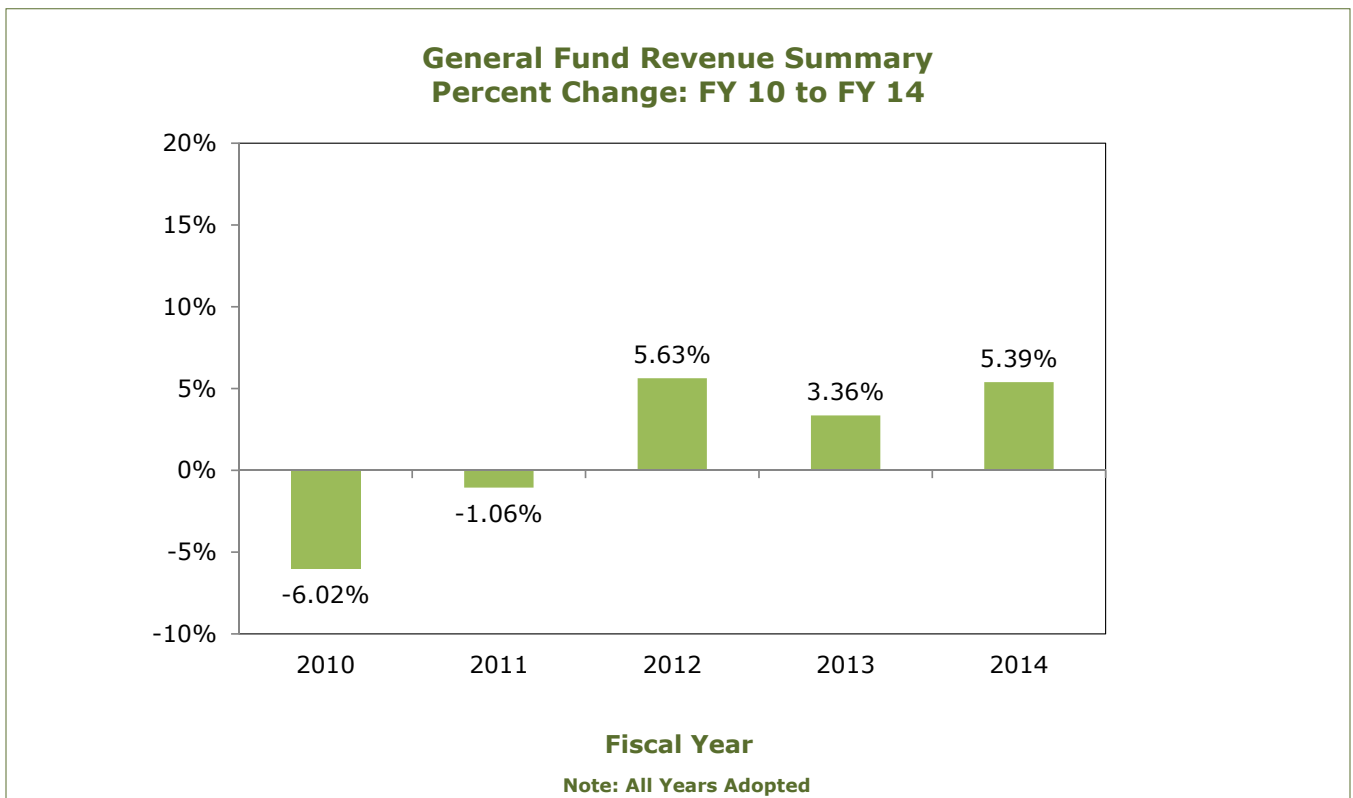
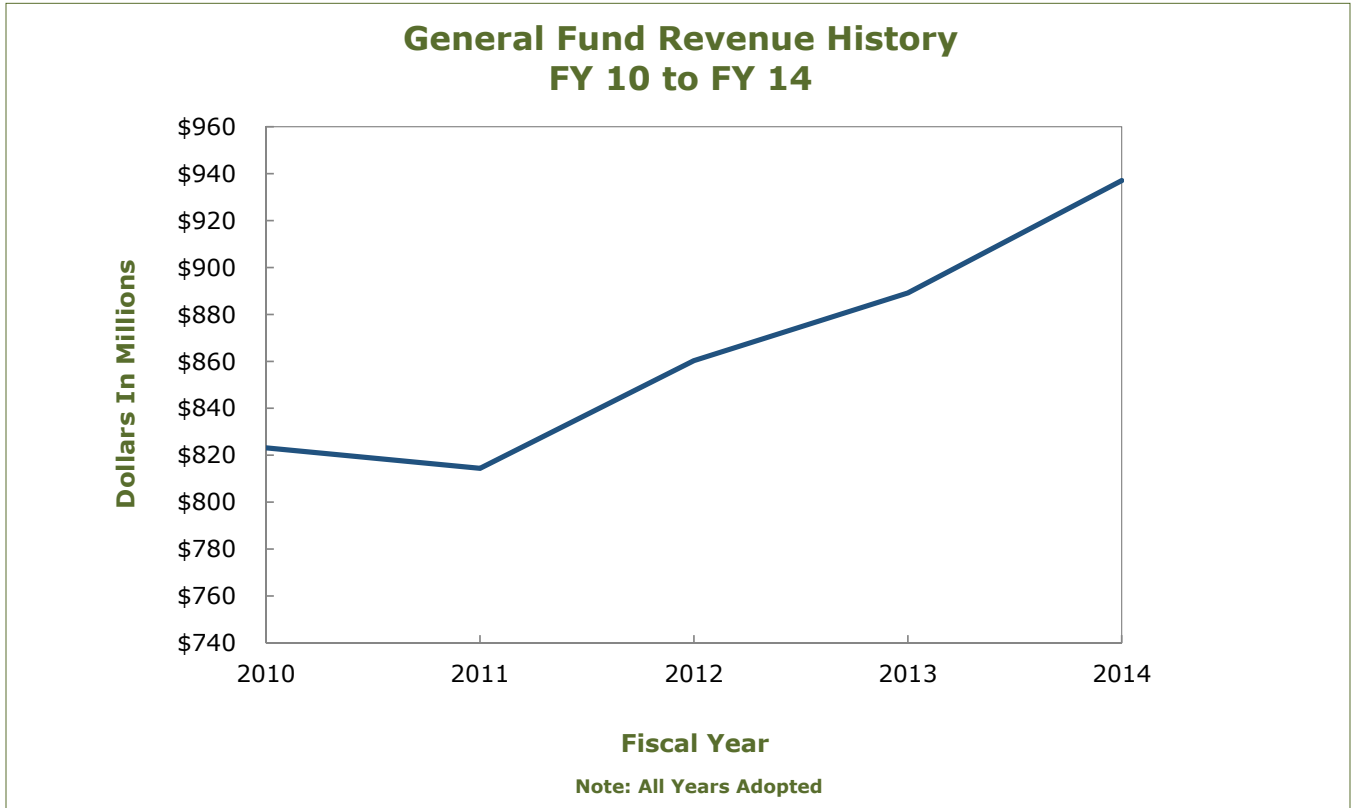
- Vehicle Tags (1.0%) received from the annual sale of automobile decals;
- All Other Local (0.5%) include miscellaneous tax sources such as Transient Occupancy Tax;
- Other General Property (0.2%) is interest earned on all taxes;
- Business, Professional, Occupational License tax (3.0%) levied on the gross receipts of County businesses;
- Consumer Utility Tax (1.7%) levied on the consumers of telephone, electric and natural gas.
- Recordation Taxes (0.8%) is levied when a deed or deed of trust is recorded with the clerk of the circuit court
- Telecommunication Sales and Use Tax (2.3%) is 5% levied on the following services; landline telephones, wireless telephone, cable TV, satellite TV, VOIP service and paging services.





General Fund Revenue Summary

As the following graphs show, total Prince William County general fund revenues have increased 13.8% from FY 10 adopted to FY 14 adopted (from \$823.15 million to \$937.03 million).





General Revenue FY 2014 Adopted Real Estate Tax Rate and Average Tax Bill

During calendar year 2012, the real estate market in the County experienced moderate increases in average sale prices and declining monthly foreclosures. The commercial real estate market in Prince William County saw gradually improving conditions, although vacancy rates continue to be elevated by historic trends and new construction continued at a generally reduced level.

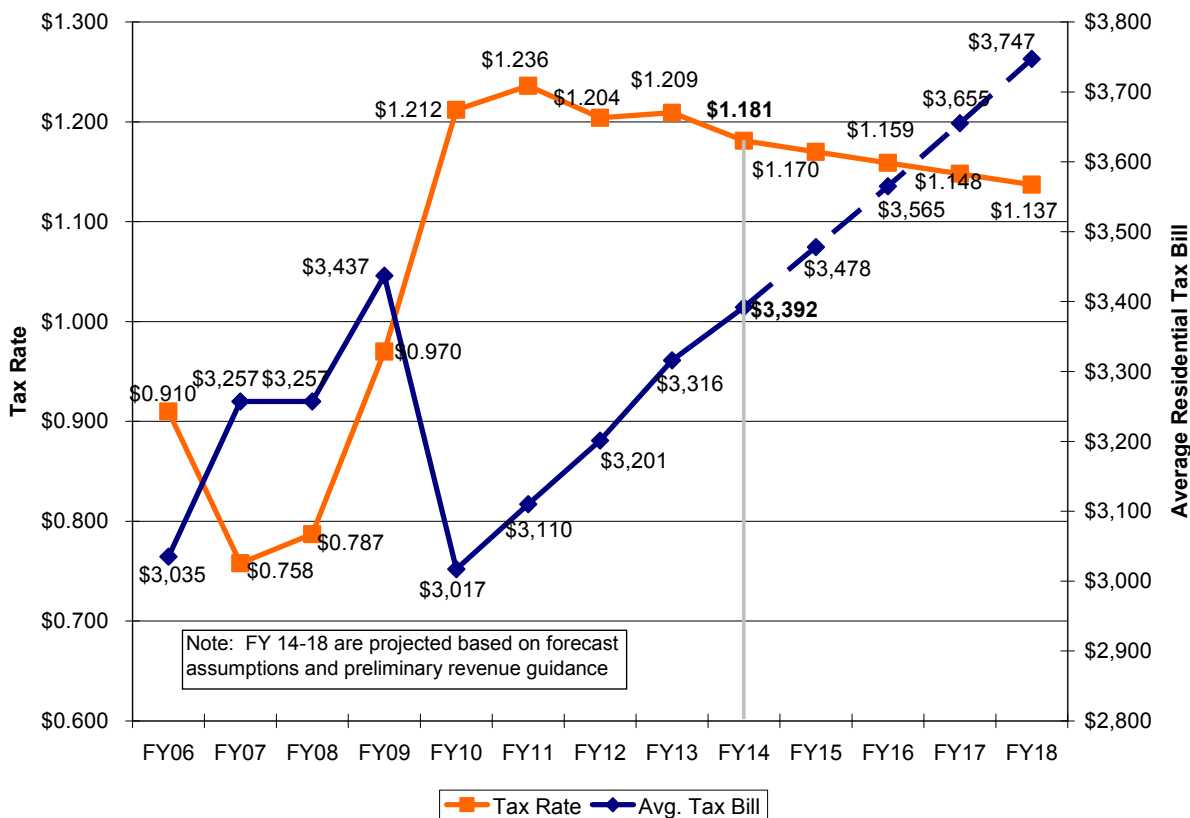
On April 23, 2013, the Board of County Supervisors adopted the FY 2014 Fiscal Plan. The adopted real estate tax rate of \$1.181 has the following tax bill impacts on property owners:

- the “average” real estate tax bill on existing, residential properties will increase \$76 or 2.3%;
- the “average” real estate tax bill on existing, commercial properties will increase 2.57%.

Figure 1 illustrates the recent history of the County’s real estate tax rate and average residential real estate tax bill:

The real estate tax rate decreased to \$1.181 in FY 14. This is an increase of \$0.211 from the tax rate of \$0.970 adopted in FY 09. During that same period, the average residential tax bill will have moderately decreased by \$45 or 1.31% (from \$3,437 to \$3,392). The average tax bill is proposed to increase beyond FY 14 by 2.5% annually in FY 15-18.

Figure 1. FY 2014-2018 Adopted Real Estate Tax Rates and Average Tax Bill





General revenue is the largest component of general fund revenue. The five-year general revenue forecast is the basis for the fiscal planning process and determining the County transfer to Prince William County Schools. The following general revenue forecast excludes revenue collected by agencies in the general fund. General revenue is described below:

Major Revenue Sources and Key Assumptions

The following sections of this report contain the key assumptions that were the topic of discussion at one or more Revenue Committee Meetings. The comments and insights from private sector participants contributed to the formation of these assumptions. Other references and information sources were used to supplement the assumptions derived in the committee discussions.

Major revenue sources are identified as those summarized below in Table 1:

Table 1: Summary of General Revenue Estimates by Major Category

Real Estate Tax Rate:		\$1.209	\$1.181	\$1.170	\$1.159	\$1.148	\$1.137
(\$ in 000s)	% to Total (FY 2014)	FY 2013 Rev. Est.	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Real Estate Taxes	64.93%	\$518,804	\$538,624	\$559,822	\$581,608	\$604,394	\$628,532
Personal Property Taxes	17.70%	136,375	146,810	153,890	161,060	167,690	175,460
Sales Tax	6.95%	55,173	57,656	59,962	62,360	64,855	67,449
Consumer Utility Tax	1.64%	13,300	13,566	13,837	14,183	14,538	14,901
Communications Sales Tax	2.30%	18,850	19,040	19,230	19,420	19,620	19,810
BPOL Tax	2.84%	22,878	23,564	24,271	25,121	26,126	27,171
Investment Income	0.93%	7,700	7,700	7,700	7,700	7,700	7,700
All Other Revenue	2.72%	22,604	22,602	23,122	23,691	24,284	24,892
Total General Revenue:	100.00%	\$795,684	\$829,562	\$861,834	\$895,143	\$929,207	\$965,915
Increase over Prior Year		4.83%	4.26%	3.89%	3.86%	3.81%	3.95%
School Portion		\$447,692	\$470,827	\$489,257	\$508,241	\$527,655	\$548,580
County Portion		342,962	353,653	367,444	381,668	396,212	411,884
Transportation Fund		5,030	5,081	5,132	5,234	5,340	5,450
Total General Revenues:		\$795,684	\$829,562	\$861,834	\$895,143	\$929,207	\$965,915

During the development of the revenue policy, the Board of County Supervisors determined that the FY 2014-2018 Five Year Budget Plan required an adjustment in the revenue share to ensure that the Schools maintain the County funding anticipated in the FY 2014 Schools budget.

On April 23, 2013, the Board of County Supervisors approved an amendment to the County/Schools Revenue Sharing Agreement to transfer 57.23% of all general revenues, excluding recordation tax revenue, to the Schools as support for the annual Schools budget and 42.77% to support the annual County budget in each year of the Five Year Budget Plan. (See Table 2)



Table 2: Revenue Estimates by Category

OBJ LVL 3	GENERAL REVENUE SOURCE	FY 2014 ESTIMATE	FY 2015 ESTIMATE	FY 2016 ESTIMATE	FY 2017 ESTIMATE	FY 2018 ESTIMATE
0010	REAL ESTATE TAXES	\$528,771,000	\$550,313,000	\$572,455,000	\$595,614,000	\$620,151,000
	ROLLBACK SUPPLEMENT	100,000	100,000	100,000	100,000	100,000
0020	REAL ESTATE TAX EXONERATIONS	(10,313,000)	(10,733,000)	(11,165,000)	(11,616,000)	(12,095,000)
	SUBTOTAL	\$518,558,000	\$539,680,000	\$561,390,000	\$584,098,000	\$608,156,000
0041	R/E TAXES - PUBLIC SERVICE	\$18,154,000	\$18,165,000	\$18,174,000	\$18,182,000	\$18,188,000
0021	REAL ESTATE TAX DEFERRAL	\$0	\$0	\$0	\$0	\$0
0025	LAND REDEMPTION	315,000	315,000	315,000	315,000	315,000
0160	REAL ESTATE PENALTIES	1,597,000	1,662,000	1,729,000	1,799,000	1,873,000
TOTAL -- REAL ESTATE		\$538,624,000	\$559,822,000	\$581,608,000	\$604,394,000	\$628,532,000
0071	PERSONAL PROPERTY TAXES	\$145,210,000	\$152,220,000	\$159,320,000	\$165,880,000	\$173,570,000
0072	P/P - PRIOR YEAR	50,000	50,000	50,000	50,000	50,000
0081	P/P TAX DEFERRAL	100,000	100,000	100,000	100,000	100,000
0170	P/P PENALTIES	1,450,000	1,520,000	1,590,000	1,660,000	1,740,000
TOTAL -- PERSONAL PROPERTY		\$146,810,000	\$153,890,000	\$161,060,000	\$167,690,000	\$175,460,000
0210	LOCAL SALES TAX	\$57,656,000	\$59,962,000	\$62,360,000	\$64,855,000	\$67,449,000
0220	CONSUMER UTILITY TAX	\$13,566,000	\$13,837,000	\$14,183,000	\$14,538,000	\$14,901,000
0223	COMMUNICATIONS SALES TAX	\$19,040,000	\$19,230,000	\$19,420,000	\$19,620,000	\$19,810,000
0235	BPOL TAXES - LOCAL BUSINESSES	\$23,564,000	\$24,271,000	\$25,121,000	\$26,126,000	\$27,171,000
0510	INVESTMENT INCOME	\$7,700,000	\$7,700,000	\$7,700,000	\$7,700,000	\$7,700,000
0140	INTEREST ON TAXES	\$1,328,000	\$1,384,000	\$1,441,000	\$1,500,000	\$1,563,000
0215	DAILY EQUIPMENT RENTAL TAX	204,000	246,500	271,500	299,000	330,000
0230	BANK FRANCHISE TAX	971,000	1,010,000	1,050,000	1,090,000	1,130,000
0236	BPOL TAXES - PUBLIC SERVICE	1,221,000	1,258,000	1,296,000	1,335,000	1,375,000
0250	MOTOR VEHICLE LICENSE FEE	8,060,000	8,250,000	8,420,000	8,600,000	8,780,000
0260	RECORDATION TAX	6,868,000	6,937,000	7,075,000	7,217,000	7,361,000
0261	TAX ON DEEDS	1,475,000	1,489,000	1,519,000	1,550,000	1,581,000
0270	TRANSIENT OCCUPANCY TAX	1,404,000	1,450,000	1,494,000	1,540,000	1,590,000
0520	INTEREST PAID TO VENDORS	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
0521	INTEREST PAID ON REFUNDS	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
1303	ROLLING STOCK TAX	97,000	99,000	101,000	103,000	105,000
1304	PASSENGER CAR RENTAL TAX	995,000	1,015,000	1,035,000	1,056,000	1,077,000
1305	MOBILE HOME TITLING TAX	27,500	27,500	27,500	27,500	27,500
1700	FED PAYMENT IN LIEU OF TAXES	99,000	103,750	108,750	114,000	120,000
1150	UNDISTRIBUTED & MISCELLANEOUS	7,000	7,000	7,000	7,000	7,000
ALL OTHER REVENUE		\$22,601,500	\$23,121,750	\$23,690,750	\$24,283,500	\$24,891,500
TOTAL GENERAL REVENUE		\$829,561,500	\$861,833,750	\$895,142,750	\$929,206,500	\$965,914,500



Real Estate Revenue

Real estate revenues are broken down into the following categories: general real estate tax, public service tax, real estate tax deferral, land redemption, and real estate penalties.

Real Estate Taxes

The real estate tax is the single largest revenue source for Prince William County contributing approximately 64.9% of general revenues (FY 14 forecast). It is levied on all land, improvements, and leasehold interests on land or improvements (collectively called “real property”) except that which has been legally exempted from taxation by the Prince William County Code and the *Code of Virginia*. The revenue summary for the general real estate tax applies only to real property assessed locally, which includes residential, commercial and industrial, and agricultural and resource land property types. Table 3 shows a five-year history of this revenue source and the five-year revenue forecast:

Table 3: Revenue Summary - Real Estate Taxes

Revenue History	Tax Rate	Actual Revenue	% Change
FY 2008	\$0.787	\$438,809,461	4.6%
FY 2009	0.970	493,304,534	12.4%
FY 2010	1.212	459,343,128	-6.9%
FY 2011	1.236	458,409,233	-0.2%
FY 2012	1.204	474,859,163	3.6%
Current Estimate	Tax Rate	Adopted/Revised	% Change
FY 2013 (Adopted Budget)	\$1.209	\$498,887,000	5.1%
FY 2013 (Revised Estimate)	1.209	497,972,000	4.9%
Forecast Revenue	Tax Rate	Estimate	% Change
FY 2014	\$1.181	\$518,558,000	4.1%
FY 2015	1.170	539,680,000	4.1%
FY 2016	1.159	561,390,000	4.0%
FY 2017	1.148	584,098,000	4.0%
FY 2018	1.137	608,156,000	4.1%

Note that public service properties including railroads, utilities, etc. are not assessed locally. Rather, these properties are assessed by the State Corporation Commission and the Virginia Department of Taxation. Therefore, real estate revenues from these properties are not included in the table above.



Residential Real Estate

During calendar year 2012 (CY 2012) the residential market continued its modest, but steady appreciation. Following a 2.8% increase in values in 2011, the average existing home value increased approximately 4.7% in 2012. Factors contributing to the appreciation of values included increased population, continued low mortgage rates, lower foreclosure rates, and low levels of inventory for sale.

In CY 2012, there were 959 foreclosures of residential properties compared to 1,426 in CY 2011, a decrease of 33%. The average number of days on the market decreased from 60 days to 42 days from December 2011 to December 2012. Bank owned properties and short sales made up approximately 13% of all sales in CY 2012, a decline from 17.3% in the previous year.

The residential real estate market consists of four property types: single-family homes, townhouses, residential condominiums, and apartments. Duplex units are included within the townhouse category. The apartment category consists of units within rental apartment communities and apartment buildings with five or more units.

Residential Market Value Changes

Figure 2 shows a history of actual residential appreciation (excluding rental apartments) from calendar year 1981 through 2012 and the General Revenue Committee’s estimates thereafter.

Figure 2: Average Annual Residential Real Estate Appreciation

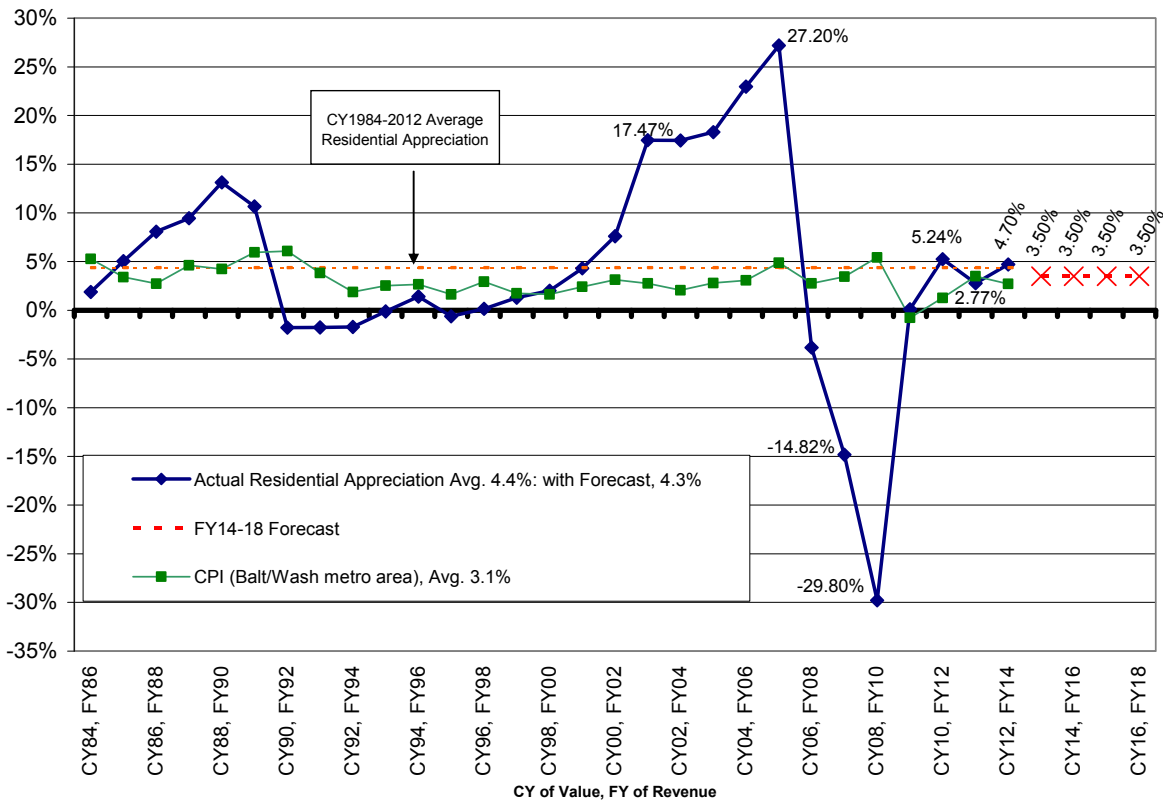


Table 4 shows the expected change in market value for residential and apartment properties during the forecast period.

**Table 4: Residential Market Value Changes**

Revenue Year	Single-Family, Townhouse and Condominium	Apartments
FY 2014	4.70%	12.60%
FY 2015	3.50%	5.00%
FY 2016	3.50%	5.00%
FY 2017	3.50%	5.00%
FY 2018	3.50%	5.00%

The strengths of the Washington D.C. area include relatively low unemployment (compared to national and state unemployment rates), stable job growth expectations and strengthening consumer confidence.

The residential market is forecast to continue to see price improvement over the course of the next twelve to twenty-four months depending on how economic uncertainties unfold, although the number of transactions is expected to continue to trail the levels during the boom years.

Residential market change in Prince William County is somewhat stronger than neighboring Northern Virginia jurisdictions (*See Table 5*):

Table 5: Comparison of Estimated Residential Market Value Changes from 2011 to 2012

	Prince William County	Loudoun County	Fairfax County*	City of Alexandria	Arlington County
All Residential (Excluding Rental Apartments)	4.70%	0.12%	3.50%	2.72%	1.02%

Apartments Market Value Change

Apartment values experienced an increase mainly due to an annualized 10 basis point reduction in overall capitalization rates according to the Fourth Quarter 2012 Korpacz Real Estate Investor Survey. The reason for this decline is the relative strength of apartments as investment properties, tempered with a supply of new apartment units. Additionally, the apartment market has experienced increases in both rent and occupancy levels in Prince William County. Appreciation is projected to continue throughout FY 15-18 at a rate of approximately 5%.

Residential New Construction Units

Growth is defined as the change in assessed value due to the subdivision of land and the construction of new residential units. Construction taking place in one calendar year affects real estate revenues two fiscal years later. For example, construction that occurred in calendar year 2012 will be reflected in the County's January 1, 2013, landbook which provides the basis for real estate tax revenue received in Fiscal Year 2014. Table 6 summarizes the expected number of newly constructed residential units during the forecast period.



Table 6: Residential Growth - Number of Units

Revenue Year / Calendar Year	Total Units	Single-Family	Townhouse	Condominium	Apartments
FY 2008/CY 06	4,420	2,556	1,135	278	451
FY 2009/CY 07	2,889	1,406	531	768	184
FY 2010/CY 08	1,978	1,060	278	456	184
FY 2011/CY 09	1,957	1,112	293	552	-
FY 2012/CY 10	2,216	1,018	263	461	474
FY 2013/CY 11	1,499	860	164	275	200
FY 2014/CY 12	1,433	860	158	187	228
FY 2015/CY 13	2,644	900	160	200	1,384
FY 2016/CY 14	2,250	900	200	250	900
FY 2017/CY 15	2,100	950	250	300	600
FY 2018/CY 16	1,950	1,000	300	350	300

The volume of new home starts is expected to rise as the economy stabilizes and the inventory of foreclosed homes diminishes during the remainder of the forecast period. Construction of new apartment units is expected to go up to over 1,300 units in FY 15 and gradually decline during the remainder of the forecast period as demand for apartments begins to reflect the increased supply.

Residential Values per New Unit

The average assessed value of a new home (all types) constructed during CY 2012 was approximately \$412,262 a 9.4% increase over the average assessed value of homes built in 2011 which was \$376,736. It should be noted that the overall assessed value of a new home is affected by the mix of single family, townhouse, and condominium units constructed in any given year.

The average assessed value of a new single family home was approximately \$460,294 in 2012. In 2012, the average assessed value of a new condominium unit was approximately \$257,131 and the average value of a new townhouse unit was \$334,424. (See Table 7)



Table 7: New Residential Assessed Value per New Unit

Revenue Year	Overall Residential (Excludes Apts.)	Single-Family	Townhouse	Condominium
FY 2008	\$531,957	\$610,977	\$408,275	\$343,586
FY 2009	427,378	525,384	344,824	305,035
FY 2010	330,995	387,959	258,170	242,976
FY 2011	323,949	380,728	262,254	242,317
FY 2012	342,180	406,733	279,724	235,262
FY 2013	376,736	436,984	301,260	233,334
FY 2014	412,262	460,294	334,424	257,131
FY 2015	424,421	474,100	344,500	264,800
FY 2016	428,596	488,300	354,800	272,700
FY 2017	435,583	502,900	365,400	280,900
FY 2018	443,742	518,000	376,400	289,300

Commercial Real Estate

Calendar year 2012 market activity in Prince William County resulted in commercial properties appreciating 5.0%. Commercial appreciation for FY 14 is forecast at 5.0% and is projected to continue throughout FY 15-18 at a rate of approximately 3.0%. (See Table 8)

Average assessed values per square foot for FY 14 are determined based on the added building value resulting from new construction completed during calendar year 2012.¹ These unit values are then adjusted to reflect the general appreciation of commercial properties during the remainder of the forecast period.

Table 8: Commercial Market Value Changes

Revenue Year	Commercial
FY 2014	5.00%
FY 2015	3.00%
FY 2016	3.00%
FY 2017	3.00%
FY 2018	3.00%

¹ Note that increases or decreases in dollars per square foot from one year to the next are not indicative of appreciation trends. Unit values are based on the contributory value of the new buildings in a category divided by the added square footage in that category. Building values per square foot vary widely among different building types within each category and the types of new buildings within categories vary from one year to the next.



Commercial properties are categorized into five property types: retail, office, hotel, industrial, and special purpose. For FY 14 (calendar year 2012 market activity), approximately 969,000 square feet of commercial space was added to the assessment rolls.

Retail

New construction in the retail sector accounted for approximately 87% of all commercial/industrial growth during CY 2012, adding nearly 845,000 square feet to the tax base. Shopping center capitalization rates decreased 10 basis points in CY 2012. Lower capitalization rates translate to higher real estate values.

Industrial

Construction of industrial properties accounted for approximately 8% of all new commercial construction during CY 2012, adding approximately 80,000 square feet to the commercial/industrial base. This represents a decline from previous years and is directly linked to the level of inventory. Both rents and occupancy levels of industrial properties increased in 2012 due to new product not being absorbed. The existing inventory of warehouse space in all submarkets suggests that growth within the sector will likely remain weak for the foreseeable future.

Hotels

In CY 2012, no new hotels were added to Prince William County's hotel inventory. The hotel market valuation for CY 2012 was relatively flat. There is currently one hotel project under way that is expected to add a 44,000 square foot extended stay chain for CY 2013.

Office Buildings

Construction of new office buildings accounted for approximately 4.5% of all new commercial construction during calendar year 2012, adding approximately 44,000 square feet to the commercial base. Growth within the office sector is expected to be sustained only at a low rate during the 2013 forecast period since there are very few projects in the pipeline. Absorption has been steady for the calendar year 2012. There is currently a medical office project under way to add a 206,000 square foot hospital in the Haymarket area.

Special Use

Properties within the special use category comprise taxable schools, healthcare facilities, high-technology data center properties and other types of properties that have no foreseeable alternate uses. Approximately 129,000 square feet of miscellaneous commercial properties were constructed in calendar year 2011, accounting for approximately 30% of all commercial growth.

A summary of commercial growth and assessed values per square foot during the forecast period is shown in Table 9 and Table 10.

Real Estate Exonerations

Estimated real estate tax exonerations are deducted from the gross local real estate tax revenue to arrive at the net local real estate tax revenue.

Exonerations are decreases in revenue due to assessment reductions, changes in tax liability, or tax relief programs. Assessment reductions are typically caused by appeals of assessed values and account for the majority of exonerations. Changes in tax liability occur when a property changes from a taxable to a tax-exempt status. Taxes are also exonerated for properties whose owners qualify for the Tax Relief Program for the Elderly and Disabled or the Tax Relief Program for Disabled Veterans.



Table 9: Commercial New Construction Value per Square Foot

Revenue Year	Retail	Office	Hotel	Industrial	Misc. Properties
FY 2008	\$85	\$110	\$88	\$69	n/a
FY 2009	98	110	108	89	n/a
FY 2010	102	114	112	93	n/a
FY 2011	105	82	101	64	\$95
FY 2012	140	91	121	33	132
FY 2013	133	148	121	48	132
FY 2014 (est.)	133	148	121	48	132
FY 2015 (est.)	134	149	122	48	133
FY 2016 (est.)	136	151	123	49	135
FY 2017 (est.)	137	152	125	49	136
FY 2018 (est.)	138	154	126	50	137

Table 10: New Commercial Construction Square Footage

Revenue Year	Total Commercial	Retail	Office	Hotel	Industrial	Misc. Properties
FY 2008	2,731,438	566,090	1,028,850	115,002	915,098	106,398
FY 2009	3,572,737	644,119	948,518	174,793	1,623,988	181,319
FY 2010	2,833,958	1,295,731	276,813	56,013	1,175,139	30,262
FY 2011	925,785	534,842	216,832	95,362	68,557	10,192
FY 2012	378,922	156,377	65,352	73,926	37,800	45,467
FY 2013	436,882	60,559	93,060	-	154,308	128,955
FY 2014 (est.)	969,175	845,000	43,900	-	80,275	-
FY 2015 (est.)	600,000	250,000	100,000	50,000	150,000	50,000
FY 2016 (est.)	575,000	200,000	125,000	50,000	150,000	50,000
FY 2017 (est.)	700,000	250,000	150,000	50,000	200,000	50,000
FY 2018 (est.)	825,000	300,000	175,000	50,000	250,000	50,000



Public Service Taxes

Public service taxes are levied on non-locally assessed properties. The State Corporation Commission (SCC) assesses all telecommunications companies, water companies, intrastate pipeline distribution companies, and electric light and power companies. The Virginia Department of Taxation assesses railroads and interstate pipeline transmission companies. (See Table 11)

Table 11: Revenue Summary - Public Services Taxes

Revenue History	Tax Rate	Actual Revenue	% Change
FY 2008	\$0.787	\$11,401,499	10.9%
FY 2009	0.970	14,275,190	25.2%
FY 2010	1.212	16,518,811	15.7%
FY 2011	1.236	18,129,083	9.7%
FY 2012	1.204	17,703,648	-2.3%
Current Estimate			
FY 2013 (Adopted Budget)	\$1.209	\$17,982,000	1.6%
FY 2013 (Revised Estimate)	1.209	18,401,000	3.9%
Forecast Revenue			
FY 2014	\$1.181	\$18,154,000	-1.3%
FY 2015	1.170	18,165,000	0.1%
FY 2016	1.159	18,174,000	0.0%
FY 2017	1.148	18,182,000	0.0%
FY 2018	1.137	18,188,000	0.0%

Historically, the majority of changes within the public service classification have been attributable to new construction growth. Growth within public service properties is expected to stabilize at a rate of 1.0% per year for fiscal years 2014-2018. Public service market values are not subject to the same market changes as other real estate properties.

Real Estate Tax Deferrals

If unpaid real estate taxes at the end of a fiscal year are less than at the beginning of that fiscal year, the amount of the reduction is recorded as revenue in real estate tax deferrals.

If unpaid real estate taxes at the end of a fiscal year are more than at the beginning of that fiscal year, the amount of the increase is recorded as negative revenue in real estate tax deferrals. Real estate taxes collected after becoming more than three years delinquent are accounted for as land redemption revenue. (See Table 12)

**Table 12: Revenue Summary - Real Estate Tax Deferrals**

Revenue History	Actual Revenue
FY 2008	\$483,032
FY 2009	(715,210)
FY 2010	628,146
FY 2011	537,177
FY 2012	278,451
Current Estimate	
FY 2013 (Adopted Budget)	\$0
FY 2013 (Revised Estimate)	0
Forecast Revenue	
FY 2014	\$0
FY 2015	0
FY 2016	0
FY 2017	0
FY 2018	0

On December 10, 1996, the Board of County Supervisors approved an initiative to decrease the percentage of unpaid property taxes at fiscal year end. The BOCS has continued to support this initiative and at the end of FY 12, the percentage of unpaid property taxes compared to the FY 12 levy was 1.7%. This is the County's best unpaid property tax rate since data was first collected in 1971.

The revenue forecast is made by estimating collections of unpaid personal property taxes up to five years delinquent. This revenue category varies depending on the amount of unpaid taxes at the end of one year compared to the previous year due to:

1. Voluntary payment of taxes,
2. County resources allocated to collection efforts, and
3. The success of those collection efforts.

Land Redemption

Land redemption is the recognition of real estate taxes collected after being more than three years delinquent. The *Code of Virginia* allows Prince William County to pursue the collection of delinquent real estate taxes for twenty years. (See Table 13)



Table 13: Revenue Summary - Land Redemption

Revenue History	Actual Revenue	% Change
FY 2008	\$237,913	-3.0%
FY 2009	128,418	-46.0%
FY 2010	138,641	8.0%
FY 2011	256,929	100.1%
FY 2012	242,634	-5.6%
Current Estimate		
FY 2013 (Adopted Budget)	\$315,000	29.8%
FY 2012 (Revised Estimate)	315,000	29.8%
Forecast Revenue		
FY 2014	\$315,000	0.0%
FY 2015	315,000	0.0%
FY 2016	315,000	0.0%
FY 2017	315,000	0.0%
FY 2018	315,000	0.0%

This revenue category varies depending on the amount of unpaid taxes three years and older, and the level of success in collecting these past due amounts. The FY 14-18 forecast estimates approximately 25% of the prior year’s unpaid land redemption taxes will be collected annually. A variety of methods is used to enforce the collection of those taxes, including filing suit to force the sale of the property for unpaid taxes. Unpaid land redemption taxes, at the end of each fiscal year, are estimated in Table 14.

Table 14: Unpaid Land Redemption Taxes

Unpaid Land Redemption Taxes	
FY 2010	\$1,357,475
FY 2011	1,265,111
FY 2012	1,314,362
FY 2013 (est.)	1,500,000
FY 2014 (est.)	1,500,000
FY 2015 (est.)	1,500,000
FY 2016 (est.)	1,500,000
FY 2017 (est.)	1,500,000
FY 2018 (est.)	1,500,000



Real Estate Penalties

Prince William County assesses a 10% penalty on the late payment of real estate taxes. If taxes are not paid in full by the due date, a late penalty of 10% will be assessed on the unpaid original tax balance. Interest at the rate of 10% per annum is added to any unpaid balance beginning on the first day of the month following the original due date. (See Table 15)

Table 15: Revenue Summary - Real Estate Penalties

Revenue History	Actual Revenue	% Change
FY 2008	\$1,952,229	6.0%
FY 2009	2,160,303	10.7%
FY 2010	1,651,847	-23.5%
FY 2011	1,365,811	-36.8%
FY 2012	1,265,550	-7.3%
Current Estimate		
FY 2013 (Adopted Budget)	\$2,185,000	72.7%
FY 2013 (Revised Estimate)	2,181,000	72.3%
Forecast Revenue		
FY 2014	\$1,597,000	-26.8%
FY 2015	1,662,000	4.1%
FY 2016	1,729,000	4.0%
FY 2017	1,799,000	4.0%
FY 2018	1,873,000	4.1%

Revenue from real estate penalties is estimated by applying a fixed percentage (approximately 0.40% - 0.44%) to the real estate revenue forecast excluding public service properties. Due to the increased collection efforts by Tax Administration, the fixed percentage was re-evaluated and adjusted to approximately 0.30% (FY 14-18) based on recent historical data of real estate penalty revenues.

Personal Property Revenue

The personal property tax is assessed on vehicles, mobile homes, and business personal property. Approximately 86% of personal property tax revenue is forecast in FY 14 to be generated by motor vehicles, trailers, and motor homes. The remaining 14% is forecast to be received from taxes levied on business equipment.

Certain classifications of property do not generate a tax bill because of their extremely low tax rate, such as farm equipment, vehicles that qualify for elderly tax relief, vanpool vans, handicapped-equipped vehicles, and vehicles owned by certain fire and rescue volunteer company members and fire and rescue volunteer company auxiliary members. In addition, some vehicles and property are tax exempt, such as vehicles used as daily rentals, vehicles owned by certain military personnel, and vehicles or business property owned by non-profit organizations that have been granted specific exemption.



Personal Property Tax on Vehicles

Personal property tax revenue from vehicles is estimated based on the percentage change in average assessed value per vehicle and the percentage change in the number of units billed. Generally, the assessed value of taxable vehicles is obtained from standard pricing guides. Prince William County uses the clean trade-in values published in the National Automobile Dealers Association (NADA) value guide for new and older vehicles. (See Table 16)

Table 16: Revenue Summary - Personal Property Tax

Revenue History	Actual Revenue	% Change
FY 2008	\$134,067,106	3.8%
FY 2009	135,209,127	0.9%
FY 2010	120,612,512	-10.8%
FY 2011	127,961,926	6.1%
FY 2012	131,167,427	2.5%
Current Estimate		
FY 2013 (Adopted Budget)	\$131,410,000	0.2%
FY 2013 (Revised Estimate)	135,060,000	3.0%
Forecast Revenue		
FY 2014	\$145,210,000	7.5%
FY 2015	152,220,000	4.8%
FY 2016	159,320,000	4.7%
FY 2017	165,880,000	4.1%
FY 2018	173,570,000	4.6%

Car Tax Relief

A portion of the tax due on personal use vehicles is paid by the Commonwealth directly to Prince William County under the Personal Property Tax Relief Act (PPTRA). Through tax year 2005 (fiscal year 2006), the Commonwealth paid the County 70% of the tax due on the first \$20,000 of assessed value for qualified vehicles.

During the 2004 State budget sessions, legislation was enacted that changes how the amount of car tax relief is calculated under the PPTRA. The legislation capped the amount reimbursed to the County, which began in tax year 2006 (fiscal year 2007). Capping the car tax at a set dollar amount (\$950 million state-wide) will typically reduce the percentage of the tax on qualifying vehicles paid by the Commonwealth in each successive year. To compensate, the County must increase the share of the tax paid by the taxpayer or face declining revenue, and so the five-year revenue forecast assumes the County will increase the share paid by taxpayers as the total assessed value of qualifying vehicles grows so that revenues do not decline. The percentage of tax relief for qualifying vehicles in FY 14 (tax year 2013) is 52%.



Change in Average Vehicle Value and Units Billed

The FY 14 (tax year 2013) forecast assumes an increase of 3.0% in average assessed values. The forecast for FY 15-18 is for the average vehicle value to increase 2.9% per year (the historical average is 2.9%). The FY 14 (tax year 2013) forecast assumes a 2.69% increase in the number of vehicle units billed due mainly to population growth. The increase in vehicle units billed during FY 14-18 is due to gradual population growth and slow growth in the number of businesses and business vehicles as the economy continues to recover. (See Table 17)

Table 17: Percent Change in Average Assessed Value and Vehicle Units Billed

	Assessed Value		Billable Units
	Dollar Value	Percent Increase	Percent Increase
FY 2008	\$9,843	-1.6%	1.50%
FY 2009	10,070	2.3%	1.30%
FY 2010	8,798	-12.6%	0.64%
FY 2011	8,897	1.1%	2.59%
FY 2012	9,156	2.9%	3.75%
FY 2013 (est.)	9,730	6.3%	3.29%
FY 2014 (est.)	10,022	3.0%	2.69%
FY 2015 (est.)	10,312	2.9%	2.33%
FY 2016 (est.)	10,610	2.9%	2.14%
FY 2017 (est.)	10,917	2.9%	2.09%
FY 2018 (est.)	11,232	2.9%	2.05%

Business Personal Property Tax

The business portion of the personal property tax is levied on all general office furniture and equipment, machinery and tools, equipment used for research and development, heavy construction equipment, and computer equipment located in Prince William County as of January 1st of each year. Each business is required to file a return annually declaring the item, its original cost, and year of purchase. Therefore, the assessed value is determined from its original cost, year of purchase, and use of the equipment.

The County has three depreciation schedules for the following classes of business equipment:

1. General Business Equipment - Assessed at 85% of its original cost in the year acquired. Thereafter, the percentage decreases by 10% increments. If still held after eight years, its assessed value remains constant at 10% of the original cost.
2. Heavy Equipment - Assessed at 80% of its original cost in the year acquired. Thereafter, the percentage decreases by 15% increments. If still held after five years, its assessed value remains constant at 10% of original cost.
3. Computer Equipment and Peripherals - Assessed at 50% of cost in the first year, 35% the second year, 20% the third year, 10% the fourth year, and 5% the fifth and subsequent years.



General business equipment and heavy equipment account for 78% and 7% of taxes on business equipment respectively. Taxes on computer equipment comprise 14% and taxes from machinery and tools account for the remaining 1%.

Taxes from business equipment are expected to remain flat in FY 14, increase by 1.0% in FY 15, and then increase by 2% per year for FY 16-18. Businesses had been deferring purchases of new equipment during the most recent economic recession. Heavy equipment, in particular, had decreased dramatically due to the decline in residential and commercial construction. However, there is some evidence that the economy and the economic condition of local businesses has stabilized. They still are not replacing equipment or adding significant amounts of new equipment, but the downward trend seems to have stopped, thus we are forecasting a modest increase for each of the years in the forecast.

Personal Property Prior Year

This account records changes to prior year personal property taxes as a result of changes in estimated allowance for uncollectible taxes. These revenues are less than \$100,000 a year, and are therefore not addressed in as much detail as the major revenue sources. (See Table 18)

Table 18: Revenue Forecast - Personal Property Prior Year

	Revenue Estimate	Percent Change
FY 2014	\$50,000	0.0%
FY 2015	50,000	0.0%
FY 2016	50,000	0.0%
FY 2017	50,000	0.0%
FY 2018	50,000	0.0%

Personal Property Deferrals

If unpaid personal property taxes at the end of a fiscal year are less than at the beginning of that fiscal year, the amount of the reduction is recorded as revenue in personal property tax deferrals.

If unpaid personal property taxes at the end of a fiscal year are more than at the beginning of that fiscal year, the amount of the increase is recorded as negative revenue in personal property tax deferrals. (See Table 19)

On December 10, 1996, the Board of County Supervisors approved an initiative to decrease the percentage of unpaid property taxes at fiscal year end, as compared to the current year levy, from 11% in FY 1996 to 6% in FY 03. With the adoption of the FY 2002 budget, additional collection resources were provided to the Finance Department and the amount of total unpaid property taxes as a percentage of the total levy was revised to 5.5% by FY 05.

At the end of FY 12, the percentage of unpaid property taxes compared to the FY 12 levy was 1.7%, and is the County’s best unpaid property tax rate since data was first collected in 1971. This is an improvement over the FY 10 and FY 11 unpaid property tax percentage of 2.2% and 1.8% respectively.

**Table 19: Revenue Summary - Personal Property Deferrals**

Revenue History	Actual Revenue	% Change
FY 2008	(\$620,783)	604.3%
FY 2009	(771,845)	24.3%
FY 2010	360,212	-146.7%
FY 2011	1,032,739	186.7%
FY 2012	447,001	-56.7%
Current Estimate		
FY 2013 (Adopted Budget)	(\$85,000)	-119.0%
FY 2013 (Revised Estimate)	(85,000)	-119.0%
Forecast Revenue		
FY 2014	(\$85,000)	0.0%
FY 2015	100,000	-217.6%
FY 2016	100,000	0.0%
FY 2017	100,000	0.0%
FY 2018	100,000	0.0%

The revenue forecast is made by estimating collections of unpaid personal property taxes up to five years delinquent. This revenue category varies depending on the amount of unpaid taxes at the end of one year compared to the previous year due to:

1. Voluntary payment of taxes,
2. County resources allocated to collection efforts, and
3. The success of those collection efforts.

Personal Property Penalties - Current Year

Prince William County assesses a 10% penalty on the late payment of personal property taxes. The 10% personal property penalty on late payments applies only to the local share of what is delinquent. The penalty is not applied to the portion paid by the Commonwealth.

Personal property penalty revenue is projected to increase in each year of the FY 14-18 forecast period due to the increase in the estimate of personal property taxes billed each year. (See Table 20)



Table 20: Revenue Summary - Personal Property Penalties - Current Year

Revenue History	Actual Revenue	% Change
FY 2008	\$1,223,942	6.1%
FY 2009	1,442,088	17.8%
FY 2010	1,180,234	-18.2%
FY 2011	1,152,677	-2.3%
FY 2012	1,374,663	19.3%
Current Estimate		
FY 2013 (Adopted Budget)	\$1,310,000	-4.7%
FY 2013 (Revised Estimate)	1,350,000	-1.8%
Forecast Revenue		
FY 2014	\$1,450,000	7.4%
FY 2015	1,520,000	4.8%
FY 2016	1,590,000	4.6%
FY 2017	1,660,000	4.4%
FY 2018	1,740,000	4.8%

Local Sales Tax Revenue

Prince William County, by adopted ordinance, has elected to levy a 1% general retail sales tax. This tax is levied on the retail sale or rental of tangible property, excluding motor vehicle sales and trailers, vehicle rentals, boat sales, gasoline sales, natural gas, electricity, and water, and the purchases by organizations that have received tax exemption.

The tax revenue is collected by the Virginia Department of Taxation, and is distributed to the County monthly. There is a two-month lag between the date of sale and the actual receipt of funds. For example, local sales taxes collected by businesses in November must be remitted to the Department of Taxation by the retail business no later than December 30th. The Department of Taxation then remits the sales tax to the locality in the third week of January. Despite the timing lag, sales tax revenues are accrued to the month in which they were collected by the businesses.

The four incorporated towns within Prince William County share in the local sales tax based on the ratio of school age population in the towns to the school age population of the entire County based on the latest state-wide school census. The current formula deducts 1.02% from the County's gross tax to be sent to the four towns. Thus, the County realizes 98.98% of the monthly sales taxes collected. (See Table 21)

**Table 21: Revenue Summary - Local Sales Tax**

Revenue History	Actual Revenue	% Change
FY 2008	\$46,155,437	-3.7%
FY 2009	45,055,466	-2.4%
FY 2010	46,155,153	2.4%
FY 2011	49,554,397	7.4%
FY 2012	52,002,967	4.9%
Current Estimate		
FY 2013 (Adopted Budget)	\$52,673,000	1.3%
FY 2013 (Revised Estimate)	55,173,000	6.1%
Forecast Revenue		
FY 2014	\$57,656,000	4.5%
FY 2015	59,962,000	4.0%
FY 2016	62,360,000	4.0%
FY 2017	64,855,000	4.0%
FY 2018	67,449,000	4.0%

Prince William County's sales tax revenue in the first six months of FY 13 is 8.4% higher than the amount of sales tax revenue that was generated during the same period in FY 12. On a year-to-date basis, this increase is running faster than the previously anticipated 3.1% sales tax revenue increase that was projected in the FY 13 adopted forecast. This will be monitored carefully to determine if the remainder of the year's sales tax will continue to accelerate at this rate and exceed the projected FY 13 sales tax revenue amount. The increase in this revenue clearly demarcates the end to the decline in this revenue source that was caused by the great recession. The County has now had an unprecedented pattern of 38 straight months in which the monthly sales tax revenue has exceeded the sales tax revenue in the same month of the prior year. The FY 14 forecast anticipates a continued upward trend resulting in an increase in the projected FY 14-18 Prince William County sales tax revenue. During the five most recent prior years, the growth in the County's annual sales tax revenue has ranged between 3.7% and 12.7%.

During calendar 2012, our neighboring jurisdictions generally experienced a period of steady growth in sales tax revenue. All three of Prince William County's neighboring Northern Virginia jurisdictions' calendar 2012 sales tax revenues reflect increases in sales tax revenue when compared to the same period in the prior year. (See Table 22)



Table 22. Percent of Sales Tax Change in Neighboring Jurisdictions, Compared to Same Period in Prior Year²

	Calendar Year 2012			
	QTR 1	QTR 2	QTR 3	QTR 4
Prince William County	8.32%	6.39%	10.10%	6.91%
Alexandria	4.06%	5.38%	4.36%	2.24%
Arlington	9.38%	2.37%	7.00%	2.76%
Fairfax County	7.09%	3.34%	2.86%	2.00%

The factors believed to have contributed to the County’s sales tax revenue increase are:

- An improving local economy;
- Increase in retail establishments;
- High level of household income in the County;
- Improving employment picture has increased consumer confidence; and
- Continued population growth.

Consumer Utility Revenue

Prince William County levies a consumer utility tax on electric and natural gas utilities. The County does not tax water and sewer services. Effective January 1, 2001, the *Code of Virginia* required Prince William County to convert its existing tax on purchasers of natural gas and electricity from a dollar-based tax to a consumption-based tax.

The levy for electricity consumption based on kilowatt hours (kWh)³ is:

Residential users: \$1.40 minimum billing charge plus the rate of \$0.01509 on each kWh delivered monthly by a service provider not to exceed \$3.00 per month.

Commercial users: \$2.29 minimum billing charge plus the rate of \$0.013487 on each kWh delivered monthly to commercial consumers, not to exceed \$100.00 monthly.

The levy for natural gas consumption based on 100 units of cubic feet (CCF)⁴ is:

Residential consumers: \$1.60 minimum billing charge plus the rate of \$0.06 on each CCF delivered monthly to residential consumers, not to exceed \$3.00 per month.

Commercial consumers: \$3.35 minimum billing charge plus the rate of \$0.085 on each CCF delivered monthly to commercial consumers, not to exceed \$100.00 monthly.

² Virginia Department of Taxation, Monthly Sales Tax Reports

³ Kilowatt hours (kWh) delivered means 1000 watts of electricity delivered in a one-hour period by an electric provider to an actual consumer, except that in the case of eligible customer-generators (sometimes called cogenerators) as defined in Va. Code § 56-594, it means kWh supplied from the electric grid to such customer-generators, minus the kWh generated and fed back to the electric grid by such customer-generators.

⁴ CCF means the volume of gas at standard pressure and temperature in units of 100 cubic feet.



Since consumer utility taxes are capped, inflation and utility rate increases are not a factor in the five year forecast. Prior to January 1, 2007, Prince William County’s consumer utility tax was also levied on wired and cellular telephone service. With the advent of the Virginia communications sales and use tax (please see page 122 for details), the County’s consumer utility tax is no longer levied on telecommunication services. This change occurred during the second half of FY 07. Fiscal year 2008 was the first full-year the consumer utility tax was levied only on electric and natural gas utilities. (See Table 23)

Table 23: Revenue Summary - Consumer Utility Tax

Revenue History	Actual Revenue	% Change
FY 2008	12,353,990	-33.3%
FY 2009	12,595,964	2.0%
FY 2010	12,839,866	1.9%
FY 2011	13,190,410	2.7%
FY 2012	13,075,017	-0.9%
Current Estimate		
FY 2013 (Adopted Budget)	\$13,740,000	5.1%
FY 2013 (Revised Estimate)	13,300,000	1.7%
Forecast Revenue		
FY 2014	\$13,566,000	2.0%
FY 2015	13,837,000	2.0%
FY 2016	14,183,000	2.5%
FY 2017	14,538,000	2.5%
FY 2018	14,901,000	2.5%

Electricity and Gas Revenue Growth

Table 24 shows the history of electric and gas utility growth in Prince William County as well as the projected growth rates included in the five year revenue forecast for FY 14-18. The growth rates reflect the projected increase in new, residential housing units during the forecast period as well as the belief that the inventory of foreclosed properties will continue to decrease.



Table 24: Percent Change in Revenue Growth Rates from Electricity and Gas Utilities

	Utilities	
	Electric	Gas
FY 2008	2.21%	0.54%
FY 2009	1.38%	3.19%
FY 2010	1.86%	2.46%
FY 2011	2.95%	2.18%
FY 2012	-0.84%	-0.88%
FY 2013 (projected)	1.25%	2.50%
FY 2014 (projected)	1.50%	2.75%
FY 2015 (projected)	2.00%	3.00%
FY 2016 (projected)	2.25%	3.00%
FY 2017 (projected)	2.25%	3.00%
FY 2018 (projected)	2.25%	3.00%

Communications Sales and Use Tax Revenue

On April 17, 2006, the Governor of Virginia approved House Bill 568 and revised the taxation of communication services in the Commonwealth. Prior to the new legislation, localities were authorized to levy taxes on landline and wireless telephone services through the consumer utility tax as well as cable television service through cable franchise taxes.

The legislation applies a statewide communications sales and use tax to communication and video services. The communications sales and use tax, which became effective on January 1, 2007, is 5% on the following services:

Services Previously Taxed Locally:	Services Not Previously Taxed:
<ul style="list-style-type: none"> ■ Landline Telephone Services ■ Wireless Telephone Services ■ Cable Television Services 	<ul style="list-style-type: none"> ■ Satellite Television Services ■ Voice Over Internet Protocol Services (VOIP) ■ Paging Services

Due to the Virginia communications sales and use tax, Prince William County no longer has the authority to levy the following taxes and fees:

- Local consumer utility tax on landline and wireless telephone service;
- Cable franchise fees; and
- Local E-911 tax (please note that E-911 revenue is not included in the general revenue projection)



Similar to general sales tax revenue, telecommunications sales and use tax revenue is collected by the Virginia Department of Taxation and distributed to Prince William County monthly. As enumerated in Section 58.1-662 of the *Code of Virginia*, the telecommunications revenue will be distributed to localities according to the percentage of telecommunications and cable television tax revenue each locality received relative to the statewide total. It is important to note that the FY 07 actual represented only a half-year levy of the new communications tax. Fiscal year 2008 represented the first full-year the tax was implemented. In FY 13, the County received 4.63% of the statewide telecommunications sales and use tax. (See Table 25)

Table 25: Revenue Summary - Communications Sales and Use Tax

Revenue History	Actual Revenue	% Change
FY 2008	\$20,475,575	124.2%
FY 2009	18,770,086	-8.3%
FY 2010	18,893,157	0.7%
FY 2011	18,878,231	-0.1%
FY 2012	18,377,146	-2.7%
Current Estimate		
FY 2013 (Adopted Budget)	\$18,850,000	2.6%
FY 2013 (Revised Estimate)	18,850,000	2.6%
Forecast Revenue		
FY 2014	\$19,040,000	1.0%
FY 2015	19,230,000	1.0%
FY 2016	19,420,000	1.0%
FY 2017	19,620,000	1.0%
FY 2018	19,810,000	1.0%

During FY 09 and FY 10, the Department of Taxation granted a total of \$19.5 million in communication tax refunds and accrued interest statewide. The refunds occurred because telecommunication service providers incorrectly applied the tax on services that were exempt from the tax. The impact of these refunds to Prince William County's revenue was \$0.5 million in FY 09 and \$0.4 million in FY 10. During FY 12, the Department of Taxation refunded three large claims totaling \$12.9 million in communication tax refunds. In addition, the Commonwealth reported that Communication Tax Revenue was down approximately 3.5% due to a loss of landline services.

The FY 14-18 forecast was determined by examining actual monthly revenue received over the last twelve months.



BPOL Revenue

The Business, Professional, and Occupational License (BPOL) tax is imposed on commercial and home occupational businesses operating in Prince William County. The County has adopted a multiple tax rate schedule according to the type of business activity subject to the tax.

On April 26, 2011, the Board of County Supervisors directed staff to prepare an amendment to the Business Professional and Occupational License Ordinance to change the gross receipts threshold from \$100,000 to \$200,000 in an effort to support small business development within the County. On November 22, 2011, the BOCS unanimously voted to amend the Prince William County code and change the license requirement threshold for businesses with gross receipts of \$100,000 or higher to businesses with gross receipts of \$200,000 or higher.

On April 24, 2012, the Board of County Supervisors directed staff to prepare an amendment to the Business Professional and Occupational License Ordinance to change gross receipts threshold from \$200,000 to \$250,000 in order to support small business development within the County. On October 2, 2012, the BOCS unanimously voted to amend the Prince William County code and change the license requirement threshold for businesses with gross receipts of \$200,000 or higher to businesses with gross receipts of \$250,000 or higher.

The BPOL tax is levied on:

- Businesses with annual gross receipts (from the prior calendar year) greater than \$250,000;
- New businesses based on an estimate if gross receipts are greater than \$250,000 for the current year; and
- Both full-time as well as part-time businesses, as long as the business meets or exceeds the \$250,000 threshold.

The basis for FY 13 BPOL tax revenue is gross revenue receipts from calendar year 2012. Therefore, forecasting 2013 gross receipts (FY 14) has a one-year lag in which actual prior year figures on which to base an estimate are unavailable. (See Table 26)

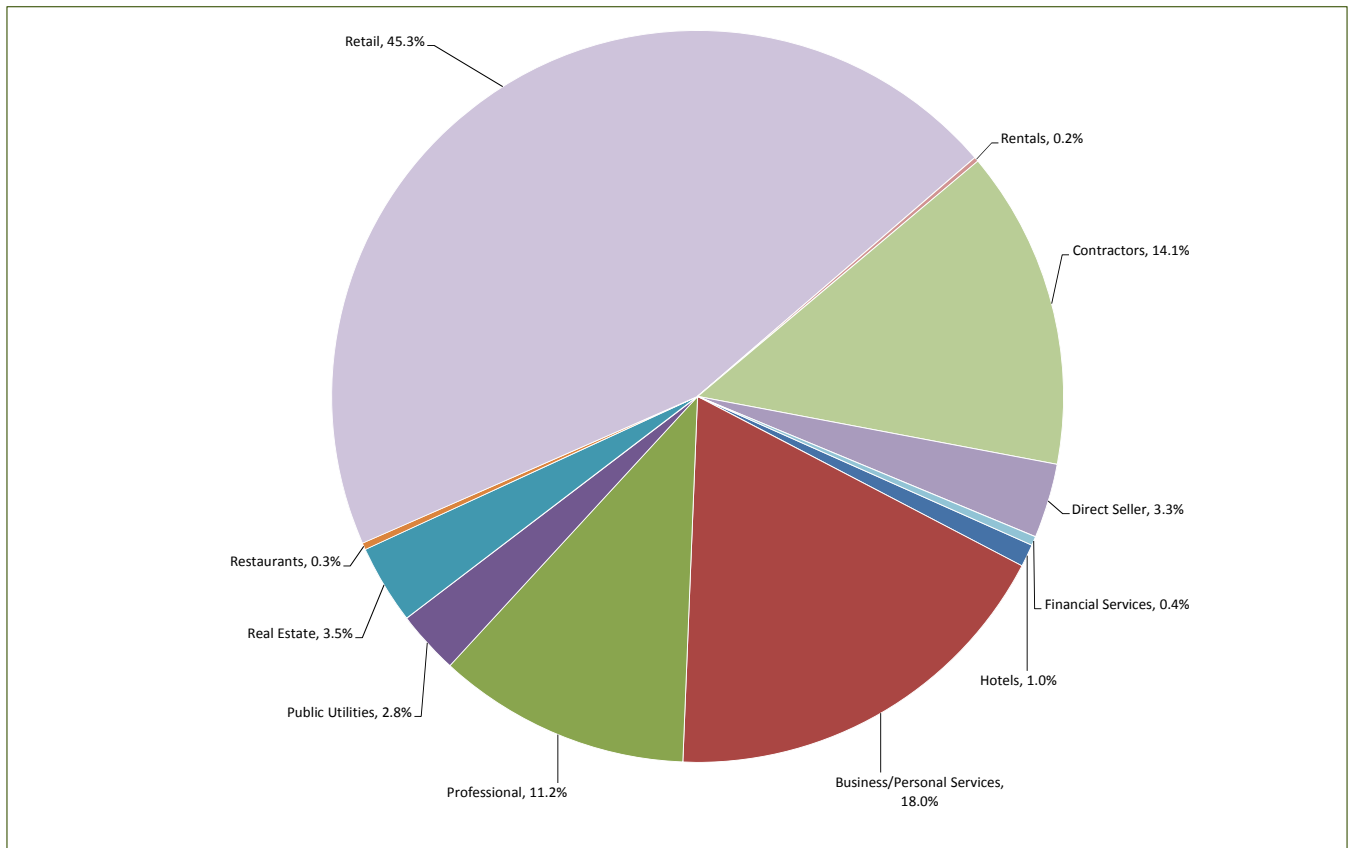
Table 26: Revenue Summary - BPOL Tax Revenue

Revenue History	Actual Revenue	% Change
FY 2008	\$21,173,489	-7.2%
FY 2009	19,930,513	-5.9%
FY 2010	20,268,908	1.7%
FY 2011	20,965,419	5.2%
FY 2012	21,724,838	7.2%
Current Estimate		
FY 2013 (Adopted Budget)	\$22,878,135	5.3%
FY 2013 (Revised Estimate)	22,878,135	5.3%
Forecast Revenue		
FY 2014	\$23,564,000	3.0%
FY 2015	24,271,000	3.0%
FY 2016	25,121,000	3.5%
FY 2017	26,126,000	4.0%
FY 2018	27,171,000	4.0%



Figure 3 shows the sources of BPOL revenue during FY 12:

Figure 3: FY 2012 BPOL Composition



Approximately 88% of FY 12 BPOL revenue was generated by four sectors of the County’s local economy: retail, contractors, personal services, and professional services. Table 27 summarizes the FY 12 actual and projected growth rates in FY 13 and FY 14 for each of these economic sectors:

Table 27: FY 2013 and FY 2014 Growth Forecasts by Major BPOL Category

	FY 12 Actual	FY 13 Projected	FY 14 Projected
Contractors	-3.1%	0.0%	1.0%
Business/Personal Services	0.0%	2.0%	2.0%
Professional	13.8%	10.0%	8.0%
Retail	9.1%	7.0%	6.5%
Overall Percentage Change	7.0%	5.2%	4.7%

BPOL revenue is being lead by the Retail and Professional service sectors. The forecast for the retail sector (on a calendar year basis) is consistent with the retail sales tax forecast for FY 14 because over 75% of sales tax revenue is derived from retail sales, which includes food and household goods purchases. Please refer to page 118 for a discussion of the sales tax forecast. BPOL revenue from contractors continues to be limited to due to the slowdown in the real estate market, particularly commercial construction.



Investment Income

Investment income represents interest receipts, interest accrual, and gains or losses from the sale of investments for Prince William County’s share of earnings on the “general” cash investment portfolio. The general portfolio consists of those funds that are not restricted. The general fund available cash constitutes 55-58% of the total pooled investments. All funds are invested in accordance with the County’s investment guidelines of legality, safety, liquidity, and yield. (See Table 28)

Table 28: Revenue Summary - Investment Income

Revenue History	Actual Revenue	% Change
FY 2008	\$24,125,140	15.0%
FY 2009	18,383,224	-23.8%
FY 2010	16,553,096	-10.0%
FY 2011	11,507,416	-30.5%
FY 2012	8,601,580	-25.3%
Current Estimate		
FY 2013 (Adopted Budget)	\$9,011,000	4.8%
FY 2013 (Revised Estimate)	7,700,000	-10.5%
Forecast Revenue		
FY 2014	\$7,700,000	0.0%
FY 2015	7,700,000	0.0%
FY 2016	7,700,000	0.0%
FY 2017	7,700,000	0.0%
FY 2018	7,700,000	0.0%

To forecast investment income, the average portfolio yield and portfolio size are projected to determine the current or estimated future year’s investment revenue. The general fund share is calculated based on the prior year actual share of cash balances available to invest.

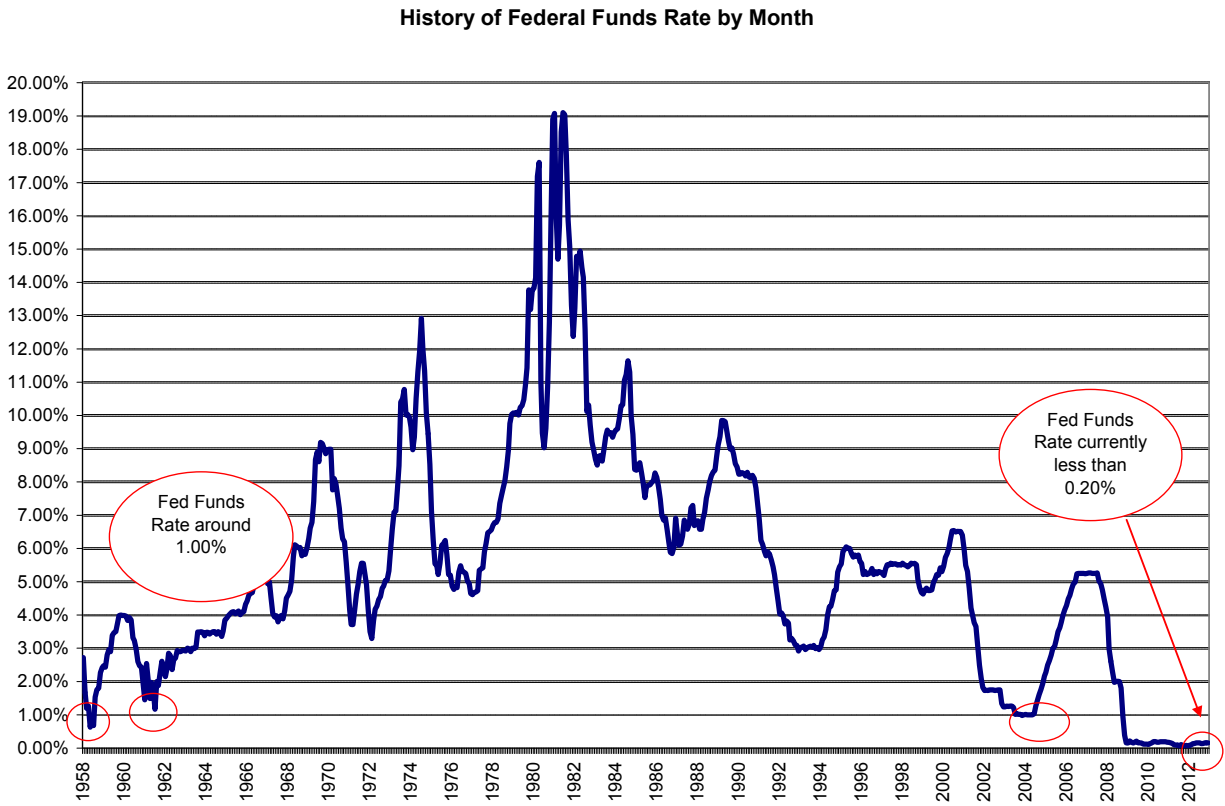
Portfolio Yield

The Federal Open Market Committee (FOMC) reduced the target Federal Funds rate to a range of between 0.00% and 0.25% in December of 2008. The FOMC has maintained that record low target rate and has announced its intention to continue this accommodative monetary policy well into calendar year 2015. It is unlikely that the FOMC will move the target Federal Funds rate higher until there is substantial evidence of sustained economic growth and it clearly does not expect such growth within the next 18 months.

Figure 4 presents a history of the Fed Funds rate since 1958, when the rate stood at record lows:



Figure 4: History of the Federal Funds Rate

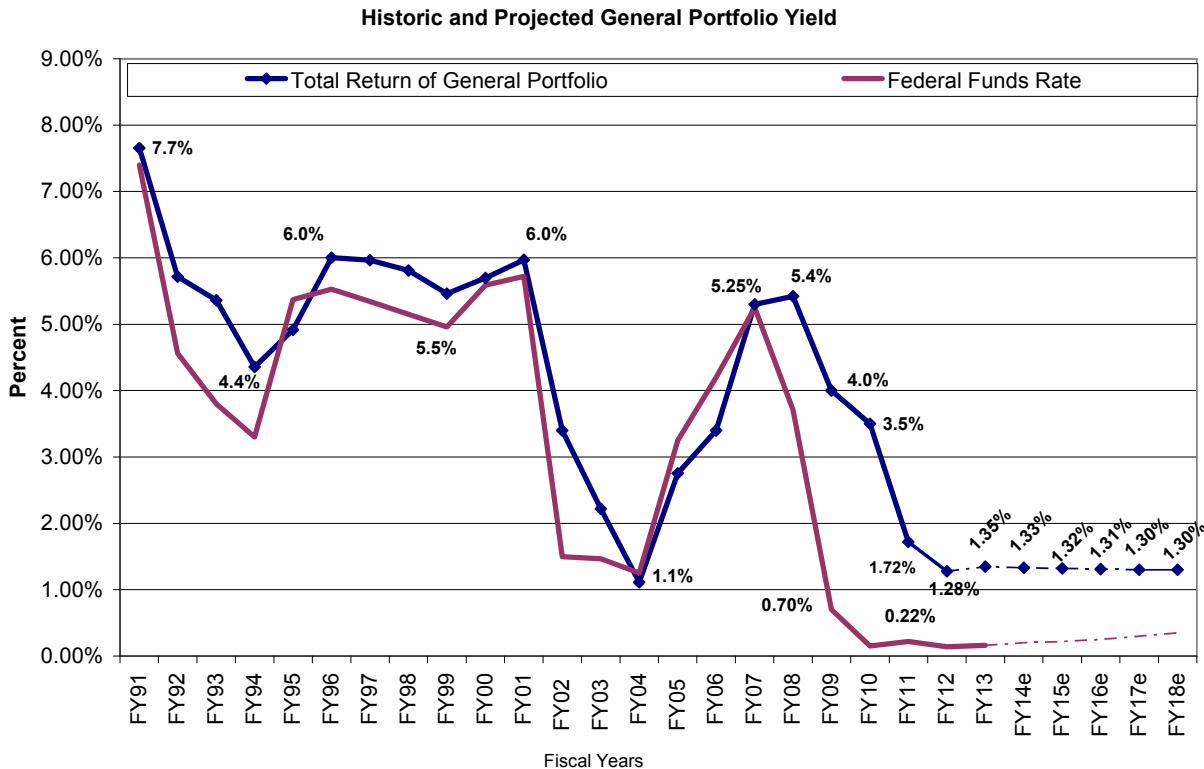


The Federal Funds rate trend is a significant driver for the average yield of Prince William County’s portfolio. Additionally, the timing of securities purchases, cash flow requirements, the general interest rate environment at the time of purchasing securities, and the securities’ duration are also major factors affecting the portfolio’s yield. The County’s general portfolio carries an asset mix that is held over a period of time based on yields that were available at the time of the purchases. The County portfolio’s total return and yield changes to reflect swings in the market price of securities and to reflect the replacement, at current market prices and yields, of securities that are sold or mature.

State laws and the County’s adopted investment policy govern the investment process, how funds can be invested, and which securities can be purchased. Figure 5 presents a history of the County’s portfolio yield as well as the projected yield for FY 14-18 juxtaposed against the Fed Funds average target rate history.



Figure 5: Prince William County's Portfolio Yield



Most forecasting sources provide interest rate projections up to four quarters beyond current dates. Therefore, estimates after the final half of FY 14 are made without authoritative source data as a basis for the projections. U.S. unemployment levels remain stubbornly high and the national housing market is still problematic. Credit appears to be marginally more available as banks are demonstrating a greater willingness to lend than in prior years. That being said, credit standards remain high and demand for credit, generally, is very low. In this environment, interest rates should continue low for the near term consistent with stated Federal Open Market Committee policy to hold short-term rates at current levels until unemployment rates fall to 6.5%. The low interest rates should have little additional stimulative impact on the economy since this “sub 1% Fed Funds” rate environment has been the status quo for over five years. Longer term expectations (beyond 5 years), however, are for higher interest rates on both the short and long ends of the interest rate curve. The difficulty, of course, is predicting exactly when interest rates will begin to turn higher.

Prince William County’s investment strategy addresses the requirements of legality, safety and liquidity by investing in a diversified portfolio with specific security types, financial institutions, and sufficient liquidity to meet anticipated operating requirements. In addition, the County seeks to match its cash flow needs to the overall maturity structure of the portfolio in order to maximize yield.



The portfolio management process has been challenged over the last several years due to unprecedented occurrences in the debt and equity markets. In spite of those hurdles, the County has managed to maintain its attention to safety and liquidity as well as produce good, if not excellent, returns. The County expects those challenges to continue. Going forward the risks of volatile interest rates and, ultimately, inflation will be areas around which the portfolio must be managed. The County continues to invest in step-up agency securities as well as floating rate corporate bonds as a hedge against rising interest rates. The general portfolio mix is expected to move toward greater diversification of its shorter-term maturities to provide additional flexibility, modest yield enhancement and to reduce sector concentrations. Longer-term maturities will continue to be invested primarily in Federal agency securities, corporate and municipal bonds with the mix determined by the relative spreads of those securities against longer-term treasuries.

Portfolio Size

The average total dollar value of the portfolio is affected by the increase in County revenues and fund balance. Therefore, the revenue forecast itself becomes a key determinate of interest income. Table 29 shows the forecasted growth in the portfolio. Increases in portfolio size typically come from additions to fund balance as well as a portion of annual revenue growth.

Table 29: Projected Average Portfolio Size

Value (in 000s)	
FY 2014	\$962,000
FY 2015	981,000
FY 2016	1,000,000
FY 2017	1,021,000
FY 2018	1,041,000

All Other Revenue Sources

Interest on Taxes

Delinquent personal property and real estate tax accounts incur interest at 10% of the unpaid amount the first year. Subsequent years are incurred at 10% or the Internal Revenue Service (IRS) delinquent tax rate, whichever is greater. (See Table 30)

The revenue estimate is computed by multiplying the fixed percentage of 0.23% by the combined estimate for gross current year real estate tax revenue and personal property tax revenue (excluding public service revenue). Recent history suggests the collection rate has improved, thereby decreasing interest on taxes revenue in FY 13.

Interest on tax revenue is projected to increase 10.7% in FY 14 (from the revised FY 13) due to an increase in real estate and tax revenue.



Table 30: Revenue Summary - Interest on Taxes

Revenue History	Actual Revenue	% Change
FY 2008	\$1,476,714	17.9%
FY 2009	1,495,957	1.3%
FY 2010	1,443,824	-3.5%
FY 2011	1,272,419	-11.9%
FY 2012	1,194,874	-6.1%
Current Estimate		
FY 2013 (Adopted Budget)	\$1,513,000	26.6%
FY 2013 (Revised Estimate)	1,200,000	0.4%
Forecast Revenue		
FY 2014	\$1,328,000	10.7%
FY 2015	1,384,000	4.2%
FY 2016	1,441,000	4.1%
FY 2017	1,500,000	4.1%
FY 2018	1,563,000	4.2%

Motor Vehicle License Fee

Section 46.2-752 *Code of Virginia* Annotated authorizes the County to levy a vehicle license fee. The amount of the license tax cannot be greater than the annual or one-year fee imposed by the Commonwealth on motor vehicles. The adopted, local fee is \$24 per year for each passenger car and truck normally garaged or parked in the County. The adopted fee per year for each motorcycle is \$12.

In May 2009, the Board of County Supervisors eliminated the distribution of vehicle decals to County residents as part of FY 10 budget reductions. However, the motor vehicle license fee continues to be levied in conjunction with the personal property tax. The license fee revenue forecast is derived by multiplying the decal fee by the estimated billable units in the County. (See Table 31)

**Table 31: Revenue Summary - Motor Vehicle License Fee**

Revenue History	Actual Revenue	% Change
FY 2008	\$6,650,854	1.8%
FY 2009	6,874,316	3.4%
FY 2010	7,220,928	5.0%
FY 2011	7,503,626	3.9%
FY 2012	7,591,084	1.2%
Current Estimate		
FY 2013 (Adopted Budget)	\$7,770,000	2.4%
FY 2013 (Revised Estimate)	7,850,000	3.4%
Forecast Revenue		
FY 2014	\$8,060,000	2.7%
FY 2015	8,250,000	2.4%
FY 2016	8,420,000	2.1%
FY 2017	8,600,000	2.1%
FY 2018	8,780,000	2.1%

Recordation Tax

A recordation tax is levied when a legal instrument regarding real property such as a deed or deed of trust is recorded with the Clerk of the Circuit Court. This tax is charged for transfers in ownership of property, deeds of trust, and mortgage refinancing.

On April 28, 2004, the Commonwealth of Virginia increased the State recordation tax rate from \$0.15 per \$100 of value to \$0.25 per \$100 of value effective September 1, 2004 (FY 05). Section 58.1-814 of the *Code of Virginia* grants Prince William County the authority to levy an optional, local recordation tax rate equal to one-third of the State recordation tax rate. Therefore, the local recordation tax rate increased from \$0.05 per \$100 of value to \$0.083 per \$100 of value.

The forecast depicted in Table 32 reflects only Prince William County's share of recordation tax revenue and does not include the state portion of recordation revenue.



Table 32: Revenue Summary - Recordation Tax

Revenue History	Actual Revenue	% Change
FY 2008	\$8,897,108	-29.0%
FY 2009	7,975,907	-10.4%
FY 2010	6,065,426	-24.0%
FY 2011	6,021,787	-0.7%
FY 2012	6,508,666	8.1%
Current Estimate		
FY 2013 (Adopted Budget)	\$5,615,000	-13.7%
FY 2013 (Revised Estimate)	6,800,000	4.5%
Forecast Revenue		
FY 2014	\$6,868,000	1.0%
FY 2015	6,937,000	1.0%
FY 2016	7,075,000	2.0%
FY 2017	7,217,000	2.0%
FY 2018	7,361,000	2.0%

Recordation tax revenue is driven by home sale activity, home sale price appreciation, and refinance activity. Fiscal Year 2013 recordation tax revenue is projected to increase 4.5% from FY 12 revenue led by an increase in refinance activity. Unit sales decreased 1.8% in CY 12 (January through November) compared to the same period in CY 11. The average sales price of the homes have sold during that period increased an average of 7.9% compared to average purchase prices a year ago. Thirty-year fixed rate mortgages remain below 4.0%, yet still challenging for new homeowners due to tighter underwriting standards.

The FY 14 forecast reflects the belief that sales prices are moving to a normal rate of appreciation and will continue to appreciate. However, home sales activity has been limited by lack of inventory and results in a conservative projection of revenue in FY 14 although still higher than the last four fiscal years.

On October 26, 2004, the Board of County Supervisors adopted [BOCS Resolution 04-1034](#), which earmarks a portion of recordation tax revenues for transportation purposes in the County. Beginning in FY 06, recordation tax revenues generated by the rate increase of \$0.033 in addition to 56.75% of recordation tax revenues generated from the base rate of \$0.05 will be used to improve County roads. The remaining amount of recordation tax revenue is retained by the County government as general revenue.

Table 33 identifies the portion of recordation tax revenues designated for transportation and general revenue use in each year of the forecast.



Table 33. Revenue Summary - Recordation Tax Designated for Transportation and General Revenue Use

	General County Revenue	Transportation	Total Recordation Tax Revenue
FY 2014	\$1,787,000	\$5,081,000	\$6,868,000
FY 2015	1,805,000	5,132,000	6,937,000
FY 2016	1,841,000	5,234,000	7,075,000
FY 2017	1,877,000	5,340,000	7,217,000
FY 2018	1,911,000	5,450,000	7,361,000

Tax on Deeds

The tax on deeds is imposed when real estate deeds of conveyance (not deeds of trust) are recorded with the Clerk of the Circuit Court. The tax on deeds is levied when:

- property ownership changes;
- property ownership is conveyed in any manner; or
- a legal instrument is recorded with a transfer amount

The tax on deeds rate is \$1.00 per \$1,000 of value. The State and locality each receive half of the revenue generated by this tax (equal to \$0.50 per \$1,000 of value). The revenue forecast depicted in table 34 reflects only Prince William County’s share of revenues.

Table 34: Revenue Summary - Tax on Deeds

Revenue History	Actual Revenue	% Change
FY 2008	\$2,630,427	0.5%
FY 2009	2,692,742	2.4%
FY 2010	1,747,353	-35.1%
FY 2011	1,540,221	-11.9%
FY 2012	1,505,522	-2.3%
Current Estimate		
FY 2013 (Adopted Budget)	\$1,460,000	-3.0%
FY 2013 (Revised Estimate)	1,460,000	-3.0%
Forecast Revenue		
FY 2014	\$1,475,000	1.0%
FY 2015	1,489,000	0.9%
FY 2016	1,519,000	2.0%
FY 2017	1,550,000	2.0%
FY 2018	1,581,000	2.0%



The FY 14 forecast represents a slight increase over FY 13 as home sales activity is limited by inventory. It is important to note that the tax on deeds is not levied on mortgage refinancing.

Listed in table 35 are additional County general revenue sources estimated to be less than \$5 million each. Even though these sources sometimes have large changes in revenue on a percentage basis, such changes have an insignificant impact on revenues throughout the forecast period. The forecast and a description of each revenue source follows.

Table 35: Miscellaneous Revenue Sources

Revenue Source	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
0215 DAILY EQUIPMENT RENTAL TAX	\$185,023	\$145,600	\$151,657	\$185,000	\$204,000
0230 BANK FRANCHISE TAX	1,239,685	1,734,616	1,693,508	1,500,000	971,000
0236 BPOL TAXES - PUBLIC SERVICE	1,236,435	1,326,883	1,233,957	1,185,000	1,221,000
0270 TRANSIENT OCCUPANCY TAX	1,205,796	1,267,486	1,309,748	1,360,000	1,404,000
0520 INTEREST PAID TO VENDORS	(323,991)	(52,692)	(84,853)	(100,000)	(100,000)
0521 INTEREST PAID ON REFUNDS	(51,964)	(214,303)	(56,049)	(55,000)	(55,000)
1150 UNDISTRIBUTED & MISCELLANEOUS	1,018	587	598	7,000	7,000
1303 ROLLING STOCK TAX	92,415	83,528	93,590	95,000	97,000
1304 PASSENGER CAR RENTAL TAX	751,751	829,328	1,046,656	995,000	995,000
1305 MOBILE HOME TITLING TAX	38,495	34,513	30,097	27,500	27,500
1700 FED PAYMENT IN LIEU OF TAXES	104,531	53,947	66,348	94,500	99,000
	\$4,479,194	\$5,209,492	\$5,485,255	\$5,294,000	\$4,870,500

Daily Rental Equipment Tax

The County levies a daily rental tax of 1% on certified short-term rental businesses. The tax applies to businesses that rent items held by users for less than 91 consecutive days. Examples of such businesses include bowling alleys, video rental stores, hardware stores, and equipment rental stores. They are required to collect 1% of the daily rent and remit it to the County quarterly.

Bank Franchise Tax

The County levies a bank franchise tax on the net capital of each bank, banking association, savings bank, or trust company which operates in the County. The tax is based on 0.8% of the net capital multiplied by the percentage of deposits on hand at that branch compared to its statewide deposits. The Virginia Department of Taxation audits the tax.

BPOL Taxes - Public Service

The Business, Professional, and Occupational License (BPOL) tax is imposed on public utility companies that operate in the County. The tax of \$0.29/\$100 of assessed value was identical to the County’s BPOL tax on other businesses, but is authorized under separate statutes. The Commonwealth repealed the tax for electric companies and replaced it with the Corporate Net Income Tax and the declining Consumption Tax. The State set the latter at a



maximum of \$0.50/\$100 of assessed value. If a locality's rate is below the maximum, the State receives the difference. Therefore, the Board of County Supervisors increased this tax only for electric companies from \$0.29/\$100 of assessed value to \$0.50/\$100 of assessed value effective January 1, 2001.

Transient Occupancy Tax

The County levies a transient occupancy tax of 5% of the amount charged for the occupancy of hotels, motels, boarding houses and travel campgrounds. However, charges for rooms rented by the same individual or group for thirty or more days are exempt. This tax also does not apply to miscellaneous charges such as in room telephone usage, movie rentals, etc. The tax is remitted directly to the County on a quarterly basis in August, November, February, and May by hotels, motels and campgrounds. The general revenue share of this tax is 40%. The remaining 60% is budgeted for tourism-related purposes such as the Convention Visitors' Bureau (CVB). Board appropriation is based on requirements submitted by the CVB. The Transient Occupancy tax is based on forecasts for number of hotel rooms in the County, occupancy rates, and room rates.

Interest Paid to Vendors

When a vendor with whom the County does business overpays for any reason, or when a performance bond is repaid to a developer, the refunded amount includes interest. This interest is recorded as negative revenue.

Interest Paid on Refunds

The County must pay interest on taxpayer refunds based on delinquent taxes that were erroneously assessed. This interest is recorded as negative revenue.

Rolling Stock Tax

The rolling stock of railroads, freight car companies and certified vehicle carriers doing business in the state is taxed at the rate of \$1.00 on each \$100 of assessed value. This tax is levied in lieu of the personal property tax. Revenues are distributed to counties, cities, and incorporated towns based on: (i) the percentage of track miles located in the locality versus the State-wide total or (ii) vehicle miles operated by a carrier in the locality versus the State-wide total.

Passenger Car Rental Tax

Automobiles rented on a daily basis are often moved from location to location and have no fixed sites for personal property taxation. In lieu of the local personal property tax, the Department of Motor Vehicles collects a tax for short-term rentals from leasing companies located in the County. The State remits four percent of the rental fee for passenger cars rented for less than twelve months to the County.

Mobile Home Titling Tax

The Mobile Home Titling Tax is a 3% tax on mobile homes titled in the Commonwealth. The vendor pays the tax to the Department of Taxation who remits it to the locality where the home is registered.

Payment in Lieu of Taxes (PILT)

Payments in Lieu of Taxes (or PILT) are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The formula used to compute this payment is contained in the PILT Act and based on population, receipt sharing payments, and the amount of Federal land within an affected county.

