General Fund Revenue Overview

Summary of General Fund Revenue and Transfers In

Category	FY 2022 Actual	FY 2023 Adopted Budget Plan	FY 2023 Revised Budget Plan[1]	FY 2024 Advertised Budget Plan	Change from Revised Increase/ (Decrease)	Change from Revised % Change
Real Estate Taxes - Current and Delinquent	$3,053,920,696	$3,199,106,841	$3,206,874,367	$3,418,804,873	$211,930,506	6.6%
Personal Property Taxes - Current and Delinquent[2]	685,936,865	732,207,537	737,527,933	737,944,891	416,958	0.1%
Other Local Taxes	595,629,993	573,797,248	596,867,970	605,345,053	8,477,083	1.4%
Permits, Fees and Regulatory Licenses	59,606,580	10,768,187	9,404,120	9,835,922	431,802	4.6%
Fines and Forfeitures	7,202,177	8,166,007	7,275,494	7,476,019	200,525	2.8%
Revenue from Use of Money/Property	19,255,568	22,334,209	66,703,595	115,702,223	48,998,628	73.5%
Charges for Services	53,280,388	58,506,226	59,083,001	63,309,540	4,226,539	7.2%
Revenue from the Commonwealth and Federal Government[2]	255,348,721	143,932,164	150,269,271	155,300,858	5,031,587	3.3%
Recovered Costs / Other Revenue	16,946,207	17,014,267	17,497,470	17,419,244	(78,226)	(0.4%)
Total Revenue	**$4,747,127,195**	**$4,765,832,686**	**$4,851,503,221**	**$5,131,138,623**	**279,635,402**	5.8%
Transfers In	24,000,481	9,712,936	19,712,936	9,864,707	(9,848,229)	(50.0%)
Total Receipts	**$4,771,127,676**	**$4,775,545,622**	**$4,871,216,157**	**$5,141,003,330**	**269,787,173**	**5.5%**

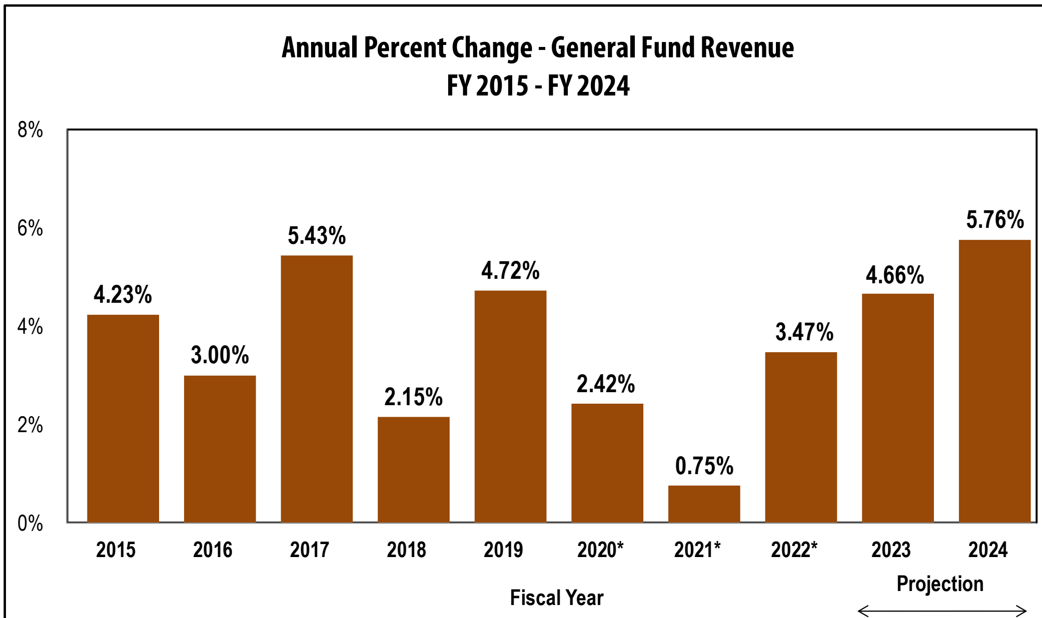
[1] FY 2023 revenue estimates were increased a net $85.7 million as part of the *FY 2022 Carryover Review* and the fall 2022 revenue review. Explanations of these changes can be found in the following narrative. The *FY 2023 Third Quarter Review* may contain further adjustments as necessary.

[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.

As reflected in the preceding table, FY 2024 General Fund revenues are projected to be $5,131,138,623, an increase of $365,305,937 or 7.7 percent over the FY 2023 Adopted Budget Plan. FY 2023 revenue estimates were increased a net $85.7 million in a number of revenue categories as part of the *FY 2022 Carryover Review* and the fall 2022 revenue review. As a result, the FY 2024 General Fund revenue reflects an increase of $279,635,402 or 5.8 percent over the *FY 2023 Revised Budget Plan*, which contains the latest FY 2023 revenue estimates. The revenue increase in FY 2024 is primarily due to an increase of $211.9 million, or 6.6 percent, in Real Estate Tax revenue as a result of a 6.59 percent rise in the Real Estate assessment base. It should be noted that Real Estate tax revenue reflects the allocation of the projected value of one penny of the Real Estate tax rate ($31.36 million) to Fund 30300, Affordable Housing Development and Investment. In addition, Revenue from the Use of Money and Property is projected to increase $49.0 million, or 73.5 percent, due to a significant increase in Investment Interest earnings on the County's portfolio; and Other Local Taxes are expected to increase $8.5 million on projected growth in Local Sales Tax and Transient Occupancy Tax.

Incorporating Transfers In, FY 2024 General Fund receipts are anticipated to be $5,141,003,330. The Transfers In to the General Fund total $9.9 million and reflect $2.7 million from Fund 40030, Cable Communications, $3.0 million from Fund 69010, Sewer Operation and Maintenance, $1.4 million from Fund 40100, Stormwater Services, and $2.8 million from various other funds for indirect support provided by the County's General Fund agencies.

The following chart shows General Fund revenue growth since FY 2015. Revenues rose at an average annual growth rate of 3.8 percent in the period from FY 2015 to FY 2019. In FY 2020, revenues were impacted by the COVID-19 pandemic. The County received $200.2 million from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Fund to deal with the effects of the pandemic and as a result General Fund revenue grew 7.03 percent. Absent this one-time federal stimulus revenue, actual FY 2020 revenue would have increased 2.42 percent over FY 2019. A revenue decline of 1.19 percent occurred in FY 2021, because the amount of pandemic-related General Fund revenue received from the federal government decreased to approximately $111 million. Absent this pandemic-related American Rescue Plan Act (ARPA) federal revenue, actual FY 2021 revenue reflected an increase of 0.75 percent over FY 2020. In FY 2022, General Fund revenues increased 3.47 percent, excluding the impact of the additional ARPA revenue of $111 million that the County received from the federal government. In FY 2023, the General Fund revenue is expected to increase 2.20 percent. Excluding the impact of ARPA revenue of $111 million received in FY 2022, the General Fund revenue in FY 2023 is projected to increase 4.66 percent. In FY 2024, it is projected to increase 5.76 percent as a result of strong growth experienced in real property assessment values, which determine the majority of the General Fund tax levy.



* Excludes the impact of CARES federal stimulus revenue of $200.2 million received in FY 2020 and American Rescue Plan Act revenue of $111.4 million received in both FY 2021 and FY 2022.

Economic Indicators

The lingering effects of the public policy response to the COVID pandemic remains one of the largest factors determining the course of the economy. Overall, in 2022, the economy grew at a rate of 2.1 percent compared to an increase of 5.9 percent in 2021. Growth in GDP paused during the first half of 2022, then rebounded in the third and fourth quarters, when it grew by 3.2 percent and 2.9 percent respectively. Reflecting the steady economy, employment during 2022 continued to grow very strongly. The unemployment rate began 2022 at an already low rate of 4.0 percent, and as of the most recently published report for January 2023 it stands at 3.4 percent, the lowest level since May 1969. For all of 2022, payroll employment increased by 4.5 million after increasing by 6.7 million in 2021, and in January 2023, employment growth accelerated again to 517,000 jobs. Despite a spate of recent reports about layoffs at major companies, according to the Bureau of Labor Statistics' Job Opening and Labor Turnover Survey (JOLTS), there are currently 11.0 million unfilled jobs in the United States, a number that remains close to the series high.

In addition to strong employment growth over the last year, the major economic story has been the continuing resurgent inflation. In January 2023, the year-over-year change in the Consumer Price Index (CPI) was 6.4 percent, down from its cyclical high of over 9 percent in 2022, but still over three times the Federal Reserve Board's target rate of 2 percent. According to the January CPI report, Americans are paying 10.4 percent more in food, 7.3 percent more in energy, and 8.3 percent more in rent compared to a year ago. The stresses are beginning to show in the economy. Despite full employment, inflation has strained Americans' finances, particularly for people in the bottom half of the income scale. The savings rate, which was running at above 8 percent before the pandemic and spiked higher during the pandemic-related economic shutdowns, decreased to 3.3 percent in 2022, as Americans rapidly spent down their savings and pandemic-related aid. According to the Federal Reserve, credit card balances were up 15 percent year-over-year in the third quarter of 2022, the largest increase in more than two decades.

To deal with the economic effects of the pandemic, in 2020 and 2021 there was unprecedented monetary and fiscal support for the economy, with Congress passing several large spending packages. In March 2020, the Federal Reserve rapidly reduced interest rates to zero and kept them there for close to two years. While there continues to be some fiscal stimulus in the economic pipeline, in 2022 fiscal support for the economy began to diminish and monetary support reversed. To deal with soaring inflation, in 2022 the Federal Reserve raised the federal funds rate seven times and increased the rate again by 25 basis points in January 2023 to a target range of 4.5 to 4.75 percent. The rate was zero at the beginning of 2022. The Federal Reserve has also tightened monetary policy by not renewing its purchases of Treasury securities and Agency mortgage-backed securities and letting the securities roll back into the market. The Federal Reserve's goal is to bring down inflation without triggering a recession. So far, the interest rate increases have had little apparent effect on the labor market. Consumer spending has started to slow, but in addition to more restrictive monetary conditions, that may be related to high inflation and decreasing savings. In the interest rate sensitive housing market, the rate increases have had a clear effect. Mortgage rates have increased from below three percent to between six and seven percent, their highest level in 20 years. According to the Mortgage Bankers Association, weekly purchase mortgage applications have dropped by 40 percent compared to their levels a year ago. The U.S. Census Bureau has reported that as of December 2022, new housing starts were 21.8 percent below their level a year earlier. According to the Case-Shiller Index, a widely followed measure of U.S. home prices, home price increases have tailed off from nearly 20 percent last year to just under 8 percent, and home values in some parts of the country are stable or have begun to decline.

Employment in the Washington region grew strongly in 2022 as the local economy continued to recover from the pandemic. In 2022, the number of jobs in Northern Virginia grew at a rate of 2.7 percent and now exceeds its previous peak in 2019. In the hard-hit Leisure and Hospitality sector, the number of jobs grew 11.3 percent. However, the total number of jobs in Leisure and Hospitality is still down 7.0 percent from its peak in 2019. In Fairfax County, the unemployment rate fell to 2.2 percent in December 2022, compared to a rate of 2.3 percent in December 2021. The workforce has not entirely recovered; the labor force remains 3.3 percent smaller than in December 2019, reflecting lower labor market participation compared to pre-pandemic levels. The *Washington Leading Index*, a publication of the George Mason University Stephen S. Fuller Institute which forecasts the performance of the metropolitan area six to eight months in advance, suggests that the Washington area's economy may enter 2023 on "a solid growth path" though several components of the index have worsened recently. According to estimates from IHS Markit, the County's Gross

County product (GCP), adjusted for inflation, increased at a rate of 1.6 percent in 2022, but is expected to fall in 2023.

Current economic conditions make revenue forecasting difficult. A consensus has developed that there is likely to be a recession at some point in 2023. According to Bloomberg, forecasters surveyed by the Federal Bank of Philadelphia see the probability of a downturn at more than 40 percent, the highest reading since at least 1975. Economists polled by Bloomberg see the chance of a 2023 recession at 65 percent. Some economists have noted that this may be the most anticipated recession in US history. There is no consensus regarding the length and depth of a possible recession. A key question for the Federal Reserve is how long it takes higher interest rates to impact the economy. As Chairman Powell stated in his February 1, 2023 press conference, "We have covered a lot of ground, and the full effects of our rapid tightening so far are yet to be felt." The Fed must walk a fine line between raising interest rates too much causing the economy to stall or raising them too little, allowing inflation to continue at above its target rate. So far, the Fed appears committed to bringing inflation down to the target rate of two percent even if it involves some economic pain. In his February press conference, Chairman Powell stated that "reducing inflation is likely to require a period of below-trend growth and some softening of labor market conditions." The last time inflation in the United States fell from over 5 percent without a downturn was over 70 years ago. In addition to economic uncertainty, revenue forecasts also must account for pandemic-related economic trends such as higher vacancy rates for office buildings and the shift to online retail sales.

Local Housing Market

Based on information from Bright MLS, the average sales price of homes sold in Fairfax County rose 7.4 percent from $709,136 in 2021 to $761,799 in 2022. Home prices increased primarily as a result of the tight inventory of homes for sale. Since bottoming out in 2009, the average home sales price has risen 82.6 percent, or at an average annual growth rate of 4.7 percent. Bright MLS also reported that 14,484 homes sold in the County in 2022, down 25.4 percent compared to 2021. Homes that sold during 2022 were on the market for an average of 17 days, the same as in 2021.

Local Nonresidential Market

According to the Fairfax County Economic Development Authority, the direct office vacancy rate at year-end 2022 was 16.7 percent, up from 16.0 percent at year-end 2021. The overall office vacancy rate, which includes empty sublet space, was 17.8 percent at year-end 2022, up from 17.0 percent recorded at year-end 2021. The amount of empty office space increased to 21.3 million square feet.

At year-end 2022, the rate of office construction continued to decline, as developers look for large "anchor" tenants to kickstart development. There were four buildings under construction, accounting for approximately 855,000 square feet of office space. Two of the buildings under construction have a committed tenant, and the other two are trophy buildings adjacent to Reston metro stations. The 2.0 million square feet of office space that delivered in 2022 was more than the 0.9 million square feet of office space that delivered in 2021. Office leasing activity totaled 6.6 million square feet during 2022, compared to 4.9 million in 2021. While this uptick in office leasing is positive news for the County, activity is not yet at the pre-pandemic level when Fairfax County averaged 10 million square feet of annual office leasing activity.

In FY 2024, current and delinquent Real Estate Tax revenue comprises 66.6 percent of total County General Fund revenues. FY 2024 Real Estate property values were established as of January 1, 2023 and reflect market activity through calendar year 2022. The Real Estate Tax base is projected to increase 6.59 percent in FY 2024 and is made up of a 5.68 percent increase in total equalization (reassessment of existing residential and nonresidential properties), and an increase of 0.91 percent for new construction.

Major Revenue Sources

The following major revenue categories discussed in this section comprise 99.0 percent of total FY 2024 General Fund revenue. Unless otherwise indicated, comparative data are presented relative to the *FY 2023 Revised Budget Plan*. The revenue estimates for all General Fund Revenue categories are shown in the Summary Schedule of General Fund Revenues in the section of this volume titled "Financial, Statistical and Summary Tables."

Category	FY 2022 Actual	FY 2023 Adopted Budget Plan	FY 2023 Revised Budget Plan[1]	FY 2024 Advertised Budget Plan	Change from Revised	
					Increase / (Decrease)	% Change
Real Estate Tax - Current	$3,049,773,449	$3,189,268,253	$3,197,035,779	$3,408,769,513	$211,733,734	6.6%
Personal Property Tax - Current [2]	658,561,822	716,680,030	716,680,030	716,680,030	0	0.0%
Paid Locally	*447,247,878*	*505,366,086*	*505,366,086*	*505,366,086*	*0*	*0.0%*
Reimbursed by Commonwealth	*211,313,944*	*211,313,944*	*211,313,944*	*211,313,944*	*0*	*0.0%*
Business, Professional and Occupational License Tax-Current	184,346,267	180,810,000	191,720,120	191,720,120	0	0.0%
Local Sales Tax	231,087,296	224,228,339	242,989,782	247,849,578	4,859,796	2.0%
Recordation/Deed of Conveyance Taxes	46,480,941	38,264,711	27,223,750	27,632,106	408,356	1.5%
Bank Franchise Tax	27,055,959	24,837,033	24,837,033	26,078,885	1,241,852	5.0%
Gas & Electric Utility Taxes	44,880,523	44,374,901	44,880,523	44,880,523	0	0.0%
Vehicle License Fee	26,806,828	26,813,573	26,813,573	26,813,573	0	0.0%
Transient Occupancy Tax	15,652,745	14,624,050	18,558,548	20,414,403	1,855,855	10.0%
Cigarette Tax	4,689,566	4,486,920	4,486,920	4,262,574	(224,346)	(5.0%)
Permits, Fees and Regulatory Licenses	59,606,580	10,768,187	9,404,120	9,835,922	431,802	4.6%
Investment Interest	17,186,790	20,336,478	64,480,792	113,501,922	49,021,130	76.0%
Charges for Services	53,280,388	58,506,226	59,083,001	63,309,540	4,226,539	7.2%
Fines and Forfeitures	7,202,177	8,166,007	7,275,494	7,476,019	200,525	2.8%
Recovered Costs/ Other Revenue	16,946,207	17,014,267	17,497,470	17,419,244	(78,226)	(0.4%)
Revenue from the Commonwealth and Federal Government [2]	255,348,721	143,932,164	150,269,271	155,300,858	5,031,587	3.3%
Total Major Revenue Sources	**$4,698,906,259**	**$4,723,111,139**	**$4,803,236,206**	**$5,081,944,810**	**$278,708,604**	**5.8%**

[1] FY 2023 revenue estimates were increased a net $85.7 million as part of the *FY 2022 Carryover Review* and the fall 2022 revenue review. Explanations of these changes can be found in the following narrative. The *FY 2023 Third Quarter Review* may contain further adjustments, as necessary.

[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 Taxes

REAL ESTATE TAX-CURRENT

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$3,049,773,449	$3,189,268,253	$3,197,035,779	$3,408,769,513	$211,733,734	6.6%

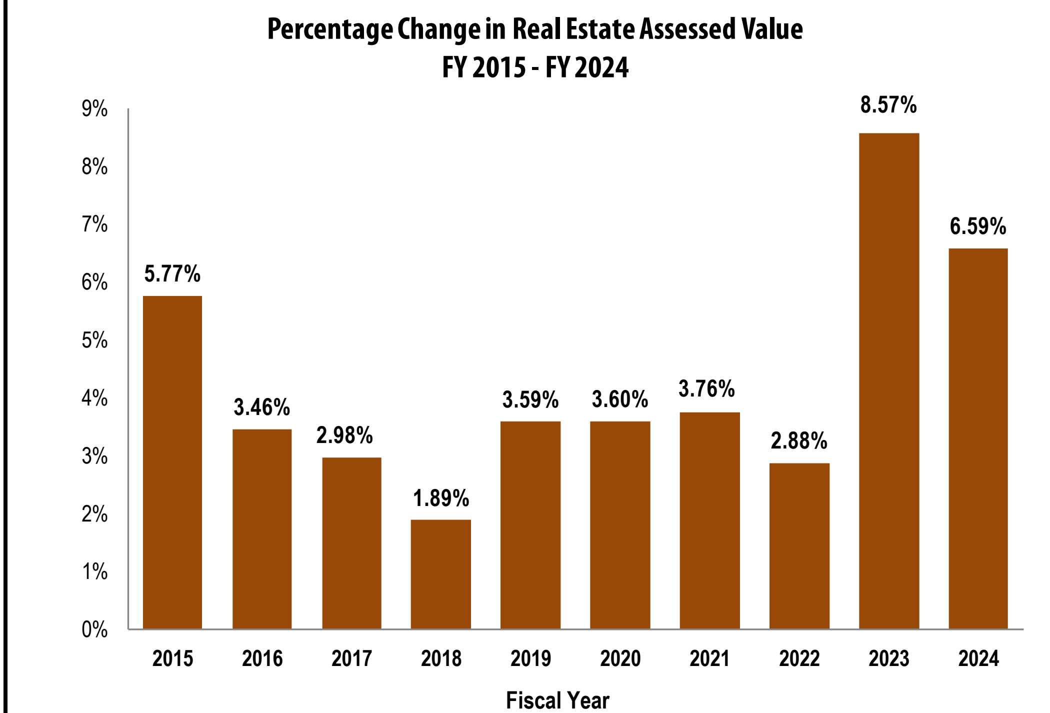
The FY 2024 Advertised Budget Plan estimate for Current Real Estate Taxes is $3,408,769,513 and represents an increase of $211,733,734 or 6.6 percent over the *FY 2023 Revised Budget Plan* estimate. The increase is the result of the rise of the Real Estate tax base of 6.59 percent as compared to the FY 2023 valuation of real property. The Real Estate tax rate is $1.11 per $100 of assessed value, the same as in FY 2023.

The FY 2024 value of assessed real property represents an increase of 6.59 percent, as compared to the FY 2023 Real Estate Land Book, and is comprised of an increase in equalization of 5.68 percent and an increase of 0.91 percent associated with new construction. The FY 2024 figures reflected in this document are based on final assessments for Tax Year 2023 (FY 2024), which were established as of January 1, 2023. In addition to the revenue shown in the table above, the projected value of one penny on the Real Estate Tax rate ($31.36 million) is allocated to Fund 30300, Affordable Housing Development and Investment, and $4.9 million is allocated to Fund 70040, Mosaic District Community Development Authority. Throughout FY 2024, 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 99.65 percent.

The FY 2024 Main Assessment Book Value is $315,270,060,950 and represents an increase of $19,499,611,650, or 6.59 percent, over the FY 2023 main assessment book value of $295,770,449,300.

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 3.46 percent through FY 2022. In FY 2023, it increased 8.57 percent.

The following chart shows changes in the County's assessed value base from FY 2015 to FY 2024.



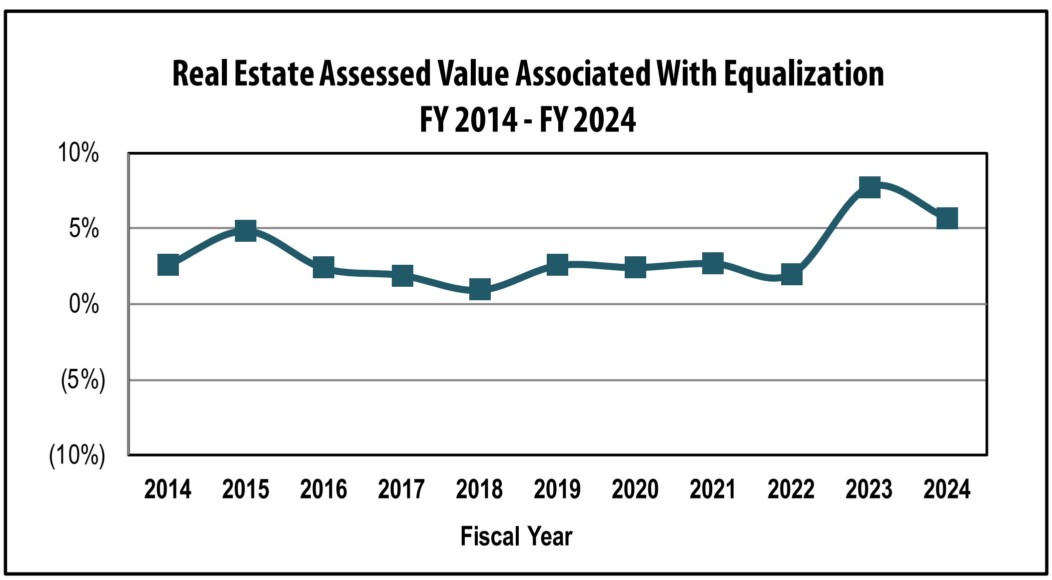
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Equalization	4.84%	2.40%	1.94%	0.97%	2.58%	2.45%	2.71%	2.02%	7.72%	5.68%
Res	6.54%	3.39%	1.64%	0.68%	2.17%	2.36%	2.65%	4.25%	9.57%	6.97%
NonRes	(0.10%)	(0.60%)	2.87%	1.85%	3.79%	2.71%	2.87%	(4.05%)	2.27%	1.65%
Growth	0.93%	1.06%	1.04%	0.92%	1 .01%	1.15%	1.05%	0.86%	0.85%	0.91%
TOTAL	5.77%	3.46%	2.98%	1.89%	3.59%	3.60%	3.76%	2.88%	8.57%	6.59%

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 2024 assessment base reflects a total equalization increase of 5.68 percent and an increase of 0.91 percent associated with the growth component. As a result of changes in equalization and growth, the residential portion of the total assessment base increased from 75.48 percent in FY 2023 to 76.26 percent in FY 2024. The following table reflects changes in the Real Estate Tax assessment base from FY 2018 through FY 2024.

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

Assessed Base Change Due To:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Equalization	**$2,269.9**	**$6,140.1**	**$6,032.5**	**$6,908.6**	**$5,340.6**	**$21,024.3**	**$16,809.5**
% Change	0.97%	2.58%	2.45%	2.71%	2.02%	7.72%	5.68%
Residential	0.68%	2.17%	2.36%	2.65%	4.25%	9.57%	6.97%
Nonresidential	1.85%	3.79%	2.71%	2.87%	(4.05%)	2.27%	1.65%
Normal Growth	**$2,148.1**	**$2,403.1**	**$2,825.1**	**$2,693.0**	**$2,284.2**	**$2,327.6**	**$2,690.1**
% Change	0.92%	1.01%	1.15%	1.05%	0.86%	0.85%	0.91%
Residential	0.36%	0.57%	0.68%	0.67%	0.76%	0.78%	0.85%
Nonresidential	2.61%	2.29%	2.47%	2.10%	1.13%	1.08%	1.10%
Total Change	**$4,418.0**	**$8,543.2**	**$8,857.6**	**$9,601.7**	**$7,624.8**	**$23,351.9**	**$19,499.6**
% Change	1.89%	3.59%	3.60%	3.76%	2.88%	8.57%	6.59%
Total Book	$237,791.1	$246,334.3	$255,192.0	$264,793.6	$272,418.5	$295,770.4	$315,270.0

Equalization, or reassessment of existing residential and nonresidential property, represents an increase in value of $16,809,501,290, or 5.68 percent, in FY 2024. Both residential and non-residential property values rose in FY 2024. Overall, residential equalization reflects a 6.97 percent increase in FY 2024, compared to a 9.57 percent increase in FY 2023. Nonresidential equalization increased 1.65 percent in FY 2024, compared to a 2.27 percent increase in FY 2023. Changes in the assessment base as a result of equalization are shown in the following graph.



Residential equalization rose at double digit rates from FY 2002 through FY 2007 due to high demand but a limited supply of housing. Strong job growth, the easy availability of credit and profit-led speculation contributed to price appreciation in the local housing market. This rapid appreciation in home values was followed by several years of declines from FY 2008 through FY 2011 during the Great Recession and the housing market crisis, as the inventory of homes for sale grew and home prices dropped in the County, as they did throughout the Northern Virginia area. Since FY 2012, the value of residential properties in the County has increased every year. In 2022, residential real estate in Fairfax County continued to experience a very strong sellers' market during the first six months of the year. With mortgage interest rates increasing significantly over the course of the summer and into the fall, sales volume decreased, inventories increased, and the rate of appreciation decelerated. However, by the end of calendar year 2022, home prices on average were still higher than they were 12 months prior. This was the primary basis for determining residential assessed values for tax year 2023 (FY 2024).

The total value of residential properties including new construction in FY 2024 is $241.9 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.

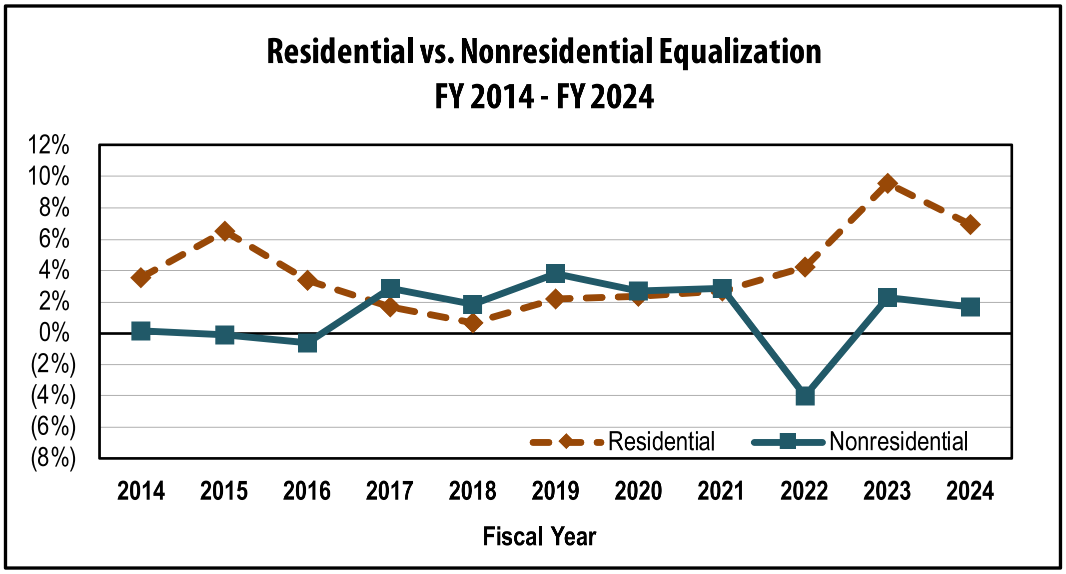
Overall, single family property values increased 7.80 percent in FY 2024. The value of single-family homes has the most impact on the total residential base because they represent 72.0 percent of the total. The value of townhouse properties increased 6.31 percent in FY 2024, while that of condominium properties increased 3.98 percent. Changes in residential equalization by housing type since FY 2019 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 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Single Family (72.0%)	2.11%	2.17%	2.36%	4.17%	10.86%	7.80%
Townhouse/Duplex (19.8%)	2.86%	3.12%	3.43%	5.13%	8.70%	6.31%
Condominiums (7.7%)	1.68%	2.98%	4.36%	4.62%	3.98%	3.98%
Vacant Land (0.4%)	2.01%	3.11%	1.89%	2.07%	11.67%	6.40%
Other (0.1%)[1]	9.70%	1.67%	0.35%	1.95%	3.88%	9.25%
Total Residential Equalization (100%)	**2.17%**	**2.36%**	**2.65%**	**4.25%**	**9.57%**	**6.97%**

[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 existing residential property in the County is $719,522. This is an increase of $46,883 over the FY 2023 value of $672,639. At the Real Estate tax rate of $1.11 per $100 of assessed value, the typical residential annual tax bill will rise, on average, $520.40 in FY 2024 to $7,986.69.

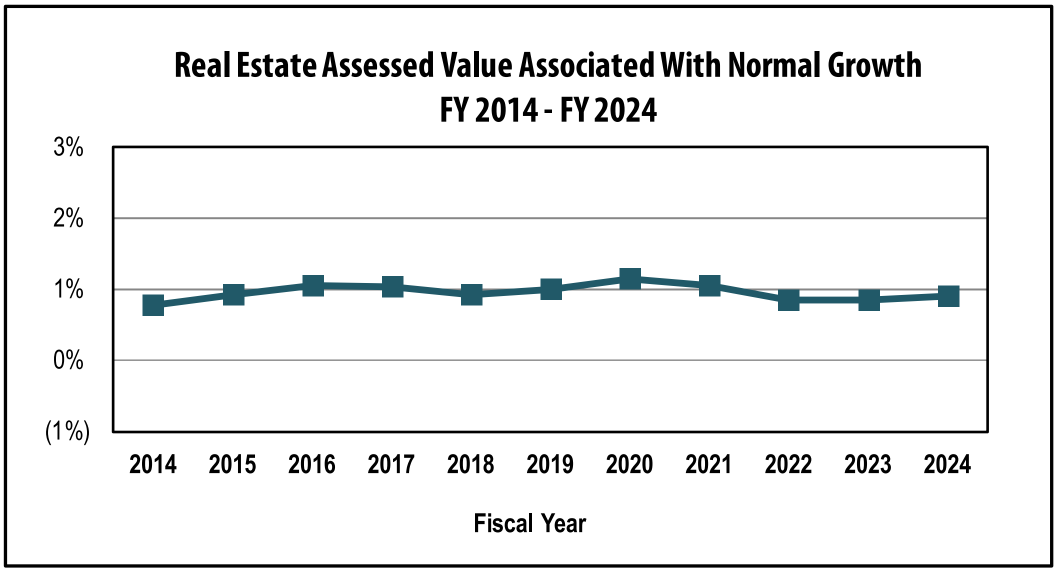


After experiencing a record decline of 18.29 percent in FY 2011, nonresidential equalization rebounded 3.73 percent in FY 2012, and a strong 8.21 percent in FY 2013. In FY 2014, nonresidential values stayed essentially level with FY 2013, increasing only 0.14 percent. In FY 2015 and FY 2016, nonresidential values decreased a slight 0.10 percent and another 0.60 percent, respectively. From FY 2017 to FY 2021, growth in nonresidential equalization was higher than that of residential equalization. The trend ended in FY 2022 when nonresidential equalization decreased by 4.05 percent. Most nonresidential categories experienced an assessment decrease in FY 2022 as a result of the COVID-19 pandemic. The pandemic continued through calendar year 2021 but its effects on daily life were lessened as the world returned to a "new normal." Commercial real estate values in FY 2023 began to recover from the significant decreases seen in the previous tax year, increasing 2.27 percent overall. In calendar year 2022, nonresidential values increased modestly compared to last year, with non-residential equalization reflecting an increase of 1.65 percent. While apartments, industrial and retail properties saw significant increases for FY 2024 and hotels continued to recover value lost in calendar year 2021, regional malls and high-rise office buildings declined in value as the realities of the modern day consumer and workplace had a negative impact. After increasing 1.92 percent in FY 2023, hotels rose 14.46 percent in FY 2024. Retail properties, which increased 2.84 percent in FY 2023, posted another increase of 3.92 percent in FY 2024. Office Elevator properties (mid- and high-rises), which comprise 28.3 percent of the nonresidential tax base, experienced a decrease of 3.69 percent in FY 2024 after decreasing 0.45 percent in FY 2023. Apartment values, which represent 29.6 percent of the total nonresidential base, rose 4.04 percent in FY 2024. The total value of nonresidential properties including new construction in FY 2024 is $73.4 billion. Nonresidential equalization changes by category since FY 2019 are presented in the following table.

Nonresidential Equalization Changes

Category (Percent of Base)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Apartments (29.6%)	2.40%	2.13%	4.37%	2.78%	6.60%	4.04%
Office Condominiums (3.5%)	1.19%	1.77%	0.43%	(0.59%)	0.65%	1.61%
Industrial (6.6%)	9.61%	5.90%	2.01%	0.14%	1.97%	9.59%
Retail (15.5%)	7.00%	1.66%	2.59%	(10.20%)	2.84%	3.92%
Office Elevator (28.3%)	2.82%	3.32%	4.01%	(4.42%)	(0.45%)	(3.69%)
Office - Low Rise (2.2%)	1.11%	2.75%	1.77%	(3.28%)	2.41%	(1.17%)
Vacant Land (3.7%)	(0.35%)	4.28%	(0.13%)	(5.36%)	(0.74%)	(3.27%)
Hotels (2.1%)	8.13%	6.62%	2.23%	(44.20%)	1.92%	14.46%
Other (8.5%)	6.13%	2.80%	1.52%	(3.75%)	0.84%	3.91%
Nonresidential Equalization (100%)	**3.79%**	**2.71%**	**2.87%**	**(4.05%)**	**2.27%**	**1.65%**

The Growth component increased the FY 2024 assessment base by $2,690,110,360, or 0.91 percent, over the FY 2023 assessment book value. New construction increased the residential property base by 0.85 percent and nonresidential properties by 1.10 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 2024 Real Estate Tax revenue estimate:

Exonerations, Certificates and Tax Abatements are anticipated to reduce the Real Estate assessment base by $1,386.0 million in FY 2024, resulting in a reduction in levy of $15.4 million.

Additional Assessments expected to be included in the new Real Estate base total $806.1 million, or a levy increase of $8.9 million, and include both prorated assessments and additional supplemental assessments. Prorated assessments are supplemental assessments that include assessments which are made during the year for new construction that is completed subsequent to finalizing the original assessment book.

The Real Estate Tax Relief Program is projected to reduce the Real Estate assessment base in FY 2024 by $4,540.0 million. The reduction in tax levy due to the Tax Relief program is approximately $50.4 million at the Real Estate tax rate of $1.11 per $100 of assessed value. For

FY 2024, the income limits of the Tax Relief for Seniors and People with Disabilities program are as follows: 100 percent exemption for elderly and disabled taxpayers with incomes up to $60,000; 75 percent exemption for eligible applicants with income between $60,001 and $70,000; 50 percent exemption for eligible applicants with income between $70,001 and $80,000; and 25 percent exemption if income is between $80,001 and $90,000. The allowable asset limit in FY 2024 is $400,000 for all ranges of tax relief. Relief is granted to a maximum limit of 125 percent of the mean assessed value of all residential properties in Fairfax County as of January 1, 2023.

For FY 2024, the Board of Supervisors approved a new Real Estate Tax Deferral program for eligible seniors and people with disabilities. To qualify for the program, total combined gross household income from the immediately preceding year may not exceed $100,000. Additionally, the total net worth of applicants and owners may not exceed $500,000, not including the value of the home, its furnishings and the home site. The deferred real estate taxes are subject to an annual compounding interest at the rate of the prime rate set by the Wall Street Journal plus 1.00 percent per year (not to exceed 8.00 percent in total). The deferred taxes and accumulated interest may not exceed 10 percent of the assessed value of the property and are due to the County upon the sale or transfer of the property and within one year of the date of passing of the eligible applicant.

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 2024 income and asset thresholds for the Real Estate Tax Relief Program.

FY 2024 Real Estate Tax Relief Program

	Income Limit	Asset Limit	Percent Relief
Elderly and Disabled*	Up to $60,000	$400,000	100%
	Over $60,000 to $70,000		75%
	Over $70,000 to $80,000		50%
	Over $80,000 to $90,000		25%
100% Disabled Veterans or Surviving Spouse	No Limit	No Limit	100%
Surviving Spouse of Veteran Killed in Action or First Responder Killed in the Line of Duty	No Limit	No Limit	Full or partial based on mean assessed value

* Relief is granted to a maximum limit of 125% of the mean assessed value of all residential properties in Fairfax County as of January 1, 2023.

The FY 2024 local assessment base of $310,150,160,950 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of $3,442,666,786 is calculated using the Real Estate Tax rate of $1.11 per $100 of assessed value. Based on an expected local collection rate of 99.65 percent, revenue from local assessments is estimated to be $3,430,617,452. In FY 2024, 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 $31.4 million in revenue.

Added to the local assessment base is an estimated $1,296,879,000 in assessed value for Public Service Corporations (PSC) property. Using the Real Estate tax rate of $1.11 per $100 of assessed value, the tax levy on PSC property is $14,395,357. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is $311,447,039,950, with a total tax levy of $3,457,062,143 at the Real Estate Tax rate of $1.11 per $100 of assessed value. Estimated FY 2024 revenue from the Real Estate Tax, including receipts from Public Service Corporations totals $3,445,012,809. Of this amount, the value of one cent on the Real Estate Tax rate, $31,362,736, has been directed to Fund 30300, Affordable Housing Development and Investment, and $4,880,561 has been directed to Fund 70040, Mosaic District Community Development Authority.

FY 2024 Estimated Real Estate Assessments and Tax Levy

	Assessed Value	FY 2024 Tax Levy at $1.11/$100 of Assessed Value
FY 2023 Real Estate Book	$295,770,449,300	$3,283,051,987
FY 2024 Equalization	16,809,501,290	$186,585,464
FY 2024 Growth	2,690,110,360	29,860,225
TOTAL FY 2024 REAL ESTATE BOOK	**$315,270,060,950**	**$3,499,497,676**
Exonerations	($1,350,000,000)	($14,985,000)
Certificates	(11,000,000)	(122,100)
Tax Abatements	(25,000,000)	(277,500)
Subtotal Exonerations	**($1,386,000,000)**	**($15,384,600)**
Supplemental Assessments	$806,100,000	$8,947,710
Tax Relief	(4,540,000,000)	(50,394,000)
Local Assessments	**$310,150,160,950**	**$3,442,666,786**
Public Service Corporation	$1,296,879,000	$14,395,357
TOTAL[1]	**$311,447,039,950**	**$3,457,062,143**

[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 2024 is $682,877,120, with a tax levy of $7,579,936.

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 2024 is $682,877,120, with a tax levy of $7,579,936 at the Real Estate Tax rate of $1.11 per $100 of assessed value. Based on an expected collection rate of 99.65 percent, revenue from the Mosaic TIF tax assessment is estimated to be $7,553,406. 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 $4,880,561 in FY 2024. Accordingly, the difference of $2,672,845 will be retained in the General Fund. For more information, see Fund 70040, Mosaic District Community Development Authority, in Volume 2 of the budget.

Total General Fund revenue from the Real Estate Tax is $3,408,769,512. The total local collection rates experienced in this category since FY 2009 are shown in the following table:

Real Estate Tax Local Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
2009	99.66%	**2017**	99.79%
2010	99.71%	**2018**	99.74%
2011	99.67%	**2019**	99.75%
2012	99.69%	**2020**	99.75%
2013	99.71%	**2021**	99.66%
2014	99.74%	**2022**	99.67%
2015	99.77%	**2023 (estimated)**[1]	99.65%
2016	99.75%	**2024 (estimated)**[1]	99.65%

[1] In FY 2024, every 0.1 percentage point change in the collection rate yields a revenue change of $3.4 million.

The Commercial/Industrial percentage of the County's FY 2024 Real Estate Tax base is 16.16 percent, a decrease of 0.84 percentage point from the FY 2023 level of 17.00 percent. Commercial/Industrial property values as a percentage of the Real Estate Tax base decreased in FY 2024 as a result of strong growth in residential real estate values and the lingering effects of the COVID-19 pandemic related economic disruptions which impacted several of the commercial property categories. The Commercial/Industrial percentage is based on Virginia land use codes and includes all nonresidential property except multi-family rental apartments, which make up 7.58 percent of the County's Real Estate Tax base in FY 2024. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

Commercial/Industrial Percentages

Fiscal Year	Percentage	Fiscal Year	Percentage
2009	21.06%	**2017**	18.89%
2010	22.67%	**2018**	19.12%
2011	19.70%	**2019**	19.43%
2012	19.64%	**2020**	19.66%
2013	20.77%	**2021**	19.72%
2014	19.96%	**2022**	18.17%
2015	19.01%	**2023**	17.00%
2016	18.67%	**2024**	16.16%

FY 2023 Current Real Estate Tax Revenue

The FY 2023 Real Estate Tax estimate was increased $7.8 million during the fall 2022 revenue review based on final Public Service Corporation assessments by the Commonwealth of Virginia and lower than expected tax relief.

Personal Property Taxes

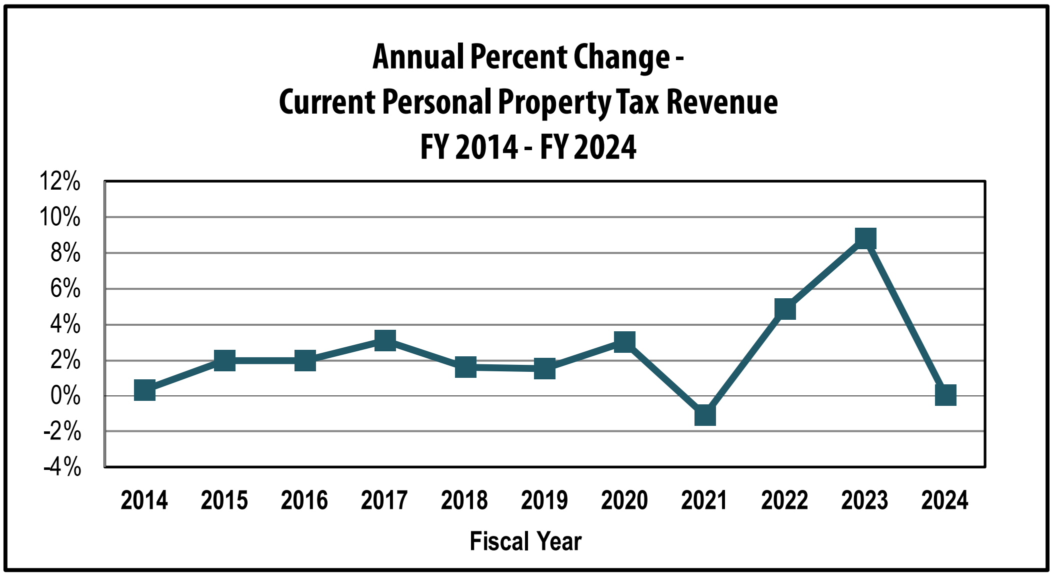
PERSONAL PROPERTY TAX-CURRENT

	FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
Paid Locally	$447,247,878	$505,366,086	$505,366,086	$505,366,086	$0	0.0%
Reimbursed by State	211,313,944	211,313,944	211,313,944	211,313,944	0	0.0%
Total	**$658,561,822**	**$716,680,030**	**$716,680,030**	**$716,680,030**	**$0**	**0.0%**

The FY 2024 Advertised Budget Plan estimate for Personal Property Tax revenue of $716,680,030 reflects no change from the *FY 2023 Revised Budget Plan* estimate. Due to pandemic related supply chain disruptions and shortages of computer chips, car prices moved significantly higher during the pandemic. To partially offset the unprecedented increase to vehicle values and to account for the fact that the short-term selling prices for many vehicles exceeded their reasonable fair market value, the Board of Supervisors passed a resolution adopting a vehicle assessment ratio of 85 percent of the trade-in value for Tax Year 2022 (FY 2023). Normally, vehicles are assessed at 100 percent of the trade-in value. A preliminary analysis of vehicles in the County valued with November 2022 information from the National Automobile Dealers Association indicated that, while still elevated by historical standards, car values have started to decline compared to January 2022 levels. Updated information regarding the January 1, 2023 vehicle assessed values confirms the decline and suggests that a 90 percent vehicle assessment ratio might be appropriate for Tax Year 2023 (FY 2024) rather than the 85 percent used in FY 2023, which will keep the FY 2024 average vehicle levy relatively flat. Staff continue to evaluate car value trends and will make a final recommendation to the Board of Supervisors about the assessment ratio prior to the adoption of the FY 2024 budget.

The Personal Property Tax on vehicles represents 79.2 percent of the total assessment base in FY 2024. 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 the substantial increase in the average vehicle levy in FY 2023 and the capped reimbursement amount from the state, the PPTRA percentage decreased to 49.5 percent, down from 57.5 percent in FY 2022. In FY 2024, the PPTRA percentage is preliminarily set at 50.5 percent.

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



From FY 2014 through FY 2020, annual growth in Personal Property Tax revenue averaged 2.2 percent. Receipts declined 1.1 percent in FY 2021 as a result of the COVID-19 pandemic. The number of vehicles in the County dropped 4.0 percent, while the average vehicle levy was 1.4 percent higher compared to the previous year. In FY 2022, Current Personal Property Tax revenue increased 4.9 percent over the FY 2021 level. The FY 2022 average vehicle levy increased 7.2 percent as a result of strong demand and limited supply of new and used vehicles, while the overall business personal property levy decreased 1.4 percent. As shown in the chart above, a significant increase of 8.8 percent is projected for FY 2023 primarily due to strong vehicle levy. Used car values appreciated on average by 33 percent, as indicated by the January 1, 2022 values from J.D. Power. To offset the unprecedented increase in car values, the County applied an 85 percent assessment ratio for FY 2023. Using the lower assessment ratio resulted in an effective average assessed value increase of 16.4 percent. For FY 2024, Personal Property Tax receipts are currently projected to be flat. Preliminary analysis with data from J.D. Power indicates that January 1, 2023 car values have started to decline and a 90 percent assessment ratio could be used.

Changes in vehicle volume and average vehicle levy since FY 2014 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 2014	0.9%	$445	1.8%
FY 2015	0.0%	$451	1.3%
FY 2016	0.0%	$457	1.3%
FY 2017	0.7%	$468	2.4%
FY 2018	0.8%	$469	0.1%
FY 2019	0.0%	$478	2.0%
FY 2020	(0.1%)	$495	3.5%
FY 2021	(4.0%)	$502	1.4%
FY 2022	0.6%	$538	7.2%
FY 2023 (est.)[1]	(2.3%)	$626	16.4%
FY 2024 (est.)	0.0%	$615	(1.8%)

[1] Based on final vehicle levy as of December 31, 2022, which will be reflected in the *FY 2023 Third Quarter* estimate.

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. Average annual growth in business personal property was 2.6 percent from FY 2018 through FY 2021. In FY 2022, it decreased 2.7 percent. It is projected to resume growth in FY 2023, increasing 1.2 percent, and then remain flat in FY 2024.

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. Effective January 1, 2022, Machinery and Tools equipment is depreciated starting at 50 percent of the original cost for the first year of ownership and 10 percent less each succeeding year, until it reaches a floor of 10 percent in the fifth year.

Personal Property Tax revenue estimates are based on a tax rate of $4.57 per $100 of valuation for vehicles and business property, except for Machinery and Tools which are taxed at a rate of $2.00 per $100 of assessed value, and a tax rate of $1.11 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 2024 Estimated Personal Property Assessments and Tax Levy

Category	FY 2024 Assessed Value	Tax Rate (per $100)	FY 2024 Tax Levy	Percent of Total Levy
Vehicles				
Privately Owned	$11,749,623,258	$4.57	$483,111,809	66.3%
Business Owned	721,219,016	4.57	30,092,480	4.1%
Leased	1,527,722,569	4.57	63,443,537	8.7%
Subtotal	**$13,998,564,843**		**$576,647,826**	**79.2%**
Business Personal Property				
Furniture and Fixtures	$2,215,765,662	$4.57	$102,408,320	14.1%
Computer Equipment	768,261,222	4.57	35,398,978	4.9%
Machinery and Tools	16,723,350	2.00	334,467	0.0%
Research and Development	158,534	4.57	7,245	0.0%
Subtotal	**$3,000,908,768**		**$138,149,010**	**19.0%**
Other Personal Property				
Boats, Trailers, Miscellaneous	$24,129,738	$4.57	$1,102,729	0.2%
Mobile Homes	15,176,754	1.11	168,400	0.1%
Subtotal	**$39,306,492**		**$1,271,129**	**0.3%**
Exonerations	($81,967,315)	$4.57	($31,483,157)	(4.3%)
Omitted Assessments	376,027,731	4.57	7,170,971	1.0%
Total Local Assessed Value and Levy	**$17,332,840,519**		**$691,755,779**	**95.0%**
Public Service Corporations				
Equalized	$3,250,925,261	$1.11	$36,085,284	5.0%
Vehicles	8,086,862	4.57	369,571	0.1%
Subtotal	$3,259,012,123		$36,454,855	5.0%
TOTAL	**$20,591,852,642**		**$728,210,634**	**100.0%**

FY 2024 Personal Property Tax assessments including Public Service Corporations are projected to be $20,591,852,642 with a total tax levy of $728,210,634. Personal Property Tax revenue collections are projected to be $716,680,030, of which $211.3 million will be reimbursed from the state. The collection rate associated with the taxpayer's share is estimated to be 97.6 percent. Total collection rates experienced in this category since FY 2009 are shown in the following table:

Personal Property Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
2009	97.9%	**2017**	98.4%
2010	97.8%	**2018**	98.3%
2011	97.9%	**2019**	98.0%
2012	98.2%	**2020**	97.6%
2013	98.4%	**2021**	96.4%
2014	97.4%	**2022**	96.9%
2015	98.4%	**2023 (estimated)**	97.6%
2016	98.5%	**2024 (estimated)[1]**	97.6%

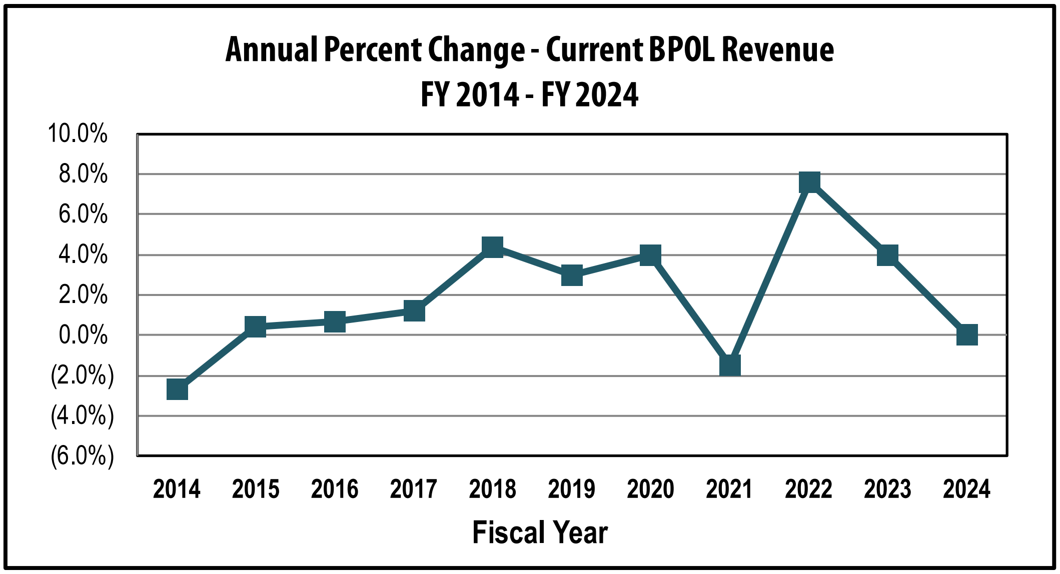
[1] In FY 2024, each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately $0.5 million, and each penny on the tax rate yields a revenue change of $1.5 million.

Business, Professional and Occupational License Tax

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$184,346,267	$180,810,000	$191,720,120	$191,720,120	$0	0.0%

The FY 2024 Advertised Budget Plan estimate for Business, Professional, and Occupational License Taxes (BPOL) of $191,720,120 reflects no change from the *FY 2023 Revised Budget Plan*. As shown in the following chart, FY 2014 BPOL receipts decreased 2.7 percent primarily due to lower federal government procurement spending. Due to anemic job growth, BPOL receipts were 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. FY 2018 receipts increased 4.4 percent over the FY 2017 level, which was the strongest growth rate since FY 2011, followed by an increase of 3.0 percent in FY 2019 and 4.0 percent in FY 2020. FY 2021 BPOL revenue was expected to decrease 5.4 percent due to the negative impact of the pandemic on economic activity in the County. However, actual FY 2021 BPOL collections decreased less than expected and ended the year only 1.5 percent below the FY 2020 level. FY 2022 BPOL receipts rebounded strongly, increasing 7.6 percent, as they were positively impacted by the reopening of the economy during calendar year 2021, and by the significant support of federal government stimulus. In FY 2022, the combined Consultant and Business Service Occupations categories, which represent almost 44 percent of total BPOL receipts, increased 5.2 percent over the FY 2021 level. The Retail category, which represents over 18 percent of total BPOL receipts, increased 17.8 percent after decreasing 10.7 percent in FY 2021. Also heavily impacted by the pandemic disruption in FY 2021, the Hotel/Motel category increased 62.5 percent in FY 2022 and the Amusements category brought in five times more BPOL tax revenue compared to FY 2021.



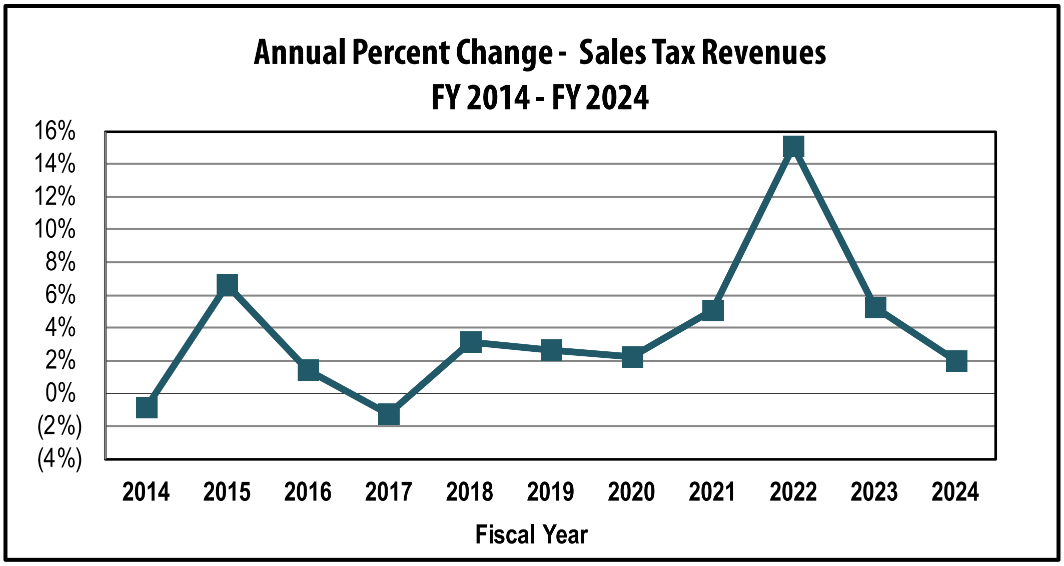
Since County businesses file and pay their BPOL taxes simultaneously on March 1 each year based on their gross receipts during the previous calendar year, there is limited actual data available throughout the fiscal year. Based on actual FY 2022 receipts and an econometric model using calendar year Sales Tax receipts and employment as predictors, the FY 2023 BPOL estimate was increased by $10.9 million during the fall 2022 revenue review, reflecting an increase of 4.0 percent over the FY 2022 actual level. Consistent with model projections and based on the expectation that the economy will slow, BPOL revenue is expected to remain flat in FY 2024.

Local Sales Tax

LOCAL SALES TAX

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$231,087,296	$224,228,339	$242,989,782	$247,849,578	$4,859,796	2.0%

The FY 2024 Advertised Budget Plan estimate for Sales Tax receipts of $247,849,578 reflects an increase of $4,859,796 or 2.0 percent over the *FY 2023 Revised Budget Plan*. The following chart illustrates that the level of Sales Tax receipts has varied with economic conditions.



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 rebounding 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. FY 2018 collections increased 3.1 percent, followed by a 2.7 percent increase in FY 2019. In FY 2020, Sales tax revenue was significantly higher through March 2020 primarily as a result of a new law enacted by the Virginia General Assembly as of July 1, 2019 requiring the collection of state and local sales taxes from remote internet sellers in response to the provisions of the U.S. Supreme Court decisions in the South Dakota v. Wayfair, Inc. case. However, due to store closures and economic disruption as a result of the COVID-19 pandemic, FY 2020 receipts fell sharply at the end of the fiscal year. Overall, FY 2020 collections were only 2.2 percent higher than the FY 2019 level. Staff had originally anticipated that FY 2021 Sales Tax revenue would fall considerably due to business breakdowns and the economic recession, but receipts held up well, in large part due to a pandemic-related shift toward online spending, and actual FY 2021 collections increased 5.1 percent over the FY 2020 level. The FY 2022 Sales Tax revenue increased a strong 15.1 percent primarily as a result of federal stimulus and as consumers continued spending more on goods rather than services. During the fall 2022 revenue review, the FY 2023 estimate was increased a total of $18.8 million based on actual FY 2022 collections and year-to-date receipts, representing growth of 5.2 percent. As the economic boost from the federal COVID stimulus begins to wane, Sales Tax collections are expected to slow in FY 2023 relative to the previous year's growth rate. Through February, FY 2023 Sales Tax receipts are up 5.7 percent. Staff will continue to closely monitor consumer confidence and spending and any necessary adjustments to the current estimate will be included as part of the *FY 2023 Third Quarter Review*. Consistent with econometric model projections, Sales Tax receipts in FY 2024 are projected to rise 2.0 percent over the FY 2023 estimate.

Recordation/Deed of Conveyance Taxes

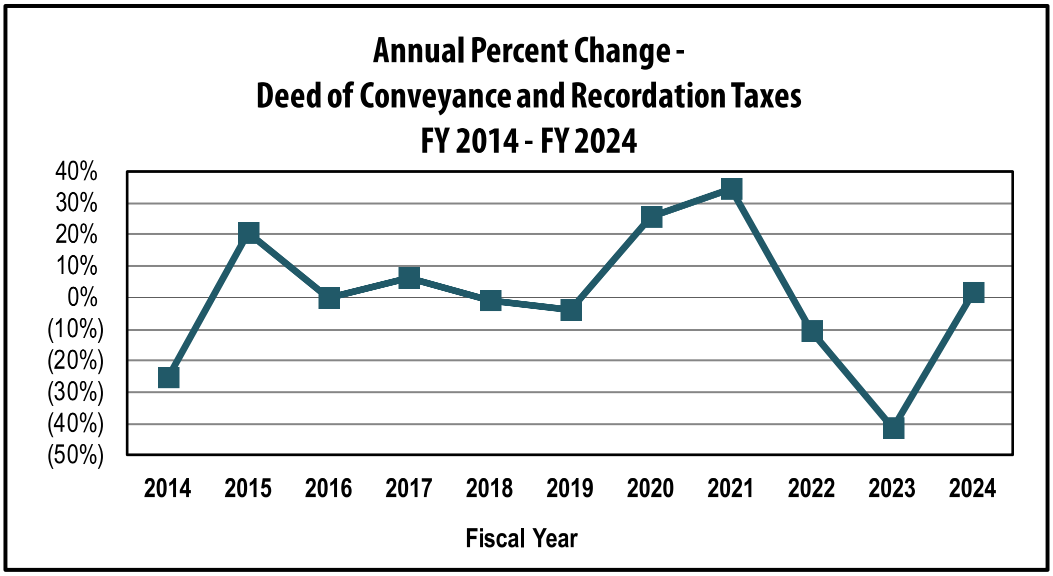
RECORDATION/DEED OF CONVEYANCE TAXES

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$46,480,941	$38,264,711	$27,223,750	$27,632,106	$408,356	1.5%

The FY 2024 Advertised Budget Plan estimate for Recordation and Deed of Conveyance Taxes of $27,632,106 reflects an increase of $408,356, or 1.5 percent, over the *FY 2023 Revised Budget Plan*. The FY 2024 estimate is comprised of $20,728,999 in Recordation Tax revenues and $6,903,107 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.

As shown on the following chart, FY 2014 receipts declined a combined 25.4 percent due to a decline in mortgage refinancing as a result of higher interest rates, as well as a decline in the number of home sales. After increasing a strong 20.5 percent in FY 2015, receipts in FY 2016 remained level. FY 2017 collections grew 6.4 percent over the FY 2016 level. As a result of increasing mortgage interest rates and declining volume of mortgage refinancing activity, FY 2018 receipts were down a combined 0.7 percent; FY 2019 collections decreased another 3.9 percent. Due to historically low mortgage interest rates, which spurred a significant increase in refinancing activity, the combined receipts increased 25.8 percent in FY 2020 and another 34.4 percent in FY 2021. However, FY 2022 combined receipts declined 10.5 percent as mortgage interest rates increased substantially during the second half of the fiscal year. Through the first several months of FY 2023, receipts are down 38.0 percent because of significantly lower refinancing activity and fewer home sales. During the fall 2022 revenue review, the FY 2023 estimate was decreased by $11.0 million, reflecting a decline of 41.4 percent from the FY 2022 level. FY 2024 receipts are projected to increase 1.5 percent.

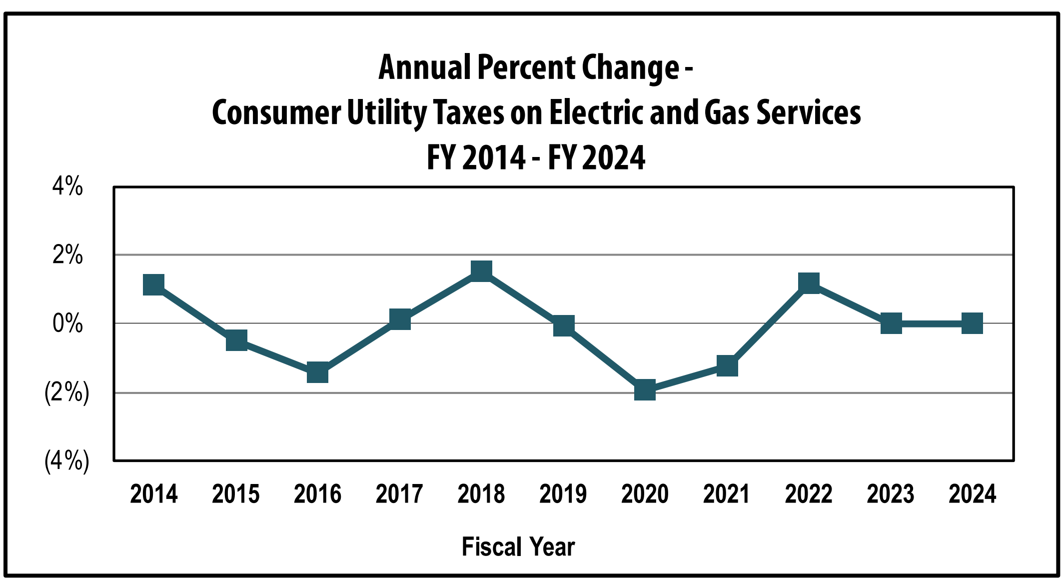


Consumer Utility Taxes

CONSUMER UTILITY TAXES - GAS AND ELECTRIC

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$44,880,523	$44,374,901	$44,880,523	$44,880,523	$0	0.0%

The FY 2024 Advertised Budget Plan estimate for Consumer Utility Taxes on gas and electric services of $44,880,523 reflects no change from the *FY 2023 Revised Budget Plan*. The FY 2024 estimate is comprised of $35,456,157 in taxes on electric service and $9,424,366 in taxes on gas service. County residents and businesses are subject to Consumer Utility Taxes based on their consumption of electricity and gas services.



Revenues from Consumer Utility Taxes on gas and electric services from FY 2014 to FY 2019 declined at an average annual rate of just 0.1 percent. FY 2020 collections decreased 2.0 percent compared to FY 2019 likely due to COVID-19 related business closures. In FY 2021, collections decreased another 1.3 percent. Growth resumed in FY 2022, when receipts increased 1.1 percent. No growth is projected in FY 2023 and FY 2024.

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 2024	Natural Gas Customer Class	Monthly Tax FY 2001-FY 2024
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

Vehicle Registration License Fee

VEHICLE REGISTRATION LICENSE FEE

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$26,806,828	$26,813,573	$26,813,573	$26,813,573	$0	0.0%

The FY 2024 Advertised Budget Plan estimate for Vehicle Registration Fee revenue of $26,813,573 reflects no change compared to the *FY 2023 Revised Budget Plan*. 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. No adjustments were made to the FY 2023 estimate during the fall 2022 revenue review based on year-to-date collection trends. Payment of Vehicle Registration License Fees is linked to the payment of Personal Property Taxes on October 5 each year. Vehicles owned by disabled veterans, members of volunteer fire departments and auxiliary police officers are exempt from the fee.

Transient Occupancy Tax

TRANSIENT OCCUPANCY TAX

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$15,652,745	$14,624,050	$18,558,548	$20,414,403	$1,855,855	10.0%

The FY 2024 Advertised Budget Plan estimate for Transient Occupancy Tax of $20,414,403 reflects an increase of $1,855,855 or 10.0 percent over the *FY 2023 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. It should be noted that based on legislation enacted during the 2020 General Assembly session, the County was granted additional taxing authority, which could provide new revenue options. The legislation removed the rate ceiling for the Transient Occupancy Tax rate. Rates between 2 and 5 percent are required to be earmarked for tourism promotion, but there is no restriction on the use of funds at a tax rate above 5 percent.

During FY 2014, business travel was reported to have been down in the region due to federal spending reductions and Transient Occupancy Tax revenue declined. 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. FY 2018 receipts were down 2.0 percent, the first decline since FY 2014. FY 2019 collections increased 3.6 percent. Actual FY 2020 receipts declined 31.2 percent due to the impact of the COVID-19 pandemic, followed by another decline of 57.9 percent in FY 2021. FY 2022 collections partially recovered and increased 135.8 percent compared to FY 2021. However, the FY 2022 level was still well below the pre-pandemic collections, as business travel is yet to fully recover. As part of the fall 2022 revenue review, the FY 2023 estimate was increased by $3.9 million based on actual FY 2022 receipts and year-to-date collection trends. The FY 2024 estimate assumes an increase of 10.0 percent based on the expectation that hotel occupancy will continue to recover.

Cigarette Tax

CIGARETTE TAX

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$4,689,566	$4,486,920	$4,486,920	$4,262,574	($224,346)	(5.0%)

The FY 2024 Advertised Budget Plan estimate for Cigarette Tax of $4,262,574 reflects a decrease of $224,346 or 5.0 percent from the *FY 2023 Revised Budget Plan*. Fairfax County's tax rate is 30 cents per pack. It should be noted that new legislation enacted during the 2020 General Assembly authorized all counties in Virginia to impose cigarette taxes at a rate not to exceed 40 cents per pack. This authority took effect on July 1, 2021.

Cigarette Tax receipts have been down for ten consecutive years, decreasing 5.2 percent in FY 2022. No adjustments were made to the FY 2023 estimate during the fall 2022 revenue review based on year-to-date collection trends. FY 2024 Cigarette Tax receipts are anticipated to decline 5.0 percent.

Permits, Fees and Regulatory Licenses

PERMITS, FEES AND REGULATORY LICENSES

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$59,606,580	$10,768,187	$9,404,120	$9,835,922	$431,802	4.6%

The FY 2024 Advertised Budget Plan estimate for Permits, Fees, and Regulatory Licenses of $9,835,922 reflects an increase of $431,802 or 4.6 percent over the *FY 2023 Revised Budget Plan*. The net increase is mainly due to a projected increase in Fire Marshal Code Permit revenue.

It should be noted that all revenues of Agency 31, Land Development Services, were transferred to the new Fund 40200, Land Development Services (LDS) in FY 2023. The LDS fee revenue for building permits, site plans, and inspection services made up almost 85 percent of the Permits, Fees, and Regulatory Licenses category in FY 2022.

The *FY 2023 Revised Budget Plan* estimate for Permits, Fees, and Regulatory Licenses of $9,404,120 reflects a net decrease of $1.4 million, or 12.7 percent, from the FY 2023 Adopted Budget Plan estimate. Fire Marshal Fee revenue estimate was decreased by $0.4 million, and the estimate for Fire Prevention Code Permit revenue was reduced by $0.8 million based on actual FY 2022 receipts and collection trends through December 2022.

Fines and Forfeitures

FINES AND FORFEITURES

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$7,202,177	$8,166,007	$7,275,494	$7,476,019	$200,525	2.8%

The FY 2024 Advertised Budget Plan estimate for Fines and Forfeitures of $7,476,019 reflects an increase of $200,525 or 2.8 percent over the *FY 2023 Revised Budget Plan*. The projected increase is based on the anticipation that a number of revenue categories, which were impacted during the COVID-19 pandemic, would recover in FY 2024.

The FY 2023 estimate for Fines and Forfeitures was decreased a net $0.9 million during the fall 2022 revenue review. General District Court Fines revenue estimate was decreased by $0.7 million to the same level collected in FY 2022. Parking Violations revenue was down 21.8 percent through December and the revised FY 2023 estimate was decreased by $0.3 million. In addition, several other Fines and Forfeitures revenue categories have not yet fully recovered from the pandemic impact and were adjusted as part of the *FY 2023 Revised Budget Plan*.

Investment Interest

INVESTMENT INTEREST

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$17,186,790	$20,336,478	$64,480,792	$113,501,922	$49,021,130	76.0%

The FY 2024 Advertised Budget Plan estimate for Investment Interest of $113,501,922 reflects an increase of $49,021,130 or 76.0 percent over the *FY 2023 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.

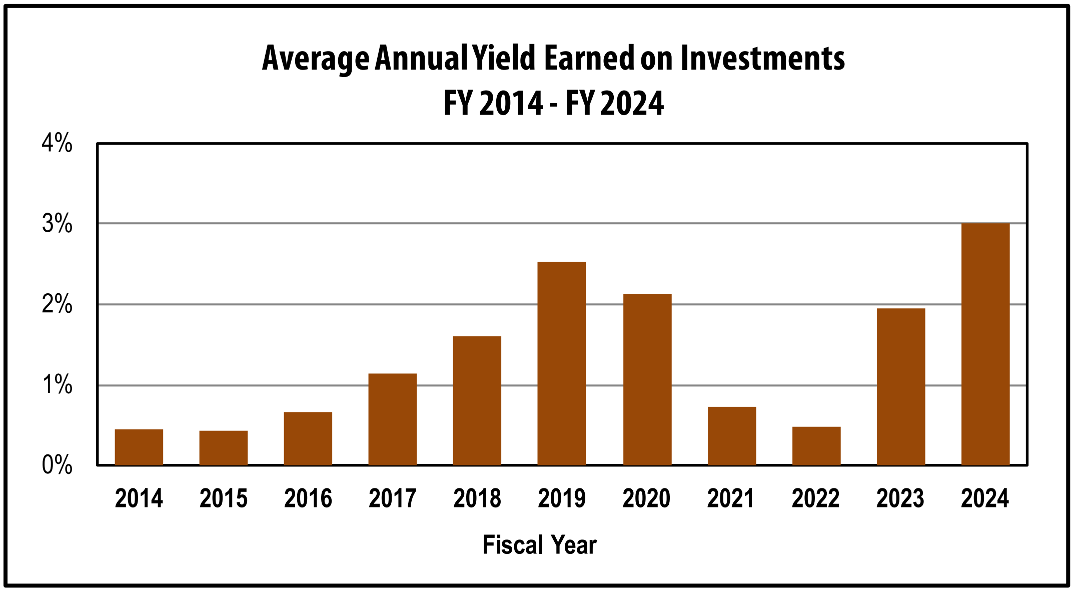
Revenue from Interest on Investments is highly dependent on Federal Reserve actions. The federal funds rate remained unchanged from the end of 2008 to December 2015. During this period, it was set at 0.0 to 0.25 percent, its lowest in history, "to promote the resumption of sustainable economic growth" 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 FY 2019 revenue was $69.0 million at an average annual yield of 2.53 percent. The Federal Reserve was expected to continue raising rates throughout 2019; however, in July, September, and October 2019, it reduced the rate by quarter percentage point at each meeting, bringing it to 1.50-1.75 percent range. Based on the actions of the Fed, the FY 2020 revenue was $64.1 million with a yield of 2.14 percent.

In the face of the coronavirus crisis, the Federal Reserve implemented two emergency rate cuts in the beginning of March 2020 and took the benchmark interest rate to near zero. To prop the U.S. economy from the fallout of the pandemic, the Fed also announced numerous steps to ensure that banks would keep lending to businesses. The Fed's actions negatively impacted the earnings that the County generated on its portfolio investments. General Fund Investment Interest revenue in FY 2021 declined by $41.1 million, or 64.2 percent, from the FY 2020 level and the average yield was 0.72 percent. FY 2022 revenue declined another 25.1 percent and was $17.2 million with an average yield of just 0.48 percent.

In 2022, the Fed pivoted toward tighter monetary policy in the face of persistently high inflation and tight labor market. It raised the Fed funds rate at an unprecedented pace, increasing it by nearly five percentage points. The latest rate increase of 25 basis points in February 2023 moved the rate to a 4.50-4.75 percent range. As a result of these actions, the County expects to generate substantially higher Investment Interest earnings on its portfolio investments. The FY 2023 estimate of $64.5 million reflects an increase of $47.3 million over the FY 2022 level based on a projected average yield of 1.95 percent. Any necessary adjustments to the FY 2023 projected average yield and revenue will be included in the *FY 2023 Third Quarter Review*. The Fed has signaled that it is on track to raise rates past 5 percent in calendar year 2023. The projected FY 2024 Investment Interest revenue of $113.5 million assumes an average annual yield of 3.00 percent and a General Fund percentage net of administrative fees of 80.0 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.

The following table shows the yield earned on investments since FY 2014.



Charges for Services

CHARGES FOR SERVICES

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$53,280,388	$58,506,226	$59,083,001	$63,309,540	$4,226,539	7.2%

The FY 2024 Advertised Budget Plan estimate for Charges for Services revenue of $63,309,540 reflects an increase of $4,226,539 or 7.2 percent over the *FY 2023 Revised Budget Plan*. This increase is primarily the result of projected increases in School-Age Child Care (SACC) revenues and Emergency Medical Services (EMS) Transport fee revenue.

SACC fees of $25.0 million comprise 40 percent of the total Charges for Services category. In FY 2024, SACC revenue is projected to grow $1.2 million over the FY 2023 estimate.

In addition, as a result of a review of County fees and charges, EMS transport rates are recommended to be adjusted in FY 2024. The current rates have not been adjusted since July 1, 2014 (FY 2015). Recently, Arlington, Alexandria, and Washington DC increased their EMS rates. Basic Life Support (BLS) transport is recommended to increase from $500 to $750; Advance Life Support 1 (ALS-1) transport from $650 to $950; Advance Life Support 2 (ALS-2) transport from $800 to $1,175; and the current charge of $12 per mile transported is recommended to increase to $18 per mile transported. It should be noted that 97 percent of EMS Transport fees are paid by insurance companies, and Fairfax County continues to have a compassionate billing policy. The proposed EMS Transport fee increases are estimated to generate an additional $2.0 million in FY 2024.

During the fall 2022 revenue review, the FY 2023 estimate for Charges for Services was increased a net $0.6 million. The Emergency Medical Services (EMS) Transport fees revenue estimate was increased by $1.4 million based on actual FY 2022 receipts and year-to-date collection trends. Partially offsetting this increase is a decrease of $1.2 million in projected County Clerk fees based on collection trends.

Recovered Costs/Other Revenue

RECOVERED COSTS / OTHER REVENUE

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$16,946,207	$17,014,267	$17,497,470	$17,419,244	($78,226)	(0.4%)

The FY 2024 Advertised Budget Plan estimate for Recovered Costs/Other Revenue of $17,419,244 reflects a decrease of $78,226 or 0.4 percent from the *FY 2023 Revised Budget Plan*. The slight decrease is primarily associated with the projected billings for the City of Fairfax Shared Governmental Expenses reimbursement in FY 2024

During the fall 2022 revenue review, the estimate for Recovered Costs/Other Revenue was increased a net $0.5 million over the FY 2023 Adopted Budget Plan estimate. The increase was due to adjusting the estimate for the City of Fairfax Shared Governmental Expenses reimbursement as a result of the reconciliation of the City's share of expenses based on actual utilization and expenses during FY 2022. Projected revenue associated with recovered costs for operating the Adult Detention Center was reduced by $0.1 million as a result of lower inmate population.

Revenue from the Commonwealth/Federal Government

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT[1]

FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	Increase/ (Decrease)	Percent Change
$255,348,721	$143,932,164	$150,269,271	$155,300,858	$5,031,587	3.3%

[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 2024 Advertised Budget Plan estimate for Revenue from the Commonwealth and Federal Government of $155,300,858 reflects an increase of $5,031,587 or 3.3 percent over the *FY 2023 Revised Budget Plan*. The increase is primarily associated with projected increases in HB 599 funding and Compensation Board state reimbursements for constitutional officers and their employees and state supported local employees, based on a 5 percent compensation increase, effective July 1, 2023.

The *FY 2023 Revised Budget Plan* estimate for Revenue from the Commonwealth and Federal Government was increased by $6.4 million over the FY 2023 Adopted Budget Plan estimate as a result of adjustments made during the *FY 2022 Carryover Review*. Typically, revenue adjustments based on the adopted state budget are considered as part of the Add-on package for inclusion in the County's adopted budget. The General Assembly adjourned in March 2022 without completing the state budget for the new biennium. Later, it reconvened in a Special Session and a conference report was approved in early June 2022. Based on these state budget actions, there is a projected increase for HB 599 funding (State Aid to Localities with Police Departments) of $2.6 million, as well as projected increases in Compensation Board state reimbursements for constitutional officers and their employees, based on a 5 percent compensation increase, effective August 1, 2022.

It should be noted that the actual FY 2022 revenue of $255.3 million shown in the table above reflects one-time revenue of $111 million, which the County received as federal stimulus from the American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds.