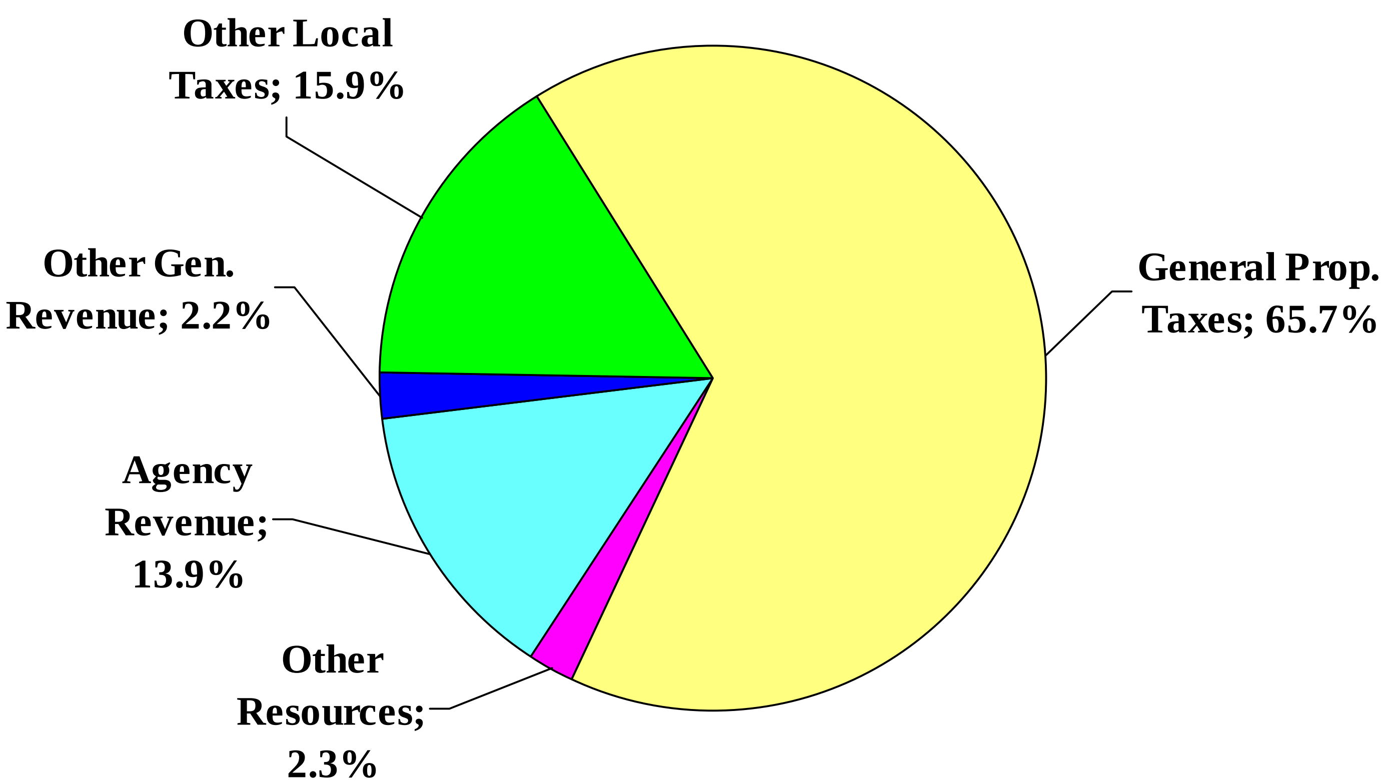
The General Fund accounts for all financial transactions and resources in Prince William County other than those required to be accounted for in another Fund. Thus, the General Fund is the largest and most important fund used by the County. The General Fund is divided into revenues and expenditures. This pie chart shows all FY 06 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 (65.7%) comes from General Property Taxes. This source contains revenues received from the County's real estate and personal property taxes. The next largest sources are Other Local Taxes (15.9%) and Agency Revenue (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. Agency Revenue (13.9%) 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 three pieces of the pie, when added together, make up 95.5% of total funding sources in the General Fund.

FY 06 Funding Sources
General Fund

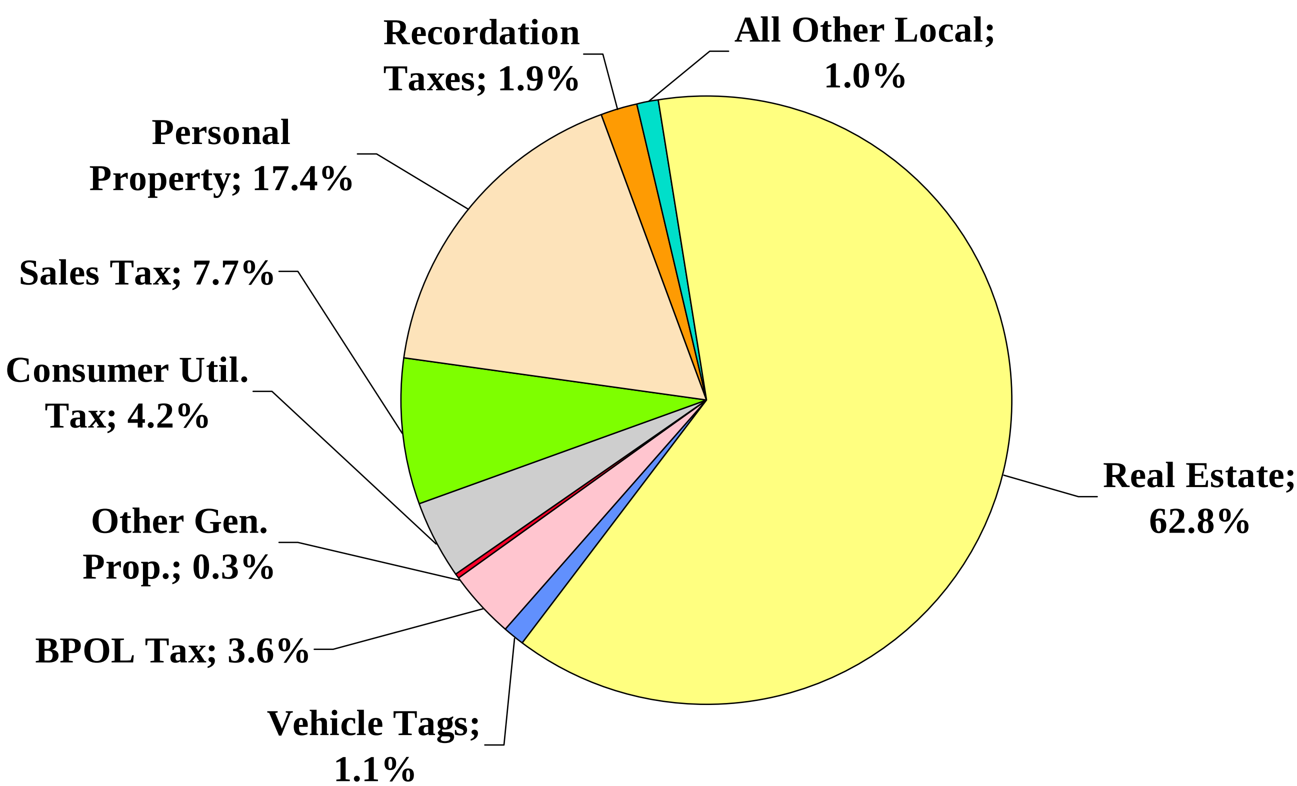


$765,242,298

This pie chart provides detail regarding the County's FY 06 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 (62.8%) comes from the real estate tax ($0.91 per $100 of assessed value) assessed on citizen's homes and real estate properties. The next largest source (17.4%) is Personal Property Taxes ($3.70 per $100 of assessed value) assessed on individual and business personal property. The next source (7.7%) 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 87.9% of total local tax dollars coming into the County. The smaller sources of tax dollars include:

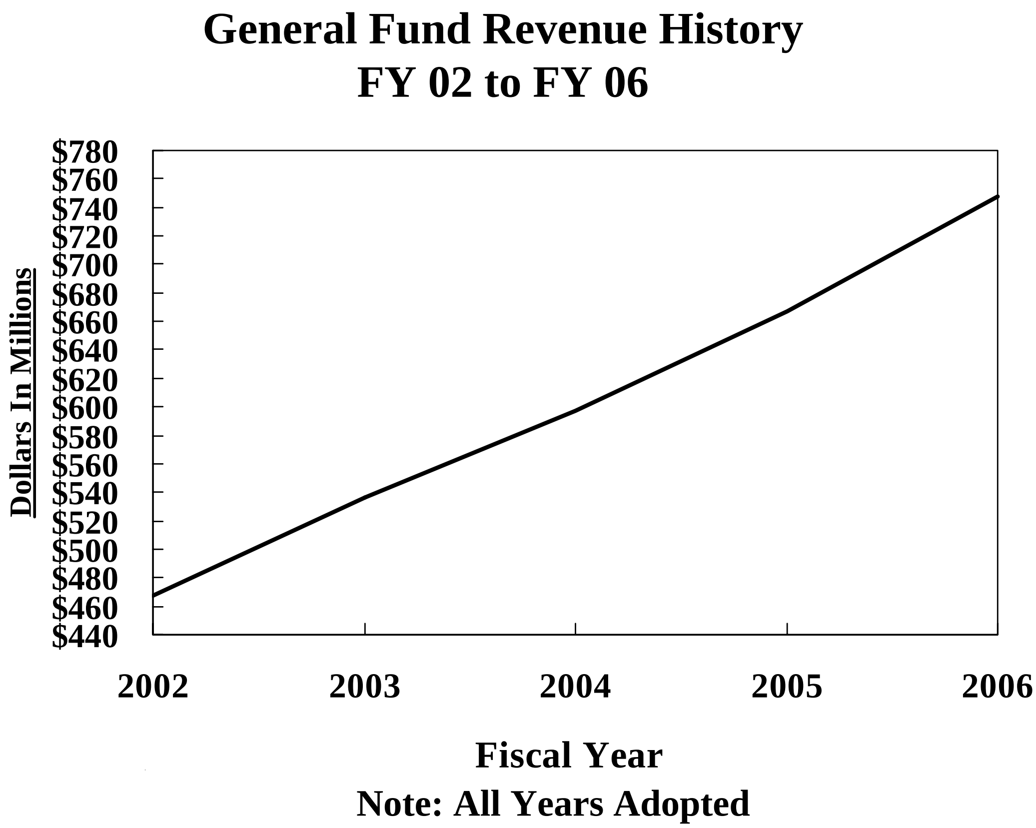
- Vehicle Tags (1.1%) received from the annual sale of automobile decals;
- All Other Local (1.0%) include miscellaneous tax sources such as Transient Occupancy Tax and Recordation Taxes;
- Other General Property (0.3%) is interest earned on all taxes;
- Business, Professional, Occupational License tax (3.6%) levied on the gross receipts of County businesses;
- Consumer Utility Tax (4.2%) levied on the consumers of telephone, electric and natural gas.

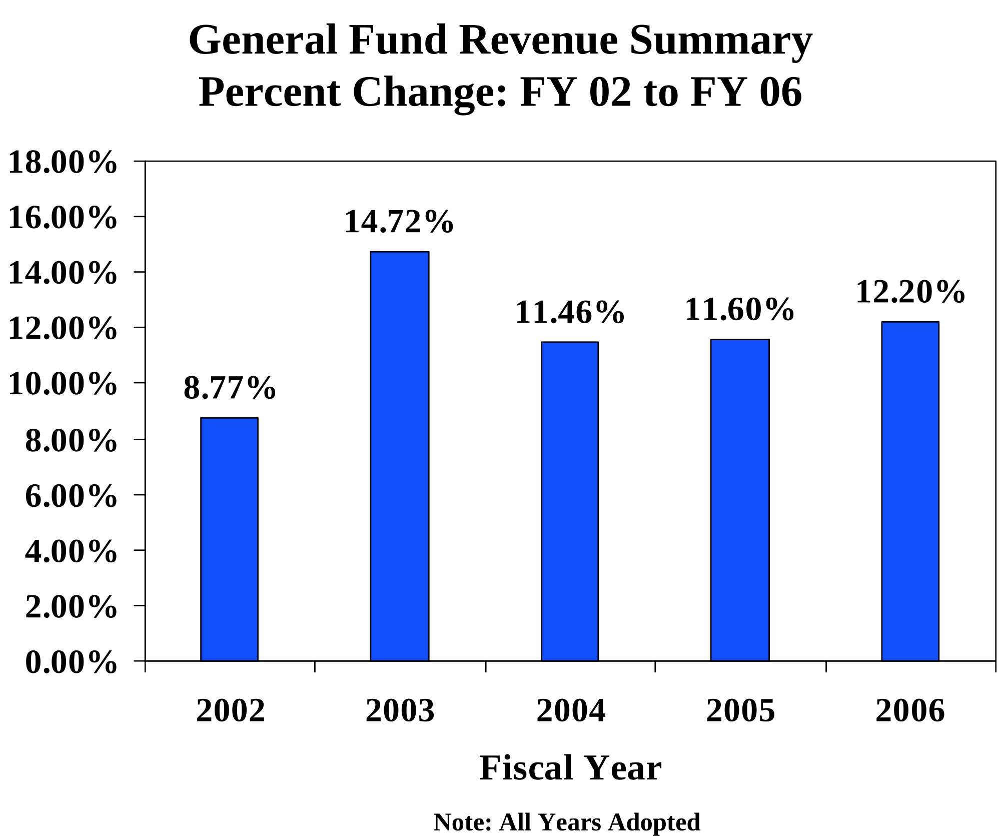
Detail of FY 06
Local Tax Sources



$625,010,956

As the following graphs show, total Prince William County General Fund Revenues have increased 60.1% from FY 02 Adopted to FY 06 Adopted (from $467.2 million to $747.6 million).





Revenue Projections – General Fund Non-Agency Revenue

Table 1. Revenue Estimates by Category

Acct. Code	GENERAL REVENUE SOURCE	FY2006 ESTIMATE	FY2007 ESTIMATE	FY2008 ESTIMATE	FY2009 ESTIMATE	FY2010 ESTIMATE
0010	REAL ESTATE TAXES	$384,624,000	$422,999,000	$461,790,000	$503,218,000	$544,303,000
	ROLLBACK SUPPLEMENT	1,250,000	1,000,000	750,000	500,000	250,000
0020	REAL ESTATE TAX EXONERATIONS	(6,290,000)	(6,911,000)	(7,539,000)	(8,211,000)	(8,876,000)
	SUBTOTAL	379,584,000	417,088,000	455,001,000	495,507,000	535,677,000
0041	R/E TAXES - PUBLIC SERVICE	11,487,000	10,684,000	10,572,000	10,664,000	10,968,000
0021	REAL ESTATE TAX DEFERRAL	(200,000)	(200,000)	(250,000)	(200,000)	(300,000)
0025	LAND REDEMPTION	458,000	469,000	476,000	482,000	487,000
0160	REAL ESTATE PENALTIES	1,357,000	1,491,000	1,627,000	1,771,000	1,915,000
TOTAL - - REAL ESTATE		**392,686,000**	**429,532,000**	**467,426,000**	**508,224,000**	**548,747,000**
0071	PERSONAL PROPERTY TAXES	108,048,000	119,975,000	135,373,000	152,325,000	170,079,000
0072	P/P - PRIOR YEAR	75,000	75,000	75,000	75,000	75,000
0081	P/P TAX DEFERRAL	($850,000)	($1,650,000)	($1,825,000)	($2,000,000)	($2,100,000)
0170	P/P PENALTIES	1,637,000	1,240,000	1,501,000	1,790,000	2,091,000
TOTAL - - PERSONAL PROPERTY		**108,910,000**	**119,640,000**	**135,124,000**	**152,190,000**	**170,145,000**
0210	**LOCAL SALES TAX**	**48,125,000**	**51,975,000**	**56,133,000**	**60,623,000**	**65,473,000**
0220	**CONSUMER UTILITY TAX**	**26,160,000**	**27,910,000**	**29,920,000**	**31,630,000**	**33,510,000**
0235	**BPOL TAXES - LOCAL BUSINESSES**	**21,420,000**	**23,570,000**	**25,920,000**	**28,510,000**	**31,370,000**
0510	**INVESTMENT INCOME**	**12,184,426**	**16,774,114**	**19,305,297**	**21,995,895**	**23,051,364**
0140	INTEREST ON TAXES	1,560,422	1,718,602	1,889,197	2,073,062	2,258,419
0250	VEHICLE DECALS - REGULAR	6,534,206	7,004,896	7,509,492	8,050,436	8,630,347
0260	RECORDATION TAX	12,050,000	12,100,000	12,380,000	12,770,000	13,150,000
0261	ADDITIONAL TAX ON DEEDS	4,290,000	4,590,000	4,820,000	5,061,000	5,314,000
0390	CABLE TV FEES	3,520,000	3,780,000	4,050,000	4,320,000	4,600,000
All OTHER REVENUE OVER $1.5 MILLION		**27,954,628**	**29,193,497**	**30,648,688**	**32,274,498**	**33,952,767**
0215	DAILY EQUIPMENT RENTAL TAX	197,472	204,170	210,868	223,520	236,931
0230	BANK FRANCHISE TAX	572,075	590,241	608,407	644,911	683,606
0236	BPOL TAXES - PUBLIC SERVICE	1,278,522	1,385,300	1,492,078	1,581,603	1,676,499
0270	TRANSIENT OCCUPANCY TAX	1,227,259	1,419,937	1,660,309	1,810,345	1,975,686
0520	INTEREST PAID TO VENDORS	(293,974)	(318,412)	(342,850)	(363,421)	(385,226)
0521	INTEREST PAID ON REFUNDS	(43,662)	(43,109)	(42,556)	(45,109)	(47,815)
1301	ABC PROFITS	357,000	374,850	393,593	413,272	433,936
1302	STATE WINE TAX	294,000	308,700	324,135	340,342	357,359
1303	ROLLING STOCK TAX	84,343	88,561	92,989	97,638	102,520
1304	PASSENGER CAR RENTAL TAX	576,104	604,909	635,154	666,912	700,257
1305	MOBILE HOME TITLING TAX	57,371	60,239	63,251	66,414	69,735
1700	FED PAYMENT IN LIEU OF TAXES	80,607	88,001	95,395	101,119	107,186
MISC.	ALL OTHER GENERAL REVENUE	4,016	3,654	3,293	3,490	3,699
ALL OTHER REVENUE UNDER $1.5 MILLION		**4,391,133**	**4,767,041**	**5,194,066**	**5,541,036**	**5,914,373**
TOTAL GENERAL REVENUE		**$641,831,187**	**$703,361,652**	**$769,671,052**	**$840,988,429**	**$912,163,503**

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. General Fund revenues are described below:

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 - 010/020

The real estate tax is the single largest revenue source for the County contributing approximately 61.2% of general revenues (FY06 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. The following tables show a ten-year history of this revenue source and the five-year revenue forecast:

Table 2. Revenue Summary – Real Estate Taxes

Revenue History	Tax Rate[1]	Actual Revenue	Percent Change
FY1996	$1.36	$162,035,845	2.9%
FY1997	1.36	166,236,961	2.6%
FY1998	1.36	173,689,320	4.5%
FY1999	1.36	182,632,874	5.2%
FY2000	1.36	193,691,695	6.1%
FY2001	1.34	208,663,095	7.7%
FY2002	1.30	230,638,558	10.5%
FY2003	1.23	266,546,217	15.6%
FY2004	1.16	304,997,838	14.4%
Current Estimate	**Tax Rate**	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$1.07	$346,586,000	13.6%
FY2005 (revised estimate)	1.07	347,860,000	14.1%
Forecast Revenue	**Tax Rate**	**Revenue Estimate**	**Percent Change**
FY2006	$0.910	$379,584,000	9.1%
FY2007	0.838	417,088,000	9.9%
FY2008	0.821	455,001,000	9.1%
FY2009	0.820	495,507,000	8.9%
FY2010	0.835	535,677,000	8.1%

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 above table.

[1] The real estate tax rate in prior years is as follows:
1987 - $1.42
1988 - $1.30
1989 – 1990 - $1.38
1991 – 1995 - $1.36

Residential Real Estate

The residential real estate market in Prince William County continued its fourth year of swiftly rising home prices with appreciation exceeding 20% per year in most parts of the County. The Federal Funds Rate increases of the past twelve months have not affected long-term bond rates or mortgage rates. With interest rates near their historic lows, residential real estate remained an attractive investment with high short-term returns.

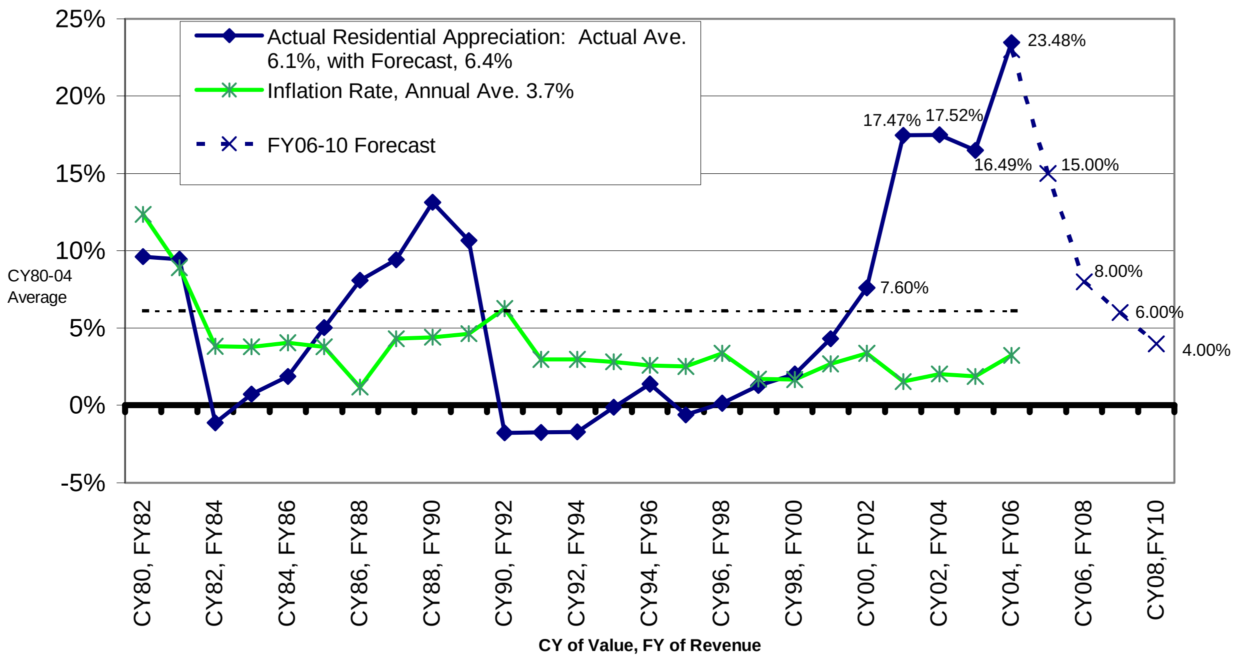
Demand for first-time-buyer homes priced less than $350,000 continued to be the strongest sector of the residential market during calendar year 2004. The number of homes sold in 2004 increased 27.6% over the prior year as the average number of days on the market declined to 22 days according to the Metropolitan Regional Information System. The inventory of homes on the market decreased during calendar year 2004 while demand further strengthened, maintaining short marketing times and vigorous pricing. Homes priced over $400,000 showed healthy increases in value, although not as high as lower priced homes.

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

The following chart shows a history of actual residential appreciation (excluding rental apartments) from fiscal year 1982 through fiscal year 2006 and the General Revenue Committee's estimates thereafter. The actual average from revenue years 1982 through 2005 is also reflected:

Figure 1. Average Annual Residential Real Estate Appreciation, 1982-2010



The following table shows the expected change in market value for residential and apartment properties during the forecast period.

Table 3. Residential Market Value Changes

Revenue Year	Single-Family, Townhouse, and Condominium	Apartments
FY2007	15.00%	5.0%
FY2008	8.00%	4.0%
FY2009	6.00%	3.0%
FY2010	4.00%	2.0%

Residential properties in Prince William County are expected to appreciate on average 15% overall for fiscal year 2007. Forecasters are predicting a sustained, strong residential market in 2005 as the Washington area continues to outperform the national real estate market. Key drivers in the Washington area's forecast are low unemployment, strong job growth, shrinking supply of land available for development inside the Capital Beltway, and historically low mortgage interest rates. At the national level, unemployment is expected to continue its downward trend and the Gross Domestic Product (GDP) is expected to sustain a healthy growth rate in 2005. The National Association of Realtors has forecasted a near record level of market activity in 2005. All these factors play an important role in the increasing housing shortage the region is experiencing.

The forecast for residential appreciation beyond fiscal year 2007 reflects these market insights. Appreciation is expected to moderate to a rate of 8% in fiscal year 2008, 6% for fiscal year 2009, and 4% for fiscal year 2010. Forecasters expect strong demand for homes to continue, but not at levels equal to those in fiscal year 2006; rather, appreciation will gradually decline to levels that resemble long-term annual averages due mainly to higher interest rates.

Residential appreciation in Prince William County is comparable to neighboring Northern Virginia jurisdictions:

Table 4. Comparison of Estimated Residential Market Value Changes from 2004 to 2005

	Prince William County	Loudoun County	Fairfax County	City of Alexandria	Arlington County
All Residential (Excluding Rental Apartments)	23.5%	19.7%	23.1%	21.3%	24.0%

Apartments Market Value Change

Favorable conditions in the County's apartment market translate into an average increase in market value of 6.0% for fiscal year 2006. This increase is largely attributable to higher apartment rents and lower capitalization rates. Demand for apartment units remained strong during calendar year 2004. Appreciation is estimated to continue at a lower rate of approximately 5% in fiscal year 2007, 4% in fiscal year 2008, 3% in fiscal year 2009 and 2% in fiscal year 2010.

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 occurs in calendar year 2004 affects revenues beginning in fiscal year 2006.

The following table summarizes the expected number of newly constructed residential units during the forecast period, and the previous six year's activity:

Table 5. Residential Growth - Number of Units

Revenue Year	Total Residential Units	Single-Family	Townhouse	Condominium	Apartments
FY2001(a)	3,086	2,162	848	76	0
FY2002(a)	3,659	2,315	1,086	18	240
FY2003(a)	5,051	3,059	941	43	1,008
FY2004(a)	4,824	3,166	1,297	111	250
FY2005(a)	4,859	3,231	1,219	31	378
FY2006(a)	5,894	3,619	1,107	254	914
FY2007	5,330	3,300	1,000	200	830
FY2008	3,700	2,500	900	100	200
FY2009	3,325	2,300	800	25	200
FY2010	3,225	2,300	700	25	200

(a) - actual

Construction of 4,980 residential units and 914 apartment units was completed during calendar year 2004 which will generate revenue for fiscal year 2006. There were 499 more single family, townhouse, and condominium units constructed in 2004 than 2003 while 536 more apartment units were constructed. The volume of new home starts is expected to taper off during the forecast period with 4,500 units estimated for fiscal year 2007 down to 3,500, 3,125, and 3,025 units forecast for fiscal years 2008 through 2010 respectively. Construction of new apartment units is forecast to slightly decrease to 830 units for fiscal year 2007 and stabilize at 200 units for fiscal years 2008 through 2010. Construction of a significant number of apartment projects in recent years has been driven by federal tax credit incentives.

Residential Values Per New Unit

The average assessed value of a new home constructed during 2004 was $447,974, a 17.1% increase over the average assessed value of homes built in 2003 which was $382,442.

The average assessed value of a new single family home was $493,565 in 2004, a 14.7% increase over the average assessed value of $430,374 in 2003.

For fiscal year 2006, the average assessed value of a new condominium unit was $301,754 and the average value of a townhouse unit climbed to $332,477. There has been a trend in recent years toward the construction of larger townhouse style condominium units and luxury waterfront mid-rise condominium units. The average selling price of these units has typically exceeded the average selling price of townhouses.

The assessed value per new unit of apartment properties increased to $84,400 per unit for fiscal year 2006 from $80,000 for fiscal year 2005.

Table 6. New Residential Assessed Value per New Unit

Revenue Year	Overall Residential (Excluding Apts.)	Single-Family	Townhouse	Condominium	Apartment
FY2001(a)	$209,062	$237,970	$143,776	$115,178	$60,000
FY2002(a)	232,577	268,562	157,537	131,916	64,300
FY2003(a)	287,903	318,832	192,801	168,769	68,026
FY2004(a)	327,671	372,654	226,622	224,565	65,235
FY2005(a)	382,442	430,374	258,473	261,470	80,000
FY2006(a)	447,974	493,565	332,477	301,754	84,400
FY2007	516,618	567,600	382,300	347,000	88,600
FY2008	554,740	613,000	412,900	374,800	92,100
FY2009	593,482	649,800	437,700	397,300	94,900
FY2010	622,582	675,800	455,200	413,200	96,800

(a) - actual

Commercial Real Estate

Calendar year 2004 market activity in Prince William County resulted in commercial properties appreciating 15.1% on average for fiscal year 2006 revenues. The industrial sector experienced the greatest level of appreciation at approximately 20%. Retail properties appreciated approximately 16% and office buildings increased approximately 15% on average while the assessed values of hotels and special purpose properties showed little change in value overall.

The commercial property outlook for fiscal year 2007 is expected to bring 8% appreciation overall. Retail and industrial properties are expected to show the highest appreciation rates. Office and vacant commercial land properties will show moderate rates of appreciation while the value of hotels will show some decreases in value. Commercial appreciation for fiscal year 2008 is forecast at 4% and appreciation in fiscal years 2009 and 2010 is expected to be 3% per year.

Average assessed values per square foot for fiscal year 2006 are determined based on the added building value resulting from new construction completed during calendar year 2004.[2] These unit values are then adjusted to reflect the general appreciation of commercial properties during the remainder of the forecast period.

Table 7. Commercial Market Value Changes

Revenue Year	Commercial
FY2002(a)	9.7%
FY2003(a)	6.7%
FY2004(a)	3.8%
FY2005(a)	11.9%
FY2006(a)	15.1%
FY2007	8.0%
FY2008	4.0%
FY2009	3.0%
FY2010	3.0%

(a) - actual

Commercial properties are categorized into five property types: retail, office, hotel, industrial, and special purpose. For fiscal year 2006 (calendar year 2004 market activity), a total of 1,807,573 commercial square feet was added to the assessment rolls.

[2] 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.

Growth is expected to decrease slightly in fiscal year 2007 to 1,374,835 square feet and gradually decrease to approximately 760,000 square feet at the end of the forecast period. Moderate growth in commercial new construction over the past few years has put Prince William County's commercial/industrial market in a better position than neighboring jurisdictions where excess supply is causing downward pressure on prices.

Commercial real estate is currently a very attractive investment option with low capitalization rates (as low as 6%) and higher yields than certificates of deposit. Overall, the commercial/industrial real estate market is expected to remain solid through calendar year 2005 as strong demand and attractive lending options remain present. An 8% increase in assessed value is expected for fiscal year 2007 followed by 4% in fiscal year 2008,and 3% in fiscal years 2009 and 2010.

Retail

New construction in the retail sector accounted for nearly 37% of all commercial/industrial growth for fiscal year 2006, adding approximately 660,000 square feet to the tax base. Shopping centers and big box properties comprised most of the new construction - roughly 500,000 square feet. One new shopping center—Parkway Crossing East—was completed along with several big box properties such as the new Virginia Gateway Target and Lowes, as well as the Wal-Mart at Southbridge. Also completed were general retail properties such as banks, restaurants, daycare centers, garages and service stations, miscellaneous retail and additions to existing properties. Growth in retail properties forecast for fiscal years 2007 to 2010 includes large retail projects currently under construction such as the Virginia Gateway Retail Center in Gainesville, which is expected to add another 340,000 square feet of shops, restaurants, and other retail. It also includes new projects such as the Fortuna Target and Retail Center in the Dumfries area, which is expected to add about 200,000 square feet in fiscal 2007. Significant growth in the residential real estate market has spurred significant retail construction. In addition, commercial real estate has remained attractive to investors. The retail properties in the County are experiencing strong income growth and low vacancy. Shopping center capitalization rates have been declining and continued to do so in 2004. Capitalization rates for premium shopping centers are approximately 6.5%.

Nearly half of the assessed value within the commercial/industrial tax base is within the retail sector. Shopping center properties showed the highest levels of appreciation within the retail sector, 16% on average for fiscal 2006, while general commercial properties showed moderate levels of appreciation for fiscal year 2006 - 10% on average. The retail sector is forecast to remain strong throughout the forecast period.

Industrial

Nearly 36% of commercial/industrial new construction for fiscal year 2006 occurred within the industrial sector adding almost 650,000 square feet to the commercial/industrial base. New construction completed during 2004 within the industrial sector included several new storage and showroom warehouses, multi-tenant and flex space as well as manufacturing buildings and industrial equipment repair facilities. Growth within the industrial sector is expected to remain strong throughout the forecast period with approximately 500,000 square feet being added to the tax base for fiscal year 2007.

Existing industrial properties appreciated approximately 20% for fiscal year 2006. This rate of appreciation is expected to level off somewhat and remain strong throughout the forecast period as Prince William County continues to be in high demand by transportation-based businesses and support service companies seeking space of 3,000 to 20,000 square feet.

Hotels

Three new hotels with 310 total rooms were completed during 2004 with a total square footage of 197,911. Currently, a Country Inn & Suites is permitted for 59,584 square feet and site grading has started. A Comfort Inn of 59,584 square feet was issued a permit and site grading started on February 7, 2005. Residence Inn has also started construction of a 76,070 square foot hotel. Over the next several years three hotels are planned for Prince William County. These are a Hampton Inn, Holiday Inn and a luxury hotel for the Cherry Hill area.

The existing hotel market showed a slight decline in valuation for 2004. The declines in hotel assessments were from older and smaller properties in the County, with the newer hotels remaining stable or with a slight decrease over fiscal year 2005.

Assessed values of hotels are expected to remain stable during the out-years of the forecast period.

Office Buildings

Construction of several new office buildings was completed during calendar year 2004, adding approximately 170,000 square feet to the commercial base. They include the Glen Office Park, Pointe Center in Dumfries and Hunters Retreat Professional Bldg. Also, Wellington Business Center, Golanski Blvd and Heritage Center office condos were completed during calendar year 2004, adding another 51,377 square feet to the total commercial base. Growth within the office sector is expected to be strong during the forecast period with the addition of approximately 397,000 square feet for fiscal year 2007. Included in this amount is a total of 165,744 square feet in commercial condos is expected to be added in fiscal year 2007.

The forecast includes office properties already beginning construction or planned office properties such as Quantico Center, County Center, Linden Office Park, Quantico Gateway as well as Hedges Run Office Park, Prince William Town Center and Linden Business Center office condos.

Higher office rents are forecast to drive moderate increases in assessed value for office properties for fiscal year 2007. The lack of speculative building within the office sector is seen as a positive driver toward moderate increases in assessed value over the forecast period as the supply of office space is not expected to exceed demand.

Special Purpose

Properties within the special purpose category through fiscal year 2004 were limited to high-technology data center type properties. Since the technology sector's dramatic decline a few years ago, supply of these properties far exceeds demand on a regional level. No growth is expected within this sector until fiscal year 2007 (calendar year 2005) when construction on the first section of Eli Lilly's insulin manufacturing facility is anticipated to begin. Assessed values are expected to remain stable during the forecast period.

Miscellaneous Properties

Nearly 134,000 square feet of miscellaneous commercial properties such as golf course improvements and taxable schools were constructed in calendar year 2004 (fiscal year 2006). A multi-year forecast of these properties is not included in the revenue forecast since these properties are not constructed on a regular basis.

A summary of commercial growth and assessed values per square foot during the forecast period is shown below.

Table 8. Commercial New Construction Value per Square Foot

Revenue Year	Retail	Office	Hotel	Industrial	Special Use Properties
FY2001(a)	$118	$84	$ 11	$44	$351
FY2002(a)	90	66	80	46	195
FY2003(a)	74	75	91	39	291
FY2004(a)	67	94	n/a	43	n/a
FY2005(a)	95	83	92	56	n/a
FY2006(a)	109	96	106	60	n/a
FY2007	118	104	114	65	155
FY2008	122	108	119	67	162
FY2009	126	111	123	69	166
FY2010	130	114	126	72	171

Table 9. New Commercial Construction Square Footage

Revenue Year	Total Commercial	Retail	Office	Hotel	Industrial	Special Use Properties
FY2001(a)	1,354,470	573,618	63,664	59,904	429,819	227,465
FY2002(a)	790,294	137,778	199,213	195,085	258,218	0
FY2003(a)	1,391,510	475,668	106,916	96,610	464,763	247,553
FY2004(a)	491,590	147,059	61,250	0	283,281	0
FY2005(a)	1,026,817	393,109	78,062	29,492	526,154	0
FY2006(a)	1,807,573	661,639	170,153	197,911	644,456	0
FY2007	1,374,835	350,000	396,835	60,000	500,000	68,000
FY2008	1,026,000	350,000	100,000	60,000	250,000	266,000
FY2009	1,116,000	350,000	100,000	150,000	250,000	266,000
FY2010	760,000	350,000	100,000	60,000	250,000	0

(a) - actual

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.

The FY2006 forecast for real estate tax exonerations is $6,290,000 – a 38% increase from the FY2005 projection of $4,565,000. This is due to the following eligibility requirement changes made by the Board of County Supervisors which will enable more households to participate in the Tax Relief Program for Elderly and Disabled Persons:

- the net worth limitation was increased from $240,000 to $340,000 which excludes the residence for which the exemption is sought and up to 25 acres of land which it occupies;
- the amount of income that can be earned by relatives and not included in the income calculation was raised from $8,500 to $10,000;
- the base income definition was changed from 84% of the low income family income limit based upon a family of two to the low income family income limit based upon a family of two. For FY2006 (tax year 2005), the gross household income from all sources may not exceed $66,700.

Public Service Taxes - 041

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.

Table 10. Revenue Summary – Public Services Taxes - 041

Revenue History	Tax Rate	Actual Revenue	Percent Change
FY1995	$1.36	$11,328,276	4.3%
FY1996	1.36	11,358,462	0.3%
FY1997	1.36	11,229,547	(1.1%)
FY1998	1.36	11,293,854	0.6%
FY1999	1.36	11,804,605	4.5%
FY2000	1.36	11,857,804	0.4%
FY2001	1.34	11,762,173	0.8%
FY2002	1.30	11,537,837	(1.9%)
FY2003	1.23	11,084,790	(3.9%)
FY2004	1.16	10,976,245	(1.0%)
Current Estimate		**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$1.07	$10,299,000	(6.2%)
FY2005 (revised estimate)	1.07	13,372,595	21.8%
Forecast Revenue		**Revenue Estimate**	**Percent Change**
FY2006	$0.910	$11,487,000	(14.1%)
FY2007	0.838	10,684,000	(7.0%)
FY2008	0.821	10,572,000	(1.0%)
FY2009	0.820	10,664,000	0.9%
FY2010	0.835	10,968,000	2.9%

Historically, all market value changes within the public service classification have been attributable to new construction growth. Growth during fiscal year 2005 was significantly higher than in past years due to the completion of Virginia Power's facility at Possum Point. Growth within the public service properties is expected to stabilize at a rate of 1% per year for fiscal years 2006 to 2010. However, revenue will decline during the early years of the forecast period as the estimated real estate tax rate declines. Public service market values are not subject to the same market changes as other real estate properties.

Table 11. Public Service – Changes in Assessed Value

	FY06	FY07	FY08	FY09	FY10
Public Service Growth	1.00%	1.00%	1.00%	1.00%	1.00%

Real Estate Tax Deferrals - 021

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.

Table 12. Revenue Summary – Real Estate Tax Deferrals - 021

Revenue History	Actual Revenue	Percent Change
FY1996	$ (176,381)	(110.7%)
FY1997	150,000	185.0%
FY1998	440,000	193.3%
FY1999	(1,421,000)	(423.0%)
FY2000	928,212	165.3%
FY2001	1,467,386	58.1%
FY2002	1,072,000	(26.9%)
FY2003	724,347	(32.4%)
FY2004	587,945	(18.8%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$ (300,000)	(151.0%)
FY2005 (revised estimate)	(300,000)	(151.0%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$ (200,000)	33.3%
FY2007	(200,000)	0.0%
FY2008	(250,000)	(25.0%)
FY2009	(200,000)	20.0%
FY2010	(300,000)	(50.0%)

The forecast reflects the initiative approved by the Board of County Supervisors on December 10, 1996 to decrease the percentage of unpaid property taxes at fiscal year end, as compared to the current year levy, from 11% in FY1996 to 6% in FY2003. With the adoption of the FY2002 budget, additional collection resources were provided to the Finance Department and the amount of unpaid property taxes as a percentage of the total levy was revised to 5.5% by FY2005.

At the end of FY2004, the percentage of unpaid property taxes compared to the FY2004 levy was 3.8%. The updated forecast for FY2005 is 3.3% which is the County's best unpaid property tax rate since data was first collected in 1971. Continuing this positive trend, the FY06 forecast assumes an unpaid property tax rate of 3.3%.

The revenue forecast is made by estimating collections of unpaid real estate taxes up to three 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 by property owners,
2. County resources allocated to collection efforts, and
3. the success of those collection efforts.

Land Redemption - 025

Land redemption is the recognition of real estate taxes collected after being more than three years delinquent. The Code of Virginia allows the County to pursue the collection of delinquent real estate taxes for twenty years.

Table 13. Revenue Summary – Land Redemption - 025

Revenue History	Actual Revenue	Percent Change
FY1996	$ 992,773	(20.1%)
FY1997	1,647,446	65.9%
FY1998	696,355	(57.7%)
FY1999	2,012,300	188.9%
FY2000	1,278,836	(36.4%)
FY2001	718,462	(43.8%)
FY2002	818,871	14.0%
FY2003	1,039,775	27.0%
FY2004	347,818	(66.5%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$ 540,000	55.3%
FY2005 (revised estimate)	540,000	55.3%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$ 458,000	(15.2%)
FY2007	469,000	2.4%
FY2008	476,000	1.5%
FY2009	482,000	1.3%
FY2010	487,000	1.0%

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 FY2006 to FY2010 estimate assumes 25% of the prior year's unpaid land redemption taxes will be collected annually. Thirty percent is approximately equal to the percentage collected in the past four fiscal years. A variety of methods are used to enforce 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 as follows:

Table 14. Unpaid Land Redemption Taxes

FY2004	$1,873,000
FY2005	1,833,000
FY2006	1,874,000
FY2007	1,906,000
FY2008	1,929,000
FY2009	1,947,000
FY2010	1,960,000

Real Estate Penalties – 160

The County assesses a 10% penalty on the late payment of real estate taxes. The penalty becomes due as the first and second half real estate taxes and supplemental real estate taxes become delinquent.

Table 15. Revenue Summary – Real Estate Penalties -160

Revenue History	Actual Revenue	Percent Change
FY1996	$ 774,921	(11.9%)
FY1997	819,867	5.8%
FY1998	931,469	13.6%
FY1999	1,044,940	12.2%
FY2000	1,012,047	(3.1%)
FY2001	767,409	(24.2%)
FY2002	1,026,456	33.8%
FY2003	1,046,982	2.0%
FY2004	1,234,854	17.9%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$1,239,000	0.3%
FY2005 (revised estimate)	1,239,000	0.3%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$1,357,000	9.5%
FY2007	1,491,000	9.9%
FY2008	1,627,000	9.1%
FY2009	1,771,000	8.9%
FY2010	1,915,000	8.1%

Revenue from real estate penalties is estimated by applying a fixed percentage (approximately 0.36%) to the real estate revenue forecast excluding public service properties. The fixed percentage is based on recent historical data of real estate penalty revenues as a percentage of total real estate revenues excluding public service properties.

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 FY2006 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 used by fire and rescue volunteers to answer emergency calls. In addition, some vehicles are tax exempt such as those used as daily rentals, vehicles owned by certain military personnel, and vehicles owned by non-profit organizations.

Table 16. Revenue Summary – Personal Property Tax /071/079/1308

Revenue History	Actual Revenue	Percent Change
FY1995	$37,788,732	13.5%
FY1996	42,975,207	13.7%
FY1997	48,272,222	12.3%
FY1998	50,295,580	4.2%
FY1999	53,148,925	5.7%
FY2000	58,599,068	10.3%
FY2001	66,030,775	12.7%
FY2002	75,804,001	25.7%
FY2003	85,015,356	12.2%
FY2004	94,949,873	11.7%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$100,794,000	6.2%
FY2005 (revised estimate)	98,794,000	4.0%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$108,048,000	9.4%
FY2007	119,975,000	11.0%
FY2008	135,373,000	12.8%
FY2009	152,325,000	12.5%
FY2010	170,079,000	11.7%

Personal Property Tax on Vehicles /071/079/1308

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. The County uses the trade-in values published in the National Automobile Dealers Association (NADA) value guide for new and older vehicles.

Car Tax Relief

A portion of the tax due on personal use vehicles is paid by the Commonwealth directly to the County under the Personal Property Tax Relief Act (PPTRA). Through tax year 2005 (fiscal year 2006), the Commonwealth will pay 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 caps the amount reimbursed to the County beginning in tax year 2006 (fiscal year 2007). Capping the car tax at a set dollar amount ($950 million state-wide) will reduce the percentage of the tax on qualifying vehicles paid by the Commonwealth in each successive year. To compensate, Prince William County must increase the amount paid by the taxpayer or face declining revenue. The five-year revenue forecast assumes the County will increase the amount paid by taxpayers so that overall personal property tax revenue from qualifying vehicles remains the same as it would under the current PPTRA program.

Change in Average Vehicle Value

The average assessed value per vehicle decreased by 2.5% between FY2004 and FY2005. The decrease was the result of a larger than average drop in used car values caused by an oversupply of used vehicles in the market. According to industry experts, this was a single year phenomenon, which was the result of a simultaneous increase in dealer incentives on new vehicles and a shrinking number of commercial fleet vehicles that were re-sold in the used car market.

The FY2006 (calendar year 2005) forecast assumes that his event does not repeat itself and the average change in the assessed value of all vehicles in the County increases by 2.5% - a pattern more typical of prior years. An increase in the average assessed value occurs during times of population growth and a moderate to high rate of vehicle replacement.

Both of these economic factors have been forecast to continue by industry experts throughout the five-year forecast. The combination of these two factors more than offsets "normal" depreciation on existing vehicles, thus leading to an overall increase in average vehicle value.

Change in Number of Vehicle Units Billed

The percentage change in the number of vehicle units billed increased by 7.2% between FY2004 and FY2005. Over the prior five years, the increase has averaged 7.3%, ranging from a low of 5.5% to a high of 8.6%. The FY2006 (calendar year 2005) forecast assumes an increase of 7.2%. The increase in units is due to population growth, growth in the number of businesses and business vehicles, and an upward trend in the average number of vehicles per household.

Table 17. Average Assessed Value per Vehicle

	Dollar Value	Percent Increase
FY2001(a)	7,750	6.5%
FY2002(a)	8,169	5.4%
FY2003(a)	8,242	0.9%
FY2004(a)	8,740	6.0%
FY2005(a)	8,522	(2.5%)
FY2006	8,735	2.5%
FY2007	9,150	4.8%
FY2008	9,585	4.8%
FY2009	10,041	4.8%
FY2010	10,518	4.8%

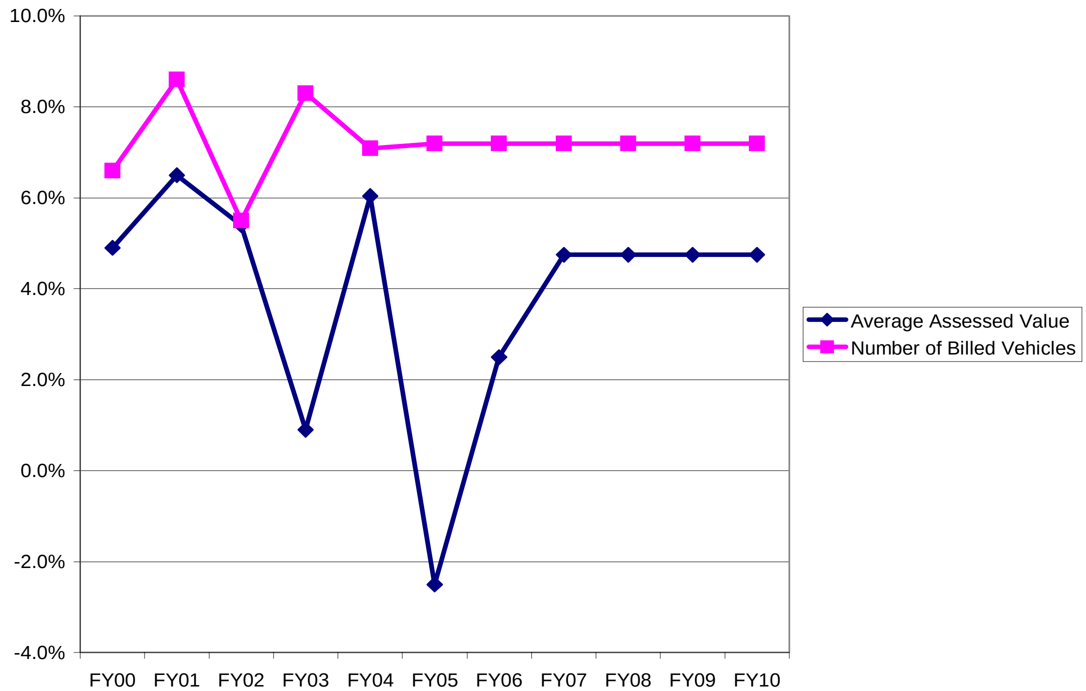
(a) – actual

Table 18. Percent Change in Number of Vehicle Units Billed

FY2001(a)	8.6%
FY2002(a)	5.5%
FY2003(a)	8.3%
FY2004(a)	7.1%
FY2005(a)	7.2%
FY2006	7.2%
FY2007	7.2%
FY2008	7.2%
FY2009	7.2%
FY2010	7.2%

(a) – actual

Figure 2. Annual Percent Changes in Average Assessed Vehicle Value and Number of Billed Vehicles



Housing Units

The increase in housing units has a direct effect on the number of vehicles in the County and a one-year lag on personal property tax revenue. The projected increase in owner-occupied and rental units for the prior fiscal year is multiplied by the projected average value of personal property per housing unit for revenue in the current fiscal year.

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 the 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 68% and 16% of taxes on business equipment respectively. Taxes on computer equipment comprise the remaining 16%.

For the forecast period, taxes from business equipment are expected to increase by 6.8% - the same increase as in the most current year.

Personal Property Prior Year - 072

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

Table 19. Revenue Forecast – Personal Property Prior Year - 072

Forecast Revenue	Revenue Estimate	Percent Change
FY2006	$75,000	0.0%
FY2007	75,000	0.0%
FY2008	75,000	0.0%
FY2009	75,000	0.0%
FY2010	75,000	0.0%

Personal Property Deferrals - 081

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.

Table 20. Revenue Summary – Personal Property Deferrals - 081

Revenue History	Actual Revenue	Percent Change
FY1996	$ 176,000	115.5%
FY1997	(1,150,000)	(753.4%)
FY1998	1,160,000	200.9%
FY1999	(1,805,000)	(255.6%)
FY2000	(15,000)	99.2%
FY2001	2,027,000	13,613.3%
FY2002	2,275,000	12.2%
FY2003	4,342,000	90.9%
FY2004	2,089,762	(51.9%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$ (560,000)	(126.8%)
FY2005 (revised estimate)	460,000	(78.0%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$(850,000)	(284.8%)
FY2007	(1,650,000)	(94.1%)
FY2008	(1,825,000)	(10.6%)
FY2009	(2,000,000)	(9.6%)
FY2010	(2,100,000)	(5.0%)

The forecast includes the initiative approved by the Board of County Supervisors on December 10, 1996 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 FY2003. With the adoption of the FY2002 budget, additional collection resources were provided to the Finance Department and the amount of unpaid property taxes as a percentage of the total levy was revised to 5.5% by FY2005.

At the end of FY2004, the percentage of unpaid property taxes compared to the FY2004 levy was 3.8%. The updated forecast for FY2005 is 3.3%, which is the County's best unpaid property tax rate since data was first collected in 1971. Continuing this trend, the FY2006 forecast assumes an unpaid property tax rate of 3.3%.

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 - 170

The County assesses a 10% penalty on the late payment of personal property taxes.

Table 21. Revenue Summary – Personal Property Penalties – Current Year - 170

Revenue History	**Actual Revenue**	**Percent Change**
FY1996	$1,205,980	12.5%
FY1997	1,465,331	21.5%
FY1998	1,437,635	(1.9%)
FY1999	1,088,512	(24.3%)
FY2000	1,167,455	7.3%
FY2001	1,327,065	13.7%
FY2002	1,339,702	1.0%
FY2003	1,543,641	15.2%
FY2004	1,662,928	7.7%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$1,513,000	(9.0%)
FY2005 (revised estimate)	1,513,000	0.0%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$1,637,000	8.2%
FY2007	1,240,000	(24.3%)
FY2008	1,501,000	21.0%
FY2009	1,790,000	19.3%
FY2010	2,091,000	16.8%

A significant decrease in personal property penalty revenue is forecast for FY2007. This is due to the revised PPTRA legislation discussed on page 25. Once enacted, the 10% personal property penalty on late payments will apply only to the local share of what is delinquent. The penalty will not apply to the portion paid by the Commonwealth.

Local Sales Tax Revenue

Local Sales Tax - 210

The County, by adopted ordinance, has elected to levy a 1% general retail sales tax to provide revenue for the general fund. 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 in the 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 1.095% from the County's gross tax to be sent to the four towns. Thus, the County realizes 98.91% of the monthly sales taxes collected.

Table 22. Revenue Summary – Local Sales Tax - 210

Revenue History	Actual Revenue	Percent Change
FY1996	21,913,545	1.7%
FY1997	23,496,367	7.2%
FY1998	24,569,784	4.6%
FY1999	26,498,998	7.9%
FY2000	29,036,130	9.5%
FY2001	31,603,038	8.8%
FY2002	33,443,678	5.8%
FY2003	35,223,965	5.3%
FY2004	40,721,074	15.6%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$40,860,000	0.3%
FY2005 (revised estimate)	44,560,000	9.4%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$48,125,000	8.0%
FY2007	51,975,000	8.0%
FY2008	56,133,000	8.0%
FY2009	60,623,000	8.0%
FY2010	65,473,000	8.0%

Prince William County's most recent two to three years' experience with sales tax has reflected a notably faster than normal pattern of annual growth. During the period of recession, in fiscal years 2000 through 2002, the County's sales tax grew at rates varying between 6% and 10%. This is a very comfortable growth rate during a recession. Since the beginning of FY2004 the County's sales tax has experienced growth in excess of 10% per year, including the first half of FY 2005.

Beginning in FY2004, the various surrounding jurisdictions started seeing improvements in their sales tax revenues. Most of the other Northern Virginia jurisdictions' 2004 sales tax revenue displayed healthy rates of growth when compared to the same period in the prior year:

Table 23. Percent of Sales Tax Change in Neighboring Jurisdictions, Compared to Same Period in Prior Year[3]

	2004			
	QTR 1	**QTR 2**	**QTR 3**	**QTR 4#**
Alexandria	9.6%	9.8%	3.5%	4.8%
Arlington	4.5%	9.9%	7.0%	4.7%
Fairfax County	13.3%	13.1%	4.9%	5.1%
Prince William County	26.0%	16.8%	10.0%	11.6%

Prince William County experienced significant positive growth in sales tax receipts in both calendar and FY2004.

Some of the factors believed to contribute to the County's consistent positive sales tax growth are:

- fewer "high-end retail" businesses,
- proportionately more discount retailers,
- continued strong construction of homes and businesses,
- low unemployment, and
- high levels of job stability.

Population Growth

The retail sales tax estimate is based on the population change in the County. The population increase is determined by the anticipated increase in new housing units for the forecast period as well as the average household size for each type of new housing unit constructed. The five-year projection includes population increases ranging from approximately 9,877 to 17,299 new residents in each year of the projection period. Population changes are expected to decline slowly over the five-year period as fewer new housing units are added. Nevertheless, this is a significant level of growth and has a definite impact on sales tax growth.

Table 24. Population Growth

Fiscal Year	Population Change	Estimated Population	Percent Change
FY2003		321,570	
FY2004	15,250	336,820	4.7%
FY2005	14,007	350,827	4.2%
FY2006	17,299	368,126	4.9%
FY2007	15,671	383,797	4.3%
FY2008	11,263	395,060	2.9%
FY2009	10,170	405,230	2.6%
FY2010	9,877	415,107	2.4%

[3] Virginia Department of Taxation, Sales Tax Report, http://www.tax.state.va.us/publications.htm

Consumer Utility Revenue

Consumer Utility Tax - 220

The County levies a consumer utility tax on wired and cellular telephone service as well as electric and natural gas utilities. The County does not tax water and sewer services. Effective January 1, 2001, the Code of Virginia required the 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)[4] 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)[5] 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.

The County also levies a consumer utility tax on telecommunication services. This includes wired telephone service and cellular phones.

The levy rate for wired telephone service (landline) is:

Residential consumers: 20% on the first $15 per month of each customer's bill with a maximum charge of $3 per month.
Commercial consumers: 20% on the first $500 per month with a maximum charge of $100 per month for each utility.

The levy rate for cellular phone service is the same for both residential and commercial customers. It is 10% on the first $30 per month of each customer's mobile telephone bill; with a maximum charge of $3 per month.

Since consumer utility taxes are capped, inflation is not a factor in the five year forecast.

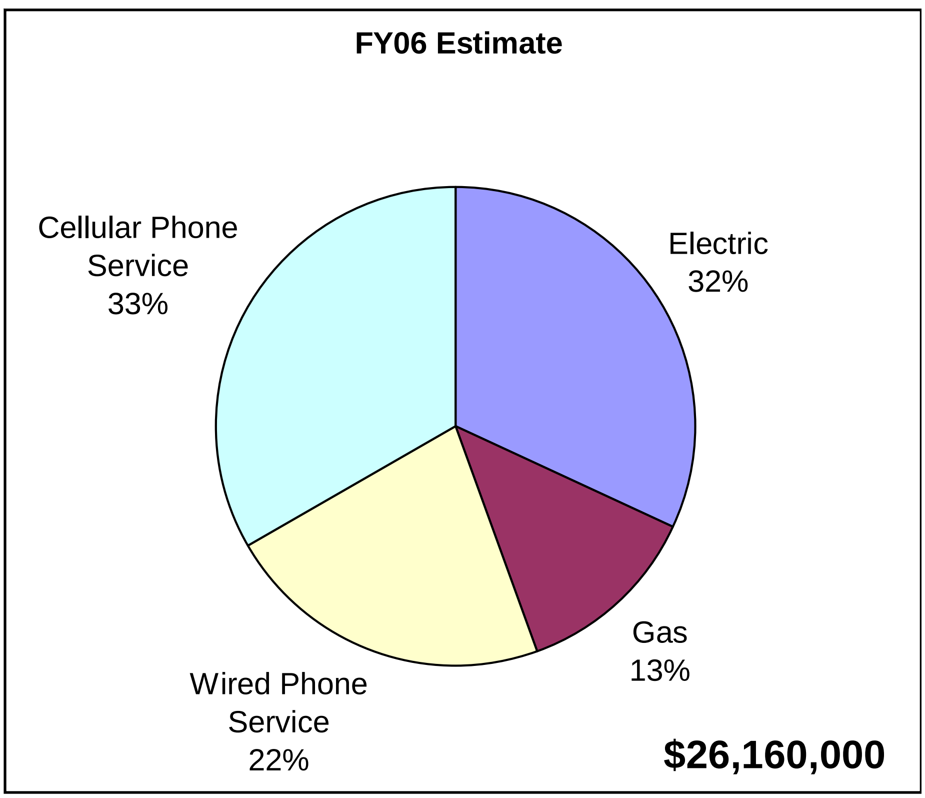
[4] Kilowatt hours (kWh) delivered means 1000 watts of electricity delivered in a one-hour period by an electric provider to an actual consumer, except that in the case of eligible customer-generators (sometimes called cogenerators) as defined in Va. Code § 56-594, it means kWh supplied from the electric grid to such customer-generators, minus the kWh generated and fed back to the electric grid by such customer-generators.
[5] CCF means the volume of gas at standard pressure and temperature in units of 100 cubic feet.

Table 25. Revenue Summary – Consumer Utility Tax - 220

Revenue History	Actual Revenue	Percent Change
FY1995	$11,983,462	4.5%
FY1996	12,394,172	3.4%
FY1997	13,780,132	11.2%
FY1998	14,170,595	2.8%
FY1999	14,702,407	3.8%
FY2000	16,210,493	10.3%
FY2001	17,806,197	9.8%
FY2002	19,246,918	8.1%
FY2003	20,257,043	5.2%
FY2004	22,869,727	12.9%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$25,153,000	10.0%
FY2005 (revised estimate)	24,300,000	6.3%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$26,160,000	7.7%
FY2007	27,910,000	6.7%
FY2008	29,920,000	7.2%
FY2009	31,630,000	5.7%
FY2010	33,510,000	5.9%

The forecast is comprised of four components: (1) electric, (2) gas, (3) wired telephone service, and (4) wireless phone service. The following chart shows the four components of consumer utility tax revenue projected for fiscal year 2006:

Figure 3. Four Major Categories of Consumer Utility Tax Revenue



Housing Units

A factor in forecasting consumer utility tax revenue is the expected number of housing units, including apartments. The following is the projected number of housing units over the 5-year forecast:

Table 26. Housing Units

	Housing Units	Change
FY2006	127,948	4.8%
FY2007	133,278	4.2%
FY2008	136,978	2.8%
FY2009	140,303	2.4%
FY2010	143,528	2.3%

Number of BPOL Filings

Another factor in forecasting consumer utility tax revenue is the number of businesses derived from BPOL filings and a projected rate of business growth. The following is the projected number of BPOL filers located in Prince William County with gross receipts greater than $100,000 over the 5-year forecast:

Table 27. Projection of BPOL Filers Located in PWC with Gross Receipts Greater Than $100,000

	Number of Businesses	Change
FY2006	4,624	4.00%
FY2007	4,763	3.00%
FY2008	4,894	2.75%
FY2009	5,016	2.50%
FY2010	5,129	2.25%

Percent Change in Wired Revenue

The consumer utility tax forecast also considers two components of telephone tax revenue: (1) wired and (2) wireless. Throughout the 1990's, second phone lines were common as more homes added internet access, fax machines and separate phones for work or individual family members. In FY02 and FY03, wired telephone revenue stagnated despite growth in housing units and businesses in the County. In FY04, wired telephone revenue decreased over 3% from FY03 as many households eliminated their second phone lines in favor of broadband Internet access and cellular telephones:

> Verizon reported that 4.6% of its customers cut off their local phone lines, the result of a continuing shift toward cell phone-only households as well as the decline in second phone lines used for Internet access. The continuing declines are likely to increase further as cable companies such as Comcast deploy phone service. Morgan Stanley predicted earlier this month that line losses could hit 5% by year's end, as voice-over-Internet Protocol technologies take off.[6]

A multi-year trend analysis is the basis for the 5-year forecast. Future revenue is likely to decrease over the next few years as many homes substitute telephone landlines with wireless telecommunications and cable internet access. These revenues slowly begin to recover in FY09.

[6] Scott Woolley, "Verizon Goes It Alone," [http://forbes.com/2005/01/27/cz_sw_0127verizon.html], 27 January 2005.

Table 28. Change in Wired Revenue Activity

	Change
FY2001(a)	6.41%
FY2002(a)	0.38%
FY2003(a)	0.61%
FY2004(a)	(3.13%)
FY2005(est.)	(3.65%)
FY2006	(4.00%)
FY2007	(3.00%)
FY2008	0.00%
FY2009	1.50%
FY2010	2.00%

(a) – actual

Cellular Phone Revenue

A five-year analysis of County revenue from taxes on cell phones shows an average growth rate of 46%. However, it is uncertain if this amount of growth can continue into the future due to market saturation as the FY2005 projected growth rate is 19%. The forecast for the next five fiscal years assumes a gradual decline in cellular revenue growth.

Table 29. Change in Cellular Phone Revenue Activity

	Change
FY2001(a)	50.64%
FY2002(a)	66.89%
FY2003(a)	11.16%
FY2004(a)	58.89%
FY2005(est.)	19.31%
FY2006	20.00%
FY2007	15.00%
FY2008	15.00%
FY2009	10.00%
FY2010	10.00%

(a) – actual

BPOL Tax Revenue – 235

The Business, Professional, and Occupational License (BPOL) tax is imposed on commercial and home occupational businesses operating in the County. The County has adopted a multiple tax rate schedule according to the type of business activity subject to the tax. Existing businesses are taxed on their prior calendar year gross receipts of $100,000 and above. New businesses are taxed on an estimate of gross receipts $100,000 and above for the current year. The BPOL tax is levied on both full-time as well as part-time businesses, as long as the business meets or exceeds the $100,000 threshold.

The basis for fiscal year 2005 is gross revenue receipts from calendar year 2004. Therefore, forecasting 2005 gross receipts (FY2006) has a one-year lag in which actual prior year figures on which to base an estimate are unavailable.

Table 30. Revenue Summary – BPOL Tax Revenue - 235

Revenue History	Actual Revenue	Percent Change
FY1996	$ 7,352,176	4.6%
FY1997	7,250,478	(1.4%)
FY1998	7,952,716	9.7%
FY1999	8,594,470	8.1%
FY2000	10,283,757	19.7%
FY2001	11,806,197	14.8%
FY2002	13,384,468	13.4%
FY2003	14,836,449	10.8%
FY2004	17,563,465	18.4%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$17,311,000	(1.4%)
FY2005 (revised estimate)	19,300,000	9.9%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$21,420,000	11.0%
FY2007	23,570,000	10.0%
FY2008	25,920,000	10.0%
FY2009	28,510,000	10.0%
FY2010	31,370,000	10.0%

Building and retailing represent approximately 70% of business license revenue. Contractors and developers must purchase building materials and furnishings for homes and commercial buildings on which sales tax is paid.

Investment Income - 0510

Investment income represents interest receipts, interest accrual, and gains or losses from the sale of investments for the 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 approximately 63% of the total pooled investments. All funds are invested in accordance with the County's investment guidelines of legality, safety, liquidity, and yield.

Table 31. Revenue Summary – Investment Income - 0510

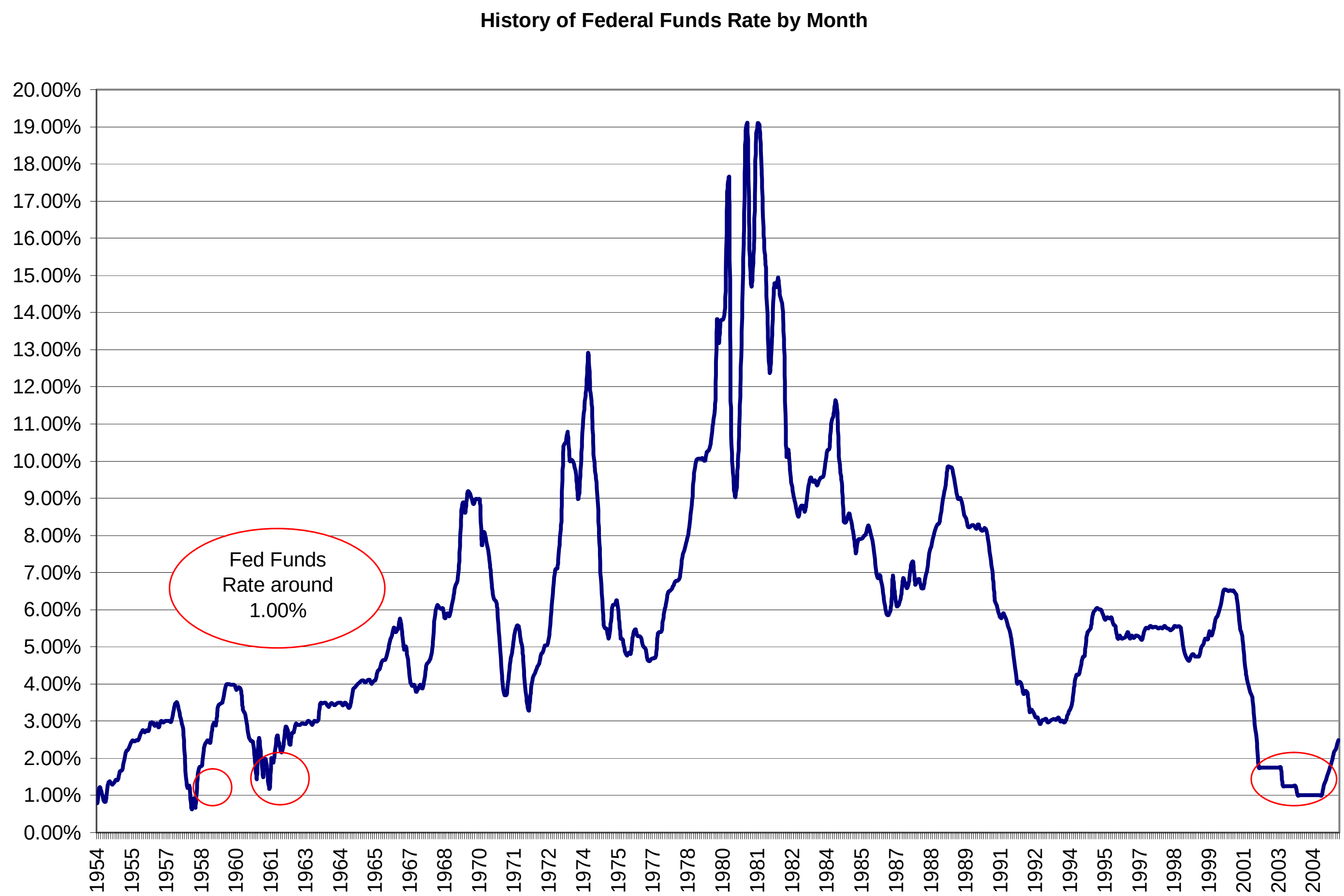
Revenue History	Actual Revenue	Percent Change
FY1996	$ 8,077,038	23.4%
FY1997	7,642,069	(5.4%)
FY1998	8,364,953	9.5%
FY1999	6,788,336	(18.8%)
FY2000	9,479,253	39.6%
FY2001	11,809,529	24.9%
FY2002	7,442,158	(37.0%)
FY2003	5,358,898	(28.0%)
FY2004	2,999,989	(44.0%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$4,570,292	52.3%
FY2005 (revised estimate)	8,200,000	273.3%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$ 12,184,426	48.6%
FY2007	16,774,114	37.7%
FY2008	19,305,297	15.1%
FY2009	21,995,895	13.9%
FY2010	23,051,364	4.8%

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

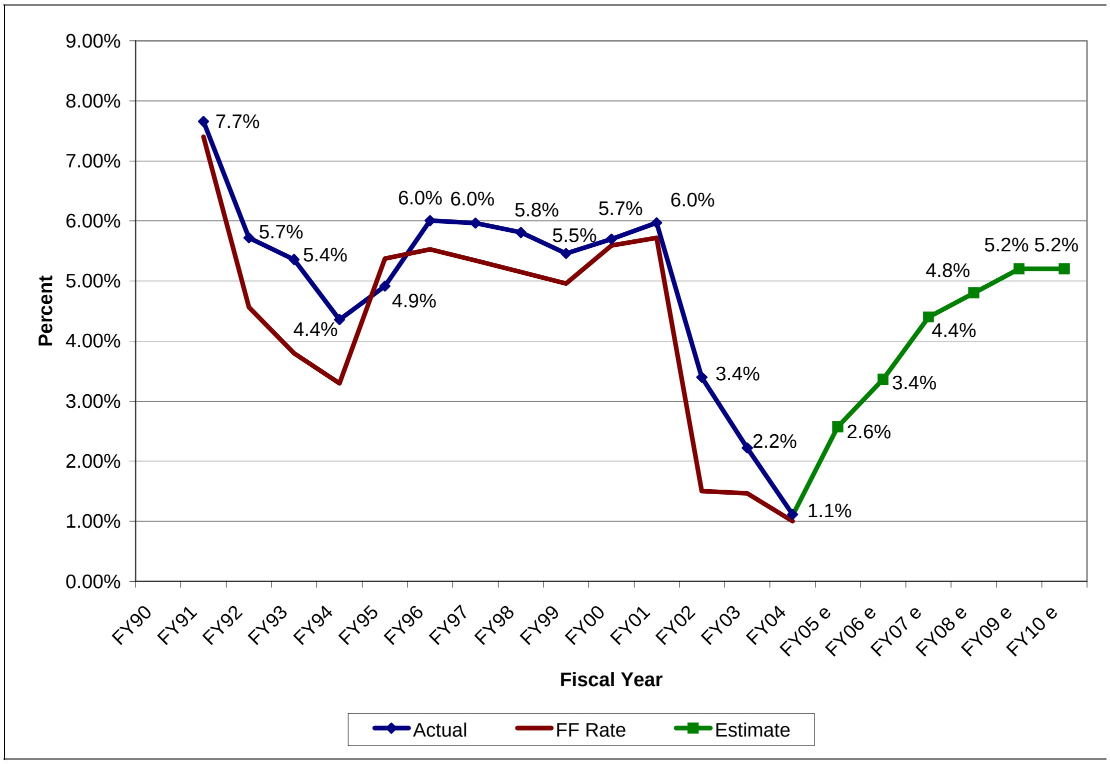
The Federal Reserve Board (Fed) pursued an exceptionally aggressive monetary policy throughout 2001 as a recession unfolded, which was led by plunges in business profits and capital spending. The Federal Reserve dropped the Fed Funds rate target by 475 basis points in 2001. The Federal Reserve made two additional cuts to the Fed Funds rate in November 2002 and June 2003 reducing the Fed Funds target rate to 1.00% - the lowest level since 1958. Beginning June 2004 the Federal Reserve increased the Fed Funds rate through February 2005 by 150 basis points to 2.5%. The following graph presents a history of the Fed Funds rate target since 1954, when the rate stood at record lows:

Figure 4. History of the Federal Funds Rate Target



The Federal Funds rate trend has a leading relationship to the average yield of Prince William County's portfolio. The timing of securities purchases, cash flow requirements, the general interest rate environment at the time of purchasing securities, and the securities' duration primarily determine 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's portfolio yield does not change rapidly with swings in the market except to reflect the replacement of maturing securities at current market conditions. State laws and the County's adopted investment policy govern the investment process, how funds can be invested, and which securities can be purchased. The following graph presents a history of the County's portfolio yield as well as the projected yield for FY06-10 juxtaposed against the Fed Funds rate target:

Figure 5. Prince William County's Portfolio Yield



Most forecasting sources provide interest rate information up to four quarters beyond current dates. Therefore, the final half of FY2006 is an estimate without authoritative source data as a basis for projection. The County's portfolio yield projection for the final half of FY2005 and beyond is based on reasonable expectations that the Federal Funds rate will remain between 2.5% and 3.5% for the next six to twelve months as the economy continues to recover. Current economic forecasts indicate that the Federal Funds rate will continue to increase through the first and second quarter of calendar year 2005. The forecast for FY2006 and beyond is based on the assumption that the Federal Reserve Board will moderate its rate target over time to avert inflationary growth.

Portfolio Size

The average total dollar value of the portfolio is affected by the increase in County revenues. Therefore, the revenue forecast itself becomes a key determinate of interest income. The percentage growth in the size of the portfolio is based on 30% of the percentage increase in all general revenues, since a portion of the revenue increase is spent as a normal part of the County's cash flow during the year and is not available to invest. The following tables show the forecasted growth rate of revenues and 30% of that growth as the determining factor for the growth rate of the portfolio size.

Table 32. Growth Rate of Revenues and 30% Thereof for the Portfolio

	Growth Rate	30% of Growth Rate
FY2006	9.25%	2.78%
FY2007	8.67%	2.60%
FY2008	9.11%	2.73%
FY2009	8.40%	2.52%
FY2010	7.15%	2.15%

Table 33. Portfolio Size

	Value
FY2006	$575,000,000
FY2007	605,126,766
FY2008	638,402,692
FY2009	671,425,360
FY2010	703,643,589

All Other Revenue Sources

All other revenue is detailed as follows in "Revenues Over $1.5 Million" and "Revenues Under $1.5 Million", totaling "All Other Revenues" in Table 1.

Revenue Sources over $1.5 Million

Interest on Taxes - 140

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.

Table 34. Revenue Summary – Interest on Taxes -140

Revenue History	Actual Revenue	Percent Change
FY1996	$1,640,921	(8.1%)
FY1997	2,013,275	22.7%
FY1998	1,761,208	(12.5%)
FY1999	2,302,737	30.7%
FY2000	2,310,126	0.3%
FY2001	2,027,000	(12.3%)
FY2002	2,049,420	1.1%
FY2003	2,003,030	(2.3%)
FY2004	1,303,362	(34.9%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$2,013,210	54.5%
FY2005 (revised estimate)	1,500,000	15.1%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$1,560,422	4.0%
FY2007	1,718,602	10.1%
FY2008	1,889,197	9.9%
FY2009	2,073,062	9.7%
FY2010	2,258,419	8.9%

The revenue estimate is computed by multiplying the fixed percentage of 0.32% by the combined estimate for gross current year real estate tax revenue and personal property tax revenue (excluding public service revenue).

Although the long-term historical average is 0.70%, recent history suggests the collection rate has improved, thereby decreasing interest on taxes revenue. Interest on taxes as a percentage of real estate and personal property tax revenues was 0.78% in FY01, 0.66% in FY02, 0.56% in FY03, and 0.32% in FY04.

Vehicle Decals - 250/259

The County levies a vehicle license fee of $24 per year for each vehicle normally garaged or parked in the County. The decal must be renewed by October 5th and must be displayed no later than November 15th.

Table 35. Revenue Summary – Vehicle Decals - 250/259

Revenue History	Actual Revenue	Percent Change
FY1996	$3,683,004	3.9%
FY1997	3,837,958	4.2%
FY1998	3,980,974	3.7%
FY1999	2,260,107	(43.2%)
FY2000	4,066,086	79.9%
FY2001	4,686,385	15.3%
FY2002	5,141,812	9.7%
FY2003	5,441,534	5.8%
FY2004	5,829,319	7.1%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$6,144,996	5.4%
FY2005 (revised estimate)	6,144,996	5.4%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$6,534,206	6.3%
FY2007	7,004,896	7.2%
FY2008	7,509,492	7.2%
FY2009	8,050,436	7.2%
FY2010	8,630,347	7.2%

The vehicle decal fees dropped 43% in FY99 due to the change in the decal due date and a $10.00 decrease in the decal fee for FY99. After the transition period ended in FY 99, the decal fee reverted back to $24 in FY00. The revenue has returned to previous years' levels and will continue to increase in conjunction with the projected growth in vehicles in the County.

The decal fee revenue forecast is derived by multiplying the decal fee by 90% of the estimated billable units in the County. Approximately 10% of the billable units are eligible for a free decal. This is done to account for the number of decals issued at no cost to residents moving to Prince William County who have a current decal from another Virginia jurisdiction.

Recordation Tax - 260

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 refinancings.

On April 28, 2004, approximately one week after the Board of County Supervisors adopted the Fiscal 2005 budget, 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. Section 58.1-814 of the Virginia Code 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 below reflects only Prince William County's share of recordation tax revenues.

Table 36. Revenue Summary – Recordation Tax - 260

Revenue History	Actual Revenue	Percent Change
FY1996	$ 1,305,225	12.4%
FY1997	1,353,238	3.7%
FY1998	1,733,097	28.1%
FY1999	2,033,815	17.4%
FY2000	2,119,681	4.2%
FY2001	2,815,940	32.8%
FY2002	4,272,952	51.7%
FY2003	6,473,394	51.5%
FY2004	7,937,447	22.6%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$ 5,770,000	(27.3%)
FY2005 (revised estimate)	13,565,000	70.9%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$12,050,000	(11.2%)
FY2007	12,100,000	0.4%
FY2008	12,380,000	2.3%
FY2009	12,770,000	3.2%
FY2010	13,150,000	3.0%

Recordation tax revenues have soared since fiscal year 2002 due to growing home sales and mortgage refinancings. Low mortgage rates drove much of this activity. According to the Mortgage Bankers Association of America (MBA), the average 30-year fixed mortgage rate in 2004 was 5.8% which is unchanged from the 2003 average of 5.8%.[7]

Although mortgage rates are not expected to increase substantially in 2005, mortgage refinancings are expected to decline. MBA forecasts that refinancings as a percentage of total mortgage originations will decrease from 44% in 2004 to 39% in 2005.[8] This represents an 11% decrease in revenues generated by refinancings.

Fiscal 2005 revenues are projected to exceed the adopted budget by nearly $8 million. This is attributed to the recordation tax rate increase approved by the Commonwealth of Virginia after the Board of County Supervisors adopted the Fiscal 2005 budget as well as record-setting home sales volume. The FY2006 revenue forecast anticipates recordation tax revenues to decrease in FY2006 due to the expected decline in mortgage refinancings as interest rates increase. Thereafter, revenues will gradually increase as the sales of new and existing homes appreciate in value.

[7] MBA Long-term Mortgage Finance Forecast, January 21, 2005, Mortgage Bankers Association of America
[8] Ibid

On October 26, 2004, the Board of County Supervisors adopted Resolution 04-1034, which earmarks a portion of recordation tax revenues for transportation purposes in the County. Beginning in FY06, 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. The following table identifies the portion of recordation tax revenues designated for transportation and general revenue use in each year of the five-year forecast:

Table 37. Revenue Summary – Recordation Tax Designated for Transportation and General Revenue Use

Forecast Revenue	Recordation Tax Revenue for Transportation Use	General County Government Revenue	Total Recordation Tax Revenue
FY2006	$8,910,000	$3,140,000	$12,050,000
FY2007	8,950,000	3,150,000	12,100,000
FY2008	9,150,000	3,230,000	12,380,000
FY2009	9,440,000	3,330,000	12,770,000
FY2010	9,720,000	3,430,000	13,150,000

Tax on Deeds - 261

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
- 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 below reflects only Prince William County's share of revenues.

Table 38. Revenue Summary – Tax on Deeds - 261

Revenue History	Actual Revenue	Percent Change
FY1999	$ 735,280	
FY2000	936,541	27.4%
FY2001	1,183,922	26.4%
FY2002	1,581,489	33.6%
FY2003	2,098,654	32.7%
FY2004	2,775,718	32.3%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$3,200,000	15.3%
FY2005 (revised estimate)	3,900,000	40.5%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$4,290,000	10.0%
FY2007	4,590,000	7.0%
FY2008	4,820,000	5.0%
FY2009	5,061,000	5.0%
FY2010	5,314,000	5.0%

Revenue growth attributed to tax on deeds is expected to slow in FY06 as mortgage rates are projected to exceed 6.5%. Despite the projected increase in mortgage rates, the FY06 forecast assumes consistent home sales from the prior year due to the following supply and demand factors:

- Job growth in the Washington-metro area will continue due primarily to national defense spending. According to Stephen Fuller, regional economist and professor at George Mason University, "Job growth this year (2005) will exceed that of last year. Last year, we created 72,000 jobs here. This year, it'll be more like 75,000 to 78,000."[9]

- Most developers are entering 2005 with homes already sold six to nine months before they are built.

With consistent home sales projected for FY06, the projected revenue growth is attributed to home price appreciation during the fiscal year (July 2005-June 2006).

Cable TV Fees - 390

The cable franchise fee is a tax based on cable company gross receipts. This fee is not a regulatory fee, but a general revenue tax authorized by Congress in 1984. On July 1, 1996, the Board of County Supervisors adopted a 3% cable television franchise fee for the FY97 budget. The Code of Virginia (§ 58.1-3818.3) authorizes the County to adopt by ordinance a franchise fee at a maximum rate of 5%. The Board of County Supervisors approved an increase from 3% to 5% effective July 1, 1997.

Table 39. Revenue Summary – Cable TV Fees - 390

Revenue History	Actual Revenue	Percent Change
FY1995	N/A	--
FY1997	$ 921,998	--
FY1998	1,698,796	84.3%
FY1999	1,770,700	4.2%
FY2000	1,945,980	9.9%
FY2001	2,243,491	15.3%
FY2002	3,149,770	40.4%
FY2003	2,700,496	(14.3%)
FY2004	2,957,028	9.5%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2005 (adopted budget)	$3,142,244	6.3%
FY2005 (revised estimate)	3,142,244	6.3%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2006	$3,520,000	12.0%
FY2007	3,780,000	7.4%
FY2008	4,050,000	7.1%
FY2009	4,320,000	6.7%
FY2010	4,600,000	6.5%

The revenue forecast is based on the expected increase of new housing units and growth of cable TV services and rates. Revenue in FY2003 and FY2004 was down approximately $450,000 and $550,000 respectively because of federal government action resulting in the loss of fees charged by cable service providers on internet access charges. These changes are reflected in the FY06-10 revenue forecast.

[9] Daniela Deane, *Can Anything Stop The Housing Market*, The Washington Post, January 1, 2005, p. F01.

Revenue Sources Under $1.5 Million

Listed below are several County general revenue sources estimated to be less than $1.5 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. For fiscal years 2006 – 2010, most revenue categories are increased annually except as noted in the individual revenue sources. The forecast and a description of each revenue source follows.

Table 40. Miscellaneous Revenue Sources

Revenue Source	Actual FY2002	Actual FY2003	Actual FY2004	Revised Estimate FY2005	Estimated 2006
Daily Rental Equipment Tax - 215	$ 233,398	$ 150,115	$ 181,105	$ 190,000	$ 197,472
Bank Franchise Tax – 230	530,610	431,518	554,317	589,784	572,075
BPOL Taxes- Public Service–236	852,364	999,960	1,029,124	1,060,000	1,278,522
Transient Occupancy Tax – 270	854,149	854,749	942,967	1,061,845	1,227,259
Misc. Business Licenses - 380	4,800	5,600	4,800	0	0
Interest Paid to Vendors – 520	(218,872)	(258,025)	(230,455)	(238,182)	(293,974)
Interest Paid on Refunds – 521	(70,202)	(54,822)	(20,116)	(85,196)	(43,662)
ABC Profits – 1301 *	743,942	408,473	340,042	340,000	357,000
State Wine Tax – 1302 *	385,761	306,626	258,705	280,000	294,000
Rolling Stock Tax – 1303	81,764	79,533	74,142	80,327	84,343
Passenger Car Rental Tax – 1304	557,898	543,238	480,919	548,670	576,104
Mobile Home Titling Tax – 1305	86,484	54,098	79,836	54,639	57,371
Federal Pymt in Lieu of Taxes - 1700	76,622	39,413	66,679	51,039	80,607
Other Revenue – 1150, 514	4,889	5,732	(357)	11,759	4,016
Total Miscellaneous Revenue	$4,123,607	$3,566,208	$3,761,708	$3,944,685	$4,391,133

*See following description

Daily Rental Equipment Tax - 215

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 - 230

The County levies a bank franchise tax on the net capital of each bank, trust, or bank holding company, excluding savings banks, which operate 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 - 236

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 them 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 - 270

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.

Miscellaneous Business Licenses - 380

The County levies a business license fee to trash haulers and septic tank installers operating in the County. The Public Health Department issues these licenses. This has been reclassified as other revenue.

Interest Paid to Vendors - 520

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 - 521

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

ABC Profits - 1301

Two-thirds of Alcohol Beverage Control Commission (ABC) store profits are distributed quarterly to counties, cities, and towns based on the locality's percentage of total State population from the latest census. Three subtractions are made from ABC profits before distribution: (i) costs of care and rehabilitation, (ii) payments to the State for its provision of general fund services, and (iii) warehouse costs. During FY2003 the State reduced the locality share of this tax by 50% because of State revenue shortfalls.

State Wine Tax - 1302

The State wine tax is a tax levied on each bottle of wine sold in ABC stores and all retail outlets. The tax rate is $0.40 per liter. Sixty-six percent of the wine tax collected is retained by the State, twelve percent is kept by the ABC, and twenty-two percent is distributed quarterly to counties, cities and towns based on the locality's percentage of total State population from the latest census. The State reduced the localities' share of this tax by 50% in FY2003 because of State revenue shortfalls.

Rolling Stock Tax - 1303

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. The State reduced the localities' share of this tax by 50% in FY2003 because of State revenue shortfalls.

Passenger Car Rental Tax - 1304

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 - 1305

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.

Federal Payment in Lieu of Taxes - 1700

The Federal Government owns a substantial amount of land in Prince William County. Because land owned by the Federal Government is not taxable by the County, the Federal Government makes a payment in lieu of taxes to the County.

All Funds Revenue Summary

Department / Agency	FY 02 Adopted Revenue Bud.	FY 03 Adopted Revenue Bud.	FY 04 Adopted Revenue Bud.	FY 05 Adopted Revenue Bud.	FY 06 Adopted Revenue Bud.	% Change FY 05 to FY 06
SECTION ONE: GENERAL FUND REVENUE SUMMARY:						
General Governmental:						
Office Of Executive Management	$0	$0	$0	$400,000	$692,000	73.00%
County Attorney	$144,186	$244,186	$195,186	$195,186	$195,186	0.00%
Sub Total	$144,186	$244,186	$195,186	$595,186	$887,186	49.06%
Administration:						
Finance	$1,102,350	$1,020,323	$1,086,099	$1,163,190	$1,190,332	2.33%
Human Rights Office	$25,000	$25,000	$61,000	$61,000	$61,000	0.00%
Off Of Information Technology	$132,400	$132,400	$132,400	$132,400	$132,400	0.00%
General Registrar	$90,523	$83,773	$71,092	$71,092	$104,168	46.53%
Sub Total	$1,350,273	$1,261,496	$1,350,591	$1,427,682	$1,487,900	4.22%
Judicial Administration:						
Clerk Of The Court	$2,735,852	$3,127,366	$3,685,841	$3,863,085	$5,288,370	36.89%
Commonwealth's Attorney	$1,538,396	$1,600,702	$1,599,089	$1,635,589	$1,723,321	5.36%
Criminal Justice Services	$1,112,484	$1,119,602	$982,197	$995,955	$1,004,955	0.90%
Juvenile Court Service Unit	$77,269	$93,145	$94,189	$265,051	$180,026	-32.08%
General District Court	$1,434,500	$1,584,500	$1,584,500	$1,624,500	$1,717,930	5.75%
Juvenile & Domestic Relations Court	$63,000	$63,000	$51,943	$51,943	$51,943	0.00%
Law Library	$110,806	$110,806	$110,806	$110,806	$110,806	0.00%
Sub Total	$7,072,307	$7,699,121	$8,108,565	$8,546,929	$10,077,351	17.91%
Planning And Development:						
Economic Development	$14,130	$14,130	$14,130	$14,130	$14,130	0.00%
Planning	$2,261,547	$2,375,901	$2,543,254	$2,908,463	$3,385,449	16.40%
Public Works	$7,628,545	$8,901,431	$10,550,292	$12,152,025	$13,727,176	12.96%
Sub Total	$9,904,222	$11,291,462	$13,107,676	$15,074,618	$17,126,755	13.61%
Public Safety:						
Fire And Rescue	$476,072	$587,520	$527,572	$868,504	$1,094,791	26.05%
Public Safety Communications	$2,394,321	$3,882,839	$3,841,359	$3,888,488	$3,952,509	1.65%
Sheriff	$2,042,526	$2,256,283	$2,315,686	$2,372,222	$2,472,061	4.21%
Police	$8,331,208	$8,402,936	$8,695,487	$9,025,615	$10,471,633	16.02%
Sub Total	$13,244,127	$15,129,578	$15,380,104	$16,154,829	$17,990,994	11.37%
Human Services:						
Community Services Board	$10,439,127	$11,123,421	$10,563,610	$11,169,283	$11,811,015	5.75%
Extension & Continuing Ed.	$367,502	$414,484	$479,858	$498,449	$368,736	-26.02%
Office On Youth (B)	$107,410	$5,000	$5,000	$5,000	$325,400	6408.00%
School Age Care (B)	$280,281	$288,481	$292,181	$306,431	$0	-100.00%
Area Agency On Aging	$1,067,574	$1,168,869	$1,126,031	$1,237,099	$1,246,146	0.73%
At Risk Youth And Family Services	$3,085,993	$3,833,773	$4,538,941	$4,499,026	$4,914,075	9.23%
Public Health	$215,619	$243,873	$261,870	$251,962	$222,665	-11.63%
Social Services	$19,053,007	$19,884,510	$19,467,875	$21,301,089	$21,121,178	-0.84%
Sub Total	$34,616,513	$36,962,411	$36,735,366	$39,268,339	$40,009,215	1.89%
Library:						
Library	$2,885,012	$2,873,778	$2,760,530	$2,790,321	$2,962,389	6.17%
Sub Total	$2,885,012	$2,873,778	$2,760,530	$2,790,321	$2,962,389	6.17%

All Funds Revenue Summary (Cont.)

Department / Agency	FY 02 Adopted Revenue Bud.	FY 03 Adopted Revenue Bud.	FY 04 Adopted Revenue Bud.	FY 05 Adopted Revenue Bud.	FY 06 Adopted Revenue Bud.	% Change FY 05 to FY 06
Debt / CIP:						
General Debt	$858,004	$1,002,137	$1,901,132	$2,584,233	$2,530,757	-2.07%
Sub Total	$858,004	$1,002,137	$1,901,132	$2,584,233	$2,530,757	-2.07%
Non-Departmental:						
Unclassified Administrative	$1,946,736	$3,339,934	$4,637,358	$8,096,825	$12,730,878	57.23%
General Revenues	$395,086,000	$456,068,000	$513,124,072	$572,064,427	$641,831,187	12.20%
Transfers In	$3,247,673	$3,568,726	$6,157,996	$3,405,700	$4,302,681	26.34%
Sub Total	$400,280,409	$462,976,660	$523,919,426	$583,566,952	$658,864,746	12.90%
Total General Fund Revenue	**$470,355,053**	**$539,440,829**	**$603,458,576**	**$670,009,089**	**$751,937,293**	**12.23%**
SECTION TWO: NON GENERAL FUND REVENUE SUMMARY:						
Special Revenue Funds:						
Trans. To P.R.T.C.	$1,813,768	$1,913,768	$2,417,808	$565,215	$2,000,800	253.99%
Commuter Rail Station Parking	$101,823	$101,823	$101,823	$101,823	$101,823	0.00%
Comm. parking lease rev bond debt	$1,516,453	$1,523,846	$1,518,023	$1,518,938	$1,526,522	0.50%
Adult Detention Center	$17,058,687	$20,162,467	$21,576,582	$24,039,724	$26,307,488	9.43%
Lake Jackson Service Dist.	$53,000	$55,000	$60,550	$68,600	$88,550	29.08%
Bull Run Mountain Serv. Dist. (A)	$0	$0	$0	$100,000	$127,500	27.50%
Woodbine Forest Service District	$5,544	$3,462	$0	$0	$0	---
Foremost Court Service District	$4,232	$4,577	$5,346	$5,788	$0	-100.00%
Circuit Court Service District	$0	$0	$5,728	$5,963	$6,100	2.30%
Spc tax dist;Gypsy Moth/Mosq ctrl	$809,880	$810,000	$1,107,534	$1,200,000	$1,037,745	-13.52%
P. W. Parkway Trans Imprv Dst.	$971,940	$1,102,160	$1,151,420	$1,222,080	$1,477,920	20.93%
234 Bypass Trans Imprv Dst	$52,846	$61,654	$73,474	$87,932	$117,684	33.84%
Stormwater Management	$5,069,820	$5,325,364	$6,494,880	$7,039,644	$7,697,581	9.35%
Housing & Community Dev.	$4,047,494	$16,598,749	$20,875,539	$23,753,022	$23,983,545	0.97%
Total Special Revenue Funds	$31,505,487	$47,662,870	$55,388,707	$59,708,729	$64,473,258	7.98%
Capital Projects Fund:						
Capital Improvement Projects	$20,217,115	$21,865,452	$149,506,389	$45,650,009	$107,556,646	135.61%
Total Capital Projects Fund	$20,217,115	$21,865,452	$149,506,389	$45,650,009	$107,556,646	135.61%
Enterprise Fund:						
Public Works; Solid Waste	$11,071,000	$11,302,200	$11,911,000	$13,842,000	$14,666,391	5.96%
Bull Run Mountain Serv. Dist. (A)	$67,500	$75,000	$83,500	$0	$0	---
Innovation @ Prince William	$330,750	$10,000	$0	$0	$0	---
Occoquan Forest Sanitary Dist.	$238,848	$0	$0	$0	$0	---
Total Enterprise Fund	$11,708,098	$11,387,200	$11,994,500	$13,842,000	$14,666,391	5.96%
Internal Service Funds:						
Public Works; Fleet Management	$3,290,307	$3,410,934	$3,750,838	$4,082,069	$4,898,085	19.99%
OIT; Data Processing	$9,032,437	$11,425,587	$12,200,659	$12,954,432	$14,607,025	12.76%
Medical Insurance	$0	$14,218,000	$17,343,000	$21,183,000	$25,453,000	20.16%
Public Works; Small Proj. Const.	$1,725,563	$1,757,849	$1,832,345	$2,004,993	$2,150,574	7.26%
Total Internal Service Funds	$14,048,307	$30,812,370	$35,126,842	$40,224,494	$47,108,684	17.11%
Fire And Rescue Levy Funds:						
Fire and Rescue Levy Total	$12,902,795	$16,330,925	$19,320,516	$21,494,647	$24,345,689	13.26%
Total Fire & Rescue Levy Funds	$12,902,795	$16,330,925	$19,320,516	$21,494,647	$24,345,689	13.26%

All Funds Revenue Summary (Cont.)

Department / Agency	FY 02 Adopted Revenue Bud.	FY 03 Adopted Revenue Bud.	FY 04 Adopted Revenue Bud.	FY 05 Adopted Revenue Bud.	FY 06 Adopted Revenue Bud.	% Change FY 05 to FY 06
Schools:						
Operating Fund	$411,982,748	$461,221,755	$510,105,909	$562,364,753	$644,093,636	14.53%
School Debt Service Fund	$28,273,092	$33,139,009	$38,127,720	$44,344,057	$48,429,423	9.21%
Construction Fund	$59,129,000	$95,640,000	$96,285,000	$58,080,418	$73,500,000	26.55%
Food Service Fund	$15,234,432	$17,048,744	$18,478,722	$21,097,174	$23,926,748	13.41%
Warehouse	$3,125,000	$3,125,000	$3,600,000	$4,250,000	$4,250,000	0.00%
Facilities Use Fund	$346,671	$467,404	$510,331	$505,666	$539,697	6.73%
Self Insurance Fund	$3,211,810	$4,135,081	$3,362,504	$3,601,101	$3,865,890	7.35%
Health Insurance Fund	$23,171,499	$24,761,814	$34,485,421	$40,023,848	$46,072,631	15.11%
Regional School Fund	$14,883,664	$18,760,155	$19,936,393	$20,512,009	$23,931,294	16.67%
Total Schools	$559,357,916	$658,298,962	$724,892,000	$754,779,026	$868,609,319	15.08%
Grand Total All Funds	**$1,120,094,771**	**$1,325,798,608**	**$1,599,687,530**	**$1,605,707,994**	**$1,878,697,280**	**17.00%**

(A) The Bull Run Mountain Service District budget has been reclassified from a Proprietary Fund Type to a Special Revenue Fund Type per GASB Fund Type definition.
(B) School Age Care was merged into the Office on Youth for FY 2006.