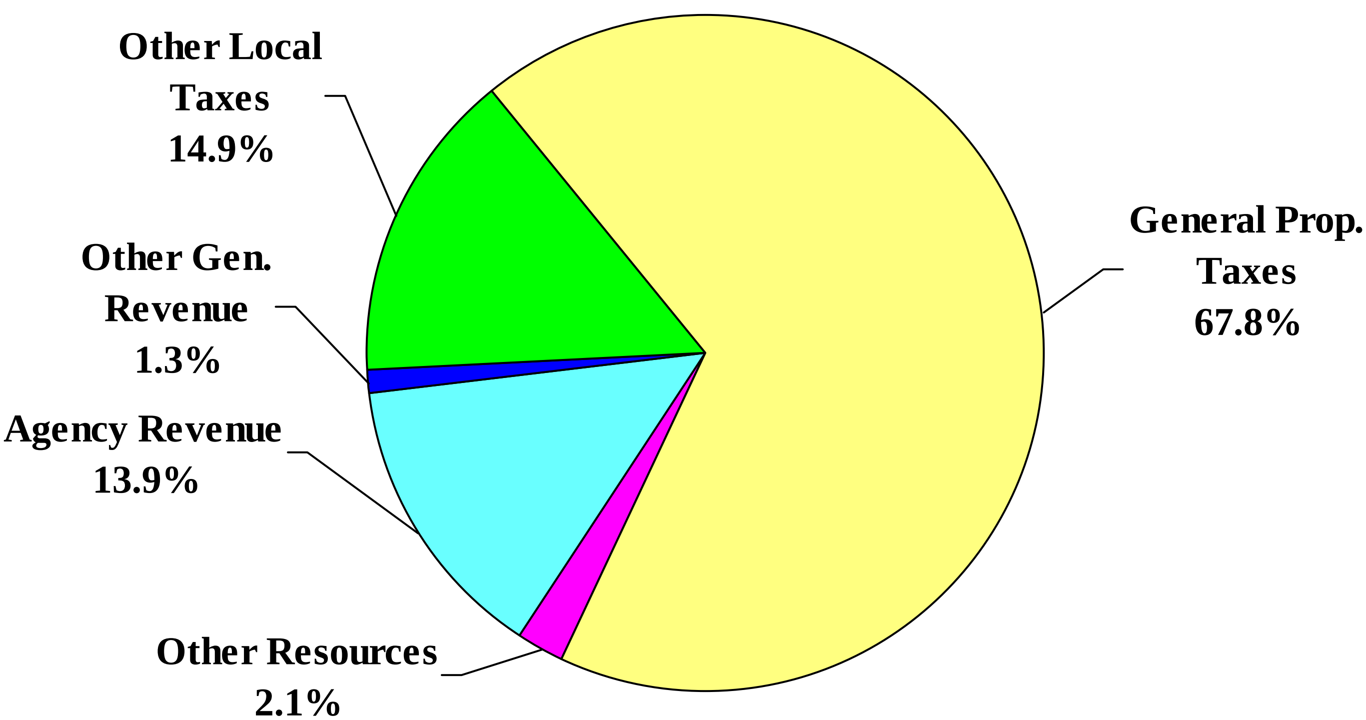
The General Fund accounts for all financial transactions and resources in Prince William County other than those required to be accounted for in another Fund. Thus, the General Fund is the largest and most important fund used by the County. The General Fund is divided into revenues and expenditures. This pie chart shows all FY 05 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 (67.8%) 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 (14.9%) 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 96.6% of total funding sources in the General Fund.

FY 05 Funding Sources
General Fund



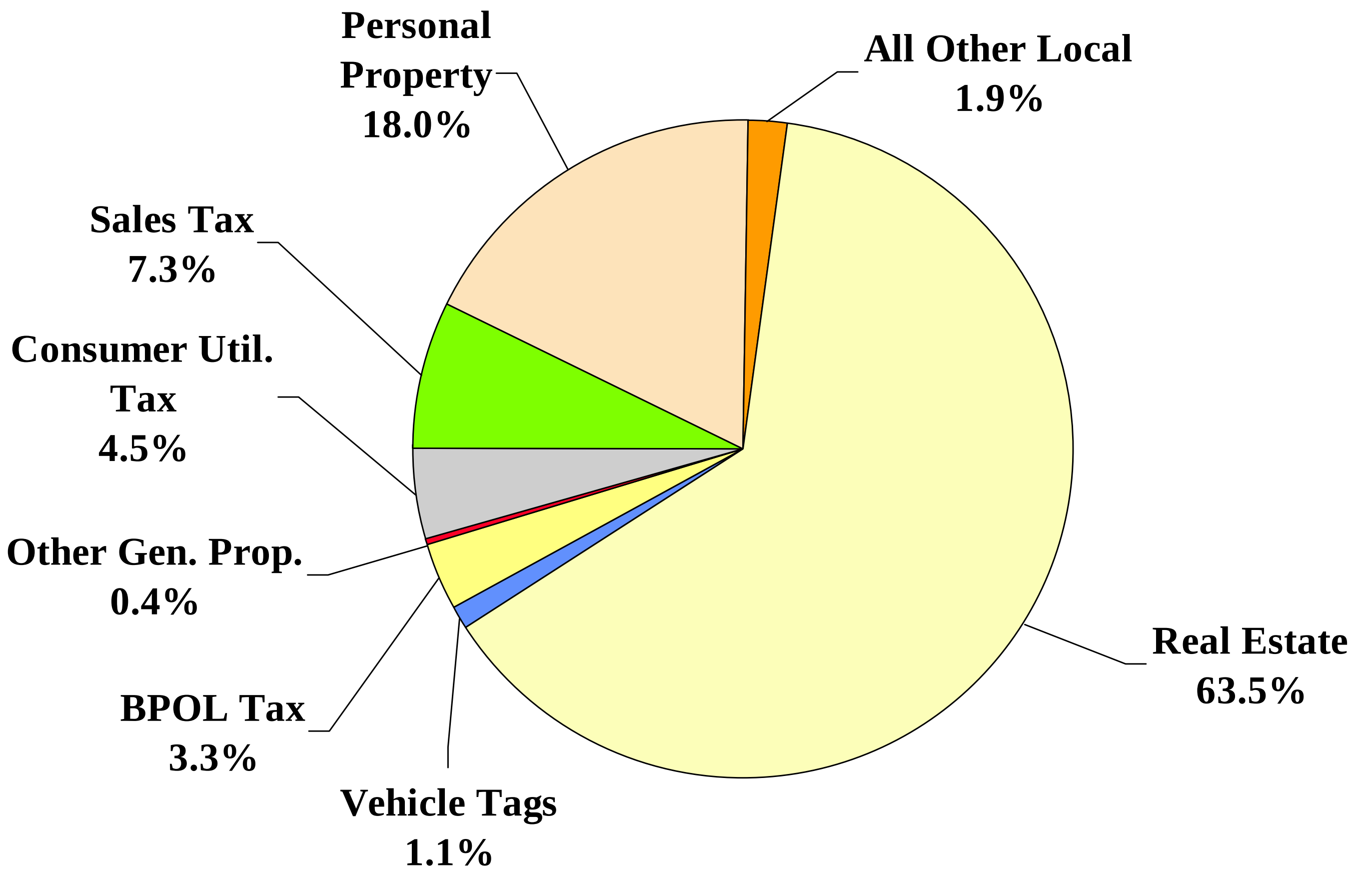
$680,971,398

Revenue Summary

This pie chart provides detail regarding the County's FY 05 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 (63.5%) comes from the real estate tax ($1.07 per $100 of assessed value) assessed on citizen's homes and real estate properties. The next largest source (18.0%) is Personal Property Taxes ($3.70 per $100 of assessed value) assessed on individual and business personal property. The next source (7.3%) 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 88.8% of total local tax dollars coming into the County. The smaller sources of tax dollars include:

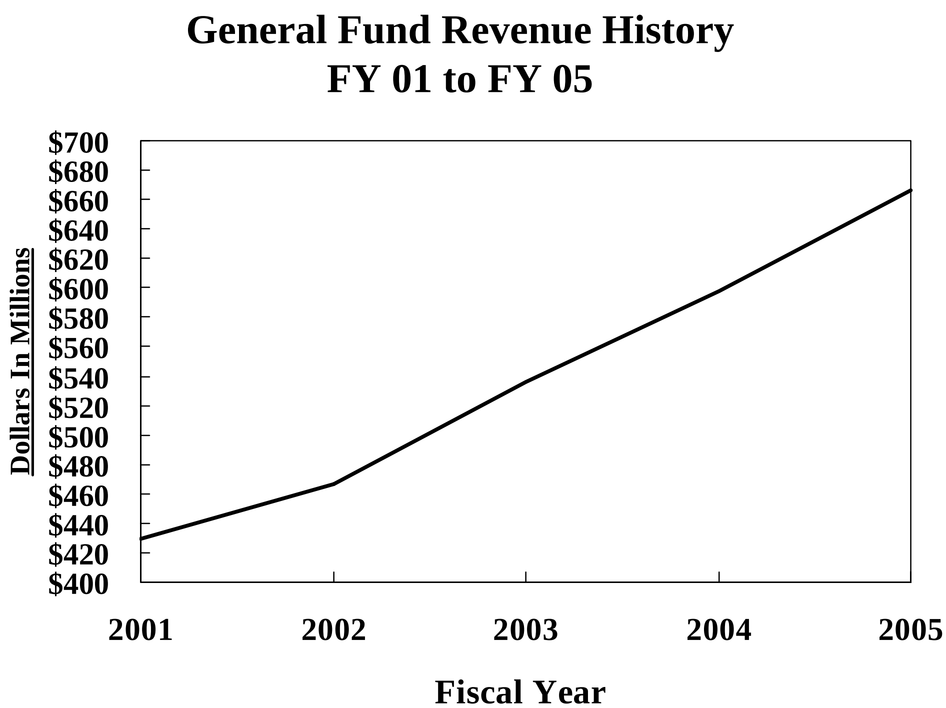
- Vehicle Tags (1.1%) received from the annual sale of automobile decals;
- All Other Local (1.9%) include miscellaneous tax sources such as Transient Occupancy Tax and Recordation Taxes;
- Other General Property (0.4%) is interest earned on all taxes;
- Business, Professional, Occupational License tax (3.3%) levied on the gross receipts of County businesses;
- Consumer Utility Tax (4.5%) levied on the consumers of telephone, electric and natural gas.

Detail of FY 05
Local Tax Sources

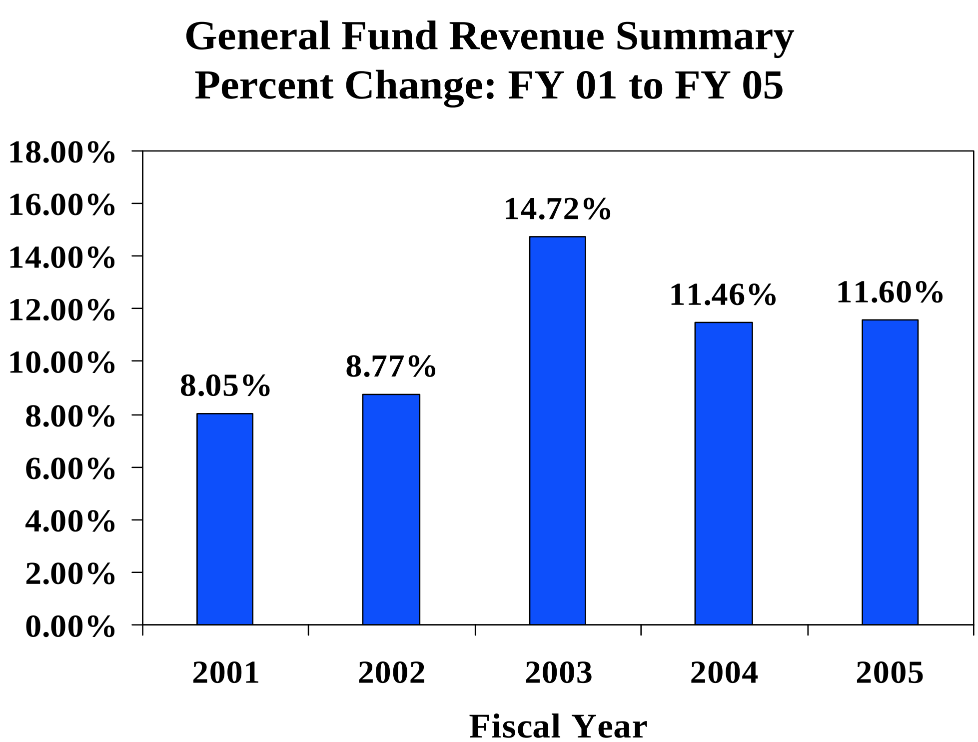


$563,508,835

As the following graphs show, total Prince William County General Fund Revenues have increased 55.2% from FY 01 Adopted to FY 05 Adopted (from $429.5 million to $666.6 million).



Note: All Years Adopted



Note: All Years Adopted

Revenue Projections - General Fund Non-Agency Revenue

Table 1. Revenue Estimates by Category

Acct. Code	GENERAL REVENUE SOURCE	FY2005 ESTIMATE	FY2006 ESTIMATE	FY2007 ESTIMATE	FY2008 ESTIMATE	FY2009 ESTIMATE
0010	REAL ESTATE TAXES	$349,901,000	$389,122,000	$423,631,000	$451,117,000	$484,314,000
	ROLLBACK SUPPLEMENT	1,250,000	1,000,000	750,000	500,000	250,000
0020	REAL ESTATE TAX EXONERATIONS	(4,565,000)	(4,682,000)	(4,668,000)	(4,516,000)	(4,846,000)
	SUBTOTAL	346,586,000	385,440,000	419,713,000	447,101,000	479,718,000
0041	R/E TAXES - PUBLIC SERVICE	10,299,000	10,185,000	10,188,000	10,190,000	10,292,000
0021	REAL ESTATE TAX DEFERRAL	(300,000)	(325,000)	(325,000)	(250,000)	(250,000)
0025	LAND REDEMPTION	540,000	528,000	520,000	514,000	510,000
0160	REAL ESTATE PENALTIES	1,239,000	1,378,000	1,500,000	1,598,000	1,715,000
TOTAL - - REAL ESTATE		**358,364,000**	**397,206,000**	**431,596,000**	**459,153,000**	**491,985,000**
0071	PERSONAL PROPERTY TAXES	100,794,000	111,015,000	123,771,500	137,200,500	152,166,000
0072	P/P - PRIOR YEAR	75,000	75,000	75,000	75,000	75,000
0081	P/P TAX DEFERRAL	($560,000)	($1,200,000)	($1,510,000)	($1,600,000)	($1,675,000)
0170	P/P PENALTIES	1,513,000	1,687,000	1,904,000	2,132,000	2,387,000
TOTAL - - PERSONAL PROPERTY		**101,822,000**	**111,577,000**	**124,240,500**	**137,807,500**	**152,953,000**
0210	**LOCAL SALES TAX**	**40,860,000**	**43,820,000**	**46,920,000**	**49,790,000**	**52,570,000**
0220	**CONSUMER UTILITY TAX**	**25,153,000**	**27,976,000**	**31,478,000**	**35,883,000**	**41,489,000**
0235	**BPOL TAXES - LOCAL BUSINESSES**	**17,311,000**	**18,565,000**	**19,878,000**	**21,094,000**	**22,272,000**
0510	**INVESTMENT INCOME**	**4,570,292**	**11,413,634**	**13,540,918**	**15,416,152**	**15,799,371**
0140	INTEREST ON TAXES	2,013,210	2,234,048	2,445,680	2,629,357	2,843,478
0250	VEHICLE DECALS - REGULAR	6,144,996	6,593,752	7,075,310	7,592,024	8,146,468
0260	RECORDATION TAX	5,770,000	5,913,066	6,515,130	7,075,735	7,268,765
0261	ADDITIONAL TAX ON DEEDS	3,200,000	3,456,585	3,594,849	3,738,643	3,888,189
0390	CABLE TV FEES	3,142,244	3,344,658	3,533,553	3,713,527	3,896,686
All OTHER REVENUE OVER $1.5 MILLION		**20,270,450**	**21,542,109**	**23,164,522**	**24,749,286**	**26,043,586**
0215	DAILY EQUIPMENT RENTAL TAX	159,000	168,540	178,652	189,372	200,734
0230	BANK FRANCHISE TAX	589,784	625,171	662,681	702,442	744,589
0236	BPOL TAXES - PUBLIC SERVICE	1,060,000	1,123,600	1,191,016	1,262,477	1,338,226
0270	TRANSIENT OCCUPANCY TAX	1,061,845	1,176,677	1,289,883	1,413,980	1,550,016
0520	INTEREST PAID TO VENDORS	(238,182)	(252,473)	(267,621)	(283,679)	(300,699)
0521	INTEREST PAID ON REFUNDS	(85,196)	(90,308)	(95,727)	(101,470)	(107,559)
1301	ABC PROFITS	240,000	300,000	360,000	360,000	360,000
1302	STATE WINE TAX	180,000	180,000	180,000	180,000	180,000
1303	ROLLING STOCK TAX	80,327	81,131	81,942	82,761	83,589
1304	PASSENGER CAR RENTAL TAX	548,670	554,157	559,699	565,296	570,949
1305	MOBILE HOME TITLING TAX	54,639	55,185	55,737	56,295	56,858
1700	FED PAYMENT IN LIEU OF TAXES	51,039	54,101	57,347	60,788	64,436
MISC.	ALL OTHER GENERAL REVENUE	11,759	12,464	13,212	14,005	14,845
ALL OTHER REVENUE UNDER $1.5 MILLION		**3,713,685**	**3,988,245**	**4,266,821**	**4,502,267**	**4,755,984**
TOTAL GENERAL REVENUE		**$572,064,427**	**$636,087,987**	**$695,084,761**	**$748,395,205**	**$807,867,941**

Prepared by the Department of Finance

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 63% of general revenues (FY05 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 – 010/020

Revenue History	Tax Rate[1]	Actual Revenue	Percent Change
FY1995	$1.36	$157,513,081	1.3%
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%
Current Estimate	**Tax Rate**	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$1.16	$303,140,000	13.7%
FY2004 (revised estimate)	1.16	306,000,000	14.8%
Forecast Revenue	**Tax Rate**	**Revenue Estimate**	**Percent Change**
FY2005	$1.07	$346,586,000	13.3%
FY2006	1.04	385,440,000	11.2%
FY2007	1.03	419,713,000	8.9%
FY2008	1.02	447,101,000	6.5%
FY2009	1.02	479,718,000	7.3%

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
1991-1993 - $1.36

Residential Real Estate

The residential real estate market in Prince William County continued its third year of swiftly rising home prices with appreciation exceeding 15% per year in most parts of the County. Residential real estate is again being considered an attractive investment with high short-term returns.

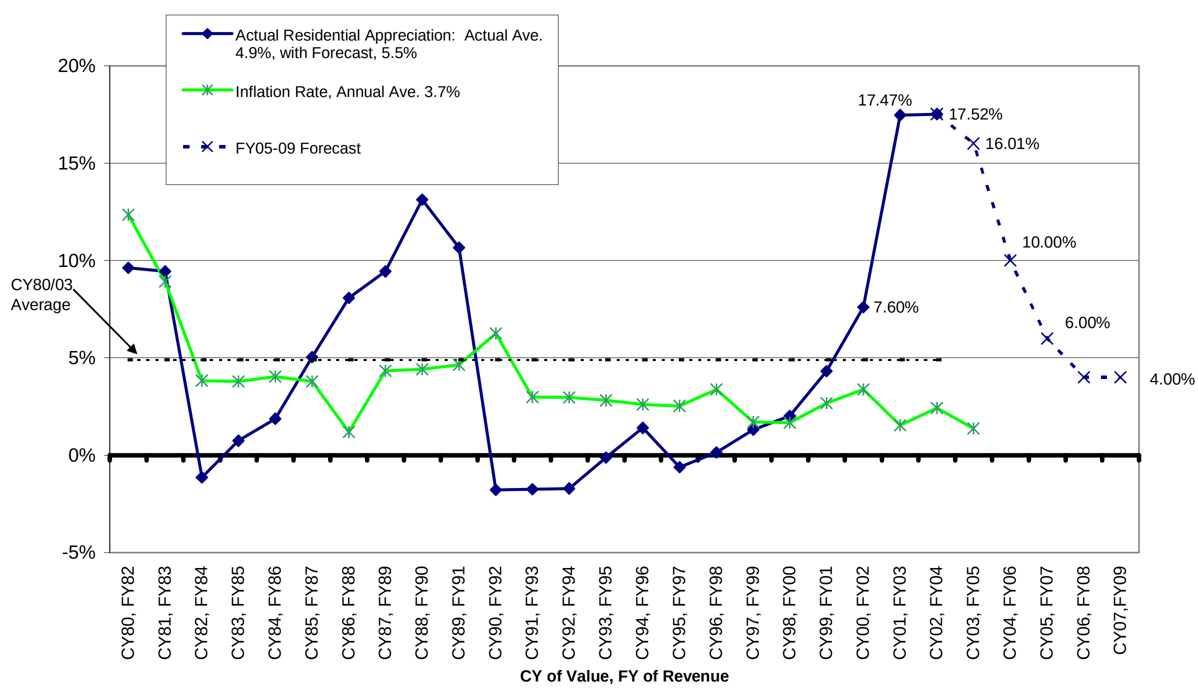
Demand for first-time-buyer homes priced less than $250,000 continued to be the strongest sector of the residential market during calendar year 2003—even as interest rates increased toward the end of the year. According to data from the Metropolitan Regional Information System, the number of homes sold in 2003 increased 17% over the prior year as the number of days on the market returned to a more stabilized timeframe of 30 days. The supply of homes on the market increased substantially during calendar year 2003 putting an end to many of the very short marketing times and bidding wars seen during calendar year 2002. Homes priced over $400,000 showed healthy increases in value, although not as high as lower priced homes, and marketing times increased to approximately 60 days in 2003 – an increase from 45 days in 2002.

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 2004 and the General Revenue Committee's estimates thereafter. The actual average from revenue years 1982 through 2004 is also reflected:

Figure 1. Average Annual Residential Real Estate Appreciation, 1982-2009



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
FY2005	16.01%	11.14%
FY2006	10.00%	7.0%
FY2007	6.00%	4.0%
FY2008	4.00%	3.0%
FY2009	4.00%	3.0%

Residential properties in Prince William County are expected to appreciate on average 16% overall for fiscal year 2005. Forecasters are predicting a very strong residential market in 2004 as the Washington area continues to outperform the national real estate market[2]. Key drivers in the Washington area's forecast are low unemployment, an increase in job growth, shrinking supply of land available for development inside the Capital Beltway, and historically low mortgage interest rates.

The forecast for residential appreciation beyond fiscal year 2005 reflects these market insights. Appreciation is expected to moderate to a rate of 10% in fiscal year 2006, 6% for fiscal year 2007, and 4% per year for fiscal years 2008 and 2009. Forecasters expect strong demand for homes to continue, but not at levels equal to those in fiscal year 2005; rather, appreciation will gradually decline to levels that resemble long-term annual averages.

Residential appreciation of 16% in Prince William County is comparable to neighboring Northern Virginia jurisdictions where the expected average appreciation rates range from 11% to 17%:

Table 4. Comparison of Estimated Residential Market Value Changes from 2003 to 2004

	Prince William County	Loudoun County	Fairfax County	City of Alexandria	Arlington County
All Residential (Excluding Rental Apartments)	16.01%	12%	11.29%	16.9%	15.4%

Apartments Market Value Change

Favorable conditions in the County's apartment market translate into an average increase in market value of 11.14% for fiscal year 2005. This increase is largely attributable to higher apartment rents and slightly lower capitalization rates. Demand for apartment units remained strong during calendar year 2003. Taking into consideration the expected small increases in vacancy beyond calendar year 2003, appreciation is estimated to continue at a lower rate of approximately 7.0% in fiscal year 2006, 4% in fiscal year 2007, and 3% per year in fiscal years 2008 and 2009.

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 2003 affects revenues beginning in fiscal year 2005.

[2] *Why Your House Will Be Worth More,* Washington Post, Jan. 3, 2004, p. F01.

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

Table 5. Residential Growth – Number of Units

Revenue Year	Total Residential Units	Single-Family	Townhouse	Condominium	Apartments
FY2000(a)	3,133	1,536	889	182	526
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	4,859	3,231	1,219	31	378
FY2006	4,275	3,000	1,000	75	200
FY2007	3,650	2,500	900	50	200
FY2008	3,225	2,300	700	25	200
FY2009	3,225	2,300	700	25	200

(a) - actual

Construction of 4,481 residential units and 378 apartment units was completed during calendar year 2003 which will generate revenues for fiscal year 2005. There were 93 fewer single family, townhouse and condominium homes constructed in 2003 while the number of apartment units increased by 128 units. According to the National Association of Home Builders, the new homes market hit record levels during 2003 with over one million new homes sold nationally. The volume of new home starts is expected to taper off during the forecast period with 4,075 units estimated for fiscal year 2006 down to 3,025 units forecast for fiscal years 2008 and 2009. Construction of new apartment units is forecast to stabilize at 200 units per year for fiscal year 2006 through 2009. Construction of a significant number of apartment projects in recent years has been driven by federal tax credit incentives. This trend is expected to continue throughout the forecast period.

Residential Values Per New Unit

The average assessed value of a new home constructed during 2002 was $327,671. Assessed values on average for new homes constructed during 2003 for fiscal year 2005 revenues is expected to increase 16.7% to $382,442. The forecast for residential appreciation of new units in fiscal years 2005 through 2008 is estimated at the same rate of appreciation as existing units.

The assessed value per new unit of apartment properties increased to $80,000 per unit for fiscal year 2005 from $65,235 for fiscal year 2004. This significant increase in unit value was not driven by appreciation. Rather, it was because in 2002 there were a greater number of smaller one and two bedroom units constructed pulling the average assessed value down.

For fiscal year 2005, the average assessed value of a new condominium unit is expected to be $261,470 which is higher than the expected average value of a townhouse unit of $258,473. There has been a trend in recent years toward the construction of larger townhouse style condominium units and luxury waterfront mid-rise condominium units. This difference in value is carried throughout the forecast period.

Table 6. New Residential Assessed Value per New Unit

Revenue Year	Overall Residential (Excluding Apts.)	Single-Family	Townhouse	Condominium	Apartment
FY2000(a)	$181,000	$223,000	$126,000	$100,000	$50,000
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	382,442	430,374	258,473	261,470	80,000
FY2006	423,575	473,400	284,300	287,600	85,600
FY2007	446,668	501,800	301,400	304,900	89,000
FY2008	471,983	521,900	313,500	317,100	91,700
FY2009	490,871	542,800	326,000	329,800	94,500

(a) - actual

Commercial Real Estate

Calendar year 2002 activity in Prince William County resulted in commercial properties appreciated 3.8% on average for fiscal year 2004 revenues. The industrial and office sectors experienced the greatest level of appreciation at approximately 9.5% each. Retail properties appreciated approximately 6% on average while the assessed values of hotels and special purpose properties showed little change in value overall.

The outlook for fiscal year 2005 is expected to bring appreciation of 11.9% overall for commercial properties. Retail and industrial properties are expected to show the highest rates of appreciation. Office and vacant commercial land properties are expected to show moderate rates of appreciation while the value of hotels is expected to show some decreases in value. Commercial appreciation for fiscal years 2006 through 2009 is expected to stabilize at approximately 3% per year.

Average assessed values per square foot for fiscal year 2005 are determined based on the added building value resulting from new construction completed during calendar year 2003.[3] 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
FY2001(a)	1.8%
FY2002(a)	9.7%
FY2003(a)	6.7%
FY2004(a)	3.8%
FY2005	11.9%
FY2006	3.0%
FY2007	3.0%
FY2008	3.0%
FY2009	3.0%

(a) - actual

Commercial properties are categorized into five property types: retail, office, hotel, industrial, and special purpose. For fiscal year 2005, a total of 1,026,817 commercial square feet is expected to be added to the assessment rolls.

[3] 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 increase in fiscal years 2006 and 2007 to a peak of nearly 1.5 million square feet then return 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. A 11.9% increase in assessed value is expected for fiscal year 2005 and 3% appreciation per year is forecast for fiscal years 2006 through 2009.

Retail

New construction in the retail sector accounted for 38% of all commercial/industrial growth for fiscal year 2005 adding nearly 400,000 square feet to the tax base. Two new shopping centers—Somerset and Braemar Village—were completed along with several general retail properties including restaurants, banks, and other stand-alone type retail uses such as the new Wal-mart store on Liberia Avenue. Growth in retail properties forecast for fiscal years 2006 to 2009 includes large retail projects currently under construction such as the Lowe's and Target stores at Virginia Gateway and Wal-mart at Southbridge. In each year of the forecast, the greatest percentage of the growth square footage occurs within the retail sector.

Nearly half of the assessed value within the commercial/industrial tax base is within the retail sector. Shopping center properties show the highest levels of appreciation within the retail sector while general commercial properties show moderate levels of appreciation for fiscal year 2005. The retail sector is forecast to remain strong throughout the forecast period.

Industrial

Nearly half of new construction for fiscal year 2005 occurred within the industrial sector adding 526,000 square feet to the commercial/industrial base. New construction completed during 2003 within the industrial sector includes several new warehouses, temporary construction offices at the Eli Lilly site, manufacturing buildings, and industrial equipment repair facilities. Growth within the industrial sector is expected to remain stable throughout the forecast period with approximately 275,000 square feet added to the tax base for fiscal year 2006 and 250,000 square feet added per year for fiscal years 2007 to 2009.

Industrial properties show moderate levels of appreciation overall for fiscal year 2005. This rate of appreciation is expected to hold through the forecast period as Prince William County continues to show a high demand by transportation based businesses and support service companies seeking space of 3,000 to 5,000 square feet.

Hotels

Construction of the 29,492 square foot Days Inn at Yorkshire was completed during calendar year 2003. Three hotels currently under construction at the intersection of Interstate 95 and the Prince William Parkway comprise the fiscal year 2006 forecast of an additional 198,000 square feet within the hotel sector. Two to three new hotels are expected during fiscal years 2007 to 2009 at an average rate of approximately 60,000 square feet per year.

The hotel market suffered in Prince William County during 2003 as occupancy levels and average daily room rates showed little growth or slight decreases in some locations. Assessed values of some hotels are expected to decrease slightly for fiscal year 2005. Other Northern Virginia jurisdictions report that their hotel markets are stabilizing after declines in value since calendar year 2001. Assessed values of hotels are expected to remain somewhat stable during the out-years of the forecast period.

Office Buildings

Construction of several new office buildings were completed during calendar year 2003 adding a total of 78,062 square feet to the commercial base. They include Battlefield Overlook, the twin Milic buildings, Quaker Homes Offices, and office condominiums at Darby Brook Condos. Growth within the office sector is expected to be strong during the forecast period with the addition of 150,000 square feet per year for fiscal years 2006 and 2007 and 100,000 square feet per year for fiscal years 2008 and 2009. The forecast includes office properties already beginning construction or planned office properties such as Heritage Center, Potomac Office Park, Quantico Center, County Center, and Prince William Commons.

Higher office rents are forecast to drive the moderate increases in assessed value for office properties for fiscal year 2005. 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. It appears that lessons were learned from the fall of the office market in the early 1990's as fewer high-risk speculative deals and ownership flips are being made today within the region.

Special Purpose

Properties within the special purpose category through fiscal year 2003 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 when construction of the first section of Eli Lilly's insulin manufacturing facility is completed. Assessed values are expected to remain stable during the forecast period. Forecasters believe the situation for real estate within the technology sector cannot get much worse and is expected to rebound into a soft recovery during the forecast period.

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
FY2000(a)	$ 49	$66	n/a	$37	n/a
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	95	83	92	56	125
FY2006	98	85	95	58	129
FY2007	101	88	98	59	133
FY2008	104	91	101	61	137
FY2009	107	93	104	63	141

Table 9. New Commercial Construction Square Footage

Revenue Year	Total Commercial	Retail	Office	Hotel	Industrial	Special Use Properties
FY2000(a)	635,175	475,680	50,995	0	108,500	0
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	1,026,817	393,109	78,062	29,492	526,154	0
FY2006	1,123,000	500,000	150,000	198,000	275,000	0
FY2007	1,446,400	500,000	150,000	60,000	250,000	486,400
FY2008	960,000	350,000	100,000	60,000	250,000	200,000
FY2009	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.

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
FY1994	1.36	$10,860,738	2.3%
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%)
Current Estimate		**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$1.16	$10,558,000	(4.8%)
FY2004 (revised estimate)	1.16	10,972,799	(1.0%)
Forecast Revenue		**Revenue Estimate**	**Percent Change**
FY2005	$1.07	$10,299,000	(6.1%)
FY2006	1.04	10,185,000	(1.1%)
FY2007	1.03	10,188,000	0.0%
FY2008	1.02	10,190,000	0.0%
FY2009	1.02	10,292,000	1.0%

Historically, all market value changes within the public service classification have been attributable to new construction growth. Growth during the forecast period is expected at 1.75% for fiscal years 2005 and 2006 during which time the construction of Dominion Virginia's new power generation units is expected to be completed at their Possum Point facility. Growth within the public service properties is expected to stabilize at a rate of 1% per year for fiscal years 2007 to 2009. 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

	FY05	FY06	FY07	FY08	FY09
Public Service Growth	1.75%	1.75%	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 in unpaid real estate taxes is recorded as revenue in real estate tax deferrals.

If the 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 in unpaid real estate taxes 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
FY1995	$ 1,644,285	40.7%
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%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$ (350,000)	(148.3%)
FY2004 (revised estimate)	200,000	(72.4%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$ (300,000)	(250.0%)
FY2006	(325,000)	(8.3%)
FY2007	(325,000)	0.0%
FY2008	(250,000)	23.1%
FY2009	(250,000)	0.0%

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 unpaid property tax as a percent of the levy was revised to 5.5% by FY2005.

At the end of FY2003, the percentage of unpaid property taxes compared to the FY2003 levy was 4.4%. The updated forecast for FY2004 is 3.7% which is the County's best unpaid property tax rate since data was first collected in 1971. Continuing this positive trend, the FY05 forecast assumes an unpaid property tax rate of 3.5%.

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
FY1995	$1,241,860	188.3%
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%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$ 852,640	(18.0%)
FY2004 (revised estimate)	400,000	(61.5%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$ 540,000	35.0%
FY2006	528,000	(2.2%)
FY2007	520,000	(1.5%)
FY2008	514,000	(1.2%)
FY2009	510,000	(0.8%)

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 FY2005 to FY2009 estimate assumes 30% 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 the 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

FY2003	$1,793,000
FY2004	1,800,000
FY2005	1,760,000
FY2006	1,732,000
FY2007	1,712,000
FY2008	1,699,000
FY2009	1,689,000

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
FY1995	$ 879,717	(23.8%)
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%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$1,084,000	3.5%
FY2004 (revised estimate)	1,084,000	3.5%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$1,239,000	14.3%
FY2006	1,378,000	11.2%
FY2007	1,500,000	8.9%
FY2008	1,598,000	6.5%
FY2009	1,715,000	7.3%

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 85% of personal property tax revenue is forecast in FY2005 to be generated by motor vehicles, trailers, and motor homes. The remaining 15% 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
FY1994	$ 33,293,078	9.0%
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%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$ 90,877,000	6.9%
FY2004 (revised estimate)	94,850,000	11.6%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$ 101,794,000	6.3%
FY2006	111,015,000	10.1%
FY2007	123,771,500	11.5%
FY2008	137,200,500	10.8%
FY2009	152,166,000	10.9%

Personal Property Tax on Vehicles - 071/079/1308

The tax on motor vehicles is prorated by the number of months the vehicle is located within the County. 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.[4]

Individual Personal Property Tax

A portion of the tax due on most personal use vehicles is paid directly to the County under the Personal Property Tax Relief Act (PPTRA). Beginning in the tax year 2001, the State paid the County 70% of the tax due on the first $20,000 of assessed value for qualified vehicles. When the taxpayer has paid his portion of the tax in full, the County submits a request to the State for the balance of the tax bill. Since PPTRA simply splits the payment of the tax between the individual taxpayer and the State, it has no direct impact on the personal property tax revenue forecast.

The personal property tax revenue from vehicles estimate is based on the percentage increase in the average assessed value per vehicle and the percentage change in the number of units billed.

Percentage Increase in the Average Assessed Value per Vehicle

The average assessed value per vehicle located in the County increased by 2.8% in FY2004 (calendar year 2003) from the previous year. The FY2005 (calendar year 2004) forecast assumes the increase in average assessed value will decrease to 1.0%. Continued dealership incentives on new vehicles caused by large inventories have caused a declining market for used vehicles. This has accelerated the depreciation of existing vehicles.

[4] Values are derived from the sales records collected for each vehicle. Once this data is processed, NADA editors analyze current market conditions pertaining to each vehicle to determine accurate fair market values. NADA works independently of any third party special interest group to arrive at the most accurate, reliable, unbiased vehicle values in the industry. All localities in Virginia use NADA as their primary valuation guide for cars, light trucks, and SUV's.

However, the overall average assessed value is expected to increase due to economic characteristics that include:

- Population growth;
- The rate of replacing old vehicles with new vehicles;
- The price of new vehicles

Although existing vehicle values will depreciate at a greater rate than in prior years, new construction (of higher valued homes whose residents tend to own higher valued vehicles), and strong new car sales will keep the overall average assessed value at the same level in FY2005 as in FY2004.

Percentage Change in Number of Vehicles Billed

The average percentage change in the number of units billed increased by 7.6% between FY2003 and FY2004 (as seen in Table 18). 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 FY2005 estimate assumes an increase of 7.6%.

One of the most significant factors affecting the number of vehicle units is the fact that the number of vehicles per household has been increasing. According to Paul Taylor, an economist at NADA, the number of vehicles per household has increased in the past ten years from 1.60 to 1.85 – a 0.25 vehicle increase. In Prince William County, the number of vehicles per household has increased at a slightly higher rate of 0.3 units per household in just the past five years (2.1 vehicles in 1998 to 2.4 vehicles to 2003).

A factor influencing the increase in vehicle units per household may be automobile manufacturer incentives. According to market experts, manufacturers are expected to continue steep rebates and incentives in order to sell new vehicles. Many purchasers simply keep their old vehicles rather than selling them since trade-in values are so low and having a second vehicle can be useful.

Table 17. Average Assessed Value per Vehicle

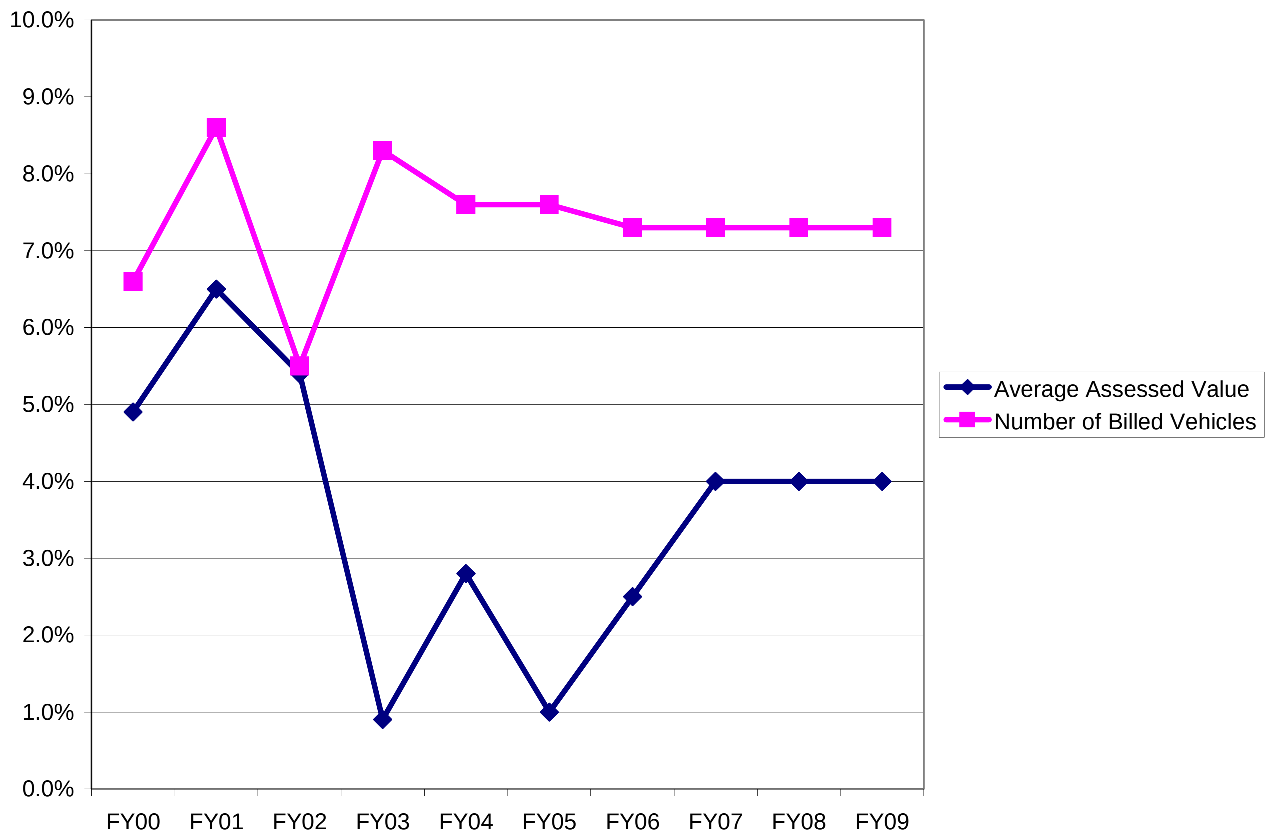
	Percent Increase	Dollar Value
FY2000(a)	4.9%	$7,275
FY2001(a)	6.5%	7,750
FY2002(a)	5.4%	8,169
FY2003(a)	0.9%	8,242
FY2004	2.8%	8,475
FY2005	1.0%	8,560
FY2006	2.5%	8,774
FY2007	4.0%	9,129
FY2008	4.0%	9,499
FY2009	4.0%	9,884

(a) – actual

Table 18. Percent Change in Number of Billed Vehicles

FY2000(a)	6.6%
FY2001(a)	8.6%
FY2002(a)	5.5%
FY2003(a)	8.3%
FY2004	7.6%
FY2005	7.6%
FY2006	7.3%
FY2007	7.3%
FY2008	7.3%
FY2009	7.3%

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



Housing Units

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. (Refer to Table 26)

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 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 60% and 14% of taxes on business equipment respectively. Taxes on computer equipment comprise the remaining 26%.

Computer equipment represented 4% of taxes levied on business equipment in FY2002. Computer equipment currently accounts for 26% of all taxes levied on business equipment. The change is due to the location of AOL's technology center facilities in the County. The computer assets located in the facility were first taxable in FY2002.

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
FY2005	$75,000	1.4%
FY2006	75,000	0.0%
FY2007	75,000	0.0%
FY2008	75,000	0.0%
FY2009	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 in unpaid personal property taxes is recorded as revenue in personal property tax deferrals.

If the 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 in unpaid personal property taxes is recorded as negative revenue in personal property tax deferrals.

Table 20. Revenue Summary – Personal Property Deferrals – 081

Revenue History	Actual Revenue	Percent Change
FY1995	$ (1,132,000)	(261.7%)
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%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$ (1,550,000)	(135.7%)
FY2004 (revised estimate)	2,250,000	(48.2%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$ (560,000)	(124.9%)
FY2006	(1,200,000)	(214.3%)
FY2007	(1,510,000)	(25.8%)
FY2008	(1,600,000)	(6.0%)
FY2009	(1,675,000)	(4.7%)

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 unpaid property tax as percent of the levy was revised to 5.5% by FY2005.

At the end of FY2003, the percentage of unpaid property taxes compared to the FY2003 levy was 4.4%. The updated forecast for FY2004 is 3.7%, which is the County's best unpaid property tax rate since data was first collected in 1971. Continuing this trend, the FY2005 forecast assumes an unpaid property tax rate of 3.5%.

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
FY1995	$ 1,072,323	17.2%
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%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$ 1,545,000	0.1%
FY2004 (revised estimate)	1,545,000	0.0%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$ 1,513,000	(2.1%)
FY2006	1,687,000	11.5%
FY2007	1,904,000	12.9%
FY2008	2,132,000	12.0%
FY2009	2,387,000	12.0%

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
FY1995	$21,547,645	8.7%
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%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$38,095,500	8.2%
FY2004 (revised estimate)	38,400,000	9.0%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$40,860,000	6.4%
FY2006	43,820,000	7.2%
FY2007	46,920,000	7.1%
FY2008	49,790,000	6.1%
FY2009	52,570,000	5.6%

Prince William County's most recent two to three years' experience with sales tax has reflected a normal pattern of annual growth. During the period of recession, prior to the beginning of FY2004, many surrounding jurisdictions experienced weakened, and in some cases decreased, sales tax revenues. Prince William County did not experience the same weakness in sales tax revenue that was experienced by other Northern Virginia jurisdictions during the recession.

Beginning in FY2004, the various surrounding jurisdictions began seeing improvements in their sales tax revenues. For example: Fairfax County's sales tax revenue from June through November 2003 ranged from 108-125% of sales tax revenues generated during the same period in the prior year. Most of the other Northern Virginia jurisdictions' sales tax in the second half of calendar year 2003 displayed 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[5]

		2003	
	QTR 1	QTR 2	QTR 3
Fairfax County	104.1%	104.3%	104.7%
Alexandria	101.3%	103.3%	100.1%
Arlington	106.1%	103.8%	104.3%
Prince William County	103.1%	108.3%	103.8%

Prince William County experienced significant positive growth in sales tax receipts in both the calendar and FY2003. The other Northern Virginia jurisdictions have also begun to improve in this revenue source.

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.

In the FY2005 forecast, retail sales tax revenue was increased over the prior year by the increase in population growth plus the increase in inflation.

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

Population Growth

The retail sales tax estimate is also 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 14,766 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). 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
FY2002		309,351	
FY2003	12,219	321,570	3.9%
FY2004	14,685	336,255	4.6%
FY2005	14,766	351,021	4.3%
FY2006	13,099	364,120	3.7%
FY2007	11,156	375,276	3.1%
FY2008	9,877	385,152	2.6%
FY2009	9,877	395,029	2.6%

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 new consumption-based tax rate should be revenue neutral with respect to the previous dollar-based tax rate.

The levy for electricity consumption based on kilowatt hours (kWh)[6] 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)[7] 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.

[6] 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.

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

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.

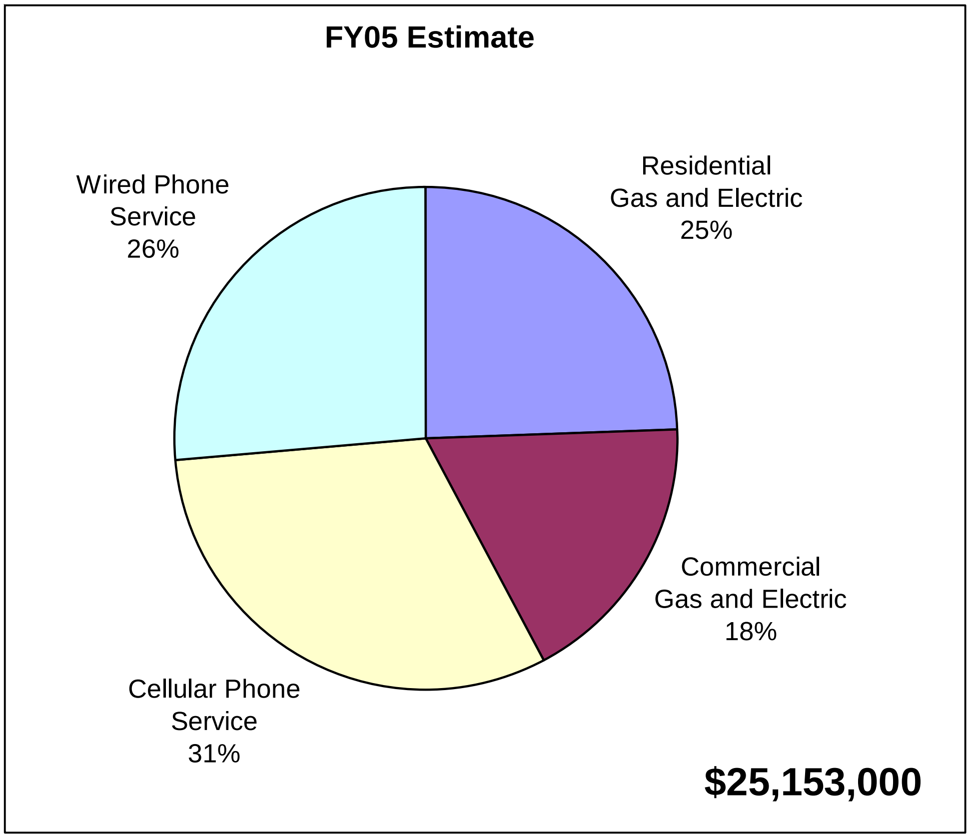
Since consumer utility taxes are capped, inflation is not a factor in the five year forecast.

Table 25. Revenue Summary – Consumer Utility Tax – 220

Revenue History	Actual Revenue	Percent Change
FY1994	$11,467,271	5.6%
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%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$22,245,000	9.8%
FY2004 (revised estimate)	22,700,000	12.1%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$25,153,000	10.8%
FY2006	27,976,000	11.2%
FY2007	31,478,000	12.5%
FY2008	35,883,000	14.0%
FY2009	41,489,000	15.6%

The forecast is comprised of four components: (1) residential gas and electric, (2) commercial gas and electric, (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 2005: It is interesting to note that the Fiscal 2005 forecast indicates that revenues collected from cellular phone service will surpass revenues collected from wired phone service.

Figure 3. Four Major Categories of Consumer Utility Tax Revenue



Housing Units

Residential consumer utility tax revenue is forecasted by multiplying the expected number of housing units, including apartments, for the forecast year by the estimated amount of revenue per home.

Table 26. Housing Units

	Total Units
FY2005	112,223
FY2006	116,498
FY2007	120,148
FY2008	123,373
FY2009	126,598

Number of Businesses

The change in the commercial component is based on the number of businesses from BPOL filings and a projected rate of business growth. The projected number of businesses is multiplied by an estimate of the average amount of taxes paid by each business. The following is the projected number of businesses and percent changes over the 5-year forecast:

Table 27. Projected Change in Number of Business

	Number of Businesses	Change
FY2005	7,991	3.68%
FY2006	8,286	3.69%
FY2007	8,592	3.69%
FY2008	8,909	3.69%
FY2009	9,238	3.69%

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. According to the Federal Communications Commission, about 29% of households had second phone lines in 1999, compared to only about 3% in 1988.[8]

A multi-year trend analysis is the basis for the 5-year forecast. Future growth is likely to slow as many homes have added the new lines they want as well as the advent of wireless telecommunications and cable internet access. Therefore, an approximate historical average growth rate is used in the forecast rather than an accelerating growth rate.

Table 28. Change in Wired Revenue Activity

	Change
FY2000(a)	12.52%
FY2001(a)	6.41%
FY2002(a)	0.38%
FY2003(a)	0.61%
FY2004(est.)	1.75%
FY2005	1.00%
FY2006	1.00%
FY2007	1.00%
FY2008	1.00%
FY2009	1.00%

(a) – actual

.[8] "Callers Cut Off Second Phone Lines for Cell Phones and Cable Modems", *The Wall Street Journal*, Nov. 15, 2001, p. C-1

Cellular Phone Revenue

A five-year analysis of County revenue from taxes on cell phones shows that the rate of growth has slowed to an average of 46%. It is uncertain if this amount of growth can continue into the future due to market saturation. The forecast for the next five fiscal years is based on the approximate growth rate historical average since Fiscal 1998.

Table 29. Change in Cellular Phone Revenue Activity

	Change
FY2000(a)	43.60%
FY2001(a)	50.64%
FY2002(a)	66.89%
FY2003(a)	11.16%
FY2004 (est.)	58.00%
FY2005	30.0%
FY2006	30.0%
FY2007	30.0%
FY2008	30.0%
FY2009	30.0%

(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 2004 is gross revenue receipts from calendar year 2003. Therefore, forecasting 2004 gross receipts (FY05) 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
FY1995	$ 7,028,822	9.6%
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%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$15,639,761	5.4%
FY2004 (revised estimate)	16,750,000	12.9%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$17,311,000	3.3%
FY2006	18,565,000	7.2%
FY2007	19,878,000	7.1%
FY2008	21,094,000	6.1%
FY2009	22,272,000	5.6%

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. Therefore, the BPOL revenue forecast is based closely on projected local retail sales tax revenue.

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 – 510

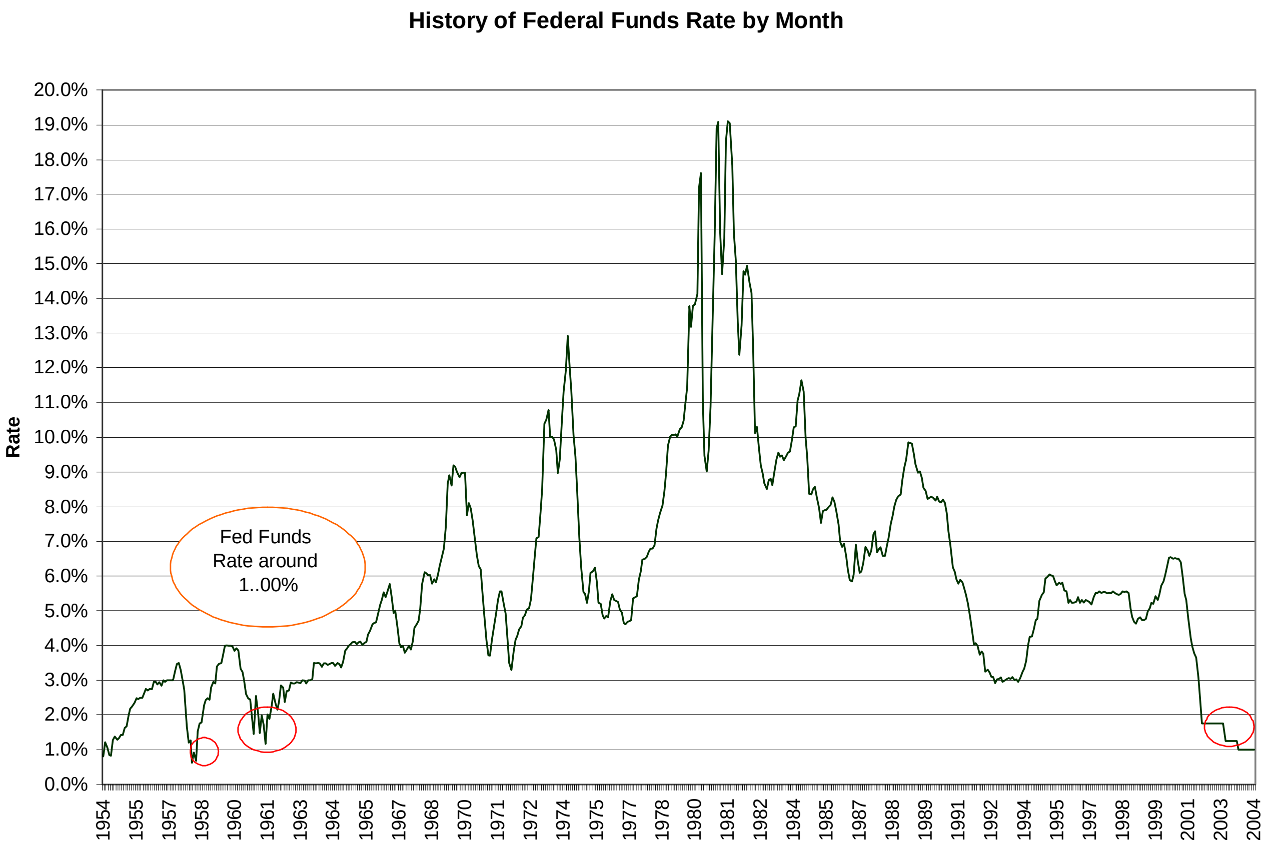
Revenue History	Actual Revenue	Percent Change
FY1995	$ 6,545,320	14.6%
FY1996	8,077,038	23.4%
FY1997	7,642,069	(5.4%)
FY1998	8,364,953	9.5%
FY1999	6,788,336	(18.8%)
FY2000	9,479,253	39.6%
FY2001	11,809,529	24.9%
FY2002	7,442,158	24.9%
FY2003	5,358,898	(28.0%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$7,256,000	35.4%
FY2004 (revised estimate)	4,223,431	(21.2%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$ 4,570,292	8.2%
FY2006	11,413,634	149.7%
FY2007	13,540,918	18.6%
FY2008	15,416,152	13.8%
FY2009	15,799,371	2.5%

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 Federal Reserve target rate to 1.00%. The rate cuts in 2001 represented the steepest one-year drop in the money market target rate since the early 1980's. The last rate reductions by the Fed in November 2002 and June 2003 brought the Fed Funds target rate to its lowest level since 1958. 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 purchase of 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 and the projected yield for FY05-09 juxtaposed against the Fed Funds rate target:

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 25% 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 25% of that growth as the determining factor for the growth rate of the portfolio size.

Table 32. Portfolio Size

	Value
FY2005	$450,000,000
FY2006	464,535,350
FY2007	477,633,776
FY2008	489,401,641
FY2009	501,567,323

Table 33. Growth Rate of Revenues and 25% Thereof for the Portfolio

	Growth Rate	25% of Growth Rate
FY2005	11.6%	2.91%
FY2006	10.8%	2.70%
FY2007	8.5%	2.12%
FY2008	8.2%	2.05%
FY2009	8.1%	2.01%

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 Tables 4 and 5.

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
FY1995	$1,785,008	(7.8%)
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%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$2,364,102	18.0%
FY2004 (revised estimate)	1,500,000	(25.1%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$2,013,210	34.2%
FY2006	2,234,048	11.0%
FY2007	2,445,680	9.5%
FY2008	2,629,357	7.5%
FY2009	2,843,478	8.1%

The revenue estimate is computed by multiplying the fixed percentage of 0.45% 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 and 0.56% in FY03.

The revenue forecast assumes real estate and personal property collections will continue to increase. Therefore, the interest on taxes estimate has been lowered to 0.45 percent of real estate and personal property tax revenue

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
FY1995	$ 3,543,969	3.2%
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%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$ 5,692,000	4.6%
FY2004 (revised estimate)	5,800,000	6.6%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$ 6,144,996	5.9%
FY2006	6,593,752	7.3%
FY2007	7,075,310	7.3%
FY2008	7,592,024	7.3%
FY2009	8,146,468	7.3%

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. The recordation tax rate is $2 per $1,000 of value. The State receives 75% of the revenue generated by this tax, while each locality receives 25% (equal to $0.50 per $1,000 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
FY1995	$1,161,164	(27.7%)
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%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$5,700,000	(11.9%)
FY2004 (revised estimate)	7,750,000	19.7%

Forecast Revenue	Revenue Estimate	Percent Change
FY2005	$5,770,000	(25.5%)
FY2006	5,913,000	2.5%
FY2007	6,515,130	10.2%
FY2008	7,075,735	8.6%
FY2009	7,268,765	2.7%

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 2003 was 5.8% which is a decrease from the 2002 average of 6.5%.[9]

Although mortgage rates are not expected to increase substantially in 2004 (MBA forecasts a rate of 6.1%), mortgage refinancings are expected to decline dramatically. MBA forecasts that refinancings as a percentage of total mortgage originations will decrease from 66% in 2003 to only 46% in 2004.[10] This represents a 30% decrease in revenues generated by refinancings.

The revenue forecast anticipates recordation tax revenues to decrease in FY2005 due to the expected decline in mortgage refinancings. Thereafter, revenues will gradually increase as the sales of new and existing homes appreciate in value.

[9] MBA Long-term Mortgage Finance Forecast, April 14, 2004, Mortgage Bankers Association of America
[10] Ibid

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 37. 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%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$2,300,000	9.6%
FY2004 (revised estimate)	2,600,000	23.9%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$3,200,000	23.1%
FY2006	3,456,585	8.0%
FY2007	3,594,849	4.0%
FY2008	3,738,643	4.0%
FY2009	3,888,189	4.0%

The strength in the residential housing market, brought about by low interest rates, has caused this revenue to surge in recent years. This strength will likely continue through fiscal year 2005 with a strong housing market in the County and mortgage interest rates remaining relatively low. However, interest rates will probably increase and slow the future growth of tax revenues generated by deed recordations.

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 38. Revenue Summary – Cable TV Fees – 390

Revenue History	Actual Revenue	Percent Change
FY1994	N/A	--
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%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY2004 (adopted budget)	$3,513,000	30.1%
FY2004 (revised estimate)	2,913,000	(11.1%)
		7.9%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY2005	$3,142,244	7.9%
FY2006	3,344,658	6.4%
FY2007	3,533,553	5.6%
FY2008	3,713,527	5.1%
FY2009	3,896,686	4.9%

The revenue forecast is based on the increase of new housing units and an estimated 3% annual growth of cable TV services and rates. Revenue in FY2003 and FY2004 was down approximately $450,000 and $600,000 respectively because of federal government action resulting in the loss of fees charged by cable service providers on internet access charges. This legal development was factored in developing the FY2005-2009 revenue forecast.

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 2005 – 2009 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 39. Miscellaneous Revenue Sources

Revenue Source	Actual FY2001	Actual FY2002	Actual FY2003	Revised Estimate FY2004	Estimated 2005
Daily Rental Equipment Tax - 215	$ 127,719	$ 233,398	$ 150,115	$ 150,000	$ 159,000
Bank Franchise Tax – 230	502,873	530,610	431,518	556,400	589,784
BPOL Taxes- Public Service–236	932,755	852,364	999,960	1,000,000	1,060,000
Transient Occupancy Tax – 270	867,013	854,149	854,749	916,000	1,061,845
Misc. Business Licenses - 380	5,600	4,800	5,600	0	5,826
Interest Paid to Vendors – 520	(202,578)	(218,872)	(258,025)	(305,074)	(238,182)
Interest Paid on Refunds – 521	(25,909)	(70,202)	(54,822)	0	(85,196)
ABC Profits – 1301 *	575,525	743,942	408,473	411,950	240,000
State Wine Tax – 1302 *	341,184	385,761	306,626	187,785	180,000
Rolling Stock Tax – 1303	87,721	81,764	79,533	74,142	80,327
Passenger Car Rental Tax – 1304	557,113	557,898	543,238	588,500	548,670
Mobile Home Titling Tax – 1305	93,901	86,484	54,098	115,560	54,639
Federal Pymt in Lieu of Taxes - 1700	40,273	76,622	39,413	48,150	51,039
Other Revenue – 1150, 514	3,690	4,889	5,732	11,093	5,933
Total Miscellaneous Revenue	$3,906,880	$4,123,607	$3,566,208	$3,754,506	$3,713,685

*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.

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 the Convention Visitors' Bureau (CVB), upon Board appropriation 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.

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.

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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. After discussions with State officials, the revenue forecast assumes further reductions in FY2005 due to continued State budget constraints.

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. This revenue reduction is forecast to extend into FY2005.

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 01 Adopted Revenue Bud.	FY 02 Adopted Revenue Bud.	FY 03 Adopted Revenue Bud.	FY 04 Adopted Revenue Bud.	FY 05 Adopted Revenue Bud.	% Change FY 04 to FY 05
SECTION ONE: GENERAL FUND REVENUE SUMMARY:						
General Governmental:						
Office Of Executive Management	$0	$0	$0	$0	$400,000	---
County Attorney	$166,686	$144,186	$244,186	$195,186	$195,186	0.00%
Sub Total	$166,686	$144,186	$244,186	$195,186	$595,186	204.93%
Administration:						
Finance	$767,350	$1,102,350	$1,020,323	$1,086,099	$1,163,190	7.10%
Human Rights Office	$25,000	$25,000	$25,000	$61,000	$61,000	0.00%
Off Of Information Technology	$114,400	$132,400	$132,400	$132,400	$132,400	0.00%
General Registrar	$90,523	$90,523	$83,773	$71,092	$71,092	0.00%
Sub Total	$997,273	$1,350,273	$1,261,496	$1,350,591	$1,427,682	5.71%
Judicial Administration:						
Clerk Of The Court	$2,666,778	$2,735,852	$3,127,366	$3,685,841	$3,863,085	4.81%
Commonwealth's Attorney	$1,432,684	$1,538,396	$1,600,702	$1,599,089	$1,635,589	2.28%
Criminal Justice Services	$854,310	$1,112,484	$1,119,602	$982,197	$995,955	1.40%
Juvenile Court Service Unit	$77,269	$77,269	$93,145	$94,189	$265,051	181.40%
General District Court	$1,428,500	$1,434,500	$1,584,500	$1,584,500	$1,624,500	2.52%
Juvenile & Domestic Relations Court	$129,700	$63,000	$63,000	$51,943	$51,943	0.00%
Law Library	$154,417	$110,806	$110,806	$110,806	$110,806	0.00%
Sub Total	$6,743,658	$7,072,307	$7,699,121	$8,108,565	$8,546,929	5.41%
Planning And Development:						
Economic Development	$14,130	$14,130	$14,130	$14,130	$14,130	0.00%
Planning	$1,660,100	$2,261,547	$2,375,901	$2,543,254	$2,908,463	14.36%
Public Works	$6,728,602	$7,628,545	$8,901,431	$10,550,292	$12,152,025	15.18%
Sub Total	$8,402,832	$9,904,222	$11,291,462	$13,107,676	$15,074,618	15.01%
Public Safety:						
Fire And Rescue	$394,312	$476,072	$587,520	$527,572	$868,504	64.62%
Public Safety Communications	$2,260,321	$2,394,321	$3,882,839	$3,841,359	$3,888,488	1.23%
Sheriff	$1,974,974	$2,042,526	$2,256,283	$2,315,686	$2,372,222	2.44%
Police	$8,083,432	$8,331,208	$8,402,936	$8,695,487	$9,025,615	3.80%
Sub Total	$12,713,039	$13,244,127	$15,129,578	$15,380,104	$16,154,829	5.04%
Human Services:						
Community Services Board	$9,657,866	$10,439,127	$11,123,421	$10,563,610	$11,169,283	5.73%
Extension & Continuing Ed.	$332,960	$367,502	$414,484	$479,858	$498,449	3.87%
Office On Youth	$107,410	$107,410	$5,000	$5,000	$5,000	0.00%
School Age Care	$259,623	$280,281	$288,481	$292,181	$306,431	4.88%
Area Agency On Aging	$989,595	$1,067,574	$1,168,869	$1,126,031	$1,237,099	9.86%
At Risk Youth And Family Services	$3,023,310	$3,085,993	$3,833,773	$4,538,941	$4,499,026	-0.88%
Public Health	$695,256	$215,619	$243,873	$261,870	$251,962	-3.78%
Social Services	$18,748,081	$19,053,007	$19,884,510	$19,467,875	$21,301,089	9.42%
Sub Total	$33,814,101	$34,616,513	$36,962,411	$36,735,366	$39,268,339	6.90%
Library:						
Library	$2,759,193	$2,885,012	$2,873,778	$2,760,530	$2,790,321	1.08%
Sub Total	$2,759,193	$2,885,012	$2,873,778	$2,760,530	$2,790,321	1.08%

All Funds Revenue Summary (Cont.)

Department / Agency	FY 01 Adopted Revenue Bud.	FY 02 Adopted Revenue Bud.	FY 03 Adopted Revenue Bud.	FY 04 Adopted Revenue Bud.	FY 05 Adopted Revenue Bud.	% Change FY 04 to FY 05
Debt / CIP:						
General Debt	$917,727	$858,004	$1,002,137	$1,901,132	$2,584,233	35.93%
Sub Total	$917,727	$858,004	$1,002,137	$1,901,132	$2,584,233	35.93%
Non-Departmental:						
Unclassified Administrative	$1,674,578	$1,946,736	$3,339,934	$4,637,358	$8,096,825	74.60%
General Revenues	$361,304,116	$395,086,000	$456,068,000	$513,124,072	$572,064,427	11.49%
Transfers In	$2,650,204	$3,247,673	$3,568,726	$6,157,996	$3,405,700	-44.69%
Sub Total	$365,628,898	$400,280,409	$462,976,660	$523,919,426	$583,566,952	11.38%
Total General Fund Revenue	**$432,143,407**	**$470,355,053**	**$539,440,829**	**$603,458,576**	**$670,009,089**	**11.03%**
SECTION TWO: NON GENERAL FUND REVENUE SUMMARY:						
Special Revenue Funds:						
Trans. To P.R.T.C.	$1,713,768	$1,813,768	$1,913,768	$2,417,808	$565,215	-76.62%
Commuter Rail Station Parking	$101,823	$101,823	$101,823	$101,823	$101,823	0.00%
Comm. parking lease rev bond debt	$1,516,346	$1,516,453	$1,523,846	$1,518,023	$1,518,938	0.06%
Adult Detention Center	$15,724,257	$17,058,687	$20,162,467	$21,576,582	$24,039,724	11.42%
Lake Jackson Service Dist.	$53,000	$53,000	$55,000	$60,550	$68,600	13.29%
Bull Run Mountain Serv. Dist. (A)	$0	$0	$0	$0	$100,000	---
Woodbine Forest Service District	$5,057	$5,544	$3,462	$0	$0	---
Foremost Court Service District	$3,864	$4,232	$4,577	$5,346	$5,788	8.27%
Circuit Court Service District	$0	$0	$0	$5,728	$5,963	4.10%
Spc tax dist;Gypsy Moth/Mosq ctrl	$460,000	$809,880	$810,000	$1,107,534	$1,200,000	8.35%
P. W. Parkway Trans Imprv Dst.	$905,880	$971,940	$1,102,160	$1,151,420	$1,222,080	6.14%
234 Bypass Trans Imprv Dst	$46,392	$52,846	$61,654	$73,474	$87,932	19.68%
Stormwater Management	$4,269,036	$5,069,820	$5,325,364	$6,494,880	$7,039,644	8.39%
Housing & Community Dev.	$3,652,208	$4,047,494	$16,598,749	$20,875,539	$23,753,022	13.78%
Total Special Revenue Funds	$28,451,631	$31,505,487	$47,662,870	$55,388,707	$59,708,729	7.80%
Capital Projects Fund:						
Capital Improvement Projects	$29,842,984	$20,217,115	$21,865,452	$149,506,389	$45,650,009	-69.47%
Total Capital Projects Fund	$29,842,984	$20,217,115	$21,865,452	$149,506,389	$45,650,009	-69.47%
Enterprise Fund:						
Public Works; Solid Waste	$10,603,480	$11,071,000	$11,302,200	$11,911,000	$13,842,000	16.21%
Bull Run Mountain Serv. Dist. (A)	$67,500	$67,500	$75,000	$83,500	$0	-100.00%
Innovation @ Prince William	$391,500	$330,750	$10,000	$0	$0	---
Occoquan Forest Sanitary Dist.	$221,485	$238,848	$0	$0	$0	---
Total Enterprise Fund	$11,283,965	$11,708,098	$11,387,200	$11,994,500	$13,842,000	15.40%
Internal Service Funds:						
Public Works; Fleet Management	$2,868,738	$3,290,307	$3,410,934	$3,750,838	$4,082,069	8.83%
OIT; Data Processing	$6,772,742	$9,032,437	$11,425,587	$12,200,659	$12,954,432	6.18%
Medical Insurance	$0	$0	$14,218,000	$17,343,000	$21,183,000	22.14%
Public Works; Small Proj. Const.	$1,633,795	$1,725,563	$1,757,849	$1,832,345	$2,004,993	9.42%
Total Internal Service Funds	$11,275,275	$14,048,307	$30,812,370	$35,126,842	$40,224,494	14.51%
Fire And Rescue Levy Funds:						
Fire and Rescue Levy Total	$10,731,250	$12,902,795	$16,330,925	$19,320,516	$21,494,647	11.25%
Total Fire & Rescue Levy Funds	$10,731,250	$12,902,795	$16,330,925	$19,320,516	$21,494,647	11.25%

All Funds Revenue Summary (Cont.)

Department / Agency	FY 01 Adopted Revenue Bud.	FY 02 Adopted Revenue Bud.	FY 03 Adopted Revenue Bud.	FY 04 Adopted Revenue Bud.	FY 05 Adopted Revenue Bud.	% Change FY 04 to FY 05
Schools:						
Operating Fund	$387,329,706	$411,982,748	$461,221,755	$510,105,909	$562,364,753	10.24%
School Debt Service Fund	$26,253,581	$28,273,092	$33,139,009	$38,127,720	$44,344,057	16.30%
Construction Fund	$49,581,686	$59,129,000	$95,640,000	$96,285,000	$58,080,418	-39.68%
Food Service Fund	$13,523,779	$15,234,432	$17,048,744	$18,478,722	$21,097,174	14.17%
Warehouse	$2,600,000	$3,125,000	$3,125,000	$3,600,000	$4,250,000	18.06%
Facilities Use Fund	$321,898	$346,671	$467,404	$510,331	$505,666	-0.91%
Self Insurance Fund	$3,169,940	$3,211,810	$4,135,081	$3,362,504	$3,601,101	7.10%
Health Insurance Fund	$17,180,146	$23,171,499	$24,761,814	$34,485,421	$40,023,848	16.06%
Regional School Fund	$13,475,874	$14,883,664	$18,760,155	$19,936,393	$20,512,009	2.89%
Total Schools	$513,436,610	$559,357,916	$658,298,962	$724,892,000	$754,779,026	4.12%
Grand Total All Funds	**$1,037,165,122**	**$1,120,094,771**	**$1,325,798,608**	**$1,599,687,530**	**$1,605,707,994**	**0.38%**

(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.