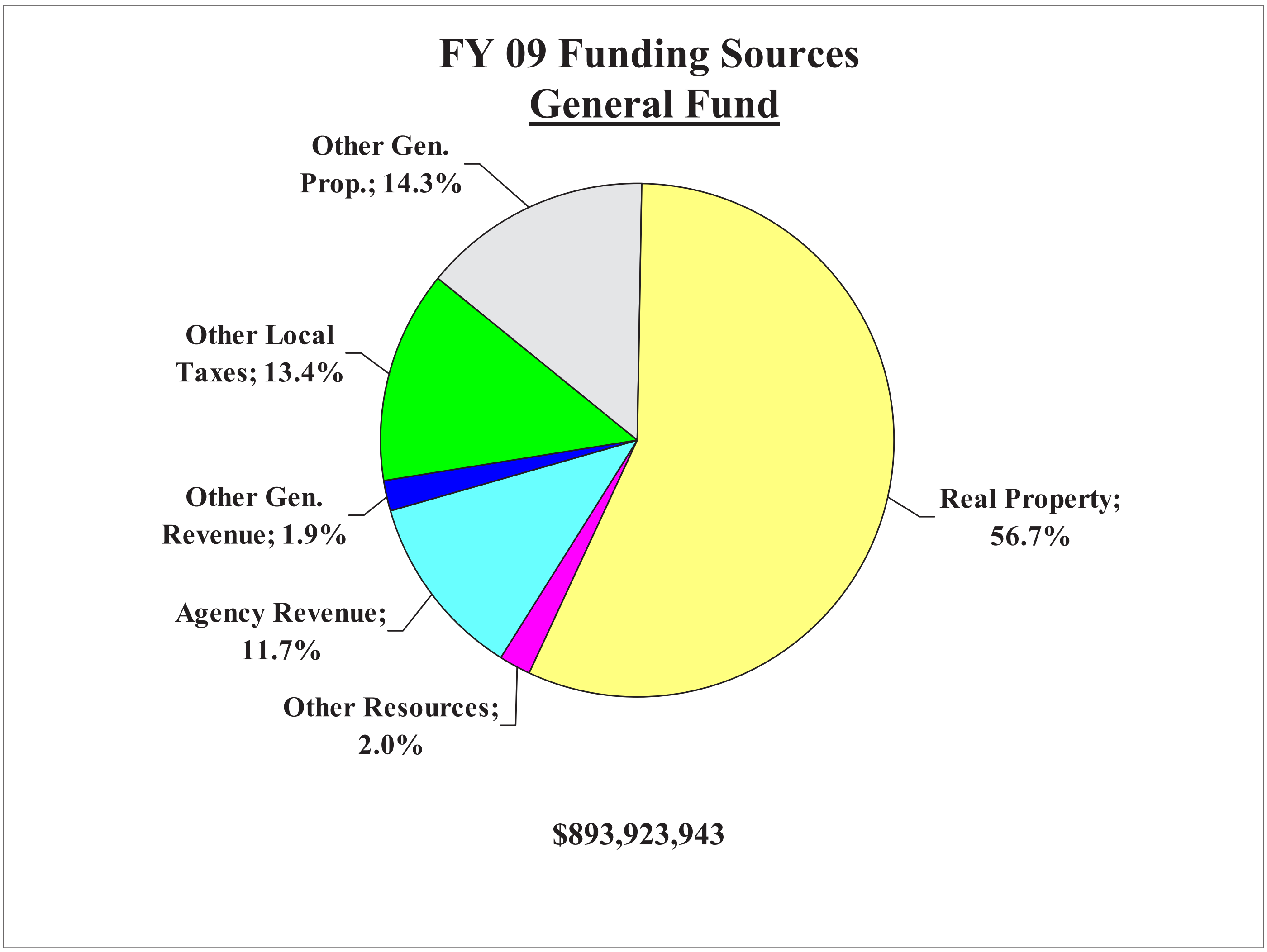
The General Fund accounts for all financial transactions and resources in Prince William County other than those required to be accounted for in another Fund. Thus, the General Fund is the largest and most important fund used by the County. The General Fund is divided into revenues and expenditures. This pie chart shows all FY 09 Adopted funding sources contained within Prince William County's General Fund. In other words, the chart shows where the money comes from to support the County's expenditures. The largest slice of this pie 56.7%) comes from Real Property Taxes. This source contains revenues received from the County's real estate. The next largest sources are other General Property (14.3%) and Agency Revenue (11.7%). Other Local Taxes contains revenues from such sources as: Sales Tax, Business, Professional & Occupational License, Public Utility Gross Receipts Tax, Consumer Utility Tax, and the Transient Occupancy Tax. Other General Property contains revenue from such sources as Personal Property and interest in taxes. Agency Revenue contains revenues that are collected by individual County agencies. These revenues most typically come from Federal and State grants as well as private sector sources. These four pieces of the pie, when added together, make up 96.1% of total funding sources in the General Fund.

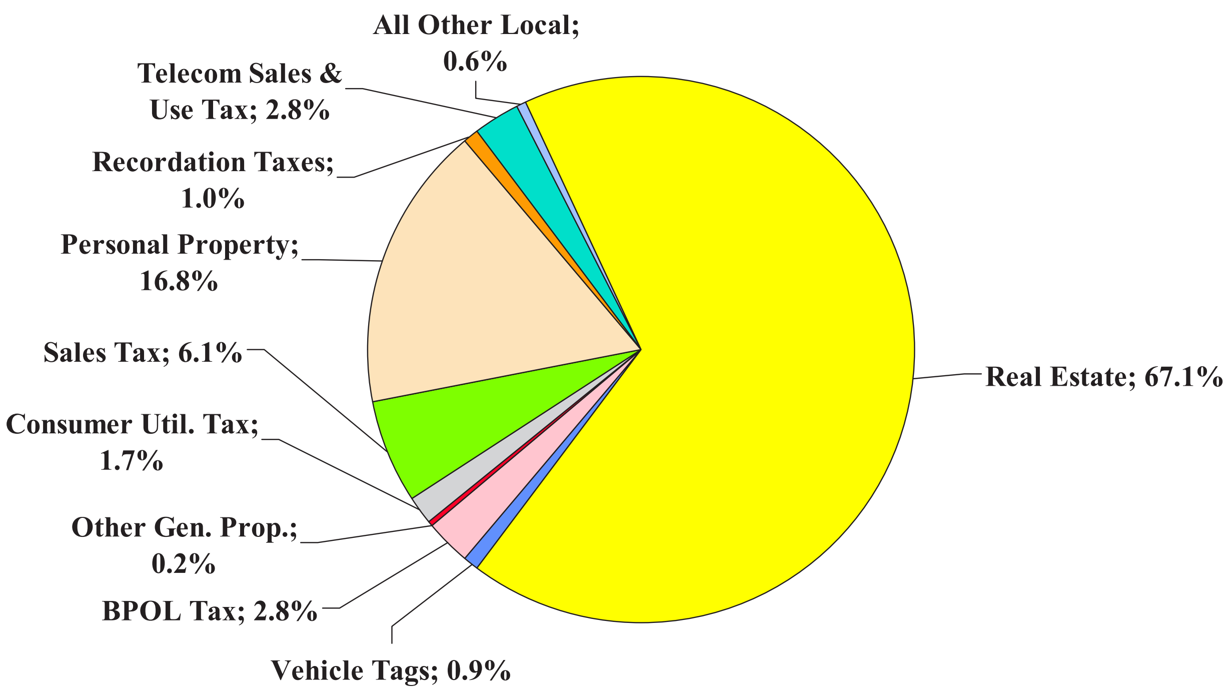


Revenue Summary

This pie chart provides detail regarding the County's FY 09 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 (67.1%) comes from the real estate tax ($0.97 per $100 of assessed value) assessed on citizen's homes and real estate properties. The next largest source (16.8%) is Personal Property Taxes ($3.70 per $100 of assessed value) assessed on individual and business personal property. The next source (6.1%) is Sales Tax (a tax rate of 1%) levied on the retail sale or rent of most tangible property. These three tax sources taken together provide 90.0% of total local tax dollars coming into the County. The smaller sources of tax dollars include:

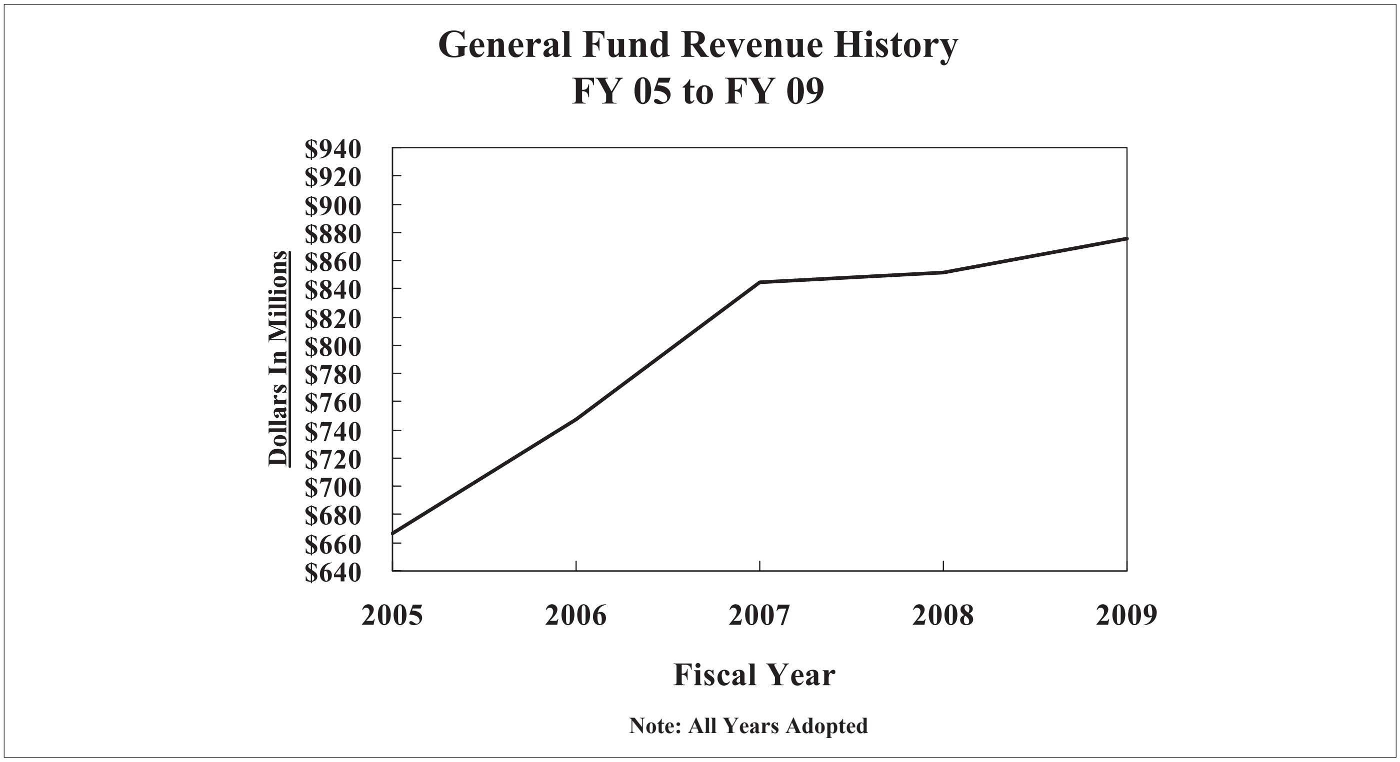
- Vehicle Tags (0.9%) received from the annual sale of automobile decals;
- All Other Local (0.6%) include miscellaneous tax sources such as Transient Occupancy Tax;
- Other General Property (0.2%) is interest earned on all taxes;
- Business, Professional, Occupational License tax (2.8%) levied on the gross receipts of County businesses;
- Consumer Utility Tax (1.7%) levied on the consumers of telephone, electric and natural gas.
- Recordation Taxes (1.0%) is levied when a deed or deed of trust is recorded with the clerk of the circuit court
- Telecommunication Sales and Use Tax (2.8%) is 5% levied on the following services; Landline, telephones, wireless telephone, cable TV, satellite TV, VOIP service and Paging services.

Detail of FY 09
Local Tax Sources



$754,309,000

As the following graphs show, total Prince William County General Fund Revenues have increased from FY 05 Adopted to FY 09 Adopted (from $666.60 million to $875.88 million).



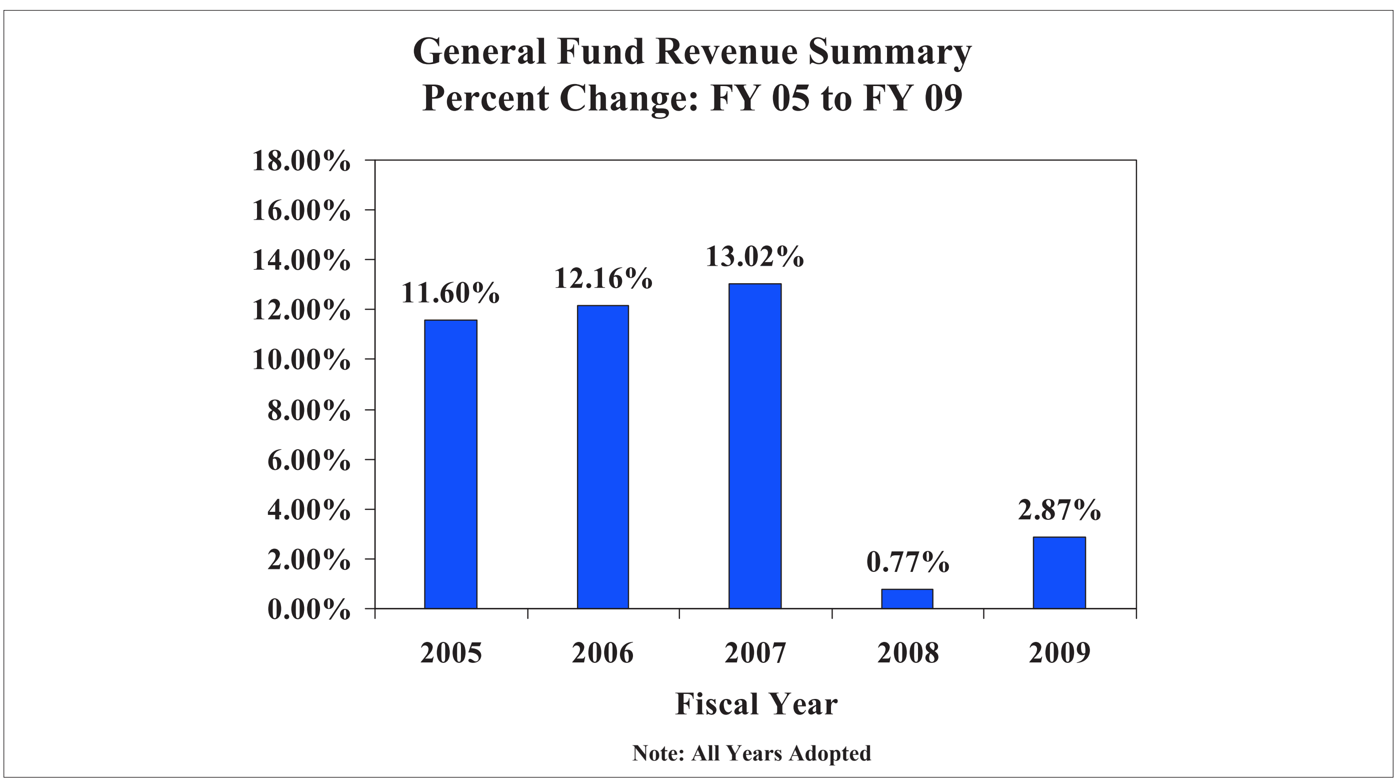


Table 1. Revenue Estimates by Category

Acct. Code	GENERAL REVENUE SOURCE	FY2009 ESTIMATE	FY2010 ESTIMATE	FY2011 ESTIMATE	FY2012 ESTIMATE	FY2013 ESTIMATE
0010	REAL ESTATE TAXES	$501,473,000	$560,814,000	$617,231,000	$669,384,000	$723,481,000
	ROLLBACK SUPPLEMENT	400,000	400,000	250,000	250,000	250,000
0020	REAL ESTATE TAX EXONERATIONS	(9,536,000)	(10,242,000)	(11,291,000)	(12,221,000)	(13,208,000)
	SUBTOTAL	492,337,000	550,972,000	606,190,000	657,413,000	710,523,000
0041	R/E TAXES - PUBLIC SERVICE	14,193,000	16,759,000	18,748,000	19,704,000	20,282,000
0021	REAL ESTATE TAX DEFERRAL	(2,125,000)	(2,125,000)	(175,000)	(175,000)	(175,000)
0025	LAND REDEMPTION	324,000	319,000	315,000	315,000	315,000
0160	REAL ESTATE PENALTIES	1,895,000	2,121,000	2,334,000	2,531,000	2,736,000
TOTAL - - REAL ESTATE		**506,624,000**	**568,046,000**	**627,412,000**	**679,788,000**	**733,681,000**
0071	PERSONAL PROPERTY TAXES	126,390,000	130,600,000	136,250,000	144,840,000	154,200,000
0072	P/P - PRIOR YEAR	75,000	75,000	75,000	75,000	75,000
0081	P/P TAX DEFERRAL	($1,050,000)	($1,050,000)	($1,175,000)	($1,175,000)	($1,175,000)
0170	P/P PENALTIES	1,240,000	1,340,000	1,400,000	1,490,000	1,590,000
TOTAL - - PERSONAL PROPERTY		**126,655,000**	**130,965,000**	**136,550,000**	**145,230,000**	**154,690,000**
0210	**LOCAL SALES TAX**	**46,020,000**	**46,710,000**	**47,880,000**	**49,320,000**	**51,290,000**
0220	**CONSUMER UTILITY TAX**	**12,740,000**	**12,990,000**	**13,250,000**	**13,540,000**	**13,880,000**
0223	**COMMUNICATIONS SALES TAX**	**20,800,000**	**21,200,000**	**21,700,000**	**22,400,000**	**23,300,000**
0235	**BPOL TAXES - LOCAL BUSINESSES**	**19,890,000**	**19,890,000**	**20,880,000**	**22,130,000**	**23,680,000**
0510	**INVESTMENT INCOME**	**16,610,000**	**22,580,000**	**26,660,000**	**30,470,000**	**32,400,000**
0140	INTEREST ON TAXES	1,423,000	1,568,000	1,708,000	1,845,000	1,989,000
0222	CABLE FRANCHISE TAX	0	0	0	0	0
0250	MOTOR VEHICLE LICENSE FEE	6,740,000	6,870,000	7,010,000	7,160,000	7,330,000
0260	RECORDATION TAX	7,360,000	9,770,000	11,340,000	13,440,000	15,920,000
0261	ADDITIONAL TAX ON DEEDS	2,123,000	2,216,000	2,575,000	3,049,000	3,613,000
All OTHER REVENUE OVER $1.5 MILLION		**17,646,000**	**20,424,000**	**22,633,000**	**25,494,000**	**28,852,000**
0215	DAILY EQUIPMENT RENTAL TAX	156,000	172,000	189,000	208,000	229,000
0230	BANK FRANCHISE TAX	1,067,000	1,184,000	1,314,000	1,459,000	1,619,000
0236	BPOL TAXES - PUBLIC SERVICE	1,246,000	1,283,000	1,321,000	1,361,000	1,402,000
0270	TRANSIENT OCCUPANCY TAX	1,465,000	1,529,000	1,614,000	1,721,000	1,810,000
0520	INTEREST PAID TO VENDORS	(325,000)	(350,000)	(375,000)	(400,000)	(425,000)
0521	INTEREST PAID ON REFUNDS	(45,000)	(45,000)	(50,000)	(55,000)	(55,000)
1301	ABC PROFITS	0	0	0	0	0
1302	STATE WINE TAX	0	0	0	0	0
1303	ROLLING STOCK TAX	81,000	83,000	85,000	87,000	89,000
1304	PASSENGER CAR RENTAL TAX	805,000	861,000	921,000	985,000	1,054,000
1305	MOBILE HOME TITLING TAX	45,000	46,000	47,000	48,000	49,000
1700	FED PAYMENT IN LIEU OF TAXES	90,000	95,000	100,000	105,000	110,000
MISC.	ALL OTHER GENERAL REVENUE	9,000	8,700	8,700	8,700	8,700
ALL OTHER REVENUE UNDER $1.5 MILLION		**4,594,000**	**4,866,700**	**5,174,700**	**5,527,700**	**5,890,700**
TOTAL GENERAL REVENUE		**$771,579,000**	**$847,671,700**	**$922,139,700**	**$993,899,700**	**$1,067,663,700**

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

The real estate tax is the single largest revenue source for Prince William County contributing approximately 65.7% of general revenues (FY 09 forecast). It is levied on all land, improvements, and leasehold interests on land or improvements (collectively called "real property") except that which has been legally exempted from taxation by the Prince William County Code and the Code of Virginia. The revenue summary for the general real estate tax applies only to real property assessed locally, which includes residential, commercial and industrial, and agricultural and resource land property types. Table 2 show a ten-year history of this revenue source and the five-year revenue forecast.

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.

Residential Real Estate

The residential real estate market in Prince William County was clearly depressed in 2007. Following a 3.83% decline in values in 2006, average home values declined an estimated 14.82% in 2007. Despite a slowly growing economy and low mortgage interest rates, a significant contributing factor to the market decline was the deepening sub-prime mortgage crisis and the tight credit environment that resulted. Prince William County was especially hard hit as witnessed by unparalleled foreclosure rates compared to neighboring jurisdictions in Northern Virginia.

The number of homes sold in 2007 decreased by approximately 39% over the prior year as the average number of days on the market increased to 140 days, up over 36% from December 2006, according to the Metropolitan Regional Information System. The inventory of homes on the market increased sharply during calendar year 2007 to seventeen months supply as of the year's end while demand was extremely weak.

Table 2. Revenue Summary – Real Estate Taxes

Revenue History	Tax Rate[1]	Actual Revenue	Percent Change
FY 1999	$1.360	$182,632,874	5.2%
FY 2000	1.360	193,691,695	6.1%
FY 2001	1.340	208,663,095	7.7%
FY 2002	1.300	230,638,558	10.5%
FY 2003	1.230	266,546,217	15.6%
FY 2004	1.160	304,997,838	14.4%
FY 2005	1.070	348,048,638	14.1%
FY 2006	0.910	380,232,314	9.2%
FY 2007	0.758	419,468,402	10.3%
Current Estimate	**Tax Rate**	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$0.787	$441,747,000	5.3%
FY 2008 (revised estimate)	0.787	438,649,537	4.6%
Forecast Revenue	**Tax Rate**	**Revenue Estimate**	**Percent Change**
FY 2009	$0.970	$492,337,000	12.2%
FY 2010	1.134	550,972,000	11.9%
FY 2011	1.256	606,190,000	10.0%
FY 2012	1.307	657,413,000	8.4%
FY 2013	1.332	710,523,000	8.1%

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 Figure 1 shows a history of actual residential appreciation (excluding rental apartments) from fiscal year 1982 through fiscal year 2009 and the General Revenue Committee's estimates thereafter. The actual average from revenue years 1982 through 2009 is also reflected.

Table 3 shows the expected change in market value for residential and apartment properties during the forecast period.

The strengths of the Washington D.C. area, which are relatively low unemployment and strong job growth, are countered by high foreclosure rates and home inventories in Prince William County. At the national level, the increasing likelihood of a recession, as well as the uncertain ultimate impact of the sub prime mortgage crisis makes this an especially difficult forecast.

The residential market is forecast to gradually stabilize as excess supply is absorbed over the course of the next eighteen to twenty-four months depending on how economic uncertainties unfold. Residential properties in Prince William County are expected to further decline in value by 10% and 5% during calendar years 2008 and 2009 respectively (fiscal years 2010 and 2011). Modest appreciation of 1% and 3% is expected to resume in fiscals year 2012 and 2013 respectively.

Figure 1 Average Annual Residential Real Estate Appreciation, 1982-2013

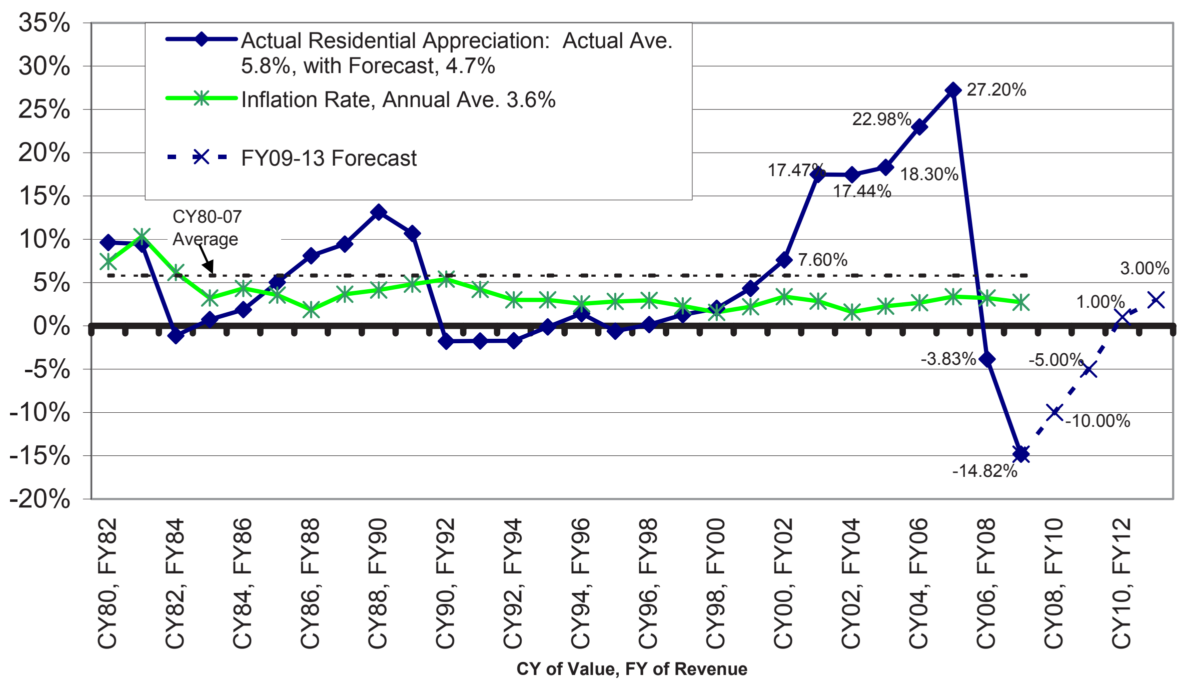


Table 3. Residential Market Value Changes

Revenue Year	Single-Family, Townhouse, and Condominium	Apartments
FY 2009	-14.82%	8.91%
FY 2010	-10.00%	12.00%
FY 2011	-5.00%	10.00%
FY 2012	1.00%	5.00%
FY 2013	3.00%	3.00%

Residential market change in Prince William County is significantly weaker than neighboring Northern Virginia jurisdictions, as shown in Table 4.

Apartments Market Value Change

Continuing favorable conditions in Prince William County's apartment market translated into an average increase in market value of approximately 8.9% in calendar year 2007. This increase is largely attributable to higher apartment rents, lower vacancies, and lower capitalization rates. Demand for apartment units remained strong during calendar year 2007. Appreciation is estimated to continue at a rate of approximately 12% during calendar year 2008 (fiscal year 2010), 10% in fiscal year 2011, 5% in 2012, and 3% in fiscal year 2013.

Residential New Construction Units

Growth is defined as the change in assessed value due to the subdivision of land and the construction of new residential units. Construction taking place in one calendar year affects real estate revenues two fiscal years later. For example, construction that occurred in calendar year 2007 affects revenues beginning in fiscal year 2009. Table 5 summarizes the expected number of newly constructed residential units during the forecast period, and the previous five year's activity.

Construction of approximately 2,705 residential units and 184 apartment units was completed during calendar year 2007 which will generate revenue for fiscal year 2009. There were 1,264 fewer single family, townhouse, and condominium units constructed in 2007 than 2006 while 267 fewer apartment units were constructed. The volume of new home starts is expected to decrease as developers adjust to the current real estate market. Excluding apartments, a further drop in new construction to 2,000 units is expected for fiscal year 2010. However, new home starts will remain relatively stable during the remainder of the forecast period with 2,200 units estimated for fiscal year 2011, and 2,500 and 2,700 units in fiscal years 2012 and 2013 respectively. Construction of new apartment units is forecast to remain stable at around 200 units during the entire forecast period. 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 2007 was approximately $300,450, a 43.5% decrease over the average assessed value of homes built in 2006 which was $531,957.

Table 4. Comparison of Estimated Residential Market Value Changes from 2007 to 2008

	Prince William County	Loudoun County	Fairfax County	City of Alexandria	Arlington County
All Residential (Excluding Rental Apartments)	-14.82%	-8.4%	-3.4%	-1.9%	-0.8%

Table 5. Residential Growth – Number of Units

Revenue Year	Total Residential Units	Single-Family	Townhouse	Condominium	Apartments
FY 2004(a)	4,824	3,166	1,297	111	250
FY 2005(a)	4,859	3,231	1,219	31	378
FY 2006(a)	5,644	3,619	1,107	254	664
FY 2007(a)	6,178	3,780	1,343	518	537
FY 2008(a)	4,420	2,556	1,135	278	451
FY 2009(a)	2,889	1,406	531	768	184
FY 2010	2,200	1,200	400	400	200
FY 2011	2,400	1,200	500	500	200
FY 2012	2,700	1,300	700	500	200
FY 2013	2,900	1,400	800	500	200

(a) - actual

The average assessed value of a new single family home was $367,488 in 2007, a 39.9% decrease over the average assessed value of $610,977 in 2006.

In 2007, the average assessed value of a new condominium unit was $216,841 compared to $343,586 in 2006 and the average value of a townhouse unit declined from $408,275 to $243,873.

The assessed value per new unit of apartment properties built in 2007 was approximately $100,000. (See Table 6)

Commercial Real Estate

Calendar year 2007 market activity in Prince William County resulted in commercial properties appreciating approximately 4.34% on average for fiscal year 2009 revenues. The industrial sector experienced the greatest level of appreciation followed by retail and hotel/motel properties. Office properties were affected by the recent surge in new construction which has been slow to be absorbed. The assessed values of special purpose properties showed similar increases to general commercial appreciation.

The commercial property outlook for calendar year 2008 (fiscal year 2010) is expected to bring 8% appreciation overall. Vacant commercial land, retail and industrial properties are expected to show the highest appreciation rates. Office and hotels will show moderate rates of appreciation. Commercial appreciation for fiscal years 2011 and 2012 are forecast at 5% and appreciation in fiscal year 2013 is expected to be 8%.

Average assessed values per square foot for fiscal year 2009 are determined based on the added building value resulting from new construction completed during calendar year 2007.[1] These unit values are then adjusted to reflect the general appreciation of commercial properties during the remainder of the forecast period. (See Table 7)

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

Table 6. New Residential Assessed Value per New Unit

Revenue Year	Overall Residential (Excluding Apts.)	Single-Family	Townhouse	Condominium	Apartment
FY 2004(a)	$327,671	$372,654	$226,622	$224,565	$65,235
FY 2005(a)	382,442	430,374	258,473	261,470	80,000
FY 2006(a)	447,974	493,565	332,477	301,754	84,400
FY 2007(a)	548,355	616,954	421,251	377,304	94,000
FY 2008(a)	531,957	610,977	408,275	343,586	99,600
FY 2009(a)	300,450	367,488	243,873	216,841	100,000
FY 2010	281,360	330,700	219,500	195,200	104,000
FY 2011	260,905	314,200	208,500	185,400	107,100
FY 2012	261,424	317,300	210,600	187,300	110,300
FY 2013	269,441	326,800	216,900	192,900	113,600

(a) – actual

Table 7. Commercial Market Value Changes

Revenue Year	Commercial
FY 2004(a)	3.8%
FY 2005(a)	11.9%
FY 2006(a)	15.1%
FY 2007(a)	17.3%
FY 2008(a)	9.0%
FY 2009(a)	4.3%
FY 2010	8.0%
FY 2011	5.0%
FY 2012	5.0%
FY 2013	8.0%

(a) - actual

Commercial properties are categorized into five property types: retail, office, hotel, industrial, and special purpose. For fiscal year 2009 (calendar year 2007 market activity), a total of 3,572,737 commercial square feet was added to the assessment rolls. Growth is expected to decrease in fiscal year 2010 to 2,056,000 square feet and gradually decrease to approximately 1,256,000 square feet at the end of the forecast period.

Commercial real estate is still an attractive investment option despite low capitalization rates (as low as 4%). The return on investment still exceeds those of other investment options. Despite the residential real estate woes, the commercial/industrial real estate market is expected to remain strong through calendar year 2008 as demand and attractive lending options are still present. An 8% increase in assessed value is expected for fiscal year 2010 followed by 5% in fiscal years 2011 and 2012, and 8% in fiscal year 2013.

Retail

New construction in the retail sector accounted for 18.0% of all commercial/industrial growth for fiscal year 2009, adding 644,119 square feet to the tax base. The Hoadly Regency and Bristow Shopping Centers, which include 2 of 3 planned Harris Teeter grocery stores, were completed in 2007. Potomac Mills finished its renovation with the addition of a new Costco. In the past few years, significant growth in the residential real estate market had spurred corresponding retail construction, however with the slow down in the residential market, we expect retail growth to be moderate. Commercial real estate still remains attractive to investors. The retail properties in Prince William County are still experiencing strong income growth and low vacancy. Shopping center capitalization rates were down slightly in 2007. Capitalization rates for premium shopping centers are approximately 6%.

Nearly half of the assessed value within the commercial/industrial tax base is within the retail sector. Shopping center properties showed approximately 4% appreciation on average for fiscal 2009. The retail sector is anticipated to remain strong throughout the forecast period.

Industrial

Construction of industrial properties accounted for 45.5% of all new commercial construction for fiscal year 2009 adding 1,623,988 square feet to the commercial/industrial base. New construction completed during 2007 within the industrial sector included several industrial flex and research and development buildings, industrial condominiums, and various other types of industrial buildings. Growth within the industrial sector is expected to remain strong throughout the forecast period with approximately 1,000,000 square feet forecast to be added to the tax base for fiscal year 2010.

Existing industrial properties appreciated approximately 15% for fiscal year 2009. This rate of appreciation is expected to level off somewhat, but still 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

In 2007, the completion of Country Inn & Suites near Potomac Mills, a Holiday Inn in Dumfries, and a Holiday Inn on Balls Ford Road in Manassas added 174,793 square feet (348 rooms) to the hotel inventory of Prince William County.

Hampton Inn in Gainesville (56,013 square feet, 93 rooms) is approximately 90% complete as of the date of this report. A Budget (Quayle Hollow) 2-story motel has broken ground on Centreville Road.

Two hotels that were previously reported, the Extended Stay America in Manassas and a luxury hotel for the Cherry Hill area located in mixed use developments have progressed slowly from the planning stage.

The hotel market valuation for 2008 is still on the rise. For the near future, assessed values of hotels are expected to rise mainly due to new construction nearing completion and moderate but steady income growth. Assessed values are expected to increase moderately during the later years of the forecast period.

Office Buildings

Construction of several new office buildings and condominiums completed during calendar year 2007 added 948,518 square feet to the commercial base. The overall appreciation for office buildings was approximately 2%. Growth within the office sector is expected to be sustained at a lower rate during the forecast period with the addition of approximately 300,000 square feet for fiscal year 2010.

Among the completed projects in 2007 were the Mosaic Medical Building, Quantico Gateway II, and Quantico Center Building II.

Absorbing the newly constructed space has been a challenge for the office sector. The growing percentage of speculative building within the sector is likely to continue to increase vacancy rates, thereby exerting pressure on rents. Nevertheless, moderately lower capitalization rates are forecast to counterbalance the possible negative impact on vacancies and drive moderate increases in assessed value for office properties for fiscal year 2009.

Special Use

Properties within the special use category comprise taxable schools, healthcare facilities, high-technology data center properties and other types of properties that have no foreseeable alternate uses. Assessed values are expected to remain stable during the forecast period.

Nearly 182,000 square feet of miscellaneous commercial properties was constructed in calendar year 2007 (fiscal year 2009).

A summary of commercial growth and assessed values per square foot during the forecast period is shown in Table 8 and Table 9.

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.

In December 2004, the Board of County Supervisors made changes to eligibility requirements, which enables more households to participate in the Tax Relief Program for Elderly and Disabled Persons. The current eligibility

Table 8. Commercial New Construction Value per Square Foot

Revenue Year	Retail	Office	Hotel	Industrial	Special Use Properties
FY 2004(a)	$67	$94	n/a	$43	n/a
FY 2005(a)	95	83	92	56	n/a
FY 2006(a)	109	96	106	60	n/a
FY 2007(a)	81	105	84	66	n/a
FY 2008(a)	85	110	88	69	119
FY 2009(a)	98	110	108	89	119
FY 2010	102	114	112	93	124
FY 2011	105	118	116	95	127
FY 2012	108	121	119	98	131
FY 2013	111	125	123	101	135

Table 9. New Commercial Construction Square Footage

Revenue Year	Total Commercial	Retail	Office	Hotel	Industrial	Special Use Properties
FY 2004(a)	491,590	147,059	61,250	0	283,281	0
FY 2005(a)	1,026,817	393,109	78,062	29,492	526,154	0
FY 2006(a)	1,807,573	661,639	170,153	197,911	644,456	0
FY 2007(a)	1,732,978	563,714	106,775	0	1,040,984	0
FY 2008(a)	2,731,438	566,090	1,028,850	115,002	915,098	106,398
FY 2009(a)	3,572,737	644,119	948,518	174,793	1,623,988	181,319
FY 2010	2,056,000	400,000	300,000	56,000	1,000,000	300,000
FY 2011	1,615,300	350,000	200,000	65,300	900,000	100,000
FY 2012	1,431,000	325,000	200,000	56,000	750,000	100,000
FY 2013	1,256,000	300,000	200,000	56,000	600,000	100,000

(a) - actual

requirements for senior citizens are:

- be 65 years of age or older as of December 31, 2008;
- have a gross household income from all sources of not more than $69,600 (in determining income, the first $10,000 of income earned by any relative living in the household other than the owner(s) or spouse is excluded);
- have a combined financial net worth for the applicant and spouse residing in the household of not more than $340,000, excluding the residence for which the exemption is sought and up to 25 acres of land which it occupies.

Public Service Taxes

Public service taxes are levied on non-locally assessed properties. The State Corporation Commission (SCC) assesses all telecommunications companies, water companies, intrastate pipeline distribution companies, and electric light and power companies. The Virginia Department of Taxation assesses railroads and interstate pipeline transmission companies. (See Table 10)

Historically, all market value changes within the public service classification have been attributable to new construction growth. Revenue 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 2009 to 2013. Public service market values are not subject to the same market changes as other real estate properties. (See Table 11)

Real Estate Tax Deferrals

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

If unpaid real estate taxes at the end of a fiscal year are more than at the beginning of that fiscal year, the amount of the increase is recorded as negative revenue in real estate

Table 10. Revenue Summary – Public Services Taxes

Revenue History	Tax Rate	Actual Revenue	Percent Change
FY 1999	$1.360	$11,804,605	4.5%
FY 2000	1.360	11,857,804	0.4%
FY 2001	1.340	11,762,173	0.8%
FY 2002	1.300	11,537,837	(1.9%)
FY 2003	1.230	11,084,790	(3.9%)
FY 2004	1.160	10,976,245	(1.0%)
FY 2005	1.070	13,372,595	21.8%
FY 2006	0.910	11,413,498	(14.7%)
FY 2007	0.758	10,277,509	(10.0%)
Current Estimate		**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$0.787	$10,777,000	4.9%
FY 2008 (revised estimate)	0.787	11,401,499	10.9%
Forecast Revenue		**Revenue Estimate**	**Percent Change**
FY 2009	$0.970	$14,193,000	24.5%
FY 2010	1.134	16,759,000	18.1%
FY 2011	1.256	18,748,000	11.9%
FY 2012	1.307	19,704,000	5.1%
FY 2013	1.332	20,282,000	2.9%

Table 11. Public Service – Changes in Assessed Value

	FY09	FY10	FY11	FY12	FY13
Public Service Growth	1.00%	1.00%	1.00%	1.00%	1.00%

tax deferrals. Real estate taxes collected after becoming more than three years delinquent are accounted for as land redemption revenue. (See Table 12)

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 FY 2003. With the adoption of the FY 2002 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 FY 2005.

At the end of FY 2007, the percentage of unpaid property taxes compared to the FY 2007 levy was 2.4%. This represents a slight increase from the FY 2006 unpaid property tax percentage of 2.3%, which was Prince William County's best unpaid property tax rate since data was first collected in 1971. The unpaid property tax percentage is anticipated to increase in FY 2008 through FY 2010 due to increased foreclosure activity in the County's real estate market.

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

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

This revenue category varies depending on the amount of unpaid taxes three years and older, and the level of success in collecting these past due amounts. The FY 2009 to FY 2013 estimate assumes 20% 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 is 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 shown in Table 14.

Real Estate Penalties

Prince William 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. (See Table 15)

Table 12. Revenue Summary – Real Estate Tax Deferrals

Revenue History	Actual Revenue	Percent Change
FY 1999	$(1,421,000)	(423.0%)
FY 2000	928,212	165.3%
FY 2001	1,467,386	58.1%
FY 2002	1,072,000	(26.9%)
FY 2003	724,347	(32.4%)
FY 2004	587,945	(18.8%)
FY 2005	810,324	37.8%
FY 2006	235,971	(70.9%)
FY 2007	(244,825)	(203.8%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$ (150,000)	38.7%
FY 2008 (revised estimate)	(2,150,000)	(778.2%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$(2,125,000)	1.2%
FY 2010	(2,125,000)	0.0%
FY 2011	(175,000)	91.8%
FY 2012	(175,000)	0.0%
FY 2013	(175,000)	0.0%

Revenue from real estate penalties is estimated by applying a fixed percentage (approximately 0.39%) 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 FY 2009 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. (See Table 16)

Personal Property Tax on Vehicles

Personal property tax revenue from vehicles is estimated based on the percentage change in average assessed value per vehicle and the percentage change in the number of units billed. Generally, the assessed value of taxable vehicles is obtained from standard pricing guides. Prince William County uses the 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 Prince William County under the Personal Property Tax Relief Act (PPTRA). Through tax year 2005 (fiscal year 2006), the

Table 13. Revenue Summary – Land Redemption

Revenue History	Actual Revenue	Percent Change
FY 1999	$2,012,300	188.9%
FY 2000	1,278,836	(36.4%)
FY 2001	718,462	(43.8%)
FY 2002	818,871	14.0%
FY 2003	1,039,775	27.0%
FY 2004	347,818	(66.5%)
FY 2005	461,405	32.7%
FY 2006	327,255	(29.1%)
FY 2007	245,304	(25.0%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$330,000	34.5%
FY 2008 (revised estimate)	330,000	34.5%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$324,000	(1.8%)
FY 2010	319,000	(1.5%)
FY 2011	315,000	(1.3%)
FY 2012	315,000	0.0%
FY 2013	315,000	0.0%

Table 14. Unpaid Land Redemption Taxes

FY 2007	$1,602,000
FY 2008	1,620,000
FY 2009	1,595,000
FY 2010	1,575,000
FY 2011	1,575,000
FY 2012	1,575,000
FY 2013	1,575,000

Commonwealth paid the County 70% of the tax due on the first $20,000 of assessed value for qualified vehicles.

During the 2004 State budget sessions, legislation was enacted that changes how the amount of car tax relief is calculated under the PPTRA. The legislation 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, the County must increase the share of the tax paid by the taxpayer or face declining revenue. The five-year revenue forecast assumes the County will increase the share paid by taxpayers so that overall personal property tax revenue

Table 15. Revenue Summary – Real Estate Penalties

Revenue History	Actual Revenue	Percent Change
FY 1999	$1,044,940	12.2%
FY 2000	1,012,047	(3.1%)
FY 2001	767,409	(24.2%)
FY 2002	1,026,456	33.8%
FY 2003	1,046,982	2.0%
FY 2004	1,234,854	17.9%
FY 2005	1,375,110	11.4%
FY 2006	1,550,598	12.8%
FY 2007	1,842,422	18.8%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$1,589,000	(13.8%)
FY 2008 (revised estimate)	1,689,000	(8.3%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$1,895,000	12.2%
FY 2010	2,121,000	11.9%
FY 2011	2,334,000	10.0%
FY 2012	2,531,000	8.4%
FY 2013	2,736,000	8.1%

Table 16. Revenue Summary – Personal Property Tax

Revenue History	Actual Revenue	Percent Change
FY 1998	$ 50,295,580	4.2%
FY 1999	53,148,925	5.7%
FY 2000	58,599,068	10.3%
FY 2001	66,030,775	12.7%
FY 2002	75,804,001	25.7%
FY 2003	85,015,356	12.2%
FY 2004	94,949,873	11.7%
FY 2005	98,256,579	3.5%
FY 2006	113,102,335	15.1%
FY 2007	124,238,439	9.8%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$125,630,000	1.1%
FY 2008 (revised estimate)	126,600,000	1.9%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$126,390,000	(0.2%)
FY 2010	130,600,000	3.3%
FY 2011	136,250,000	4.3%
FY 2012	144,840,000	6.3%
FY 2013	154,200,000	6.5%

from qualifying vehicles remains the same as it would under the current PPTRA program. The percentage of tax relief for qualifying vehicles in fiscal year 2009 is 58.5%.

Change in Average Vehicle Value

The average assessed value per vehicle decreased 1.0% between FY 2007 and FY 2008. The FY 2009 (calendar year 2008) forecast assumes no increase (0.0%) in average assessed value. As the fear of economic recession grows, consumers typically postpone large, discretionary purchases such as new automobiles in an effort to reduce spending and increase savings. Therefore, a greater portion of County residents are retaining their existing vehicles which are depreciating in value instead of replacing them with newer, more expensive vehicles. The downturn in the County's housing market, particularly the new construction of higher valued homes whose residents tend to own higher valued vehicles, has also contributed to lower average vehicle values. (See Table 17)

Change in Number of Vehicle Units Billed

The percentage change in the number of vehicle units billed increased by 2.0% between FY 2007 and FY 2008. Over the prior seven years, the increase has averaged 6.1%, ranging from a low of 2.4% to a high of 8.6%. The FY 2009 (calendar year 2008) forecast assumes no increase in the number of vehicle units billed due to virtually no population growth resulting from the downturn in the residential real estate market as well as foreclosures in the County. Despite the current real estate market, the increase in vehicle units billed during FY 2010-2013 is due to population growth, growth in the number of businesses and business vehicles, and a slow, upward trend in the average number of vehicles per household. (See Table 18 and Figure 2)

Business Personal Property Tax

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

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

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

Table 17. Average Assessed Value per Vehicle

	Dollar Value	Percent Increase
FY 2004(a)	8,740	6.0%
FY 2005(a)	8,658	(0.9%)
FY 2006(a)	9,502	9.8%
FY 2007(a)	9,989	5.1%
FY 2008(a)	9,882	(1.1%)
FY 2009	9,882	0.0%
FY 2010	9,981	1.0%
FY 2011	10,180	2.0%
FY 2012	10,595	4.1%
FY 2013	11,026	4.1%

(a) – actual

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 66% and 20% of taxes on business equipment respectively. Taxes on computer equipment comprise the remaining 14%.

Taxes from business equipment are expected to increase by 1.0% in FY 2009, 5.0% in FY 2010, and by 6.0% in FY 2011, FY 2012, and FY 2013.

Personal Property Prior Year

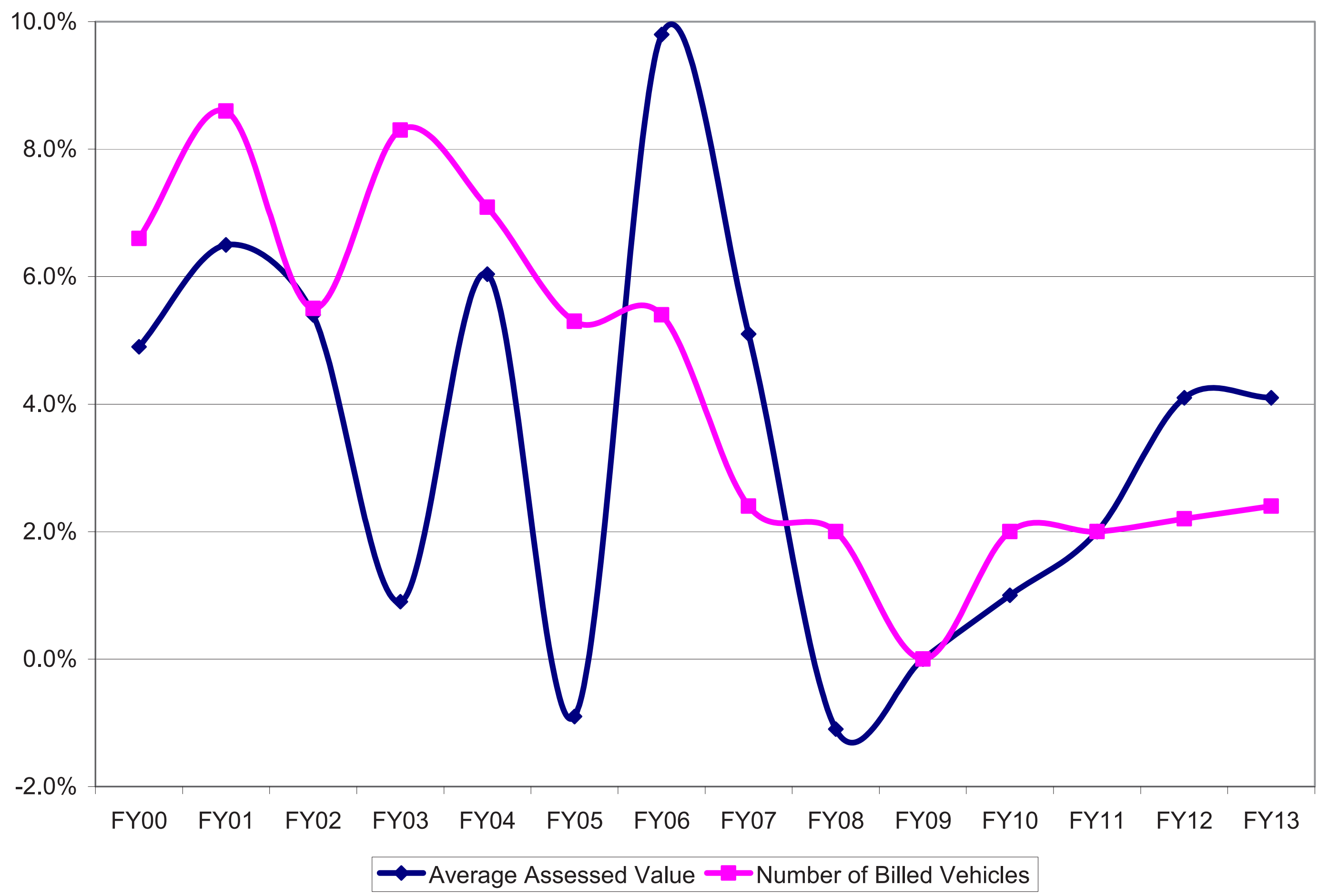
This account records changes to prior year personal property taxes as a result of changes in estimated allowance

Table 18. Percent Change in Number of Vehicle Units Billed

FY 2004(a)	7.1%
FY 2005(a)	5.3%
FY 2006(a)	5.4%
FY 2007(a)	2.4%
FY 2008(a)	2.0%
FY 2009	0.0%
FY 2010	2.0%
FY 2011	2.0%
FY 2012	2.2%
FY 2013	2.4%

(a) – actual

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



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. (See Table 19)

Personal Property Deferrals

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

If unpaid personal property taxes at the end of a fiscal year are more than at the beginning of that fiscal year, the amount of the increase is recorded as negative revenue in personal property tax deferrals. (See Table 20)

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 FY 2003. With the adoption of the FY 2002 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 FY 2005.

At the end of FY 2007, the percentage of unpaid property taxes compared to the FY 2007 levy was 2.4%. This represents a slight increase from the FY 2006 unpaid property tax percentage of 2.3%, which was the County's best unpaid property tax rate since data was first collected

Table 19. Revenue Forecast – Personal Property Prior Year

Forecast Revenue	Revenue Estimate	Percent Change
FY 2009	$75,000	0.0%
FY 2010	75,000	0.0%
FY 2011	75,000	0.0%
FY 2012	75,000	0.0%
FY 2013	75,000	0.0%

Table 20. Revenue Summary – Personal Property Deferrals

Revenue History	Actual Revenue	Percent Change
FY 1999	$(1,805,000)	(255.6%)
FY 2000	(15,000)	99.2%
FY 2001	2,027,000	13,613.3%
FY 2002	2,275,000	12.2%
FY 2003	4,342,000	90.9%
FY 2004	2,089,762	(51.9%)
FY 2005	1,878,762	(10.1%)
FY 2006	3,818,762	203.3%
FY 2007	(88,148)	(102.3%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$ (900,000)	(921.0%)
FY 2008 (revised estimate)	(1,400,000)	(1,488.2%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$(1,050,000)	25.0%
FY 2010	(1,050,000)	0.0%
FY 2011	(1,175,000)	(11.9%)
FY 2012	(1,175,000)	0.0%
FY 2013	(1,175,000)	0.0%

in 1971. The unpaid property tax percentage is anticipated to increase in FY 2008 and throughout the five-year revenue forecast.

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

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

Personal Property Penalties - Current Year

Prince William County assesses a 10% penalty on the late payment of personal property taxes. (See Table 21)

A significant decrease in personal property penalty revenue occurred in FY 2007. This is due to the revised PPTRA legislation discussed on page 29. The 10% personal property penalty on late payments applies only to the local share of what is delinquent. The penalty is not applied to the portion paid by the Commonwealth.

Local Sales Tax Revenue

Local Sales Tax

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

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

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

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

Revenue History	Actual Revenue	Percent Change
FY 1999	$1,088,512	(24.3%)
FY 2000	1,167,455	7.3%
FY 2001	1,327,065	13.7%
FY 2002	1,339,702	1.0%
FY 2003	1,543,641	15.2%
FY 2004	1,662,928	7.7%
FY 2005	1,561,623	(6.1%)
FY 2006	1,829,485	10.8%
FY 2007	1,153,220	(40.0%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$1,067,855	(7.4%)
FY 2008 (revised estimate)	1,170,000	1.5%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$1,240,000	6.0%
FY 2010	1,340,000	8.1%
FY 2011	1,400,000	4.5%
FY 2012	1,490,000	6.4%
FY 2013	1,590,000	6.7%

taxes collected. (See Table 22)

Prince William County's sales tax revenue in the first half of FY 2008 has hovered at a level that is just below the amount of sales tax revenue that was generated during the first half of FY 2007. This trend of reduced sales tax revenue is expected to continue during the rest of FY 2008. Gradual increases are projected in FY 2009 and beyond due principally to population growth. While the FY 2008 decline is currently three percent on a year-to-date actual basis, when added to the pronounced FY 2007 deceleration in sales tax revenue this decline reflects a substantial change from most prior year's growth in sales tax revenue which normally ranges between 5% and 8% growth. This is unsettling when compared with the last period of recession, in fiscal years 2000 through 2002, when the County's sales tax grew at rates varying between 6% and 10%.

During calendar 2007, most of the surrounding jurisdictions experienced a very similar period of overall flat or decelerating sales tax revenue. Arlington and Fairfax experienced normal growth overall, but the other Northern Virginia jurisdictions' calendar 2007 sales tax revenue displayed little or no growth when compared to the same period in the prior year. (See Table 23) [2]

The factors believed to contribute to the County's stagnant sales tax revenue are:

- a sharp decline in new and existing home sales and the associated impact of furnishing residences,
- an increase in vehicle fuel and home heating prices which diminishes resident's spending power
- a general tightening of available credit
- a softening of the national and regional economies

Population Growth

The retail sales tax estimate is based on the population change in Prince William County. The population increase

[2] Virginia Department of Taxation, Monthly Sales Tax Reports

Table 22. Revenue Summary – Local Sales Tax

Revenue History	Actual Revenue	Percent Change
FY 1999	$26,498,998	7.9%
FY 2000	29,036,130	9.5%
FY 2001	31,603,038	8.8%
FY 2002	33,443,678	5.8%
FY 2003	35,223,965	5.3%
FY 2004	40,721,074	15.6%
FY 2005	43,856,656	7.7%
FY 2006	46,648,646	6.4%
FY 2007	47,921,402	2.7%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$48,629,229	1.5%
FY 2008 (revised estimate)	45,560,000	(4.9%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$46,020,000	1.0%
FY 2010	46,710,000	1.5%
FY 2011	47,880,000	2.5%
FY 2012	49,320,000	3.0%
FY 2013	51,290,000	4.0%

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

	Calendar Year 2007			
	QTR 1	QTR 2	QTR 3	QTR 4
Alexandria	3.54%	(6.09%)	(3.16%)	(1.0%)
Arlington	8.50%	8.07%	(0.12%)	4.19%
Fairfax County	5.29%	3.00%	(0.29%)	6.43%
Prince William County	(0.58%)	2.23%	(0.69%)	(1.55%)

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 reduced five-year projection includes population increases ranging from approximately 6,300 to 8,300 new residents in each year of the projection period. Population changes are expected to decline initially then gradually increase over the five-year period as fewer new housing units are constructed in the County. Even at the reduced rate this level of growth is expected to have a positive ongoing impact on sales tax growth. (See Table 24)

- FY 2008 population estimate based on U.S. Census estimates adjusted for bank-owned properties between July 2007 and March 2008.

Consumer Utility Revenue

Consumer Utility Tax

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

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

Residential users: $1.40 minimum billing charge plus the rate of $0.01509 on each kWh delivered monthly by a service provider not to exceed $3.00 per month.
Commercial users: $2.29 minimum billing charge plus the rate of $0.013487 on each kWh delivered monthly to commercial consumers, not to exceed $100.00 monthly.

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

Residential consumers: $1.60 minimum billing charge plus the rate of $0.06 on each CCF delivered monthly to residential consumers, not to exceed $3.00 per month.
Commercial consumers: $3.35 minimum billing charge plus the rate of $0.085 on each CCF delivered monthly to commercial consumers, not to exceed $100.00 monthly.

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

Prior to January 1, 2007, Prince William County's consumer utility tax was also levied on wired and cellular telephone service. With the advent of the Virginia communications sales and use tax (please see page 38 for details), the County's consumer utility tax is no longer levied on telecommunication services. This change occurred during the second half of FY 2007. FY 2008 was the first full-year the consumer utility tax was levied only on electric and natural gas utilities. (See Table 25)

Electricity and Gas Revenue Growth

The following chart shows the history of electric and gas utility growth in Prince William County as well as the projected growth rates included in the five year revenue

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

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

Table 24. Population Growth

Fiscal Year	Population Change	Estimated Population	Percent Change
FY 2008*		357,343	
FY 2009	7,557	364,900	2.1%
FY 2010	5,900	370,800	1.6%
FY 2011	6,300	377,100	1.7%
FY 2012	7,200	384,300	1.9%
FY 2013	7,800	392,100	2.0%

forecast for FY 09-13. The growth rates reflect the projected increase in new, residential housing units during the forecast period. Please refer to page 20 for a history of new housing units in the County. As seen in Table 6, the number of new residential units drastically decreased in FY 2008 (CY 2006) and FY 2009 (CY 2007) and is projected to continue until FY 2011. (See Table 26)

Communications Sales and Use Tax Revenue

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

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

Table 25. Revenue Summary – Consumer Utility Tax

Revenue History	Actual Revenue	Percent Change
FY 1998	$14,170,595	2.8%
FY 1999	14,702,407	3.8%
FY 2000	16,210,493	10.3%
FY 2001	17,806,197	9.8%
FY 2002	19,246,918	8.1%
FY 2003	20,257,043	5.2%
FY 2004	22,869,727	12.9%
FY 2005	25,451,681	11.3%
FY 2006	26,295,481	3.3%
FY 2007	18,521,861	(29.6%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$12,720,000	31.3%
FY 2008 (revised estimate)	12,490,000	(32.6%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$12,740,000	2.0%
FY 2010	12,990,000	2.0%
FY 2011	13,250,000	2.0%
FY 2012	13,540,000	2.2%
FY 2013	13,880,000	2.5%

Table 26. Percent Change in Revenue Growth from Electricity and Gas Utilities

	Electric Utilities	Gas Utilities
FY 2002(a)	1.4%	2.8%
FY 2003(a)	4.5%	10.7%
FY 2004(a)	5.3%	5.9%
FY 2005(a)	4.6%	7.1%
FY 2006(a)	5.7%	5.0%
FY 2007(a)	3.2%	6.0%
FY 2008	3.1%	2.2%
FY 2009	2.0%	2.0%
FY 2010	2.0%	2.0%
FY 2011	2.0%	2.0%
FY 2012	2.3%	2.3%
FY 2013	2.5%	2.5%

Services Previously Taxed Locally:

- Landline Telephone Services
- Wireless Telephone Services
- Cable Television Services

Services Not Previously Taxed:

- Satellite Television Services
- Voice Over Internet Protocol Services (VOIP)
- Paging Services

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

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

Similar to general sales tax revenue, telecommunications sales and use tax revenue is collected by the Virginia Department of Taxation and distributed to Prince William County monthly. As enumerated in Section 58.1-662 of the Code of Virginia, the telecommunications revenue will be distributed to localities according to the percentage of telecommunications and cable television tax revenue

Table 27. Revenue Summary – Communications Sales and Use Tax

Revenue History	Actual Revenue	Percent Change
FY 2007	$9,132,861	
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$22,719,000	148.8%
FY 2008 (revised estimate)	20,400,000	123.4%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$20,800,000	2.0%
FY 2010	21,200,000	1.9%
FY 2011	21,700,000	2.4%
FY 2012	22,400,000	3.2%
FY 2013	23,300,000	4.0%

Table 28. Revenue Summary – BPOL Tax Revenue

Revenue History	Actual Revenue	Percent Change
FY 1999	$ 8,594,470	8.1%
FY 2000	10,283,757	19.7%
FY 2001	11,806,197	14.8%
FY 2002	13,384,468	13.4%
FY 2003	14,836,449	10.8%
FY 2004	17,563,465	18.4%
FY 2005	19,533,652	11.2%
FY 2006	23,071,409	18.1%
FY 2007	22,808,968	(1.1%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$24,280,000	6.4%
FY 2008 (revised estimate)	20,500,000	(10.1%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$19,890,000	(3.0%)
FY 2010	19,890,000	0.0%
FY 2011	20,880,000	5.0%
FY 2012	22,130,000	6.0%
FY 2013	23,680,000	7.0%

each locality received relative to the statewide total in FY 2006. In FY 2006, the County accounted for 4.64% of statewide telecommunications and cable television tax revenue. Therefore, the County has received 4.64% of the statewide telecommunications sales and use tax each month since January 1, 2007. It is important to note that the FY 2007 actual represented only a half-year levy of the new tax. FY 2008 represents the first, full-year the tax was implemented. (See Table 27)

The FY 2009 forecast was determined by examining actual monthly revenue received during FY 2008. It is important to note that the FY 2008 projection reflects audit adjustments for revenue that should have been collected during FY 2007. Very modest growth rates are projected during the forecast period due to the housing market in the County. This is due to increases in foreclosure activity (vacant houses without telephone and cable/satellite service) coupled with declines in new home construction. For a more detailed discussion of foreclosure activity, please reference the Introduction section of this report.

BPOL Tax Revenue

The Business, Professional, and Occupational License (BPOL) tax is imposed on commercial and home occupational businesses operating in Prince William County. The County has adopted a multiple tax rate schedule according to the type of business activity subject to the tax. 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 2008 is gross revenue receipts from calendar year 2007. Therefore, forecasting 2008 gross receipts (FY 2009) has a one-year lag in which actual prior year figures on which to base an estimate are unavailable. (See Table 28)

During FY 2000 – FY 2006, business license revenue increased an average of 15.2% per year due to residential and commercial growth. However, FY 2007 revenue decreased 1.1% due to the slowdown in the real estate market as license revenue from building contractors, developers, and real estate firms comprise nearly one-third of business license revenue. During FY 2008 (calendar year 2007), license revenue from these businesses are projected to decrease 32%, which equates to an overall reduction in BPOL revenue of 9%. These decreases are further exacerbated by decreases in other, large sectors of the County's economy such as retail businesses (a 2% decrease from the prior year).

Table 29. Revenue Summary – Investment Income

Revenue History	Actual Revenue	Percent Change
FY 1999	$ 6,788,336	(18.8%)
FY 2000	9,479,253	39.6%
FY 2001	11,809,529	24.9%
FY 2002	7,442,158	(37.0%)
FY 2003	5,358,898	(28.0%)
FY 2004	2,999,989	(44.0%)
FY 2005	9,324,045	310.8%
FY 2006	12,740,165	36.6%
FY 2007	20,695,300	62.4%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$18,949,428	(8.4%)
FY 2008 (revised estimate)	22,150,000	7.0%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	16,610,000	(25.0%)
FY 2010	22,580,000	35.9%
FY 2011	26,660,000	18.1%
FY 2012	30,470,000	14.3%
FY 2013	32,400,000	6.3%

The FY 2009 forecast projects further reductions in builders and contractors' gross receipts during calendar year 2008 as the County's housing market continues to struggle. The impact of the real estate market is not limited to developers and contractors. Mortgage lending institutions and realtors are also impacted by lower gross receipts which is the basis of BPOL taxes. It is also important to note that if an economic recession occurs, discretionary spending in household budgets will become constrained and the impact will be felt in the service sector (i.e. restaurants) of the BPOL tax base.

Investment Income

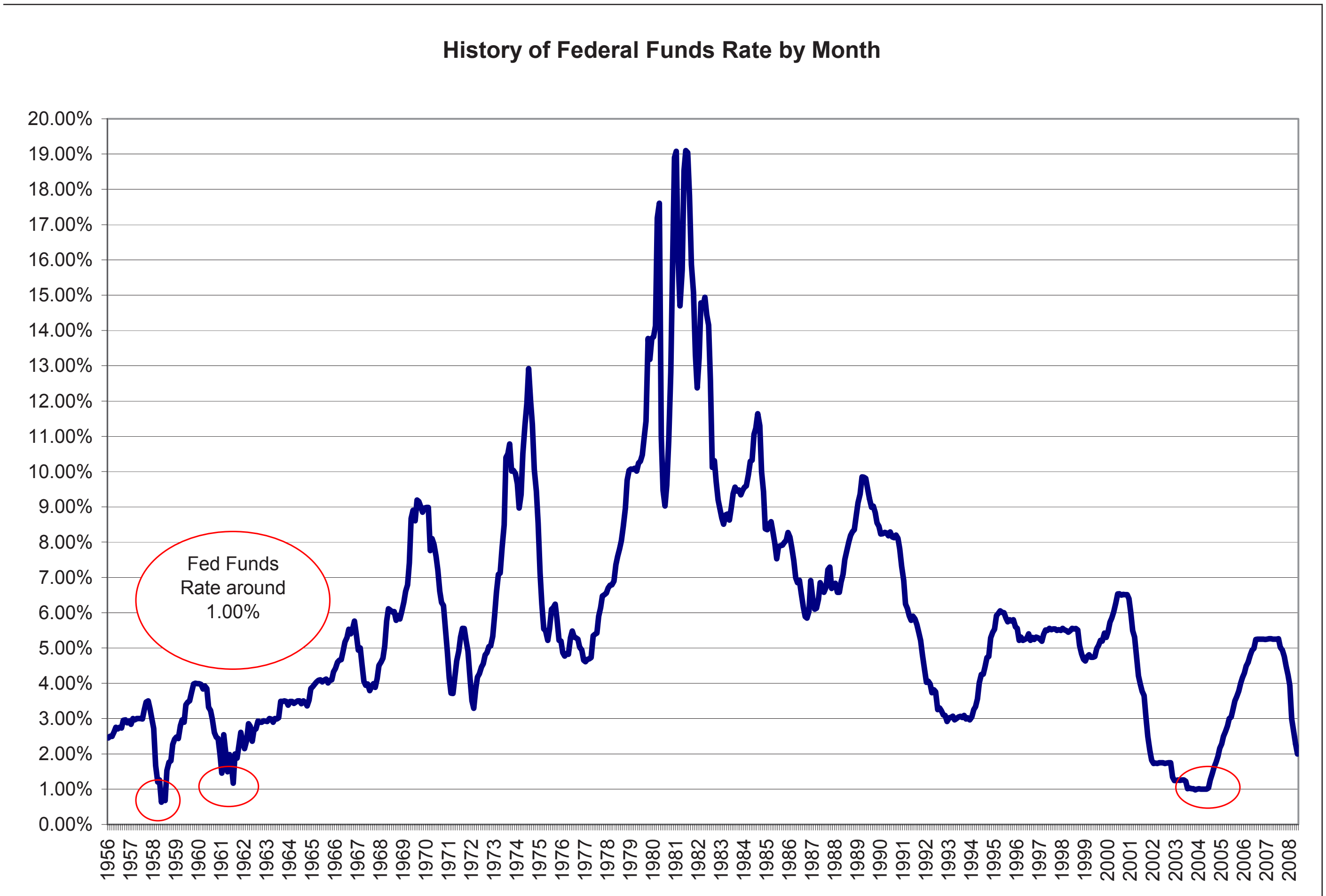
Investment income represents interest receipts, interest accrual, and gains or losses from the sale of investments for Prince William County's share of earnings on the "general" cash investment portfolio. The general portfolio consists of those funds that are not restricted. The general fund available cash constitutes approximately 58% of the total pooled investments. All funds are invested in accordance with the County's investment guidelines of legality, safety, liquidity, and yield. (See Table 29)

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 (FRB) 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 decreased the Fed

Figure 3 History of the Federal Funds Rate Target

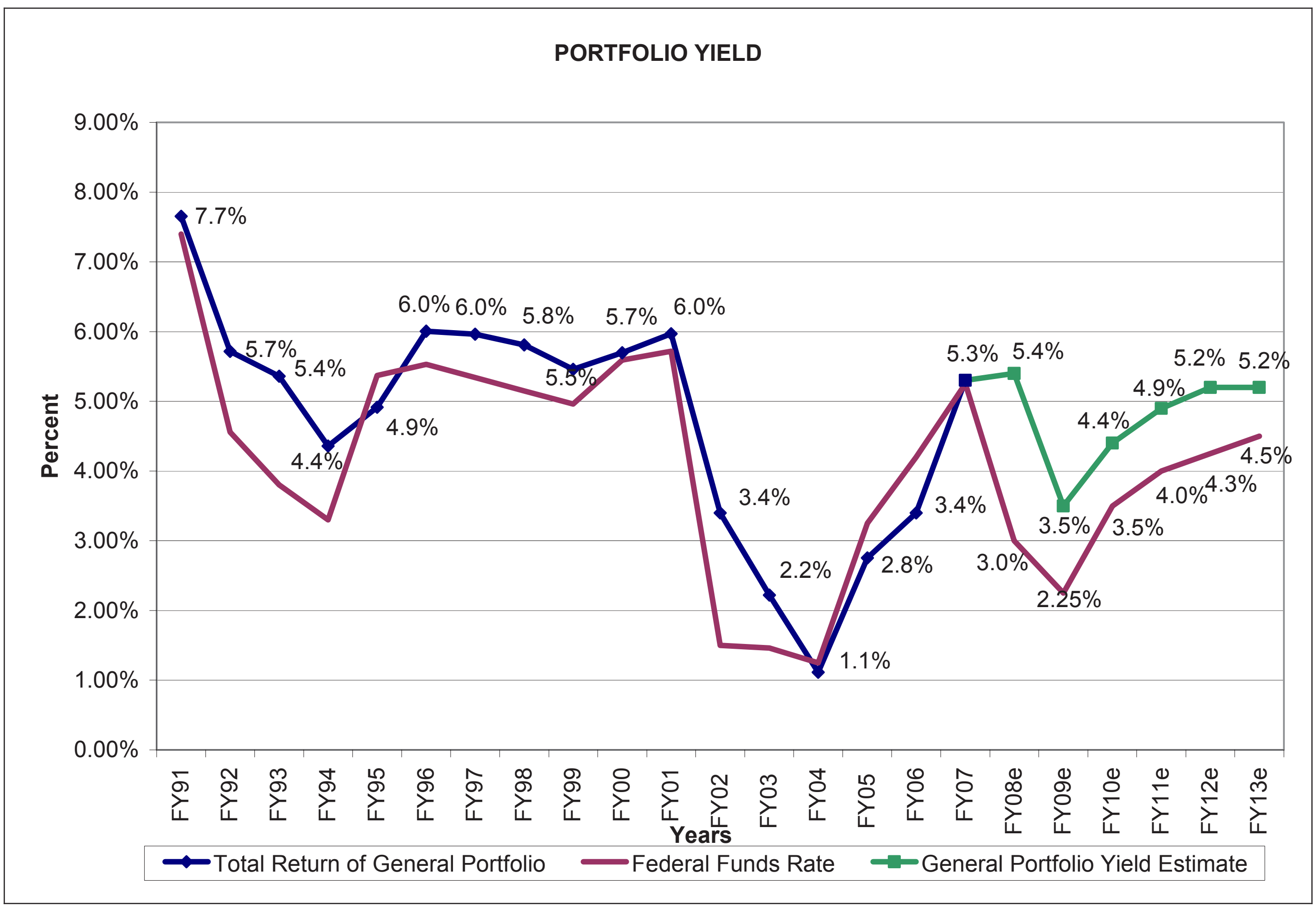


Funds target rate by 550 basis points through June 2003 thus reducing the Fed Funds target rate to 1.00% - the lowest level since 1958. Beginning June 2004, the Federal Reserve was just as aggressive in increasing the Fed Funds rate 17 times through January 2007 by 425 basis points to 5.25%.

The downdraft in the national housing market and the accompanying re-pricing of sub-prime loans and securities collateralized with sub-prime loans caused significant turmoil in both equity and debt markets since August 2007. In response to the unstable markets, the FRB reduced the Fed Funds rate to 4.75% in September 2007 and then again in October to 4.50%. In an effort to inject stability into rapidly declining markets, the FRB took the highly unusual action of reducing the Fed Funds rate another 0.75% to 3.50% in advance of their scheduled meeting in January. Only eight days later, the FRB lowered the Fed Funds rate another 0.50% to 3.0%. Additional rate cuts followed culminating in the latest reduction to 2.0% in late April 2008. Figure 3 presents a history of the Fed Funds rate target since 1956, when the rate stood at record lows.

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 total return and yields do change to reflect swings in the market price of securities and 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

Figure 4 Prince William County's Portfolio Yield



purchased. Figure 4 presents a history of the County's portfolio yield as well as the projected yield for FY09-13 juxtaposed against the Fed Funds rate target.

Most forecasting sources provide interest rate information up to four quarters beyond current dates. Therefore, the final half of FY 2009 is an estimate without authoritative source data as a basis for projection. The County's portfolio yield projection for the final half of FY 2009 and beyond is based on reasonable expectations that the Federal Funds rate will remain between 3.0% and 3.5% during that period as the economy begins to recover. While there are diverse opinions regarding the economy's final outcome, current economic forecasts indicate that the Federal Reserve may move the Fed Funds rate as low as 2.0% in calendar year 2008. The forecast for FY 2009 and beyond is based on the assumption that the Federal Reserve Board will moderate its rate target over time to avert inflationary growth yet provide the necessary stimulus to combat any slowing of the economy.

During turbulent markets, investors typically seek the safety of treasury securities, often moving yields on those securities sharply lower. As a result of this "flight to quality," interest rate spreads between treasuries and agency securities have widened significantly, which has been favorable to the County's portfolio and resulted in a longer retention of higher rate securities and a slower pace of callable securities. In the near term, the County will shift funds from money markets to higher quality securities with maturities in the 30 day to 120 day range or to longer-term securities when higher yields are offered in the market place. The County will likely continue to invest a large portion of the portfolio in U.S. Government Agency securities to provide additional yield that exceeds the Fed Funds rate. These securities can be purchased in maturities out to ten years, but are usually purchased with yield-enhancing call features that shorten duration. In the current environment of wide treasury spreads, callable agency securities provide additional yield enhancement and the opportunity for market gains when spreads return to normalcy. Additionally, the yield curve, which had been

Table 30. Average Portfolio Size

	Value
FY 2009	$ 794,436,343
FY 2010	849,329,767
FY 2011	911,912,107
FY 2012	974,087,985
FY 2013	1,039,508,401

Table 31. Revenue Summary – Interest on Taxes

Revenue History	Actual Revenue	Percent Change
FY 1999	$2,302,737	30.7%
FY 2000	2,310,126	0.3%
FY 2001	2,027,000	(12.3%)
FY 2002	2,049,420	1.1%
FY 2003	2,003,030	(2.3%)
FY 2004	1,303,362	(34.9%)
FY 2005	1,219,674	(6.4%)
FY 2006	1,230,197	0.9%
FY 2007	1,252,785	1.8%
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$1,140,750	(8.9%)
FY 2008 (revised estimate)	1,300,000	3.8%
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$1,423,000	9.5%
FY 2010	1,568,000	10.2%
FY 2011	1,708,000	8.9%
FY 2012	1,845,000	8.0%
FY 2013	1,989,000	7.8%

flat to inverted, has shifted to a more normal configuration which will provide the County with an opportunity to maintain yields at the long end of the curve.

It is important to note that the County's portfolio currently contains no direct investments in commercial paper, asset-backed commercial paper, or mortgage backed securities.

Portfolio Size

The average total dollar value of the portfolio is affected by the increase in County revenues and fund balance. Therefore, the revenue forecast itself becomes a key determinate of interest income. Table 30 shows the forecasted growth in the portfolio. Increases in portfolio size typically came from additions to fund balance as well as a portion of annual revenue growth.

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 1 and 2.

Revenue Sources over $1.5 Million

Interest on Taxes

Delinquent personal property and real estate tax accounts incur interest at 10% of the unpaid amount the first year. Subsequent years are incurred at 10% or the Internal Revenue Service (IRS) delinquent tax rate, whichever is greater. (See Table 31)

The revenue estimate is computed by multiplying the fixed percentage of 0.23% by the combined estimate for gross current year real estate tax revenue and personal property tax revenue (excluding public service revenue).

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 0.66% in FY 02, 0.56% in FY 03, 0.32% in FY 04, 0.27% in FY 05, 0.20% in FY 06, and 0.23% in FY 07.

Motor Vehicle License Fee

Section 46.2-752 Virginia Code Annotated authorizes the County to levy a vehicle license fee. The amount of the license tax cannot be greater than the annual or one-year fee imposed by the Commonwealth on motor vehicles. The adopted, local fee is $24 per year for each passenger car and truck normally garaged or parked in the County. The adopted fee per year for each motorcycle is $12. The decal must be renewed by October 5th and must be displayed no later than November 15th. (See Table 32)

The vehicle decal fees dropped 43% in FY 99 due to the change in the decal due date and a $10.00 decrease in the decal fee for FY 99. After the transition period ended

Table 32. Revenue Summary – Motor Vehicle License Fee

Revenue History	Actual Revenue	Percent Change
FY 1999	$2,260,107	(43.2%)
FY 2000	4,066,086	79.9%
FY 2001	4,686,385	15.3%
FY 2002	5,141,812	9.7%
FY 2003	5,441,534	5.8%
FY 2004	5,829,319	7.1%
FY 2005	6,274,625	7.6%
FY 2006	6,641,428	5.8%
FY 2007	6,533,798	(1.6%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$7,017,750	7.4%
FY 2008 (revised estimate)	6,500,000	(0.5%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$6,740,000	3.7%
FY 2010	6,870,000	1.9%
FY 2011	7,010,000	2.0%
FY 2012	7,160,000	2.1%
FY 2013	7,330,000	2.4%

in FY 99, the decal fee reverted back to $24 in FY 00. 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 the estimated billable units in the County.

Recordation Tax

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

On April 28, 2004, the Commonwealth of Virginia increased the State recordation tax rate from $0.15 per $100 of value to $0.25 per $100 of value effective September 1, 2004 (FY 2005). 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 revenue and does not include the state portion of recordation revenue. (See Table 33)

Recordation tax revenue is driven by three factors: home sales, refinance activity, and home sale price appreciation.

Fiscal Year 2008 recordation tax revenue is projected to decrease nearly 28% from FY 2007 revenue. Through the first half of FY 2008, residential sales volume (unit sales and price appreciation) is approximately 35% less than the same period in FY 2007. There is also very little refinance activity due to turmoil in the credit markets which began in August 2007.

Table 33. Revenue Summary – Recordation Tax

Revenue History	Actual Revenue	Percent Change
FY 1999	$ 2,033,815	17.4%
FY 2000	2,119,681	4.2%
FY 2001	2,815,940	32.8%
FY 2002	4,272,952	51.7%
FY 2003	6,473,394	51.5%
FY 2004	7,937,447	22.6%
FY 2005	15,562,384	96.1%
FY 2006	18,619,777	19.6%
FY 2007	12,525,249	(32.7%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$14,210,000	13.5%
FY 2008 (revised estimate)	9,030,000	(27.9%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$ 7,360,000	(18.5%)
FY 2010	9,770,000	32.7%
FY 2011	11,340,000	16.1%
FY 2012	13,440,000	18.5%
FY 2013	15,920,000	18.5%

Table 34. 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
FY 2009	$5,440,000	$1,920,000	$ 7,360,000
FY 2010	7,230,000	2,540,000	9,770,000
FY 2011	8,390,000	2,950,000	11,340,000
FY 2012	9,940,000	3,500,000	13,440,000
FY 2013	11,780,000	4,140,000	15,920,000

The FY 2009 revenue forecast anticipates that refinance activity will continue to be significantly suppressed as banks write down billions of dollars in losses resulting from real estate foreclosures. In response, banks have tightened credit requirements which will limit borrowers ability (particularly first-time home buyers) to enter the real estate market during the short-term. The forecast also reflects the belief that continued home sale price depreciation (-10% in calendar year 2008) in addition to another 5% decrease in homes sold during FY 2009 will contribute to an overall 18.5% decrease in recordation tax revenue. After FY 2009, home sales will slowly increase, thereby reducing the inventory of homes for sale and slowly stabilize prices by FY 2011.

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 FY 2006, recordation tax revenues generated by the rate increase of $0.033 in addition to 56.75% of recordation tax revenues generated from the base rate of $0.05 will be used to improve County roads. The remaining amount of recordation tax revenue is retained by the County government as general revenue. Table 34 identifies the portion of recordation tax revenues designated for transportation and general revenue use in each year of the five-year forecast.

Tax on Deeds

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

- property ownership changes
- property ownership is conveyed in any manner
- 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. (See Table 35)

Revenue growth attributed to tax on deeds is expected to decrease in FY 2009 due to projected declines in sales transactions as well as continued price decreases. Similar to the recordation tax forecast, the FY 2009 forecast assumes a 14.4% decrease in sales volume (5% decrease in sales combined with an additional 10% decrease in prices) from the prior year. The real estate market will begin to improve as sales slowly begin to increase, inventories of homes for sale decreases, and home prices stabilize and slowly begin to appreciate in value by FY 2012.

Table 35. Revenue Summary – Tax on Deeds

Revenue History	Actual Revenue	Percent Change
FY 1999	$ 735,280	
FY 2000	936,541	27.4%
FY 2001	1,183,922	26.4%
FY 2002	1,581,489	33.6%
FY 2003	2,098,654	32.7%
FY 2004	2,775,718	32.3%
FY 2005	3,929,185	41.6%
FY 2006	4,121,652	4.9%
FY 2007	2,618,084	(36.5%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$2,959,000	13.0%
FY 2008 (revised estimate)	2,480,000	(5.3%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	2,123,000	(14.4%)
FY 2010	2,216,000	4.4%
FY 2011	2,575,000	16.2%
FY 2012	3,049,000	18.4%
FY 2013	3,613,000	18.5%

Cable Franchise Tax

The cable franchise tax was based on cable company gross receipts. This fee was 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) authorized 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.

On April 17, 2006, the Governor of Virginia approved House Bill 568 and revised the taxation of communication services in the Commonwealth. Effective January 1, 2007, the new Virginia communications sales and use tax (please refer to page 38 for additional information) replaced Prince William County's cable franchise tax. The local cable franchise tax has been eliminated because the County no longer has the authority to levy it. (See Table 36)

Revenue Sources Under $1.5 Million

Listed in Table 37 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 2009 – 2013, most revenue categories are increased annually except as noted in the individual revenue sources. The forecast and a description of each revenue source follows.

Daily Rental Equipment Tax

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

Bank Franchise Tax

The County levies a bank franchise tax on the net capital of each bank, 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

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

Table 36. Revenue Summary – Cable Franchise Tax

Revenue History	Actual Revenue	Percent Change
FY 1999	$1,770,700	4.2%
FY 2000	1,945,980	9.9%
FY 2001	2,243,491	15.3%
FY 2002	3,149,770	40.4%
FY 2003	2,700,496	(14.3%)
FY 2004	2,957,028	9.5%
FY 2005	3,251,899	10.0%
FY 2006	3,430,604	5.5%
FY 2007	2,021,222	(41.0%)
Current Estimate	**Adopted/Revised Revenue**	**Percent Change**
FY 2008 (adopted budget)	$0	(100.0%)
FY 2008 (revised estimate)	0	(100.0%)
Forecast Revenue	**Revenue Estimate**	**Percent Change**
FY 2009	$0	--
FY 2010	0	--
FY 2011	0	--
FY 2012	0	--
FY 2013	0	--

and replaced it with the Corporate Net Income Tax and the declining Consumption Tax. The State set the latter at a maximum of $0.50/$100 of assessed value. If a locality's rate is below the maximum, the State receives the difference. Therefore, the Board of County Supervisors increased this tax only for electric companies from $0.29/$100 of assessed value to $0.50/$100 of assessed value effective January 1, 2001.

Transient Occupancy Tax

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

Miscellaneous Business Licenses

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

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

Interest Paid on Refunds

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

ABC Profits

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

Table 37. Miscellaneous Revenue Sources

Revenue Source	Actual FY 2005	Actual FY 2006	Actual FY 2007	Revised Estimate FY 2008	Estimated 2009
Daily Rental Equipment Tax - 215	$ 161,188	$ 324,819	$ 190,389	$ 220,000	$ 156,000
Bank Franchise Tax – 230	573,132	707,787	670,471	936,000	1,067,000
BPOL Taxes- Public Service–236	1,068,691	1,117,859	1,184,033	1,210,000	1,246,000
Transient Occupancy Tax – 270	1,117,549	1,210,263	1,317,654	1,350,000	1,465,000
Misc. Business Licenses - 380	4,600	4,700	6,800	0	6,800
Interest Paid to Vendors – 520	(185,440)	(402,617)	(312,834)	(300,000)	(325,000)
Interest Paid on Refunds – 521	(39,113)	(31,928)	(34,194)	(400,000)	(45,000)
ABC Profits – 1301	160,440	160,440	160,440	160,440	0
State Wine Tax – 1302	168,172	168,172	168,172	168,172	0
Rolling Stock Tax – 1303	74,435	80,308	76,203	80,000	81,000
Passenger Car Rental Tax – 1304	697,901	781,949	848,026	750,000	805,000
Mobile Home Titling Tax – 1305	44,360	44,269	88,048	45,000	45,000
Federal Pymt in Lieu of Taxes - 1700	114,438	49,924	81,063	85,000	90,000
Other Revenue – 1150, 514	6,445	5,336	8,469	8,700	2,200
Total Miscellaneous Revenue	$3,966,798	$4,186,085	$4,653,247	$4,313,312	$4,594,000

provision of general fund services, and (iii) warehouse costs. Beginning in FY09, ABC profit revenue will no longer be distributed to localities in order to provide additional State mental health services following the tragedy that occurred at the Virginia Polytechnic Institute (Virginia Tech) in April 2007.

State Wine Tax

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. Beginning in FY09, State wine tax revenue will no longer be distributed to localities in order to provide additional State mental health services following the tragedy that occurred at the Virginia Polytechnic Institute (Virginia Tech) in April 2007.

Rolling Stock Tax

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

Passenger Car Rental Tax

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

Mobile Home Titling Tax

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

Federal Payment in Lieu of Taxes

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.

Projected Revenue And Other Financing Sources For The FY 2009 Adopted Fiscal Plan

	Governmental Fund Types								Enterprise Fund Type	Fiduciary Fund Type	Internal Service Fund Type		Total
			Special Revenue										Adopted
	General	Capital Projects	Schools	Fire And Rescue Levy	Regional Jail	Housing & Comm. Dev.	Special Levy Dist.	Transportation	Solid Waste	Reg. School Prog. Fund	Self Insurance	All Others *	FY 09
Projected Revenues:													
General Property Taxes	$635,271,512			$31,157,455			$4,176,784						$670,605,751
Other Local Taxes	$123,305,160												$123,305,160
Permits, Priv. Fees and Reg Lic	$1,463,275						$13,325,990		$8,000				$14,797,265
Fines & Forfeitures	$2,429,012												$2,429,012
Rev From Use of Money & Prop	$17,100,443		$800,000				$689,630		$1,336,000		$1,950,000		$21,876,073
Charges for Services	$7,965,742		$24,836,767		$470,219	$1,966,190	$4,792,503		$15,284,000		$84,994,037	$24,503,950	$164,813,408
Miscellaneous	$12,780,417	$3,000,000	$1,000,000		$57,020		$297,092		$151,000		$105,000		$17,390,529
Rev From Other Localities	$7,338,882				$3,339,650			$1,520,656		$27,868,607			$40,067,795
Rev From the Commonwealth of Va	$42,292,367	$1,000,000	$387,825,259		$9,411,755	$40,584							$440,569,965
Rev from the Federal Gov	$18,603,538	$100,000	$35,921,423		$800,000	$23,435,457							$78,860,418
Total Revenues	$868,550,348	$4,100,000	$450,383,449	$31,157,455	$14,078,644	$25,442,231	$23,281,999	$1,520,656	$16,779,000	$27,868,607	$87,049,037	$24,503,950	$1,574,715,376
Other Financing Sources (Uses):													
Operating Transfers In**	$15,110,821	$35,837,813	$434,694,283	$307,000	$25,122,712	$11,082	$574,414	$0	$0		$4,821,466		$516,479,591
Proceeds From Loans And Bonds	$0	$98,882,775											$98,882,775
Total Other Financing Sources (Uses)	$15,110,821	$134,720,588	$434,694,283	$307,000	$25,122,712	$11,082	$574,414	$0	$0	$0	$4,821,466	$0	$615,362,366
Total Revenue & Other Financing Sources	$883,661,169	$138,820,588	$885,077,732	$31,464,455	$39,201,356	$25,453,313	$23,856,413	$1,520,656	$16,779,000	$27,868,607	$91,870,503	$24,503,950	$2,190,077,742

Notes:
* Includes Data Processing, Fleet Maintenance and Construction Crew Internal Service Fund Budgets.
** The Operating Transfer In for the Convention and Vistors Bureau ($1,113,921) and the Park Authority ($16,586,808) are adopted and reported by a separate board and are excluded from this revenue report.

All Funds Revenue Summary

Department / Agency	FY 05 Adopted Revenue Bud.	FY 06 Adopted Revenue Bud.	FY 07 Adopted Revenue Bud.	FY 08 Adopted Revenue Bud.	FY 09 Adopted Revenue Bud.	% Change FY 08 to FY 09
SECTION ONE: GENERAL FUND REVENUE SUMMARY:						
General Governmental:						
Office Of Executive Management	$400,000	$692,000	$774,000	$0	$130,130	---
County Attorney	$195,186	$195,186	$195,186	$195,186	$245,186	25.62%
Sub Total	$595,186	$887,186	$969,186	$195,186	$375,316	92.29%
Administration:						
Finance	$1,163,190	$1,190,332	$1,178,332	$1,302,560	$1,559,453	19.72%
Human Rights Office	$61,000	$61,000	$61,000	$61,000	$61,000	0.00%
Off Of Information Technology	$132,400	$132,400	$140,060	$140,060	$226,331	61.60%
General Registrar	$71,092	$104,168	$106,029	$112,963	$114,324	1.20%
Sub Total	$1,427,682	$1,487,900	$1,485,421	$1,616,583	$1,961,108	21.31%
Judicial Administration:						
Clerk Of The Court	$3,863,085	$5,288,370	$7,502,505	$5,252,089	$4,286,035	-18.39%
Commonwealth's Attorney	$1,635,589	$1,723,321	$1,770,737	$1,851,232	$1,875,537	1.31%
Criminal Justice Services	$995,955	$1,004,955	$1,088,123	$1,141,661	$1,149,605	0.70%
Juvenile Court Service Unit	$265,051	$180,026	$144,592	$138,660	$138,660	0.00%
General District Court	$1,624,500	$1,717,930	$1,892,930	$1,892,930	$1,892,930	0.00%
Juvenile & Domestic Relations Court	$51,943	$51,943	$60,313	$60,313	$60,313	0.00%
Law Library	$110,806	$110,806	$110,806	$110,806	$110,806	0.00%
Sub Total	$8,546,929	$10,077,351	$12,570,006	$10,447,691	$9,513,886	-8.94%
Planning And Development:						
Economic Development	$14,130	$14,130	$14,130	$14,130	$14,130	0.00%
Planning (3)	$2,908,463	$3,385,449	$2,525,293	$2,059,270	$99,013	-95.19%
Transportation (1), (3)	$2,693,974	$3,059,029	$2,723,191	$1,442,964	$0	-100.00%
Public Works (1), (3)	$9,458,051	$10,668,147	$11,591,409	$11,270,934	$2,011,247	-82.16%
Sub Total	$15,074,618	$17,126,755	$16,854,023	$14,787,298	$2,124,390	-85.63%
Public Safety:						
Fire And Rescue	$868,504	$1,094,791	$2,154,838	$2,269,432	$2,570,823	13.28%
Public Safety Communications	$3,888,488	$3,952,509	$3,952,509	$3,600,372	$2,023,252	-43.80%
Sheriff	$2,372,222	$2,472,061	$2,782,188	$2,912,765	$3,006,144	3.21%
Police	$9,025,615	$10,471,633	$12,209,032	$12,846,892	$11,697,766	-8.94%
Sub Total	$16,154,829	$17,990,994	$21,098,567	$21,629,461	$19,297,985	-10.78%
Human Services:						
Community Services	$11,169,283	$11,811,015	$13,454,854	$13,986,435	$14,646,576	4.72%
Extension & Continuing Ed.	$498,449	$368,736	$499,777	$361,550	$400,373	10.74%
Office On Youth (2)	$5,000	$325,400	$356,100	$356,100	$464,780	30.52%
School Age Care (2)	$306,431	$0	$0	$0	$0	---
Area Agency On Aging	$1,237,099	$1,246,146	$1,266,173	$1,580,578	$1,501,454	-5.01%
At Risk Youth And Family Services	$4,499,026	$4,914,075	$5,148,748	$5,273,398	$5,504,244	4.38%
Public Health	$251,962	$222,665	$220,384	$262,196	$267,786	2.13%
Social Services	$21,301,089	$21,121,178	$22,666,926	$23,351,882	$25,529,617	9.33%
Sub Total	$39,268,339	$40,009,215	$43,612,962	$45,172,139	$48,314,830	6.96%
Library:						
Library	$2,790,321	$2,962,389	$3,003,618	$3,094,268	$3,137,758	1.41%
Sub Total	$2,790,321	$2,962,389	$3,003,618	$3,094,268	$3,137,758	1.41%

All Funds Revenue Summary (Cont.)

Department / Agency	FY 05 Adopted Revenue Bud.	FY 06 Adopted Revenue Bud.	FY 07 Adopted Revenue Bud.	FY 08 Adopted Revenue Bud.	FY 09 Adopted Revenue Bud.	% Change FY 08 to FY 09
Debt / CIP:						
General Debt	$2,584,233	$2,530,757	$2,575,134	$3,478,735	$3,559,899	2.33%
Sub Total	$2,584,233	$2,530,757	$2,575,134	$3,478,735	$3,559,899	2.33%
Non-Departmental:						
Unclassified Administrative	$8,096,825	$12,730,878	$14,184,190	$13,327,821	$16,016,147	20.17%
General Revenues	$572,064,427	$641,831,187	$728,636,545	$737,732,405	$771,579,000	4.59%
Transfers In	$3,405,700	$4,302,681	$4,188,947	$5,232,915	$7,780,850	48.69%
Sub Total	$583,566,952	$658,864,746	$747,009,682	$756,293,141	$795,375,997	5.17%
Total General Fund Revenue	**$670,009,089**	**$751,937,293**	**$849,178,599**	**$856,714,502**	**$883,661,169**	**3.15%**
SECTION TWO: NON GENERAL FUND REVENUE SUMMARY:						
Special Revenue Funds:						
Trans. To P.R.T.C.	$565,215	$2,000,800	$700,000	$700,000	$0	-100.00%
Commuter Rail Station Parking	$101,823	$101,823	$101,823	$101,823	$0	-100.00%
Comm. parking lease rev bond debt	$1,518,938	$1,526,522	$1,525,742	$1,524,494	$1,520,656	-0.25%
Adult Detention Center	$24,039,724	$26,307,488	$29,777,579	$32,968,601	$39,201,356	18.91%
Lake Jackson Service Dist.	$68,600	$88,550	$108,976	$143,920	$147,758	2.67%
Bull Run Mountain Serv. Dist. (3)	$100,000	$127,500	$170,391	$245,892	$231,522	-5.84%
Foremost Court Service District	$5,788	$0	$0	$0	$0	---
Circuit Court Service District	$5,963	$6,100	$6,100	$5,902	$3,973	-32.68%
Spc tax dist;Gypsy Moth/Mosq ctrl	$1,200,000	$1,037,745	$1,096,347	$1,465,840	$1,585,835	8.19%
P. W. Parkway Trans Imprv Dst.	$1,222,080	$1,477,920	$1,758,240	$2,015,800	$2,146,640	6.49%
234 Bypass Trans Imprv Dst	$87,932	$117,684	$131,898	$171,676	$213,456	24.34%
Stormwater Management (3)	$7,039,644	$7,697,581	$8,184,798	$7,156,439	$4,956,624	-30.74%
Public Works; Building Dev. (3)	$0	$0	$0	$0	$8,856,841	---
Public Works- Site Dev. Fee Supp. (3)	$0	$0	$0	$0	$2,430,270	---
Planning- Site Dev. Fee Supported (3)	$0	$0	$0	$0	$1,880,389	---
Transportation- Site Dev Fee Supp. (3)	$0	$0	$0	$0	$1,403,105	---
Housing & Community Dev.	$23,753,022	$23,983,545	$26,723,315	$26,852,604	$25,453,313	-5.21%
Total Special Revenue Funds	$59,708,729	$64,473,258	$70,285,209	$73,352,991	$90,031,738	22.74%
Capital Projects Fund:						
Capital Improvement Projects	$45,650,009	$107,556,646	$67,411,017	$53,428,450	$68,627,588	28.45%
Total Capital Projects Fund	$45,650,009	$107,556,646	$67,411,017	$53,428,450	$68,627,588	28.45%
Enterprise Fund:						
Public Works; Solid Waste	$13,842,000	$14,666,391	$15,752,176	$16,504,000	$16,779,000	1.67%
Total Enterprise Fund	$13,842,000	$14,666,391	$15,752,176	$16,504,000	$16,779,000	1.67%
Internal Service Funds:						
Public Works; Fleet Management	$4,082,069	$4,898,085	$5,842,290	$6,485,848	$6,336,397	-2.30%
OIT; Data Processing	$12,954,432	$14,607,025	$15,498,492	$15,651,632	$15,843,834	1.23%
Medical Insurance	$21,183,000	$25,453,000	$28,105,000	$32,373,000	$31,358,000	-3.14%
Public Works; Small Proj. Const.	$2,004,993	$2,150,574	$2,216,539	$2,275,834	$2,323,719	2.10%
Total Internal Service Funds	$40,224,494	$47,108,684	$51,662,321	$56,786,314	$55,861,950	-1.63%
Fire And Rescue Levy Funds:						
Fire and Rescue Levy Total	$21,494,647	$24,345,689	$26,917,740	$27,005,237	$31,464,455	16.51%
Total Fire & Rescue Levy Funds	$21,494,647	$24,345,689	$26,917,740	$27,005,237	$31,464,455	16.51%

All Funds Revenue Summary (Cont.)

Department / Agency	FY 05 Adopted Revenue Bud.	FY 06 Adopted Revenue Bud.	FY 07 Adopted Revenue Bud.	FY 08 Adopted Revenue Bud.	FY 09 Adopted Revenue Bud.	% Change FY 08 to FY 09
Schools:						
Operating Fund	$562,364,753	$644,093,636	$727,707,085	$749,417,617	$791,017,635	5.55%
School Debt Service Fund	$44,344,057	$48,429,423	$52,183,029	$56,408,860	$59,438,548	5.37%
Construction Fund	$58,080,418	$73,500,000	$122,087,000	$60,658,000	$70,193,000	15.72%
Food Service Fund	$21,097,174	$23,926,748	$25,706,341	$27,053,751	$28,896,472	6.81%
Warehouse	$4,250,000	$4,250,000	$4,100,000	$4,450,000	$4,750,000	6.74%
Facilities Use Fund	$505,666	$539,697	$578,165	$703,893	$975,077	38.53%
Self Insurance Fund	$3,601,101	$3,865,890	$4,052,951	$3,244,021	$3,521,466	8.55%
Health Insurance Fund	$40,023,848	$46,072,631	$53,449,938	$57,230,359	$56,991,037	-0.42%
Regional School Fund	$20,512,009	$23,931,294	$27,765,272	$25,296,670	$27,868,607	10.17%
Total Schools	$754,779,026	$868,609,319	$1,017,629,781	$984,463,171	$1,043,651,842	6.01%
Grand Total All Funds	**$1,605,707,994**	**$1,878,697,280**	**$2,098,836,843**	**$2,068,254,665**	**$2,190,077,742**	**5.89%**

(1) Per Resolution # 06-419 the BOCS approved the creation of the Department of Transportation effective July 1, 2006 for FY 07. Additionally, authority was granted to perform administrative adjustments to the FY 07 budget to establish the Department of Transportation. The FY 07-09 budget amounts shown above for Transportation and Public Works are after the budget for Transportation was transferred out of the Public Works Department. The prior year Adopted Budget amounts have been transferred out of Public Works for comparison purposes only and were originally adopted as a single Public Works amount.

(2) School Age Care was merged into the Office on Youth for FY 2006.

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