FINANCE DEPARTMENT

Estimate of General Revenue

Adopted FY 2020-2024

Prince William County

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The Revenue Committee Expresses its Appreciation to the Public and Private Sector Business Community for their Assistance in the Development of this Report

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COUNTY

Office of Executive Management
Christopher E. Martino, County Executive

DATE:	May 20, 2019
TO:	Board of County Supervisors
FROM:	Christopher E. Martino County Executive
THRU:	Michelle L. Attreed Director of Finance
RE:	Revenue Committee Report Fiscal Year 2020-2024

I am pleased to present the Adopted FY 2020–2024 Estimate of General Revenue. This report was prepared in accordance with the County's Principles of Sound Financial Management as part of the responsibility to citizens to carefully plan for the funding of programs and services, including the provision and maintenance of public facilities and infrastructure.

During the development of the revenue forecast, the Revenue Committee sought input from public and private sector business representatives most knowledgeable with the County's major revenue sources. The discussions and their input assisted the Committee in identifying and interpreting important local, state, and national economic conditions and trends.

Average residential real estate values grew by 3.4% while commercial values increased 2.8% during calendar year 2018 (tax year 2019). Personal property values related to the average assessed value of vehicles remained relatively flat, however, increases in the number of billable units remain strong. New taxable business tangible property, mainly from data centers, continues to grow and be a positive driver of personal property tax revenue. The new Tax Administration System, along with improved collection rate and higher billings also made a positive impact in revenue collections.

After four rate hikes in 2018, the Federal Reserve has maintained the target Federal Funds Rate at 2.25 - 2.50%. The County's investment income revenue is projected to continue to improve due to both higher interest rates and overall portfolio growth.

A real estate tax rate of $1.125 generates an average tax bill of $4,177, a 3.4% increase over the FY 2019 average tax bill. This revenue policy directive for the FY 2020 budget was approved by the Board of County Supervisors (BOCS) on April 30, 2019.

These revenue estimates are used in support of the FY 2020 Fiscal Plan, the FY 2020-2025 Capital Improvement Plan (CIP) and other financial undertakings.

I would like to thank the members of the Revenue Committee, the participants from the business community, and all others who contributed to the preparation of this report.

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Economy At-A-Glance

The County's revenues are affected, in varying degrees, by economic conditions at the national, state and local levels. The charts that follow identify some of the key indicators[1] for the national, regional, and local economies and show trends year-over-year (Y-O-Y). A "green" symbol indicates a positive trend, a "yellow" symbol signals a cautionary or neutral trend and a "red" symbol represents a negative trend.

Indicator			Explanation	Trend (Y-O-Y)
CPI (Inflation) (unadjusted year/year)	**1.9%** *(Dec 2018)*	**2.1%** *(Dec 2017)*	Reflects changes in the purchasing power per unit of money	
GDP (Gross Domestic Product)	**2.2%** *(Q4 2018)*	**2.3%** *(Q4 2017)*	Indicator of the overall health of the U.S. economy	
Stock Market:				
S&P 500	**2,506.85** *(12/31/18)*	**2,673.61** *(12/31/17)*	Indicator of the overall health of the U.S. stock market	
Dow Jones	**23,327.46** *(12/31/18)*	**24,719.22** *(12/31/17)*	Indicator of the overall health of the U.S. stock market	
Federal Funds Rate	**2.40%** *(12/31/18)*	**1.33%** *(12/31/17)*	Indicator of return on investments	
Unemployment Rate◊:				
National (seasonally adjusted)	**3.9%** *(Dec 2018)*	**4.1%** *(Dec 2017)*	Indicator of overall health of U.S. job market	
State (seasonally adjusted)	**2.8%** *(Dec 2018)*	**3.6%** *(Dec 2017)*	Indicator of overall health of VA job market	
Region (not seasonally adjusted)	**2.9%** *(Dec 2018)*	**3.4%** *(Dec 2017)*	Indicator of overall health of NoVA job market	
Prince William County (not seasonally adjusted)	**2.4%** *(Dec 2018)*	**3.0%** *(Dec 2017)*	Indicator of overall health PWC of job market	

◊ Bureau of Labor Statistics - U3

[1] Data is subject to revisions.

Indicator			Explanation	Trend (Y-O-Y)
National Retail Sales	-1.2% *(M/M Dec 2018)*	+0.6% *(M/M Dec 2017)*	Indicator of relative health of U.S. economy	
# Employment Establishments: State	267,892 (+2.1%)	262,391	Indicator of overall health of VA	
Region	90,116 (+0.5%) *(Q2 2018)*	89,656 *(Q2 2017)*	Indicator of overall health of NoVA economy, businesses & job market	
Prince William County	9,119 (+0.5%) *(Q2 2018)*	9,070 *(Q2 2017)*	Indicator of overall health of PWC economy, businesses & job market	
Sales Tax Growth: State	+4.8% *(FYTD Dec 2018)*	+3.8% *(FYTD Dec 2017)*	Indicator of relative health of VA	
Prince William County	+4.4% *(FYTD Dec 2018)*	+2.0% *(FYTD Dec 2017)*	Indicator of relative health of PWC economy	
State Revenue Collections	+1.5% *(FYTD Dec 2018)*	+5.9% *(FYTD Dec 2017)*	Indicator of relative health of VA economy	
National Automobile Sales	17.19M *(Jan-Dec 2018)*	17.14M *(Jan-Dec 2017)*	Indicator of consumer purchasing power	
Commercial Vacancy Rates: Prince William County	5.7% *(Q4 2018)*	5.8% *(Q4 2017)*	Indicator of overall health of PWC businesses and commercial market	

Local Real Estate Market At-A-Glance

The chart below presents some of the key indicators[2] for the local real estate market and shows trends year-over-year (Y-O-Y).

Indicator			Explanation	Trend (Y-O-Y)
Average Sales Price (MRIS)	$379,768 (-1.2%) *(CYTD Dec 2018)*	$384,540 *(CYTD Dec 2017)*	Indicator of relative health of housing market	
# of Homes Sold	7,220 (-6.0%) *(CYTD Dec 2018)*	7,679 *(CYTD Dec 2017)*	Indicator of relative health of housing market	
Average # of Days on Market	63 (+1.6%) *(Dec 2018)*	62 *(Dec 2017)*	Indicator of relative health of housing market	
# of Occupancy Permits Issued	1,344 (0%) *(CY 2018)*	1,343 *(CY 2017)*	Indicator of relative health of housing market	
# of Building Permits Issued	1,216 (-18.6%) *(CY 2018)*	1,494 *(CY 2017)*	Indicator of relative health of housing market	
Ratio of Homes on the Market to Homes Sold	1.9 (+26.7%) *(Dec 2018)*	1.5 *(Dec 2017)*	Indicator of relative health of housing market	

[2] Data is subject to revisions.

Real Estate Tax Rate and Major Revenue Sources

FY 2020 Adopted Real Estate Tax Rate and Average Tax Bill

On April 30, 2019, the Board of County Supervisors adopted the Fiscal Year 2020 Fiscal Plan. The adopted real estate tax rate of $1.125 had the following tax bill impacts on property owners:

- Average real estate tax bill on existing, residential properties increased $137 or 3.40%; and
- Average real estate tax bill on existing, commercial properties increased 2.80%.

Major Revenue Sources

($ in 000s)	% to Total (FY 20)	FY 2020 Forecast	FY 2021 Forecast	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast
Real Estate Tax Rate:		**$1.125**	**$1.125**	**$1.125**	**$1.125**	**$1.125**
Real Estate Taxes	**64.93%**	$694,102	$722,965	$752,949	$783,378	$814,418
Personal Property Taxes	**19.38%**	$207,180	$215,290	$223,600	$231,910	$240,220
Sales Tax	**6.38%**	$68,176	$70,221	$72,328	$74,498	$76,733
Consumer Utility Tax	**1.37%**	$14,590	$14,740	$14,890	$15,040	$15,190
Communications Sales Tax	**1.45%**	$15,500	$15,000	$14,625	$14,260	$13,905
BPOL Tax	**2.62%**	$28,000	$28,800	$29,600	$30,500	$31,400
Investment Income	**1.30%**	$13,940	$17,610	$20,150	$20,750	$21,370
All Other	**2.57%**	$27,506	$28,069	$28,669	$29,214	$29,784
Total General Revenue	**100%**	$1,068,994	$1,112,695	$1,156,811	$1,199,550	$1,243,020
School Portion		$607,264	$632,217	$657,407	$681,810	$706,630
County Portion		$455,870	$474,538	$493,394	$511,650	$530,230
Transportation Fund		$5,860	$5,940	$6,010	$6,090	$6,160
Total General Revenue		$1,068,994	$1,112,695	$1,156,811	$1,199,550	$1,243,020

Key Assumptions

The following sections of this report contain the key assumptions that were the topic of discussion at the Revenue Committee Meetings. The comments and insights from public and private sector participants contributed to the formation of these assumptions.

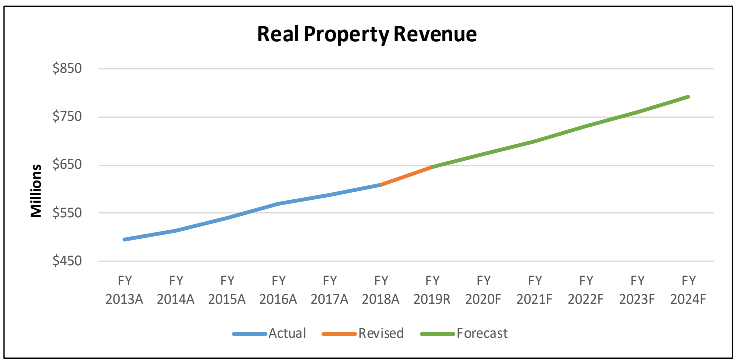
FY 2020 - 2024 GENERAL COUNTY REVENUE ESTIMATE BY CATEGORY					
GENERAL REVENUE SOURCE	**FY 2020 Forecast**	**FY 2021 Forecast**	**FY 2022 Forecast**	**FY 2023 Forecast**	**FY 2024 Forecast**
Real Estate (Gross Local Revenue)	$ 699,347,000	$ 729,165,000	$ 760,126,000	$ 791,521,000	$ 824,068,000
Rollback Supplement	$ -	$ -	$ -	$ -	$ -
Real Estate Exonerations	$ (15,595,000)	$ (16,260,000)	$ (16,951,000)	$ (17,651,000)	$ (18,377,000)
Real Estate Tax Relief	$ (12,029,000)	$ (12,597,000)	$ (13,166,000)	$ (13,718,000)	$ (14,790,000)
Real Estate	$ 671,723,000	$ 700,308,000	$ 730,009,000	$ 760,152,000	$ 790,901,000
Real Estate-Public Service	$ 20,956,000	$ 21,165,000	$ 21,377,000	$ 21,591,000	$ 21,806,520
Real Estate Tax Deferral	$ (500,000)	$ (500,000)	$ (500,000)	$ (500,000)	$ (500,000)
Land Redemption	$ 315,000	$ 315,000	$ 315,000	$ 315,000	$ 315,000
Real Estate Penalties	$ 1,608,000	$ 1,677,000	$ 1,748,000	$ 1,820,000	$ 1,895,000
TOTAL REAL ESTATE	$ 694,102,000	$ 722,965,000	$ 752,949,000	$ 783,378,000	$ 814,417,520
Personal Property	$ 204,800,000	$ 212,800,000	$ 221,000,000	$ 229,200,000	$ 237,400,000
Personal Property Prior Year	$ 120,000	$ 120,000	$ 120,000	$ 120,000	$ 120,000
Personal Property Exonerations	$ -	$ -	$ -	$ -	$ -
Personal Property Tax Deferral	$ (500,000)	$ (500,000)	$ (500,000)	$ (500,000)	$ (500,000)
Personal Property Penalties	$ 2,760,000	$ 2,870,000	$ 2,980,000	$ 3,090,000	$ 3,200,000
TOTAL PERSONAL PROPERTY	$ 207,180,000	$ 215,290,000	$ 223,600,000	$ 231,910,000	$ 240,220,000
LOCAL SALES TAX	$ 68,176,000	$ 70,221,000	$ 72,328,000	$ 74,498,000	$ 76,733,000
CONSUMER UTILITY TAX	$ 14,590,000	$ 14,740,000	$ 14,890,000	$ 15,040,000	$ 15,190,000
BPOL TAXES - LOCAL BUSINESSES	$ 28,000,000	$ 28,800,000	$ 29,600,000	$ 30,500,000	$ 31,400,000
INVESTMENT INCOME	$ 13,940,000	$ 17,610,000	$ 20,150,000	$ 20,750,000	$ 21,370,000
COMMUNICATIONS SALES TAX	$ 15,500,000	$ 15,000,000	$ 14,625,000	$ 14,260,000	$ 13,905,000
Interest on Taxes	$ 1,665,000	$ 1,735,000	$ 1,807,000	$ 1,880,000	$ 1,954,000
Daily Rental Equipment Tax	$ 509,000	$ 519,000	$ 529,000	$ 541,000	$ 551,000
Bank Franchise Tax	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
BPOL - Public Utility	$ 1,414,000	$ 1,428,000	$ 1,442,000	$ 1,456,000	$ 1,471,000
Motor Vehicle License	$ 9,400,000	$ 9,660,000	$ 9,930,000	$ 10,190,000	$ 10,450,000
Recordation Tax	$ 7,900,000	$ 8,000,000	$ 8,100,000	$ 8,200,000	$ 8,300,000
Tax on Deeds	$ 2,225,000	$ 2,250,000	$ 2,275,000	$ 2,300,000	$ 2,350,000
Transient Occupancy Tax	$ 1,675,000	$ 1,709,000	$ 1,743,000	$ 1,778,000	$ 1,813,000
Interest Paid to Vendors	$ (175,000)	$ (150,000)	$ (100,000)	$ (100,000)	$ (100,000)
Interest Paid on Refunds	$ (55,000)	$ (55,000)	$ (55,000)	$ (55,000)	$ (55,000)
Rolling Stock Tax	$ 93,000	$ 93,000	$ 93,000	$ 93,000	$ 93,000
Passenger Car Rental Tax	$ 1,231,000	$ 1,256,000	$ 1,281,000	$ 1,307,000	$ 1,333,000
Manufactured Home Tilting Tax	$ 44,000	$ 44,000	$ 44,000	$ 44,000	$ 44,000
Federal Payment in Lieu of Taxes	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Undistributed & Miscellaneous	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
ALL OTHER REVENUE	$ 27,506,000	$ 28,069,000	$ 28,669,000	$ 29,214,000	$ 29,784,000
TOTAL GENERAL REVENUE	**$ 1,068,994,000**	**$ 1,112,695,000**	**$ 1,156,811,000**	**$ 1,199,550,000**	**$ 1,243,019,520**

Real Property Revenue

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

Real Estate Taxes

The real estate tax is the single largest revenue source for Prince William County, contributing approximately 64.93% of general revenues (FY 2020 forecast). This tax 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[3]. The graph below shows a five-year history of this revenue source and the five-year revenue forecast.



FY	Actual	% Change
FY 14	$ 515,274,429	3.81%
FY 15	$ 541,246,698	5.04%
FY 16	$ 569,594,736	5.24%
FY 17	$ 588,085,866	3.25%
FY 18	$ 610,486,700	3.81%
Current Year Adopted	$ 646,045,202	5.82%
Current Year Revised	$ 645,925,704	5.81%
	Forecast	
FY 20	$671,723,000	3.99%
FY 21	$700,308,000	4.26%
FY 22	$730,009,000	4.24%
FY 23	$760,152,000	4.13%
FY 24	$790,901,000	4.05%

Residential Real Estate

During calendar year 2018 (CY 2018) the residential real estate market continued to appreciate at a steady pace. Positive factors affecting the market were improving economic indicators such as employment and strong sales activity compared to available inventory of homes for sale. However, increasing mortgage rates and limited new inventory negatively affected the real estate market. Following a 1.78% increase in values in 2017, the average existing home value increased approximately 3.28% in 2018.

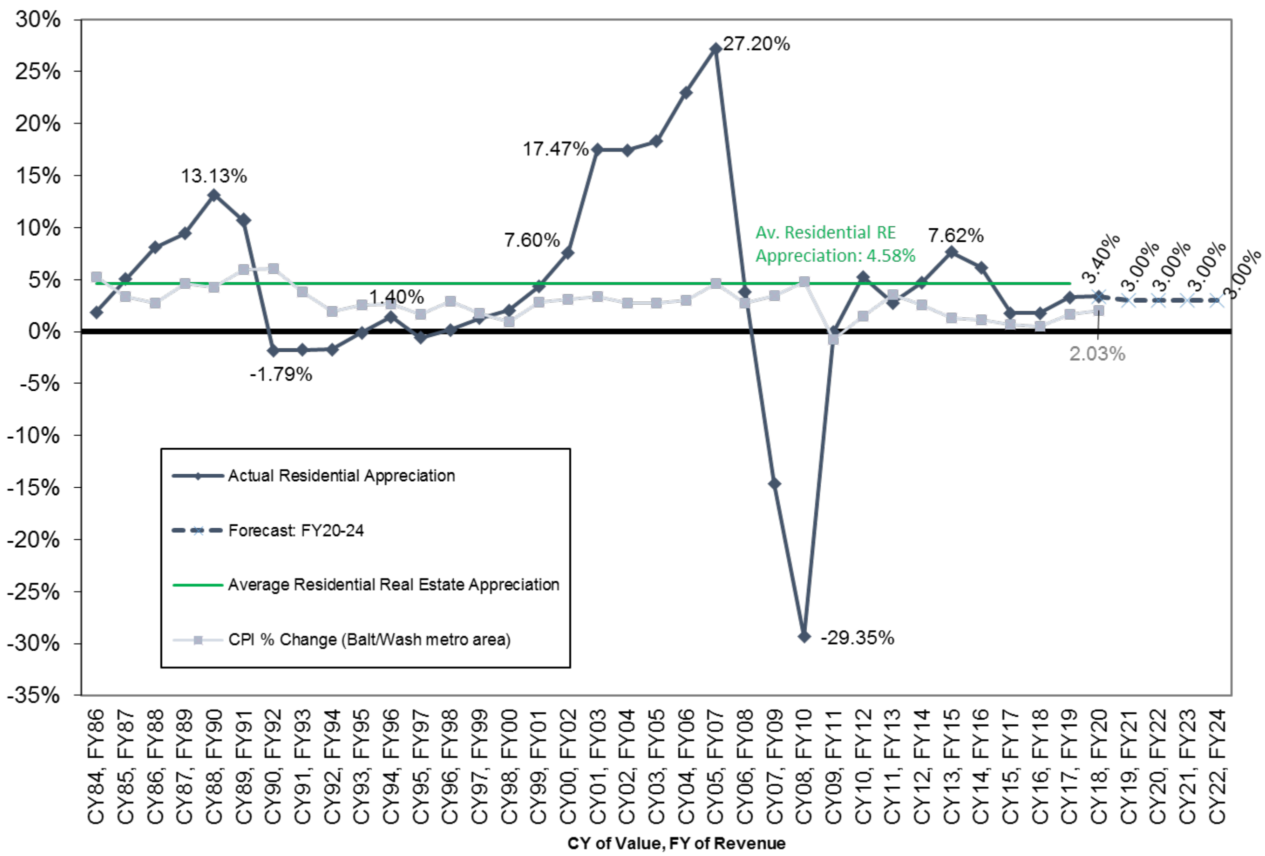
In 2018, there were roughly the same amount (340) of foreclosures of residential properties as in 2017. Bank owned properties and short sales made up approximately 2% of all sales that transpired in 2018, down from 3% in 2017. The average number of days on the market also remained stable from 62 days in December 2017 to 63 days in 2018.

[3] Real property includes residential, apartments, commercial and industrial, and agricultural and resource land property types.

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 Appreciation

The following chart shows a history of actual residential appreciation (excluding rental apartments) from calendar year 1984 through 2018 and the Revenue Committee's estimates for years thereafter.



Expected changes in appreciation for residential and apartment properties during the forecast period are as follows:

Fiscal Year	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Calendar Year Activity	2018	2019	2020	2021	2022
Landbook Year (real estate)	2019	2020	2021	2022	2023
Appreciation					
Residential	3.4%	3.0%	3.0%	3.0%	3.0%
Apartments	3.0%	2.0%	2.0%	2.0%	2.0%

The economy of the Washington D.C. Metropolitan area has remained strong and job growth and median household incomes are likely to remain solid going forward, especially with Amazon HQ2 moving into Arlington County and the expansion of Micron in the City of Manassas.

The residential market is forecast to continue to see moderate price improvement over the course of the next four years.

Apartments Market Value Change

Apartments appreciated in value in 2018. The main drivers behind this appreciation were modest increases in rents while vacancies and capitalization rates remained stable. Base cap rates for apartments did not change due to saturation of the apartment market with new supply. This is counterbalanced by continued strong demand for apartments due to residential housing affordability challenges presented by rising mortgage rates since the fall of 2017. Appreciation is projected to continue throughout the forecast period at a somehwhat lower, but stable 2.0% due to saturation of the apartment market.

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 2018 will be reflected in the County's January 1, 2019, land book, which provides the basis for real estate tax revenue projected to be received in fiscal year 2020.

The table below summarizes the expected number of newly constructed residential units during the forecast period.

Fiscal Year	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
Calendar Year Activity	2018	2019	2020	2021	2022
Landbook Year (real estate)	2019	2020	2021	2022	2023
Residential Units Completed					
Single Family	750	700	700	700	700
Townhouse	479	450	450	450	450
Condominium	130	150	150	150	150
Apartments	387	576	300	300	300

The volume of new home starts is expected to remain at or near current levels. Construction of new apartment units is expected to add approximately 387 units in FY 2020, 576 units in FY 2021 and then level off around 300 units during the forecast period due to relative saturation of the market.

Residential Values per New Unit

The estimated average assessed value of a new home (all types) constructed during calendar year 2018 is estimated to be approximately $502,000, a 6.4% increase over the average assessed value of homes built in 2017. It should be noted that the overall assessed value of a new home is affected by the mix of single family, townhouse, and condominium units constructed in any given year.

The estimated average assessed value of a new single family home is projected to be approximately $604,500 in 2018. The estimated average assessed value of a new townhouse and a condominium unit are estimated to approximately be $391,600 and $320,700, respectively.

Commercial Real Estate

Calendar year 2018 market activity in Prince William County resulted in commercial properties appreciating approximately 2.8%. Commercial real estate, particularly in terms of vacancy rates, strengthened as the year progressed. The strongest performing sector remained the industrial properties, which showed approximately 6.5% appreciation.

Commercial appreciation for FY 2020–2024 are forecasted as follows:

Fiscal Year	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
Calendar Year Activity	2018	2019	2020	2021	2022
Landbook Year (real estate)	2019	2020	2021	2022	2023
Commercial Appreciation	2.8%	2.5%	2.5%	2.5%	2.5%

Average assessed values per square foot for FY 2020 are determined based on the added building value resulting from new construction completed during calendar year 2018.[4] These unit values are adjusted to reflect the general appreciation of commercial properties during the remainder of the forecast period.

Commercial properties are categorized into the following property types: retail, industrial, hotel, office, special purpose, and miscellaneous. For FY 2020 (calendar year 2018 market activity), approximately 350,000 square feet of commercial space was added to the assessment rolls. New commercial space added can vary significantly from year to year due to a variety of factors including project delays and changing dynamics of the commercial environment.

[4] 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.

Retail

Approximately 43,000 square feet of new space was added to the retail sector in 2018. Shopping centers specifically have experienced higher vacancies over the past three years and are in absorption phase. The demand for retail space remains sluggish while the capitalization rates are on the uptick.

Industrial

Construction of industrial properties added approximately 51,000 square feet to the commercial/industrial base in 2018. Another 440,000 square feet of industrial space is expected to be completed in 2019 which includes a self storage facility. The current pipeline includes planned projects that should add roughly 300,000 square feet in the following years.

Hotels

In calendar year 2018 no new hotels were added in the County. Two new hotels - Candlewood Suites in Dumfries and Home2 Suites in Woodbridge - are expected to be completed in 2019. Two more hotels are in the pipeline but have yet to break ground.

Office Buildings

Approximately 89,000 square feet of office space was added in the County in calendar year 2018. The office sector has been in absorption phase since 2010 when vacancies spiked. Over the past few years, vacancies have been coming down while rents have been stabilized. Growth within the office sector is expected to be sustained at a low rate during the forecast period since there is an ample supply of inventory and accordingly very few projects in the pipeline. Industry experts also point to a growing trend of telecommuting, office hoteling, and reduced employee workspace as a factor that will continue to stifle office building construction.

Special Use

Properties within the special use category comprise data centers, nursing homes, healthcare facilities, and other types of properties that have no foreseeable alternate uses. In 2018, an assisted living facility was added totaling approximately 127,000 square feet of space added. Another assisted facility is nearing completion and five more totaling 825,000 square feet are planned and expected to be built over the next few years. In addition, there is also a data center that has broken ground, with two more COPT (Real Estate Investment Trust) owned data centers planned in the future.

Miscellaneous

Miscellaneous category includes golf courses, taxable schools, and other property types that do not fit in one of the major categories. In 2018, an approximately 5,100 square foot event center was added at 2 Silos Brewing Co. In 2019, 225,000 square feet are anticipated to be completed under this category, including a Lifetime Fitness.

Real Estate Exonerations

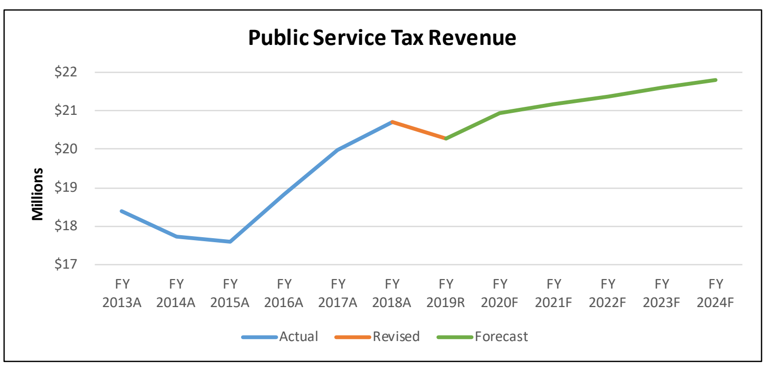
Estimated real estate tax exonerations are deducted from the gross local real estate tax revenue to arrive at the net local real estate tax revenue.

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

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.

Historically, the majority of changes within the public service classification have been attributable to new construction growth. Public service market values are not subject to the same market changes as other real estate properties.



FY	Actual
FY 14	$ 17,737,605
FY 15	$ 17,589,241
FY 16	$ 18,830,860
FY 17	$ 19,998,125
FY 18	$ 20,706,349
Current Year Adopted	$ 20,977,614
Current Year Revised	$ 20,295,899
	Forecast
FY 20	$20,956,000
FY 21	$21,165,000
FY 22	$21,377,000
FY 23	$21,591,000
FY 24	$21,806,520

Real Estate Tax Deferrals

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

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

The revenue forecast methodology considers an estimate of collections of unpaid 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[5].

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. 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. A variety of methods are used to enforce the collection of back taxes, including filing suit to force the sale of the property for unpaid taxes. Unpaid land redemption taxes, as of June 30, 2018, were $ 806,779.

[5] The BOCS has continued to support this initiative and at the end of FY 2018, the percentage of unpaid property taxes was 1.1%.

Real Estate Penalties

Prince William County assesses a 10% penalty on the late payment of real estate taxes on the unpaid original tax balance. Interest at the rate of 10% per annum is added to any unpaid balance beginning on the first day of the month following the original due date. Revenue from real estate penalties is estimated by applying a fixed percentage (approximately 0.23%) to the real estate revenue forecast excluding public service properties.

FY	Actual	% Change
FY 14	$ 1,199,280	-4.92%
FY 15	$ 1,252,000	4.40%
FY 16	$ 1,245,234	-0.54%
FY 17	$ 1,327,220	6.58%
FY 18	$ 1,418,348	6.87%
Current Year Adopted	$ 1,526,000	7.59%
Current Year Revised	$ 1,526,000	7.59%
	Forecast	
FY 20	$ 1,608,000	5.37%
FY 21	$ 1,677,000	4.29%
FY 22	$ 1,748,000	4.23%
FY 23	$ 1,820,000	4.12%
FY 24	$ 1,895,000	4.12%

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.

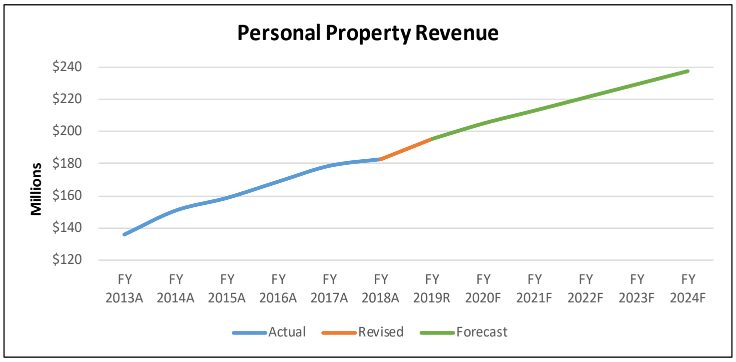
The revenue estimate is computed by multiplying a fixed percentage of 0.19% by the combined estimate for gross current year real property tax revenue (excluding public service revenue) and personal property tax revenue. Interest on tax revenue is projected to increase in FY 2019 due to an increase in real and personal property tax revenue.

FY	Actual	% Change
FY 14	$ 1,161,413	-2.48%
FY 15	$ 1,436,749	23.71%
FY 16	$ 1,366,271	-4.91%
FY 17	$ 1,435,853	5.09%
FY 18	$ 1,594,517	11.05%
Current Year Adopted	$ 1,585,000	-0.60%
Current Year Revised	$ 1,597,000	0.16%
	Forecast	
FY 20	$ 1,665,000	4.26%
FY 21	$ 1,735,000	4.20%
FY 22	$ 1,807,000	4.15%
FY 23	$ 1,880,000	4.04%
FY 24	$ 1,954,000	3.94%

Personal Property Revenue

Vehicles

The personal property tax is assessed on vehicles, mobile homes, and business tangible property. Approximately 77% of personal property tax revenue is derived from vehicles, trailers, and mobile homes. The remaining 23% is derived from business tangible property.



FY	Actual	% Change
FY 14	$ 150,835,836	11.08%
FY 15	$ 158,750,155	5.25%
FY 16	$ 168,957,847	6.43%
FY 17	$ 178,876,546	5.87%
FY 18	$ 182,970,452	2.29%
Current Year Adopted	$ 188,400,000	2.97%
Current Year Revised	$ 195,200,000	6.68%
	Forecast	
FY 20	$ 204,800,000	4.92%
FY 21	$ 212,800,000	3.91%
FY 22	$ 221,000,000	3.85%
FY 23	$ 229,200,000	3.71%
FY 24	$ 237,400,000	3.58%

The County has effectively exempted the personal property tax on several classifications of personal property by adopting a tax rate of 0.001%. These classifications include farm equipment, vanpool vans, aircraft, boats, motor homes, camping trailers, horse trailers, and one vehicle owned by qualifying senior citizens and disabled persons or used by a volunteer and auxiliary fire and rescue company member who regularly responds to calls or performs other duties for a volunteer fire company. Other personal property is exempt by federal or state law, or is granted a local property exemption. These classifications include personal property used exclusively by churches, personal property owned by federal, state or local governments, the personal property of non-profit organizations specifically enumerated in state law, and the personal property of not-for-profits granted property tax exemption by either the Virginia General Assembly or the Board of County Supervisors. Rental vehicles, rental equipment, and the personal property of banks and insurance companies is also exempt because these organizations pay an alternative tax.

Car Tax Relief

The County receives a fixed amount of $54.3 million each year as reimbursement from the Commonwealth pursuant to the Personal Property Tax Relief Act (PPTRA), §58.1-3524 of the *Code of Virginia,* for providing tangible personal property tax relief on qualifying vehicles. This amount is included in the personal property revenue estimate for each year. The County has opted to allocate its reimbursement amount from the Commonwealth on a per vehicle basis. The amount of tax relief allocated to each vehicle changes from year-over-year based on the number and value of qualifying vehicles. For tax year 2018 (FY 2019), the reduction in the property tax on qualifying vehicles is equal to 47.5% of the tax on the first $20,000 of assessed value. The reduction in the property tax was equal to 100% of the tax for qualifying vehicles assessed at $1,000 or less.

Personal Property Tax Estimate 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. The assessed value of taxable vehicles is obtained from standard pricing guides in accordance with State law. Prince William County uses the clean trade-in values published in the National Automobile Dealers Association (NADA) value guide, which covers most vehicles. Vehicles older than years covered in the guidebook are based on a percentage of cost, depreciated by 10% for each subsequent year, or are set at a minimum value based on the model year depending on the information available. Vehicles newer than years covered in the guidebook are based on a percentage of cost. Trailers are assessed based on a percentage of cost.

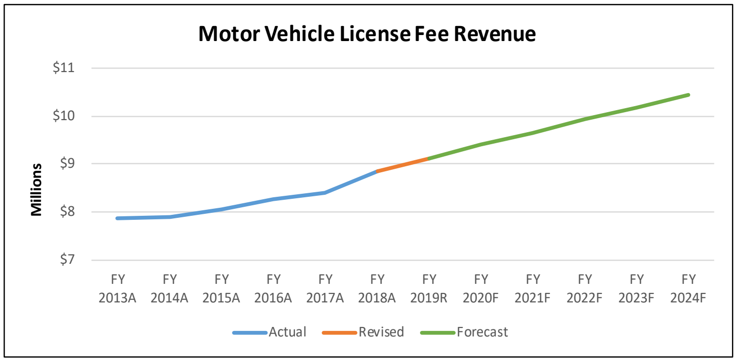
The per-unit average value is expected to increase slightly from FY 2019 to FY 2020 based on information received from NADA. Generally, vehicles depreciate from year-over-year but the average includes both vehicles sold or moved out and new vehicles moving in. Therefore, in many years the average increases. For FY 2020 the industry used car index value has been relatively flat continuing a several years' trend. Thus the average value in Prince William County is expected to be mostly flat as well. The forecast for FY 2021 through FY 2024 is for the average vehicle value to increase at slightly less than the historical average, but still at a positive rate.

Revenue Year	Assessed Value Avg. Value	% Change	Billable Units % Change
FY 20	11,064	1.50%	3.03%
FY 21	11,175	1.00%	2.81%
FY 22	11,286	1.00%	2.73%
FY 23	11,399	1.00%	2.66%
FY 24	11,513	1.00%	2.59%

The FY 2020 forecast assumes a 3% increase in the number of vehicle units billed. The FY 2021 to FY 2024 growth rate is forecasted to also increase approximately 3%, equivalent to recent experience. Growth in the number of vehicle units is a result of population and business growth.

Motor Vehicle License Fee

Section 46.2-752 of the *Code of Virginia,* authorizes the County to levy a vehicle license fee. The amount of the license fee 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 license fee revenue forecast is derived by multiplying the license fee by the estimated billable units in the County.



FY	Actual	% Change
FY 14	$ 7,907,376	0.39%
FY 15	$ 8,052,600	1.84%
FY 16	$ 8,260,395	2.58%
FY 17	$ 8,408,654	1.79%
FY 18	$ 8,845,474	5.19%
Current Year Adopted	$ 8,870,000	0.28%
Current Year Revised	$ 9,120,000	3.10%
	Forecast	
FY 20	$ 9,400,000	3.07%
FY 21	$ 9,660,000	2.77%
FY 22	$ 9,930,000	2.80%
FY 23	$ 10,190,000	2.62%
FY 24	$ 10,450,000	2.55%

Business Tangible

Personal Property Tax Estimate on Business Tangible Property

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 and peripherals 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.

General business equipment and heavy equipment account for 59% and 5% of taxes on business equipment, respectively. Taxes on computer equipment and peripherals comprise 35% and taxes from machinery and tools account for the remaining 1%.

Taxes from business tangible property are expected to increase 7% in FY 2020, followed by increases of 5%-7% for the remainder of the five-year plan. The growth is driven mainly by increases in the revenue generated by the tax on computer equipment and peripherals, specifically equipment located in data centers.

Personal Property Prior Year

This account is used to record changes to prior year personal property taxes because of changes in estimated allowance for uncollectible taxes. These revenues are less than $200,000 a year, and are therefore not addressed in detail.

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.

The revenue forecast is made by estimating collections of unpaid 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[6].

Personal Property Penalties - Current Year

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

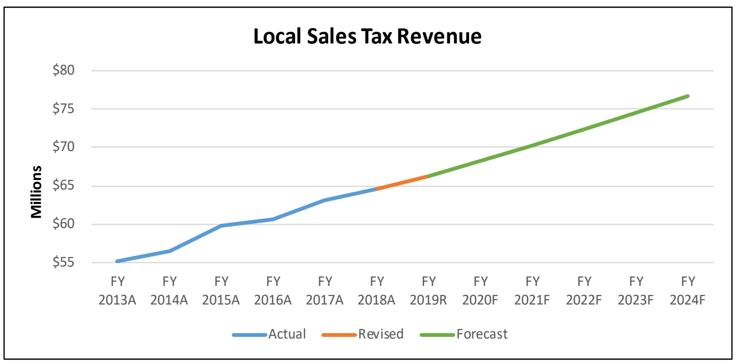
Personal property penalty revenue is projected to increase in each year of the FY 2020–2024 forecast period due to the increase in the estimate of personal property taxes billed each year.

[6] The BOCS has continued to support this initiative and at the end of FY 2018, the percentage of unpaid property taxes was 1.1%.

Local Sales Tax Revenue

Prince William County, by adopted ordinance, has elected to levy a 1% general retail sales tax. This tax is levied on the sale, lease 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-exempt status. Sales 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 by the County.

The four incorporated towns within Prince William County (Dumfries, Haymarket, Occoquan, and Quantico) 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 according to the latest statewide school census. Therefore, the County realizes approximately 98% of the monthly sales taxes collected.



FY	Actual	% Change
FY 14	$ 56,510,664	2.43%
FY 15	$ 59,708,982	5.66%
FY 16	$ 60,550,579	1.41%
FY 17	$ 63,021,936	4.08%
FY 18	$ 64,565,705	2.45%
Current Year Adopted	$ 66,190,000	2.52%
Current Year Revised	$ 66,190,000	2.52%
	Forecast	
FY 20	$ 68,176,000	3.00%
FY 21	$ 70,221,000	3.00%
FY 22	$ 72,328,000	3.00%
FY 23	$ 74,498,000	3.00%
FY 24	$ 76,733,000	3.00%

Retail activity, as reflected by sales tax revenue, increased 2.45% in FY 2018, below the 3% forecasted growth rate. In January 2019 (FY 2019), a total of $6.2 million sales tax revenue was reported, a monthly year-over-year increase of 13.1%. Sales tax revenue is up 5.7% through January, ahead of the annual estimate of 3% growth. Given the current growth trend and a looming possible economic slowdown, the forecast remains at a projected 3% annual increase in the County's sales tax revenue for FY 2020 through FY 2024.

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

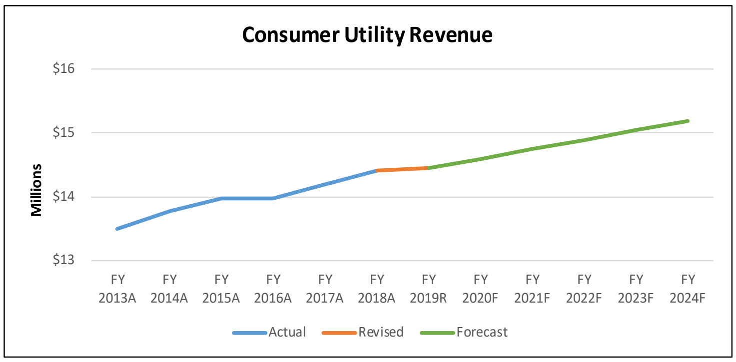
- an improving local economy;
- continued growth in the number of retail establishments;
- a high level of household income in the County - 2018 median household: $101,059[7];
- low unemployment and wage growth; and
- continued population growth.

[7] Source: Median household income in the past 12 months (in 2017 inflation-adjusted dollars) - U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates.

Consumer Utility Revenue

Prince William County levies a consumer utility tax on electric and natural gas utilities. The County does not tax water and sewer services. Effective January 1, 2001, the *Code of Virginia*[8] 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.

Since consumer utility taxes are capped, inflation and utility rate increases are not a factor in the five-year forecast. The FY 2020-2024 forecast reflects a stable forecast in new residential housing units.



FY	Actual	% Change
FY 14	$ 13,765,596	2.04%
FY 15	$ 13,974,213	1.52%
FY 16	$ 13,976,627	0.02%
FY 17	$ 14,195,902	1.57%
FY 18	$ 14,417,046	1.56%
Current Year Adopted	$ 14,810,000	2.73%
Current Year Revised	$ 14,450,000	0.23%
	Forecast	
FY 20	$ 14,590,000	0.97%
FY 21	$ 14,740,000	1.03%
FY 22	$ 14,890,000	1.02%
FY 23	$ 15,040,000	1.01%
FY 24	$ 15,190,000	1.00%

The levy for *electricity*[9] consumption based on kilowatt-hours (kWh) 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*[10] consumption based on 100 units of cubic feet (CCF) is:

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

The chart shows the five-year history of electric and gas utility revenue in Prince William County.

Revenue Year	Utilities Electric	Gas
FY 14	1.84%	2.54%
FY 15	1.75%	0.94%
FY 16	0.66%	-1.56%
FY 17	1.25%	2.36%
FY 18	1.27%	2.27%

[8] *Code of Virginia* §58.1-3814
[9] Prince William County, VA-*Code of Ordinances* Sec. 26-111
[10] Prince William County, VA-*Code of Ordinances* Sec. 26-112

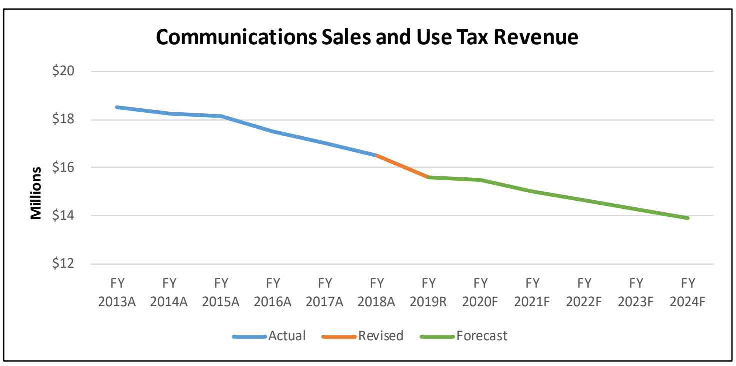
Communications Sales and Use Tax Revenue

Under legislation enacted by the 2006 General Assembly, House Bill 568, the Virginia communications sales and use tax, also referred to as the communications sales tax, replaced most of the previous state and local taxes and fees on communications services, effective on January 1, 2007.

The communications sales tax, imposed on the charge for sale of communications services at the rate of 5%, is generally collected from consumers by their service providers and remitted to the Virginia Department of Taxation each month on the following services:

- Landline Telephone
- Wireless Telephone
- Cable Television
- Satellite Television
- Paging
- Voice Over Internet Protocol

As enumerated in § 58.1-662 of the *Code of Virginia*, the communications sales and use tax revenue will be distributed to localities according to the percentage of telecommunications and cable television tax revenue each locality received relative to the statewide total. The County's current allocation is 4.63% of the statewide telecommunications sales and use tax.



FY	Actual	% Change
FY 14	$ 18,229,981	-1.65%
FY 15	$ 18,146,347	-0.46%
FY 16	$ 17,490,453	-3.61%
FY 17	$ 17,035,603	-2.60%
FY 18	$ 16,509,503	-3.09%
Current Year Adopted	$ 16,700,000	1.15%
Current Year Revised	$ 15,600,000	-5.51%
	Forecast	
FY 20	$ 15,500,000	-0.64%
FY 21	$ 15,000,000	-3.23%
FY 22	$ 14,625,000	-2.50%
FY 23	$ 14,260,000	-2.50%
FY 24	$ 13,905,000	-2.49%

Despite housing growth, this revenue source continues to decline as landline usage decreases. Preliminary results from the National Center for Health Statistics' January-June 2018 National Health Interview Survey (NHIS) indicate that the number of American homes with only wireless telephones continues to grow. The survey states that over one-half of American homes (54.9%) had only wireless telephones – an increase of 2.4% since the first half of 2017. Additionally, the Commonwealth's 2018-2020 biennium budget[11] provides an annual deposit to the Commonwealth's general fund of $2 million each year, further reducing the revenue that is allocated to the localities. This revenue source is projected to continue to decline in FY 2020 and the outyears as uncertainty remains as to when this revenue source will level out.

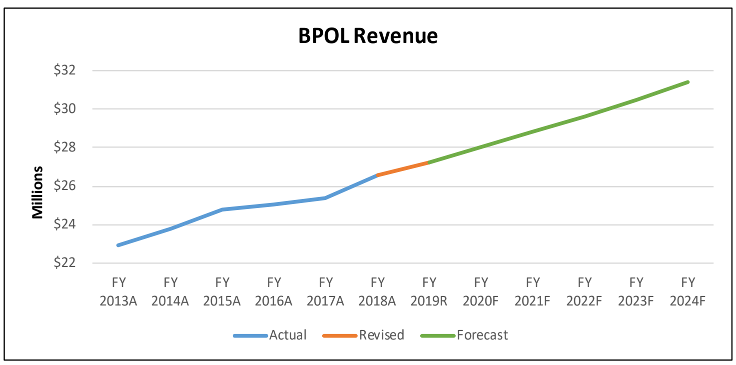
[11] 2018 Appropriation Act, Chapter 2 paragraph KK

BPOL Revenue

The Business, Professional, and Occupational License (BPOL) tax is imposed on commercial and home occupational businesses operating in Prince William County. The County has adopted a multiple tax rate schedule according to the type of business activity subject to the tax. The BPOL tax is currently levied on[12]:

- County businesses with annual gross receipts (from the prior calendar year) greater than $500,000;
- New businesses in the County based on an estimate if gross receipts are greater than $500,000 for the current year; and
- Building contractors located outside the County but performing work within the boundaries of Prince William County when the amount of work in the County exceeds the $500,000 threshold.

The basis for the FY 2020 BPOL tax revenue is business gross receipts from calendar year 2019. The forecast model assumes that BPOL will change at an average close to growth plus inflation for all business classes. This amount is expected to be approximately 3% in each year.



FY		Actual	% Change
FY 14	$	23,772,169	3.75%
FY 15	$	24,744,036	4.09%
FY 16	$	25,065,213	1.30%
FY 17	$	25,340,993	1.10%
FY 18	$	26,553,957	4.79%
Current Year Adopted	$	26,200,000	-1.33%
Current Year Revised	$	27,200,000	2.43%
		Forecast	
FY 20	$	28,000,000	2.94%
FY 21	$	28,800,000	2.86%
FY 22	$	29,600,000	2.78%
FY 23	$	30,500,000	3.04%
FY 24	$	31,400,000	2.95%

An average for all business classifications is used because it is difficult to project a change in any one classification and difficult to predict changes across years. Even retail, which most would think to be somewhat stable, has variability that does not track national or regional economic indicators.

BPOL revenue is made up of the following components: retail (50%), building construction (15%), business services (20%), professional services (13%), and hotels and other (2%).

12 On November 21, 2017, the BOCS amended Prince William County, VA-Code of Ordinances Sec. 11.1-17 to increase the gross receipts threshold for business from $400,000 to $500,000 for fiscal year 2018 and subsequent license years thereafter.

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 such as the proceeds of bond issues that have strict requirements as to how they are spent and invested. The general fund available cash constitutes 54% to 56% of the total pooled investments. All funds are invested in accordance with the *Code of Virginia* and the Board adopted Investment Policy that sets the County's investment guidelines based on the core principles of legality, safety, liquidity, and yield.

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

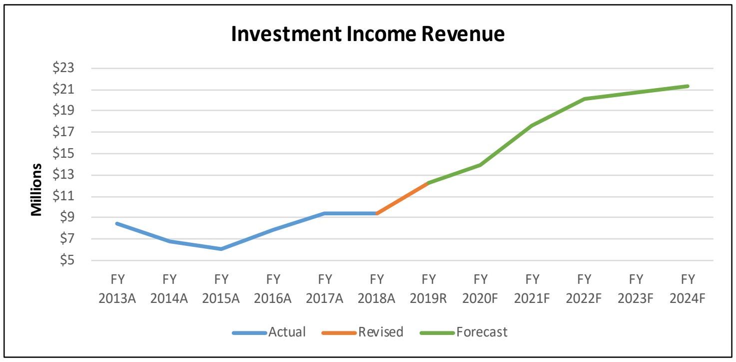
To forecast investment income, the average portfolio yield and portfolio value are projected to determine the current or estimated future year's investment revenue. The general fund share is calculated based on the prior year actual share of cash balances available to invest.

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. Furthermore, the projected average portfolio values also consider the historical revenue trends in the first and second half of the fiscal year. The table on the right shows the forecasted growth in the portfolio. Increases in portfolio size typically come from additions to fund balance/year-end savings as well as a portion of annual revenue growth.

Projected Portfolio Value (in 000s)		
FY 20	$	1,173,000
FY 21	$	1,208,000
FY 22	$	1,244,000
FY 23	$	1,281,000
FY 24	$	1,319,000

Prince William County's portfolio earnings yield is broadly correlated to the Federal Funds Rate and current holdings in the portfolio. The Federal Open Market Committee (FOMC) increased the target Federal Funds rate from a range of 2.25% to 2.50% in December of 2018 – the ninth rate hike since December 2015. Most recently, the FOMC has hinted towards no rate hike in 2019 – a significant change from the previous forecasts that projected two rate hikes in 2019. There is a looming concern of a potential recession in the financial markets in the next 12-18 months, which can have some adverse impact on future portfolio earnings. However, the County's current portfolio strategy is in full compliance with its investment policy to partially mitigate the impacts of a recession.

The Federal Funds Rate trend is a significant driver for the average yield of Prince William County's portfolio. Additionally, the timing of security purchases, cash flow requirements, interest rate environment at the time securities are purchased, and the duration of securities are all major factors affecting the portfolio's yield.



FY		Actual	% Change
FY 14	$	6,834,816	-18.52%
FY 15	$	6,036,382	-11.68%
FY 16	$	7,832,996	29.76%
FY 17	$	9,417,266	20.23%
FY 18	$	9,424,113	0.07%
Current Year Adopted	$	10,710,000	13.64%
Current Year Revised	$	12,240,000	29.88%
		Forecast	
FY 20	$	13,940,000	13.89%
FY 21	$	17,610,000	26.33%
FY 22	$	20,150,000	14.42%
FY 23	$	20,750,000	2.98%
FY 24	$	21,370,000	2.99%

All Other Revenue Sources

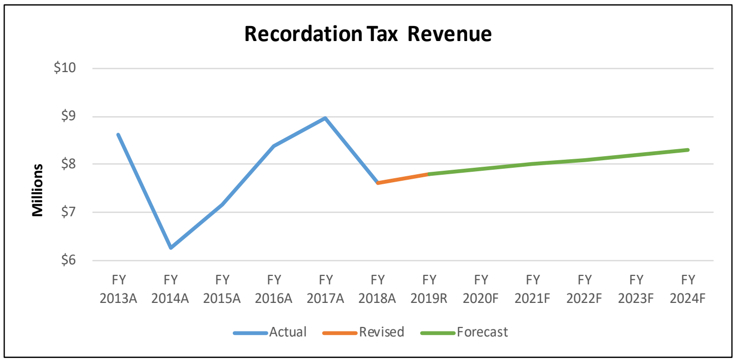
Recordation Tax

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

On April 28, 2004, the Commonwealth of Virginia increased the State recordation tax rate from $0.15 per $100 of value to $0.25 per $100 of value effective September 1, 2004 (FY 2005). Section 58.1-814 of the *Code of Virginia* grants Prince William County the authority to levy an optional, local recordation tax rate equal to one-third of the State recordation tax rate. Therefore, the local recordation tax rate increased from $0.05 per $100 of value to $0.083 per $100 of value. The forecast reflects only Prince William County's share of recordation tax revenue and does not include the state portion of recordation revenue.

Recordation tax revenue is driven by home sale activity and price appreciation as well as refinance activity. Despite the increase in mortgage rates this year, financing remains affordable and coupled with low unemployment rates and high consumer confidence, it can still encourage market entry. Average sales prices were higher in December at $379,768 due to continued tight inventories in the County. Year-over-year data does indicate price stabilization is occuring as demand decreases. While total active listings in 2018 were up 2.3%, new listings were down 11.8%. Finally, refinance mortgage activity is down 21% from one year ago, the lowest level since 2000 according to ATTOM Data Solutions Q3 2018 U.S. Residential Property Mortgage Origination Report.

Accordingly, the FY 2020 forecast has been revised downward along with a conservative projection of revenue in the five-year forecast. As announced in November, Amazon will be locating its second headquarters (Amazon HQ2) in Crystal City/Arlington County. While Prince William County will see an impact in the local housing market, industry experts predict this is still four to five years down the road.



FY		Actual	% Change
FY 14	$	6,273,132	-27.20%
FY 15	$	7,174,961	14.38%
FY 16	$	8,383,183	16.84%
FY 17	$	8,965,151	6.94%
FY 18	$	7,624,383	-14.96%
Current Year Adopted	$	8,000,000	4.93%
Current Year Revised	$	7,800,000	2.30%
		Forecast	
FY 20	$	7,900,000	1.28%
FY 21	$	8,000,000	1.27%
FY 22	$	8,100,000	1.25%
FY 23	$	8,200,000	1.23%
FY 24	$	8,300,000	1.22%

On October 26, 2004, the Board of County Supervisors adopted Resolution No. 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 plus a portion 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 as general revenue. The table on the right identifies the portion of recordation tax revenues designated for transportation and general revenue use in each year of the forecast.

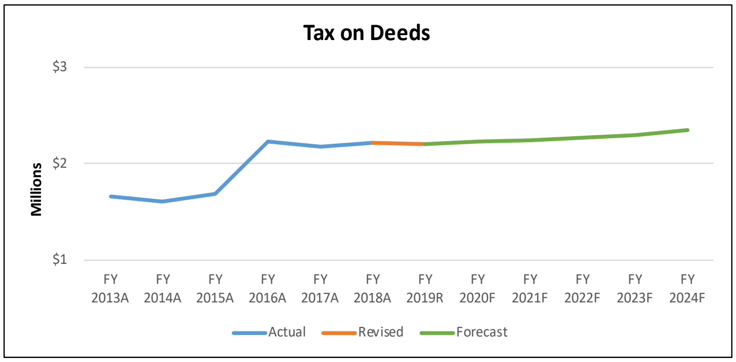
FY	General Revenue	Transportation	TOTAL
FY 20	$ 2,040,000	$ 5,860,000	$ 7,900,000
FY 21	$ 2,060,000	$ 5,940,000	$ 8,000,000
FY 22	$ 2,090,000	$ 6,010,000	$ 8,100,000
FY 23	$ 2,110,000	$ 6,090,000	$ 8,200,000
FY 24	$ 2,140,000	$ 6,160,000	$ 8,300,000

Tax on Deeds

The tax on deeds is imposed when real estate deeds of conveyance (not deeds of trust) are recorded with the Clerk of the Circuit Court. It is important to note that the tax on deeds is not levied on mortgage refinancing. The tax on deeds is levied when:

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

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



FY	Actual		% Change
FY 14	$	1,605,397	-3.28%
FY 15	$	1,693,083	5.46%
FY 16	$	2,229,997	31.71%
FY 17	$	2,184,206	-2.05%
FY 18	$	2,214,691	1.40%
Current Year Adopted	$	2,200,000	-0.66%
Current Year Revised	$	2,200,000	-0.66%
	Forecast		
FY 20	$	2,225,000	1.14%
FY 21	$	2,250,000	1.12%
FY 22	$	2,275,000	1.11%
FY 23	$	2,300,000	1.10%
FY 24	$	2,350,000	2.17%

Similar to the recordation tax, the FY 2020 forecast represents a modest increase over the FY 2019 estimate driven more by price appreciation and less by sales activity providing a conservative projection of revenue in the five-year forecast.

Additional Revenue Sources

Listed below are additional general revenue sources estimated to be less than $5 million each. The forecast and a description of each revenue source follows:

Additional Revenue Source	FY 2020 Forecast	FY 2021 Forecast	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast
Daily Rental Equipment Tax	$ 509,000	$ 519,000	$ 529,000	$ 541,000	$ 551,000
Bank Franchise Tax	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
BPOL Public Utility	$ 1,414,000	$ 1,428,000	$ 1,442,000	$ 1,456,000	$ 1,471,000
Transient Occupancy Tax	$ 1,675,000	$ 1,709,000	$ 1,743,000	$ 1,778,000	$ 1,813,000
Interest Paid to Vendors	$ (175,000)	$ (150,000)	$ (100,000)	$ (100,000)	$ (100,000)
Interest Paid on Refunds	$ (55,000)	$ (55,000)	$ (55,000)	$ (55,000)	$ (55,000)
Undistributed & Miscellaneous	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Rolling Stock Tax	$ 93,000	$ 93,000	$ 93,000	$ 93,000	$ 93,000
Rental Car & Passenger Car Tax	$ 1,231,000	$ 1,256,000	$ 1,281,000	$ 1,307,000	$ 1,333,000
Manufactured Home Titling Tax	$ 44,000	$ 44,000	$ 44,000	$ 44,000	$ 44,000
Payments in Lieu of Taxes	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Total Miscellaneous Revenue	$ 6,316,000	$ 6,424,000	$ 6,557,000	$ 6,644,000	$ 6,730,000

Daily Rental Equipment Tax

The County levies a daily rental equipment 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, hardware stores, and equipment rental stores. These businesses are required to collect 1% of the daily rent and remit it to the County quarterly.

Bank Franchise Tax

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

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

Transient Occupancy Tax

The County levies a transient occupancy tax of 5% of the amount charged for the occupancy of hotels, motels, boarding houses, travel campgrounds and other facilities offering guest rooms rented out for continuous occupancy for fewer than 30 consecutive days. This tax 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 monthly basis. The general revenue share of this tax is 40% and the remaining 60% is budgeted for tourism-related purposes. Appropriation by the Board of County Supervisors is based on budgetary requirements requested by the Department of Parks, Recreation, and Tourism. The transient occupancy tax forecast is based on number of hotel rooms, occupancy rates, room rates and tourism related events.

Interest Paid to Vendors

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

Interest Paid on Refunds

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

Rolling Stock Tax

The rolling stock of railroads and freight car companies doing business in the Commonwealth 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

Motor vehicles rented on a daily basis are often moved from location to location and have no fixed site for personal property taxation. In lieu of the local personal property tax, the Virginia Department of Taxation administers and collects a tax for short-term rentals from rental businesses, automobile dealerships and other establishments located in the County. The State remits 4% of the rental fee for motor vehicles rented for a period of less than twelve months to the County.

Manufactured Home Titling Tax

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

Payments in Lieu of Taxes (PILT)

Payments in Lieu of Taxes (PILT) are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The formula used to compute this payment is based on population, receipt sharing payments, and the amount of Federal land within an affected county. The President signed the Continuing Appropriations Act, 2019 (P.L. 116-6) on February 15, 2019, which appropriated full funding for the FY 2019 PILT Program. Payments are normally issued prior to June 30th. Also included in PILT are funds received from the U.S. Fish and Wildlife Service.