FINANCE DEPARTMENT

Estimate of General Revenue

Adopted FY 2019-2023

Prince William County
BOARD OF COUNTY SUPERVISORS

COREY A. STEWART – AT-LARGE
Chairman

MARTIN E. NOHE *– Coles District*
Vice-Chairman

RUTH M. ANDERSON *– Occoquan District*

MAUREEN S. CADDIGAN *– Potomac District*

PETE CANDLAND *– Gainesville District*

JOHN D. JENKINS *– Neabsco District*

JEANINE M. LAWSON *– Brentsville District*

FRANK J. PRINCIPI *– Woodbridge District*

CHRISTOPHER E. MARTINO
County Executive

DIRECTOR OF FINANCE

Michelle L. Attreed

DEPUTY FINANCE DIRECTOR

Timothy M. Leclerc

REVENUE COMMITTEE

Michelle A. Casciato, Deputy County Executive

Chris M. Price, Deputy County Executive

Elijah T. Johnson, Deputy County Executive

Dave Sinclair, Budget Director

Thomas Bruun, Director of Public Works

Tracy J. Gordon, Legislative and Intergovernmental Affairs Director

Wade Hugh, Director of Development Services

Jeffrey A. Kaczmarek, Executive Director, Economic Development

David S. Cline, Associate Superintendent for Finance and Support Services, PWC Schools

John M. Wallingford, Director of Financial Services, PWC Schools

PROJECT MANAGER

Lillie Jo Krest

FINANCE DEPARTMENT STAFF

Lynn Bailey

Joanna Easton

Steve Ferlotti

Mark Hinman

Leslie Kostelecky

Melissa Korzuch

Allison Lindner

Brad Norris

Kerem Oner

Susan Rodeheaver

Jayden Sangha

Isabelle de Vooght

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

JOHN LAYMAN
Chief Economist
Virginia Department of Taxation

RAY OWENS
Senior Economist and Policy Advisor
The Federal Reserve Bank of Richmond

Representatives from the REALTOR® Association of Prince William:

LIZ HERNANDEZ
Realtor, Keller Williams

APRIL THOMAS
Chief Executive Officer

MICHAEL MACHADO
Yale University Student Intern

COUNTY OF PRINCE WILLIAM
FINANCE DEPARTMENT
1 County Complex Court, Prince William, Virginia 22192-9201
(703) 792-6700 Metro (703) 631-1703, ext. 6700 Fax (703) 792-6882
www.pwcgov.org/Finance

Michelle L. Attreed
Director of Finance

May 21, 2018

TO: Board of County Supervisors

THRU: Christopher E. Martino
County Executive

FROM: Michelle L. Attreed
Director of Finance

RE: Revenue Committee Report, Fiscal Year 2019-2023

I am pleased to present the Adopted FY 2019–2023 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 3.1% while commercial values increased 4.6% during calendar year 2017 (tax year 2018). Personal property values related to the average assessed value of vehicles have flattened; 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. Sales tax and Business, Professional and Occupational License (BPOL) tax revenues are projected to increase 3.0%, as consumers remain optimistic about continued economic growth. During 2017, the Federal Reserve increased the target Federal Funds Rate three times from 0.75 to 1.50%. Two to three additional rate hikes are anticipated in calendar year 2018. The County's investment income revenue is projected to continue on an improvement path due to both rising interest rates and overall portfolio growth.

A real estate tax rate of $1.125 generates an average residential tax bill of $4,021, a

3.1% increase over the FY 2018 average tax bill. This revenue policy directive for the FY 2019 budget was approved by the Board of County Supervisors on April 24, 2018.

These revenue estimates are used in support of the FY 2019 Fiscal Plan, the FY 2019-2024 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.

Table of Contents

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)	**2.1%** *(Dec 2017)*	**2.1%** *(Dec 2016)*	Reflects changes in the purchasing power per unit of money	
GDP (Gross Domestic Product)	**+2.6%** *(Q4 2017)*	**+1.8%** *(Q4 2016)*	Indicator of the overall health of the U.S. economy	
Stock Market:				
S&P 500	**2,673.61** *(12/31/17)*	**2,238.83** *(12/31/16)*	Indicator of the overall health of the U.S. stock market	
Dow Jones	**24,719.22** *(12/31/17)*	**19,762.60** *(12/31/16)*	Indicator of the overall health of the U.S. stock market	
Federal Funds Rate	**1.33%** *(12/31/17)*	**0.55%** *(12/31/16)*	Indicator of return on investments	
Unemployment Rate*:				
National (seasonally adjusted)	**4.1%** *(Dec 2017)*	**4.7%** *(Dec 2016)*	Indicator of overall health of U.S. job market	
State (seasonally adjusted)	**3.7%** *(Dec 2017)*	**4.1%** *(Dec 2016)*	Indicator of overall health of VA job market	
Region (not seasonally adjusted)	**2.7%** *(Dec 2017)*	**3.1%** *(Dec 2016)*	Indicator of overall health of NoVA job market	
Prince William County (not seasonally adjusted)	**3.0%** *(Dec 2017)*	**3.4%** *(Dec 2016)*	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	**+0.35%** *(M/M Dec 2017)*	**+0.88%** *(M/M Dec 2016)*	Indicator of relative health of U.S. economy	
# Employment Establishments: State	**264,879 (+2.8%)**	**257,709**	Indicator of overall health of VA	
Region	**90,598 (+0.48%)** *(Q2 2017)*	**90,168** *(Q2 2016)*	Indicator of overall health of NoVA economy, businesses & job market	
Prince William County	**9,117 (+1.4%)** *(Q2 2017)*	**8,994** *(Q2 2016)*	Indicator of overall health of PWC economy, businesses & job market	
Sales Tax Growth: State	**+3.8%** *(FYTD Dec 2017)*	**-0.2%** *(FYTD Dec 2016)*	Indicator of relative health of VA	
Prince William County	**+2.0%** *(FYTD Dec 2017)*	**+4.6%** *(FYTD Dec 2016)*	Indicator of relative health of PWC economy	
State Revenue Collections	**+5.9%** *(FYTD Dec 2017)*	**+4.0%** *(FYTD Dec 2016)*	Indicator of relative health of VA economy	
National Automobile Sales	**17.1M** *(Jan-Dec 2017)*	**17.4M** *(Jan-Dec 2016)*	Indicator of consumer purchasing power	
Commercial Vacancy Rates: Prince William County	**5.6%** *(Q4 2017)*	**4.8%** *(Q4 2016)*	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)	**$384,540 (+5.4%)** *(CYTD Dec 2017)*	**$364,732** *(CYTD Dec 2016)*	Indicator of relative health of housing market	
# of Homes Sold	**7,679 (+3.9%)** *(CYTD Dec 2017)*	**7,391** *(CYTD Dec 2016)*	Indicator of relative health of housing market	
Average # of Days on Market	**49 (-15.5%)** *(Dec 2017)*	**58** *(Dec 2016)*	Indicator of relative health of housing market	
# of Occupancy Permits Issued	1,415(-20.4%) *(2017)*	1,777 *(2016)*	Indicator of relative health of housing market	
# of Building Permits Issued	1,494 (+18.7%) *(2017)*	1,259 *(2016)*	Indicator of relative health of housing market	
Ratio of Homes on the Market to Homes Sold	1.5 (-21.5%) *(Dec 2017)*	1.9 *(Dec 2016)*	Indicator of relative health of housing market	

[2] Data is subject to revisions.

Real Estate Tax Rate and Major Revenue Sources

FY 2019 Adopted Real Estate Tax Rate and Average Tax Bill

On April 24, 2018, the Board of County Supervisors adopted the Fiscal Year 2019 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 $121 or 3.1%; and
- Average real estate tax bill on existing, commercial properties increased 4.6%.

Major Revenue Sources

Real Estate Tax Rate:		$1.125	$1.125	$1.125	$1.125	$1.125	$1.125
($ in 000s)	**% to Total (FY 19)**	**FY 18 Revised**	**FY 19**	**FY 20**	**FY 21**	**FY 22**	**FY 23**
Real Estate Taxes	**65.56%**	$635,978	$668,364	$695,245	$721,689	$748,863	$777,024
Personal Property Taxes	**18.65%**	184,966	190,150	198,250	206,850	214,440	222,230
Sales Tax	**6.49%**	64,260	66,190	68,180	70,230	72,340	74,510
Consumer Utility Tax	**1.45%**	14,520	14,810	15,110	15,410	15,720	16,030
Communications Sales Tax	**1.64%**	16,700	16,700	16,700	16,700	16,700	16,700
BPOL Tax	**2.57%**	25,400	26,200	27,000	27,800	28,600	29,500
Investment Income	**1.05%**	9,578	10,710	13,450	17,000	19,460	20,040
All Other	**2.58%**	26,844	26,353	26,821	27,209	27,598	27,989
Total General Revenue	**100.00%**	$978,246	$1,019,477	$1,060,756	$1,102,888	$1,143,721	$1,184,023
School Portion		$554,997	$578,868	$602,446	$626,513	$649,836	$672,855
County Portion		416,959	434,669	452,309	470,315	487,765	504,988
Transportation Fund		6,290	5,940	6,000	6,060	6,120	6,180
Total General Revenue		$978,246	$1,019,477	$1,060,756	$1,102,888	$1,143,721	$1,184,023

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. Other reliable references and information sources were used to supplement the assumptions derived during the Committee discussions.

FY 2019 - 2023 GENERAL COUNTY REVENUE ESTIMATE BY CATEGORY

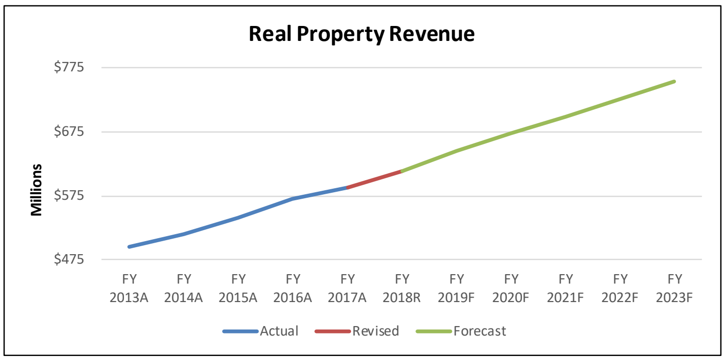
GENERAL REVENUE SOURCE		FY 19 Forecast	FY 20 Forecast	FY 21 Forecast	FY 22 Forecast	FY 23 Forecast
Real Estate	40010	$ 646,045,202	$ 672,654,138	$ 698,824,545	$ 725,721,565	$ 753,600,350
SUBTOTAL		$ 646,045,202	$ 672,654,138	$ 698,824,545	$ 725,721,565	$ 753,600,350
Real Estate-Public Service	40041	20,977,615	21,187,391	21,399,265	21,613,258	21,829,390
Real Estate Tax Deferral	40021	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Land Redemption	40025	315,000	315,000	315,000	315,000	315,000
Real Estate Penalties	40160	1,526,000	1,588,000	1,650,000	1,713,000	1,779,000
TOTAL REAL ESTATE		$ 668,363,816	$ 695,244,529	$ 721,688,810	$ 748,862,822	$ 777,023,740
Personal Property	40071	$ 188,400,000	$ 196,400,000	$ 204,900,000	$ 212,400,000	$ 220,100,000
Personal Property Prior Year	40072	50,000	50,000	50,000	50,000	50,000
Personal Property Exonerations	40079	-	-	-	-	-
Personal Property Tax Deferral	40081	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Personal Property Penalties	40170	2,200,000	2,300,000	2,400,000	2,490,000	2,580,000
TOTAL PERSONAL PROPERTY		$ 190,150,000	$ 198,250,000	$ 206,850,000	$ 214,440,000	$ 222,230,000
LOCAL SALES TAX	40210	$ 66,190,000	$ 68,180,000	$ 70,230,000	$ 72,340,000	$ 74,510,000
CONSUMER UTILITY TAX	40220	$ 14,810,000	$ 15,110,000	$ 15,410,000	$ 15,720,000	$ 16,030,000
BPOL TAXES - LOCAL BUSINESSES	40235	$ 26,200,000	$ 27,000,000	$ 27,800,000	$ 28,600,000	$ 29,500,000
INVESTMENT INCOME	40510	$ 10,710,000	$ 13,450,000	$ 17,000,000	$ 19,460,000	$ 20,040,000
COMMUNICATIONS SALES TAX	41339	$ 16,700,000	$ 16,700,000	$ 16,700,000	$ 16,700,000	$ 16,700,000
Interest on Taxes	40140	$ 1,585,000	$ 1,651,000	$ 1,717,000	$ 1,782,000	$ 1,850,000
Daily Rental Equipment Tax	40215	453,000	462,000	471,000	481,000	490,000
Bank Franchise Tax	40230	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
BPOL - Public Utility	40236	1,400,000	1,414,000	1,428,000	1,442,000	1,456,000
Motor Vehicle License	40250	8,870,000	9,040,000	9,210,000	9,380,000	9,540,000
Recordation Tax	40260	8,000,000	8,080,000	8,160,000	8,240,000	8,320,000
Tax on Deeds	40261	2,200,000	2,200,000	2,220,000	2,240,000	2,270,000
Transient Occupancy Tax	40270	1,428,000	1,457,000	1,486,000	1,516,000	1,546,000
Interest Paid to Vendors	40520	(200,000)	(100,000)	(100,000)	(100,000)	(100,000)
Interest Paid on Refunds	40521	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
Rolling Stock Tax	41303	90,000	90,000	90,000	90,000	90,000
Passenger Car Rental Tax	41304	970,000	970,000	970,000	970,000	970,000
Manufactured Home Tilting Tax	41305	35,000	35,000	35,000	35,000	35,000
Federal Payment in Lieu of Taxes	41700	70,000	70,000	70,000	70,000	70,000
Undistributed & Miscellaneous	41150	7,000	7,000	7,000	7,000	7,000
ALL OTHER REVENUE		$ 26,353,000	$ 26,821,000	$ 27,209,000	$ 27,598,000	$ 27,989,000
TOTAL GENERAL REVENUE		$1,019,476,816	$1,060,755,529	$1,102,887,810	$1,143,720,822	$1,184,022,740

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 65.56% of general revenues (FY 2019 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.



	Actual	% Change
FY 13	$ 496,366,393	4.5%
FY 14	$ 515,274,429	3.8%
FY 15	$ 541,246,698	5.0%
FY 16	$ 569,594,736	5.2%
FY 17	$ 588,085,866	3.2%
Current Year Adopted	$ 613,728,100	4.4%
Current Year Revised	$ 613,958,439	4.4%
	Forecast	
FY 19	$ 646,045,202	5.2%
FY 20	$ 672,654,138	4.1%
FY 21	$ 698,824,545	3.9%
FY 22	$ 725,721,565	3.8%
FY 23	$ 753,600,350	3.8%

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 Program for Disabled Veterans and Surviving Spouses.

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

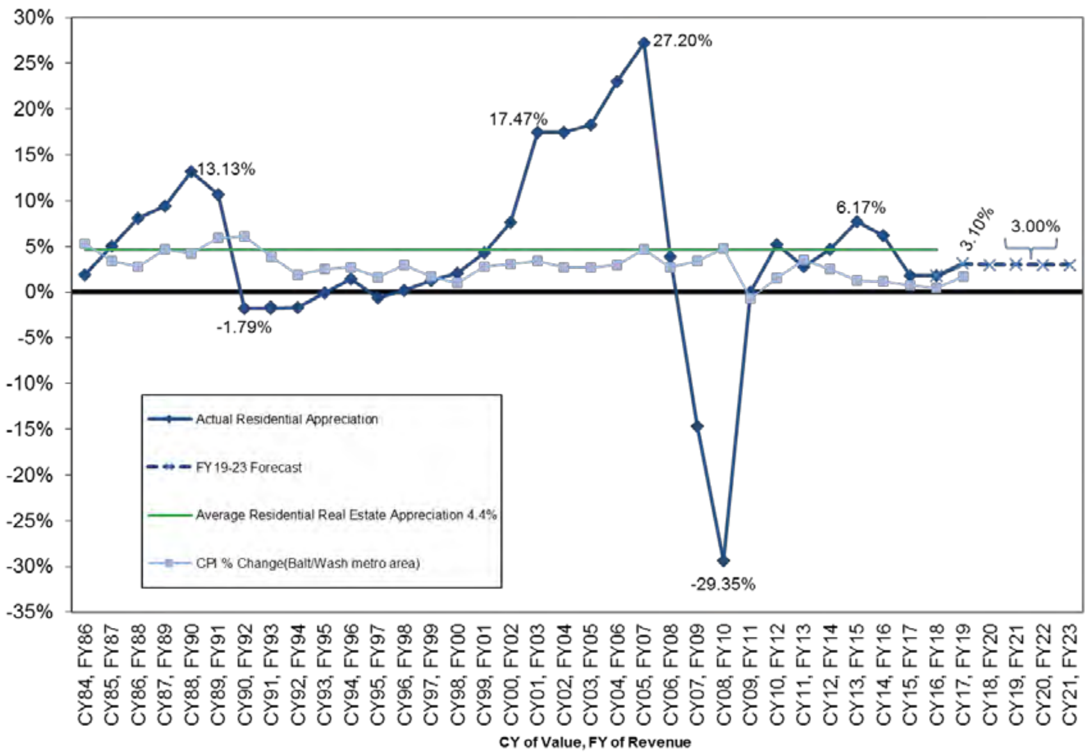
Residential Real Estate

During calendar year 2017 (CY 2017) 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 growth, and strong sales activity compared to available inventory of homes for sale. Factors such as increasing mortgage rates that contributed to unaffordability and still sluggish wage growth likely negatively affected the real estate market. Following a 1.6% increase in values in 2016, the average existing home value increased approximately 3.1% in 2017.

In 2017, there were 341 foreclosures of residential properties compared to 484 in 2016, a decrease of nearly 30%. The average number of days on the market declined slightly from 58 days in December 2016 to 49 days in December 2017. Bank owned properties and short sales made up approximately 3% of all sales that transpired in 2017, down from 4% in 2016.

Residential Appreciation

The following chart shows a history of actual residential appreciation (excluding rental apartments) from calendar year 1984 through 2017 and the Revenue Committee's estimates for years thereafter.



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.

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

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Calendar Year Activity	2017	2018	2019	2020	2021
Landbook Year (real estate)	2018	2019	2020	2021	2022
Appreciation					
Residential	3.1%	3.0%	3.0%	3.0%	3.0%
Apartments	3.2%	1.5%	1.5%	1.5%	1.5%

The strengths of the Washington D.C. Metropolitan area include relatively low unemployment (compared to national and state unemployment rates), high median household incomes and stable job growth expectations.

The residential market is forecast to continue to see steady price improvement over the course of the next four years depending on how interest rates and economic uncertainties unfold.

Apartments Market Value Change

Apartments experienced a 3.2% appreciation in value in 2017, mostly due to appreciation in Section-42 apartments. Base apartment capitalization rates did not change in 2017. The reason for the flat base capitalization rate is the relative saturation of the apartment market. Overall capitalization rates for Section-42 Low-Income Housing Tax Credit apartments decreased by fifty basis points as supported by market evidence gathered from recent sales. The net operating income increases that the apartment market has experienced stems from higher rents and a stabilization in the number of vacant units in the County that were generated due to the abundance of apartment inventory over the past few years. Appreciation is projected to continue throughout the forecast period at a stable 1.5%.

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 2017 will be reflected in the County's January 1, 2018, land book, which provides the basis for real estate tax revenue received in fiscal year 2019.

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

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Calendar Year Activity	2017	2018	2019	2020	2021
Landbook Year (real estate)	2018	2019	2020	2021	2022
Residential Units Completed					
Single Family	604	600	600	600	600
Townhouse	371	350	350	350	350
Condominium	150	150	150	150	150
Apartments	122	916	200	200	200

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 900 units in FY 2020 and then level off around 200 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 2017 was approximately $485,400, a 7.7% increase over the average assessed value of homes built in 2016. 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 was approximately $586,700 in 2017. In 2017, the estimated average assessed value of a new townhouse and condominium units were approximately $395,200 and $300,300, respectively.

Commercial Real Estate

Calendar year 2017 market activity in Prince William County resulted in commercial properties appreciating approximately 4.6%. Commercial real estate, particularly in terms of vacancy rates, strengthened as the year progressed but continues to be primarily in an absorption phase for office and retail properties. The strongest performing sector was the industrial properties, which showed approximately 5% appreciation.

Commercial appreciation for FY 2019–2023 are forecasted as follows:

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Calendar Year Activity	2017	2018	2019	2020	2021
Landbook Year (real estate)	2018	2019	2020	2021	2022
Appreciation					
Commercial	4.6%	2.5%	2.5%	2.5%	2.5%

Average assessed values per square foot for FY 2019 are determined based on the added building value resulting from new construction completed during calendar year 2017.[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 five property types: retail, office, hotel, industrial, and special purpose. For FY 2019 (calendar year 2017 market activity), approximately 1.9 million square feet of commercial space was added to the assessment rolls.

Retail

New construction in the retail sector accounted for approximately 8% of all commercial/industrial growth during calendar year 2017, adding nearly 157,000 square feet to the tax base. Shopping center capitalization rates increased slightly in calendar year 2017. Vacancies and rents were, for the most part, stable.

Industrial

Construction of industrial properties added approximately 397,000 square feet to the commercial/industrial base in 2017. Both rents and occupancy levels of industrial properties increased slightly in 2017. Approximately 1.2 million square feet of industrial space is expected to be added in calendar year 2018.

Hotels

In calendar year 2017, 72,600 square feet of hotels were added to the inventory.

Office Buildings

Approximately 71,000 square feet of office space was added in the County in calendar year 2017. 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.

Miscellaneous

In 2017, a 77,900 square foot assisted living facility was completed.

Special Use

Properties within the special use category comprise taxable schools, healthcare facilities, and other types of properties that have no foreseeable alternate uses. In 2017, a total of 1.1 million square feet of data center buildings were added to the tax rolls. Although there are plans for more data centers in the County, there are no active building permits.

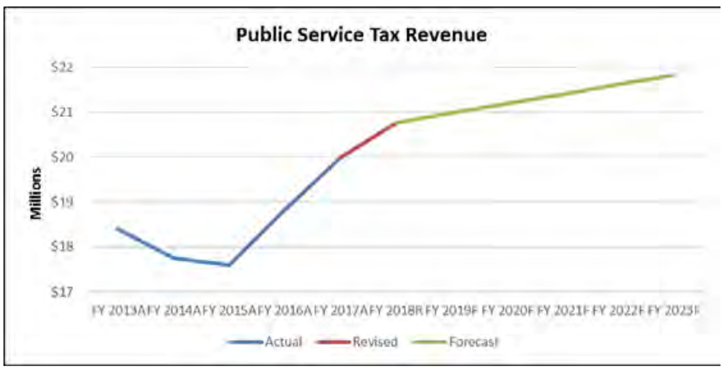
---

[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.

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.



	Actual
FY 13	$ 18,400,696
FY 14	$ 17,737,605
FY 15	$ 17,589,241
FY 16	$ 18,830,860
FY 17	$ 19,998,125
Current Year Adopted	$ 19,019,169
Current Year Revised	$ 20,764,052
	Forecast
FY 19	$ 20,977,615
FY 20	$ 21,187,391
FY 21	$ 21,399,265
FY 22	$ 21,613,258
FY 23	$ 21,829,390

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].

[5] The BOCS has continued to support this initiative and at the end of FY 2017, the percentage of unpaid property taxes was 1.3%.

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. The forecast estimates approximately 20% to 25% of the prior year's unpaid land redemption taxes will be collected annually. 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, 2017, were $1,142,971.

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.

	Actual	% Change
FY 13	$ 1,261,388	-0.3%
FY 14	$ 1,199,280	-4.9%
FY 15	$ 1,252,000	4.4%
FY 16	$ 1,245,234	-0.5%
FY 17	$ 1,327,220	6.6%
Current Year Adopted	$ 1,449,000	9.2%
Current Year Revised	$ 1,360,628	2.5%
	Forecast	
FY 19	$ 1,526,000	12.2%
FY 20	$ 1,588,000	4.1%
FY 21	$ 1,650,000	3.9%
FY 22	$ 1,713,000	3.8%
FY 23	$ 1,779,000	3.9%

Interest on Taxes

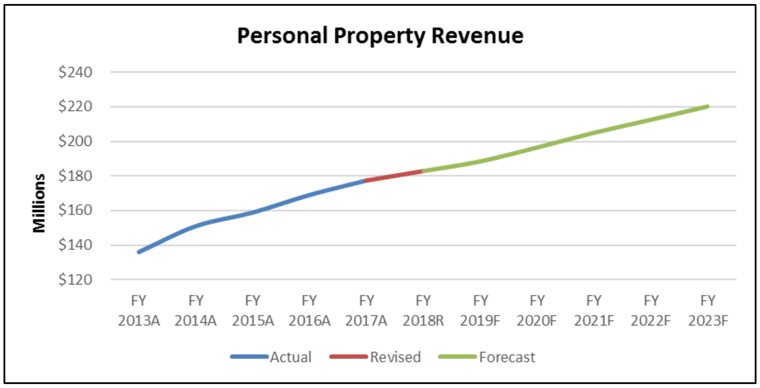
Delinquent personal property and real estate tax accounts incur interest at 10% of the unpaid amount the first year. Subsequent years are incurred at 10% or the Internal Revenue Service (IRS) delinquent tax rate, whichever is greater.

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.

	Actual	% Change
FY 13	$ 1,190,891	-0.3%
FY 14	$ 1,161,413	-2.5%
FY 15	$ 1,436,749	23.7%
FY 16	$ 1,366,271	-4.9%
FY 17	$ 1,435,853	5.1%
Current Year Adopted	$ 1,492,000	3.9%
Current Year Revised	$ 1,492,000	3.9%
	Forecast	
FY 19	$ 1,585,000	6.2%
FY 20	$ 1,651,000	4.2%
FY 21	$ 1,717,000	4.0%
FY 22	$ 1,782,000	3.8%
FY 23	$ 1,850,000	3.8%

Personal Property Revenue

The personal property tax is assessed on vehicles, mobile homes, and business tangible property. Approximately 79% of personal property tax revenue is derived from vehicles, trailers, and mobile homes. The remaining 21% is derived from business tangible property.



	Actual	% Change
FY 13	$ 135,784,664	3.5%
FY 14	$ 150,835,836	11.1%
FY 15	$ 158,750,155	5.2%
FY 16	$ 168,957,847	6.4%
FY 17	$ 178,876,546	5.9%
Current Year Adopted	$ 171,500,000	-4.1%
Current Year Revised	$ 182,800,000	2.2%
	Forecast	
FY 19	$ 188,400,000	3.1%
FY 20	$ 196,400,000	4.2%
FY 21	$ 204,900,000	4.3%
FY 22	$ 212,400,000	3.7%
FY 23	$ 220,100,000	3.6%

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-to-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.

Revenue Year	Assessed Value Avg. Value	Assessed Value % Change	Billable Units % Change
FY 19	10,900	0.00%	2.07%
FY 20	11,098	1.81%	1.89%
FY 21	11,299	1.81%	1.86%
FY 22	11,504	1.81%	1.82%
FY 23	11,713	1.81%	1.79%

The per-unit average value is expected to be flat from FY 2018 to FY 2019 based on information received from NADA. Generally, vehicles depreciate from year-to-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 2019 the industry used car index value has continued to fall after a sustained period of the index staying relatively level thus the average value in Prince William County is expected to be flat. The forecast for FY 2020 through FY 2023 is for the average vehicle value to increase at the historical average increase of 1.81%.

The FY 2019 forecast assumes a 2% increase in the number of vehicle units billed. The FY 2020 to FY 2023 growth rate is forecast to also increase 2%, equivalent to the historical average. Growth in the number of vehicle units is a result of population and business growth.

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 1 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 64% and 6% of taxes on business equipment, respectively. Taxes on computer equipment and peripherals comprise 29% and taxes from machinery and tools account for the remaining 1%.

Taxes from business tangible property are expected to increase 8% in fiscal year 2019, followed by increases of 4%-6% for the remainder of the five-year plan. The growth is driven mainly by increases in the tax on computer equipment, 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 $50,000 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

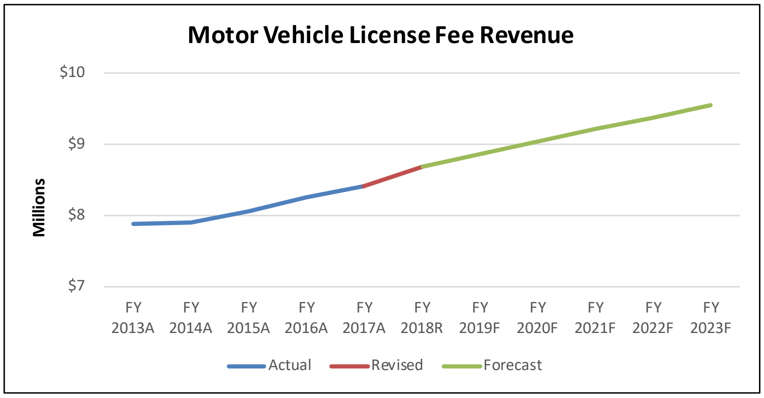
Prince William County assesses a 10% penalty on the late payment of personal property taxes. The 10% personal property penalty on late payments applies only to the local share of the delinquency. The penalty is not applied to the portion paid by the Commonwealth through the PPTRA.

Personal property penalty revenue is projected to increase in each year of the FY 2019– 2023 forecast period due to the increase in the estimate of personal property taxes billed each year.

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.

[6] The BOCS has continued to support this initiative and at the end of FY 2017, the percentage of unpaid property taxes was 1.3%.



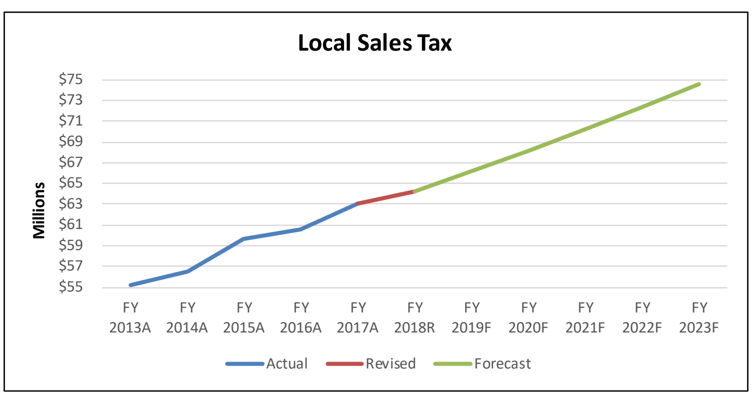
		Actual	% Change
FY 13	$	7,876,682	3.8%
FY 14	$	7,907,376	0.4%
FY 15	$	8,052,600	1.8%
FY 16	$	8,260,395	2.6%
FY 17	$	8,408,654	1.8%
Current Year Adopted	$	8,580,000	2.0%
Current Year Revised	$	8,690,000	3.3%
		Forecast	
FY 19	$	8,870,000	2.1%
FY 20	$	9,040,000	1.9%
FY 21	$	9,210,000	1.9%
FY 22	$	9,380,000	1.8%
FY 23	$	9,540,000	1.7%

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 99% of the monthly sales taxes collected.

Retail activity, as reflected by sales tax revenue, increased 3.4% in FY 2017, exceeding the 3% forecasted growth rate. In January 2018 (FY 2018), a total of $5.5 million sales tax revenue was reported, a monthly year-over-year increase of 4.41%. Sales tax revenue is up 2.4% through January, lagging the annual estimate of 3.5% growth. Given the current growth trend, a more conservative projection is for a 3.0% annual increase in the County's sales tax revenue for FY 2019 through FY 2023.



		Actual	% Change
FY 13	$	55,169,386	6.1%
FY 14	$	56,510,664	2.4%
FY 15	$	59,708,982	5.7%
FY 16	$	60,550,579	1.4%
FY 17	$	63,021,936	4.1%
Current Year Adopted	$	64,260,000	2.0%
Current Year Revised	$	64,260,000	2.0%
		Forecast	
FY 19	$	66,190,000	3.0%
FY 20	$	68,180,000	3.0%
FY 21	$	70,230,000	3.0%
FY 22	$	72,340,000	3.0%
FY 23	$	74,510,000	3.0%

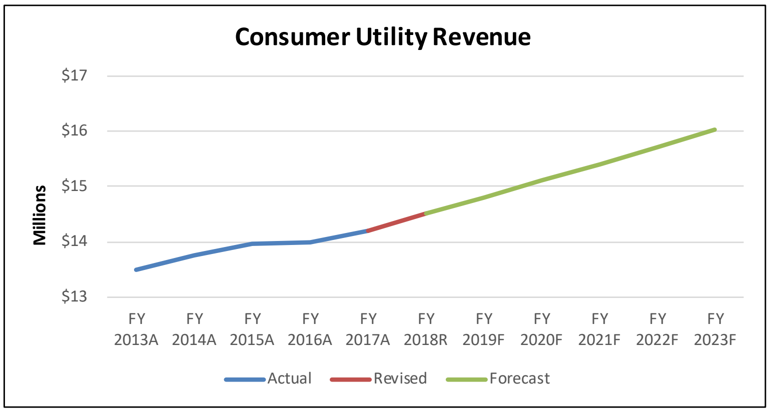
The factors that contribute to the County's sales tax revenue are:

- an improving local economy;
- continued growth in the number of retail establishments;
- a high level of household income in the County - 2017 median household income was $98,546;
- improving employment and increased consumer confidence; and
- continued population growth.

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*[7] 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 2019-2023 forecast reflects a modest increase in new, residential housing units.



	Actual	% Change
FY 13	$ 13,489,925	3.2%
FY 14	$ 13,765,596	2.0%
FY 15	$ 13,974,213	1.5%
FY 16	$ 13,976,627	0.0%
FY 17	$ 14,195,902	1.6%
Current Year Adopted	$ 14,520,000	2.3%
Current Year Revised	$ 14,520,000	2.3%
	Forecast	
FY 19	$ 14,810,000	2.0%
FY 20	$ 15,110,000	2.0%
FY 21	$ 15,410,000	2.0%
FY 22	$ 15,720,000	2.0%
FY 23	$ 16,030,000	2.0%

The levy for *electricity*[8] 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.

[7] *Code of Virginia* §58.1-3814

[8] Prince William County, VA-*Code of Ordinances* Sec. 26-111

The levy for *natural gas*[9] 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	Utilities	
Year	Electric	Gas
FY 13	2.74%	4.18%
FY 14	1.84%	2.54%
FY 15	1.75%	0.94%
FY 16	0.66%	-1.56%
FY 17	1.25%	2.36%

Communications Sales and Use Tax Revenue

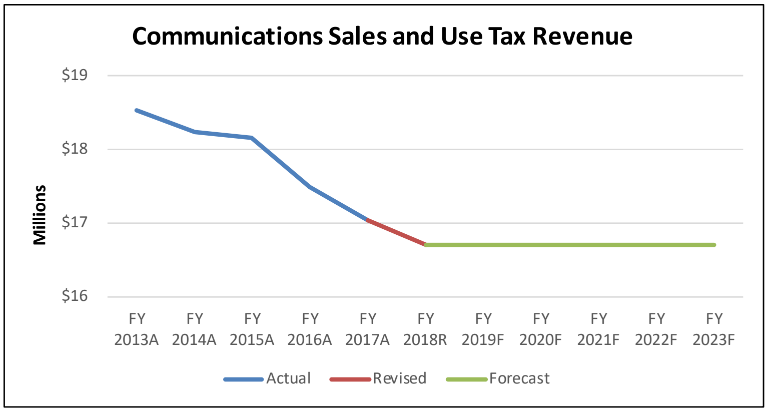
Under legislation enacted by the 2006 General Assembly, House Bill 568, the Virginia communications sales and use tax, also referred to as the communications sales tax, replaced most of the previous state and local taxes and fees on communications services, effective on January 1, 2007.

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.

[9] Prince William County, VA-*Code of Ordinances* Sec. 26-112



	Actual	% Change
FY 13	$ 18,536,004	0.9%
FY 14	$ 18,229,981	-1.7%
FY 15	$ 18,146,347	-0.5%
FY 16	$ 17,490,453	-3.6%
FY 17	$ 17,035,603	-2.6%
Current Year Adopted	$ 17,200,000	1.0%
Current Year Revised	$ 16,700,000	-2.0%
	Forecast	
FY 19	$ 16,700,000	0.0%
FY 20	$ 16,700,000	0.0%
FY 21	$ 16,700,000	0.0%
FY 22	$ 16,700,000	0.0%
FY 23	$ 16,700,000	0.0%

Despite housing growth, this revenue source continues to decline as landline usage decreases. Preliminary results from the July-December 2017 National Health Interview Survey (NHIS) indicate that the number of American homes with only wireless telephones continues to grow. Nearly one-half of American homes (52.5%) had only wireless telephones – an increase of 3.2% since the second half of 2016. This revenue source is projected to decline in FY 2019 as uncertainty remains as to when this revenue source will level out.

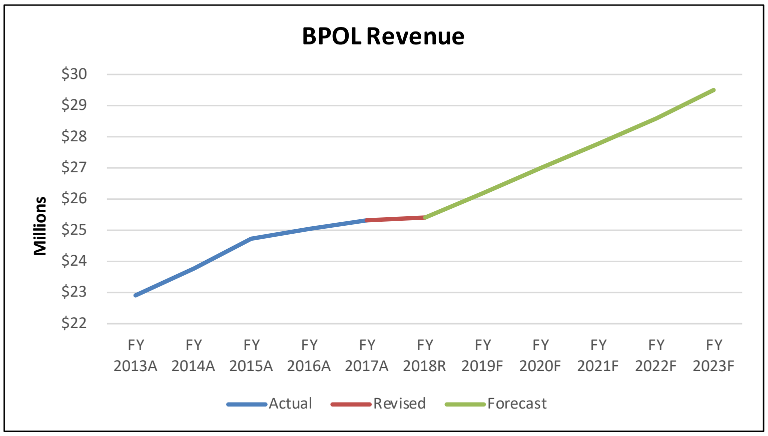
BPOL Revenue

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[10]:

- 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.

[10] 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.

The basis for the FY 2019 BPOL tax revenue is business gross receipts from calendar year 2018. 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, marginally higher than the actual for FY 2017 and the estimate for FY 2018.



	Actual	% Change
FY 13	$ 22,913,378	5.47%
FY 14	$ 23,772,169	3.75%
FY 15	$ 24,744,036	4.09%
FY16	$ 25,065,213	1.30%
FY 17	$ 25,340,993	1.10%
Current Year Adopted	$ 25,795,000	1.79%
Current Year Revised	$ 25,400,000	0.23%
	Forecast	
FY 19	$ 26,200,000	3.1%
FY 20	$ 27,000,000	3.1%
FY 21	$ 27,800,000	3.0%
FY 22	$ 28,600,000	2.9%
FY 23	$ 29,500,000	3.1%

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. On April 19, 2017, the Board of County Supervisors directed staff to prepare an amendment to the BPOL Ordinance to change the gross receipts threshold from $350,000 to $500,000 to further support small business development within the County. The forecast model reflects this change for FY 2019 and beyond.

Approximately 90% of FY 2017 BPOL revenue was generated by four sectors of the County's local economy: retail (43%), building construction (17%), business services (19%), and professional services (11%).

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 percent 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.

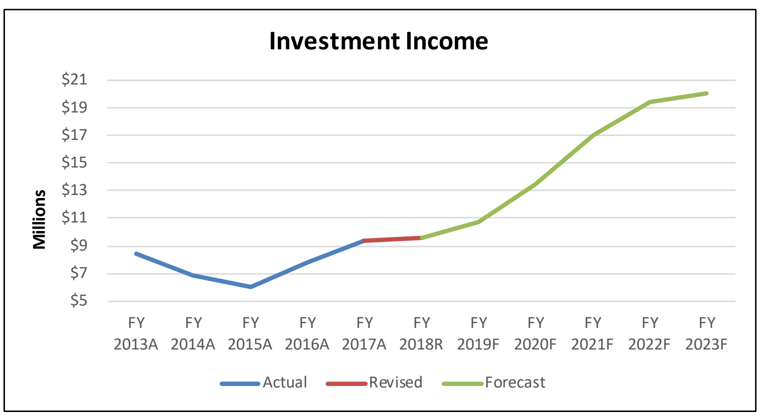
To forecast investment income, the average portfolio yield and portfolio value are projected to determine the current or estimated future year's investment revenue. The general fund share is calculated based on the prior year actual share of cash balances available to invest.

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. 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 19	$	1,102,000
FY 20	$	1,132,000
FY 21	$	1,166,000
FY 22	$	1,201,000
FY 23	$	1,237,000

Prince William County's portfolio earnings yield is broadly correlated to the Federal Funds Rate. The Federal Open Market Committee (FOMC) increased the target Federal Funds rate to a range of 1.25% to 1.50% in December of 2017 – the fifth rate hike since December 2015. Additional rate increases are expected during calendar year 2018. Consequently, it is expected that short-term interest rates will likely trend modestly higher over the next year.

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.



		Actual	% Change
FY 13	$	8,388,449	-2.5%
FY 14	$	6,834,816	-18.5%
FY 15	$	6,036,382	-11.7%
FY16	$	7,832,996	29.8%
FY 17	$	9,417,266	20.2%
Current Year Adopted	$	9,628,000	2.2%
Current Year Revised	$	9,578,250	1.7%
		Forecast	
FY 19	$	10,710,000	11.8%
FY 20	$	13,450,000	25.6%
FY 21	$	17,000,000	26.4%
FY 22	$	19,460,000	14.5%
FY 23	$	20,040,000	3.0%

All Other Revenue Sources

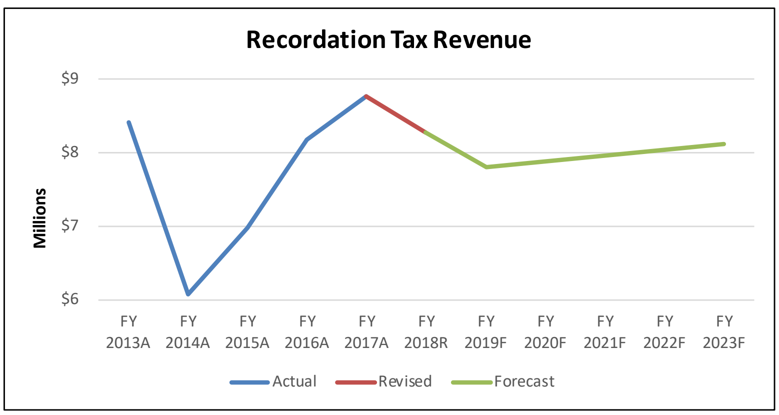
Recordation Tax

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. Tight inventories have been the main contributor to pushing average home prices higher and average days on the market lower. While mortgage rates remain below their historical average, the general consensus among mortgage rate forecasters is that rates will rise in 2018. The full impact of President Trump's new tax laws limiting the ability to write off unlimited property taxes (or state and local sales taxes) also remains to be seen.

The FY 2019 forecast has therefore been revised downward along with a conservative projection of revenue in the five-year forecast.



		Actual	% Change
FY 13	$	8,617,265	32.4%
FY 14	$	6,273,132	-27.2%
FY 15	$	7,174,961	14.4%
FY 16	$	8,383,183	16.8%
FY 17	$	8,965,151	6.9%
Current Year Adopted	$	8,480,000	-5.4%
Current Year Revised	$	8,480,000	-5.4%
		Forecast	
FY 19	$	8,000,000	-5.7%
FY 20	$	8,080,000	1.0%
FY 21	$	8,160,000	1.0%
FY 22	$	8,240,000	1.0%
FY 23	$	8,320,000	1.0%

	General Revenue	Transportation	TOTAL
FY 19	$ 2,060,000	$ 5,940,000	$ 8,000,000
FY 20	$ 2,080,000	$ 6,000,000	$ 8,080,000
FY 21	$ 2,100,000	$ 6,060,000	$ 8,160,000
FY 22	$ 2,120,000	$ 6,120,000	$ 8,240,000
FY 23	$ 2,140,000	$ 6,180,000	$ 8,320,000

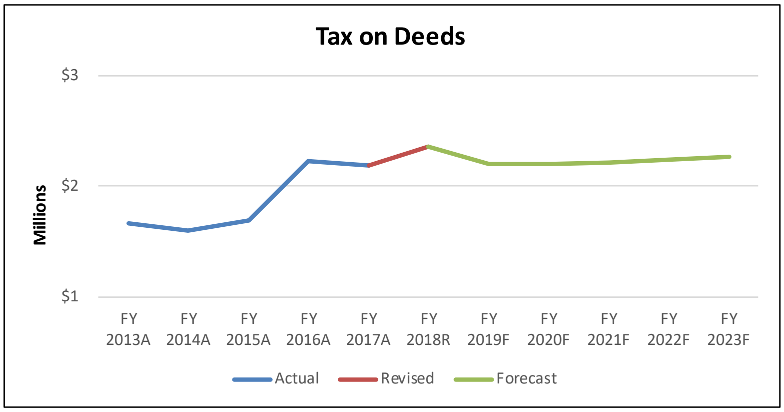
On October 26, 2004, the Board of County Supervisors adopted Resolution No. 04-1034, which earmarks a portion of recordation tax revenues for transportation purposes in the County. Beginning in FY 2006, recordation tax revenues generated by the rate increase of $0.033 plus a portion of recordation tax 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 below identifies the portion of recordation tax revenues designated for transportation and general revenue use in each year of the 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. 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.



		Actual	% Change
FY 13	$	1,659,764	10.2%
FY 14	$	1,605,397	-3.3%
FY 15	$	1,693,083	5.5%
FY 16	$	2,229,997	31.7%
FY 17	$	2,184,206	-2.1%
Current Year Adopted	$	2,360,000	8.0%
Current Year Revised	$	2,360,000	8.0%
		Forecast	
FY 19	$	2,200,000	-6.8%
FY 20	$	2,200,000	0.0%
FY 21	$	2,220,000	0.9%
FY 22	$	2,240,000	0.9%
FY 23	$	2,270,000	1.3%

Similar to the recordation tax, the FY 2019 forecast represents a slight decrease over the FY 2018 estimate as sales volume is driven more by price appreciation and less by sales activity providing a conservative projection of revenue in the five-year forecast.

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:

REVENUE SOURCE	FY 17 ACTUAL	FY 18 Forecast	FY 19 Forecast	FY 20 Forecast	FY 21 Forecast	FY 22 Forecast	FY 23 Forecast
40215 DAILY RENTAL EQUIPMENT TAX	$ 478,840	$ 450,000	$ 453,000	$ 462,000	$ 471,000	$ 481,000	$ 490,000
40230 BANK FRANCHISE TAX	1,834,341	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
40236 BPOL PUBLIC UTILITY	1,419,954	1,518,000	1,400,000	1,414,000	1,428,000	1,442,000	1,456,000
40270 TRANSIENT OCCUPANCY TAX	1,612,033	1,400,000	1,428,000	1,457,000	1,486,000	1,516,000	1,546,000
40520 INTEREST PAID TO VENDORS	(122,985)	(170,000)	(200,000)	(100,000)	(100,000)	(100,000)	(100,000)
40521 INTEREST PAID ON REFUNDS	(9,723)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
41150 UNDISTRIBUTED & MISCELLANEOUS	227	7,000	7,000	7,000	7,000	7,000	7,000
41303 ROLLING STOCK TAX	128,895	90,000	90,000	90,000	90,000	90,000	90,000
41304 RENTAL CAR & PASSENGER CAR TAX	1,220,057	970,000	970,000	970,000	970,000	970,000	970,000
41305 MANUFACTURED HOME TITLING TAX	42,439	35,000	35,000	35,000	35,000	35,000	35,000
41700 PAYMENTS IN LIEU OF TAXES	75,108	70,000	70,000	70,000	70,000	70,000	70,000
TOTAL MISCELLANEOUS REVENUE	$ 6,679,186	$ 5,815,000	$ 5,698,000	$ 5,850,000	$ 5,902,000	$ 5,956,000	$ 6,009,000

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 and Recreation, Office of Tourism[11]. The transient occupancy tax forecast is based on number of hotel rooms, occupancy rates, room rates and tourism related events.

[11] On August 1, 2017, The Board of County Supervisors voted to merge the Convention and Visitors Bureau into the County's Department of Parks and Recreation as the Office of Tourism (Res. No 17-365).

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 (formerly Mobile) 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, 2018 (P.L. 115-56) on September 8, 2017, which appropriated $465 million in discretionary funding for the FY 2018 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.