Prince William
Finance

Estimate of General Revenue

Proposed FY 2022-2026

DATE:	February 15, 2021
TO:	Board of County Supervisors
FROM:	Michelle L. Attreed Director of Finance /CFO
THRU:	Christopher E. Martino County Executive
RE:	Revenue Committee Report Fiscal Year 2022-2026

I am pleased to present the Proposed FY 2022–2026 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.

The COVID-19 pandemic has impacted the national and local economy in a unique and unprecedented manner. Restaurants and brick and mortar storefronts were forced to scale back operations and the hospitality and tourism industry were impacted as lockdown measures were put in place. A federal stimulus package in the form of the Coronavirus Aid, Relief and Economic Security (CARES) Act provided relief to residents and business to bolster an economic recovery.

Comparable to nationwide trends, the Washington D.C. Metropolitan area economy has experienced the detrimental impact of the pandemic, but the resilience of the area has cushioned the shock. Job growth and median household incomes are likely to remain strong going forward while interest rates are expected to rise over the coming years.

Average residential real estate values grew by 7.00% while commercial values decreased 4.50% during calendar year 2020 (tax year 2021). New taxable business tangible property, mainly from data centers, continues to grow and be a positive driver of personal property tax revenue.

The County Executive has proposed to keep the current real estate tax rate of $1.125 for FY 2022; the 5th consecutive year the rate has remained flat. Also proposed is an increase of $0.25 in the business tangible property tax rate for computer & peripheral equipment. To provide a diversified and stable revenue base, an additional tax policy consideration for the Board includes a new cigarette tax in FY 2022. Also proposed in the out years of the Five-Year Plan (beginning in FY 2023) is a meals tax.

The revenue estimates contained in this document are used to support the Proposed FY 2022 Fiscal Plan, the Proposed FY 2022-2027 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.

Prince William County

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PROJECT MANAGER

Lillie Jo Krest, Assistant Director of Finance for Treasury Management

FINANCE DEPARTMENT PROJECT TEAM

Allison Lindner

Brad Norris

Kerem Oner

Paul Velasquez

Susan Rodeheaver

Terri Whitt

Bart Cecil

Endora Matei

Melissa Korzuch

Rocio Lamb

Svetlana Olchevski

Viicky Silor

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

JOHN R. LAYMAN
Senior Economist
Virginia Department of Taxation

SONYA R. WADDELL
Vice President and Economist, Regional and Community Analysis
The Federal Reserve Bank of Richmond

ASSOCIATION OF REALTORS
Prince William (PWAR)
Liz Hernandez
April Thomas
Lisa Sturtevant, Virginia Realtors, Chief Economist

COMMERCIAL DEVELOPERS

Carter Wiley, The Wiley Companies, Inc.
Coleman Rector, President Weber Rector Commercial Real Estate Services, Inc.
Russ Gestl, Buchanan Partners
Kingsley McAdam, Buchanan Partners

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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 table below identifies some of the key indicators for the national, regional, and local economies and reflects the quarter-over-quarter trends.

Indicator	Prior [1] 9/30/2020	Current [1] 12/31/2020	Trend: Negative	Trend: Slightly Negative	Trend: Neutral	Trend: Slightly Positive	Trend: Positive	Notes
General								
Consumer Price Index (CPI)	1.4%	1.4%			●			Measures prices paid by consumers for a basket of goods and services.
Gross Domestic Product (GDP)	33.1%	4.0%			●			Measures the final market price for goods and services produced within the U.S.
Federal Funds Rate	0.09%	0.09%			●			Target interest rate set by the Federal Open Market Committee (FOMC). Establishes baseline lending rates and short term rates of return.
S&P 500 Index	3,363	3,756			●			Considered the best single gauge of large-cap U.S. equities. The index contains 500 leading companies and captures approximately 80% of available market capitalization.
Unemployment Rate								
National	7.9%	6.7%			●			Tracks the number of unemployed persons as a percentage of the total U.S. labor force.
Virginia	6.2%	4.9%			●			Tracks the number of unemployed persons as a percentage of the total VA labor force.
Prince William County	6.4%	4.8%			●			Tracks the number of unemployed persons as a percentage of the total PWC labor force.
Average Weekly Wages [2]								
National	$1,222	$1,188			●			Tracks the average weekly monetary compensation paid to an employee in the U.S. Excludes bonus payments.
Virginia	$1,233	$1,218			●			Tracks the average weekly monetary compensation paid to an employee in VA. Excludes bonus payments.
Prince William County	$981	$1,048			●			Tracks the average weekly monetary compensation paid to an employee in PWC. Excludes bonus payments.
Employment Establishments [3]								
Virginia	282,924	283,318			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Virginia.
Region	92,235	92,404			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Northern Virginia.
Prince William County	9,653	9,671			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Prince William County.
Revenue								
Retail Sales: National	1.9%	-0.70%		●				Retail sales tracks the resale of new and used goods to the general public for personal or household consumption.
Sales and Use Tax: Virginia	7.5%	6.7%			●			Tracks the percentage of state collections for sales and use tax.
Sales and Use Tax: Prince William County	9.1%	7.1%			●			Tracks the percentage of collections for sales and use tax in Prince William County. Current sales tax rate is 6.0%.
Revenue Collections: Virginia	9.9%	7.8%			●			Aproximately 88% of Virginia's revenue consists of net individual income tax and sales tax.
Vehicles								
National Automobile Sales	13.78 M	14.37 M			●			Tracks the total number of year-to-date light-vehicle sales in the U.S. on a Seasonally Adjusted Annual Rate basis.
Real Estate Market: Prince William County								
Average Sales Price	$458,360	$456,968			●			Reflects the average sold price for a home.
Closed Sales	793	717			●			Reflects the number of closed home sales.
Average Days on Market	12	13			●			Reflects the average time a home is on the market from listing to closing.
Ratio of Homes on the Market to Homes Sold	0.48	0.30		●				A ratio > 1 suggests supply of homes on the market exceeds current demand. A ratio < 1 suggests supply of homes on the market is below current demand.
Occupancy Permits Issued	383	320		●				Establishes that a property is suitable for habitation after meeting the requirements of the Uniformed Statewide Building Code.
Building Permits Issued	352	280		●				Tracks the number of new building permits issued for residential dwellings.
Commercial Vacancy Rate	5.3%	5.5%		●				Tracks the percentage of vacant store front property by square feet.

1 Reflects data available as of the date displayed
2 Average Weekly Wages lags current and prior period by 2 quarters
3 Employment Establishments lags current and prior period by 2

Negative	Slightly Negative	Neutral	Slightly Positive	Positive

Real Estate Tax Rate and Major Revenue Sources

FY 2022 Proposed Real Estate Tax Rate and Average Tax Bill

The Fiscal Year 2022 proposed real estate tax rate of $1.125 has the following tax bill impacts on property owners:

- Average real estate tax bill on existing, residential properties will increase $306 or 7%; and
- Average real estate tax bill on existing, commercial properties will decrease 4.5%.

Major Revenue Sources

($ in 000s)	% to Total (FY 2022)	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast
Real Estate Tax Rate:		**$1.125**	**$1.125**	**$1.125**	**$1.125**	**$1.125**
Real Estate Taxes	**66.8%**	$769,876	$812,517	$844,394	$878,785	$913,730
Personal Property Taxes	**19.9%**	$228,938	$238,498	$249,871	$259,090	$268,680
Sales Tax	**6.4%**	$74,150	$76,385	$78,675	$81,035	$83,470
Consumer Utility Tax	**1.2%**	$13,540	$13,675	$13,812	$13,950	$14,090
Communications Sales Tax	**1.2%**	$14,180	$13,830	$13,480	$13,140	$12,810
BPOL Tax	**1.9%**	$22,375	$23,000	$23,690	$24,401	$25,133
Investment Income	**0.4%**	$5,150	$5,940	$7,150	$8,820	$9,900
Meals Tax	**0.0%**	$0	$24,500	$24,500	$24,500	$24,500
All Other	**2.2%**	$24,844	$26,233	$26,652	$27,028	$27,409
Total General Revenue	**100.00%**	$1,153,053	$1,234,578	$1,282,224	$1,330,749	$1,379,722

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 2022 - 2026 GENERAL COUNTY REVENUE ESTIMATE BY CATEGORY						
GENERAL REVENUE SOURCE		**FY 2022 Forecast**	**FY 2023 Forecast**	**FY 2024 Forecast**	**FY 2025 Forecast**	**FY 2026 Forecast**
Real Estate (Gross Local Revenue)	40010	$ 789,148,000	$ 834,677,000	$ 869,505,000	$ 906,949,000	$ 945,892,000
Real Estate Exonerations	40020	$ (16,170,000)	$ (16,980,000)	$ (17,830,000)	$ (18,720,000)	$ (19,660,000)
Real Estate Tax Relief	40015	$ (26,400,000)	$ (28,800,000)	$ (31,200,000)	$ (33,670,000)	$ (37,040,000)
Real Estate		$ 746,578,000	$ 788,897,000	$ 820,475,000	$ 854,559,000	$ 889,192,000
Real Estate-Public Service	40041	$ 21,668,000	$ 21,885,000	$ 22,104,000	$ 22,325,000	$ 22,548,000
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	$ 1,815,000	$ 1,920,000	$ 2,000,000	$ 2,086,000	$ 2,175,000
TOTAL REAL ESTATE		$ 769,876,000	$ 812,517,000	$ 844,394,000	$ 878,785,000	$ 913,730,000
Personal Property	40071	$ 161,500,000	$ 161,500,000	$ 164,700,000	$ 168,000,000	$ 171,400,000
Business Tangible	tbd	$ 65,318,000	$ 74,608,000	$ 82,661,000	$ 88,450,000	$ 94,640,000
Personal Property Prior Year	40072	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
Personal Property Tax Deferral	40081	$ (1,000,000)	$ (850,000)	$ (850,000)	$ (850,000)	$ (850,000)
Personal Property Penalties	40170	$ 2,620,000	$ 2,740,000	$ 2,860,000	$ 2,990,000	$ 2,990,000
TOTAL PERSONAL PROPERTY		$ 228,938,000	$ 238,498,000	$ 249,871,000	$ 259,090,000	$ 268,680,000
LOCAL SALES TAX	40210	$ 74,150,000	$ 76,385,000	$ 78,675,000	$ 81,035,000	$ 83,470,000
CONSUMER UTILITY TAX	40220	$ 13,540,000	$ 13,675,000	$ 13,812,000	$ 13,950,000	$ 14,090,000
BPOL TAXES - LOCAL BUSINESSES	40235	$ 22,375,000	$ 23,000,000	$ 23,690,000	$ 24,401,000	$ 25,133,000
INVESTMENT INCOME	40510	$ 5,150,000	$ 5,940,000	$ 7,150,000	$ 8,820,000	$ 9,900,000
COMMUNICATIONS SALES TAX	41339	$ 14,180,000	$ 13,830,000	$ 13,480,000	$ 13,140,000	$ 12,810,000
MEALS TAX	TBD	$ -	$ 24,500,000	$ 24,500,000	$ 24,500,000	$ 24,500,000
Interest on Taxes	40140	$ 1,693,000	$ 1,771,000	$ 1,836,000	$ 1,906,000	$ 1,977,000
Daily Rental Equipment Tax	40215	$ 529,000	$ 541,000	$ 552,000	$ 563,000	$ 574,000
Bank Franchise Tax	40230	$ 1,800,000	$ 1,800,000	$ 1,800,000	$ 1,800,000	$ 1,800,000
BPOL - Public Utility	40236	$ 1,424,000	$ 1,424,000	$ 1,424,000	$ 1,424,000	$ 1,424,000
Motor Vehicle License	40250	$ 12,000,000	$ 12,000,000	$ 12,200,000	$ 12,400,000	$ 12,600,000
Tax on Deeds	40261	$ 2,450,000	$ 2,500,000	$ 2,550,000	$ 2,550,000	$ 2,550,000
Transient Occupancy Tax	40270	$ 986,000	$ 1,600,000	$ 1,648,000	$ 1,697,000	$ 1,748,000
Interest Paid to Vendors	40520	$ (100,000)	$ (100,000)	$ (100,000)	$ (100,000)	$ (100,000)
Interest Paid on Refunds	40521	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)
Rolling Stock Tax	41303	$ 93,000	$ 93,000	$ 93,000	$ 93,000	$ 93,000
Passenger Car Rental Tax	41304	$ 865,000	$ 1,500,000	$ 1,545,000	$ 1,591,000	$ 1,639,000
Manufactured Home Tilting Tax	41305	$ 44,000	$ 44,000	$ 44,000	$ 44,000	$ 44,000
Federal Payment in Lieu of Taxes	41700	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Undistributed & Miscellaneous	41150	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Cigarette Tax	TBD	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000
ALL OTHER REVENUE		$ 24,844,000	$ 26,233,000	$ 26,652,000	$ 27,028,000	$ 27,409,000
TOTAL GENERAL REVENUE		**$ 1,153,053,000**	**$ 1,234,578,000**	**$ 1,282,224,000**	**$ 1,330,749,000**	**$ 1,379,722,000**

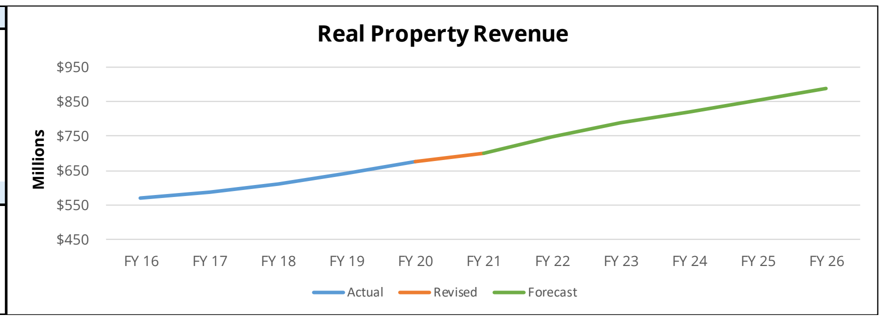
Real Property Revenue

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 66.8% of general revenues (FY 2022 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[1]. The graph below shows a five-year history of this revenue source and the five-year revenue forecast.

FY		Actual	% Change
FY 16	$	569,594,736	5.24%
FY 17	$	588,085,866	3.25%
FY 18	$	610,486,700	3.81%
FY 19	$	641,139,857	5.02%
FY 20	$	677,034,332	5.60%
FY 21 Adopted	$	699,293,000	3.29%
FY 21 Revised (Q2)	$	699,293,000	3.29%
		Forecast	
FY 22	$	746,578,000	6.76%
FY 23	$	788,897,000	5.67%
FY 24	$	820,475,000	4.00%
FY 25	$	854,559,000	4.15%
FY 26	$	889,192,000	4.05%



Residential Real Estate

During calendar year 2020 (CY 2020) the residential market appreciated at a sharp pace despite deteriorating economic conditions in the first half of the year due to the pandemic. This rapid rate of appreciation was primarily fueled by low interest rates and reduced inventory. Appreciation was across the board, affordable homes and high-end homes alike. Following a 3.8% increase in values in 2019, the average existing home value increased approximately 7% in 2020.

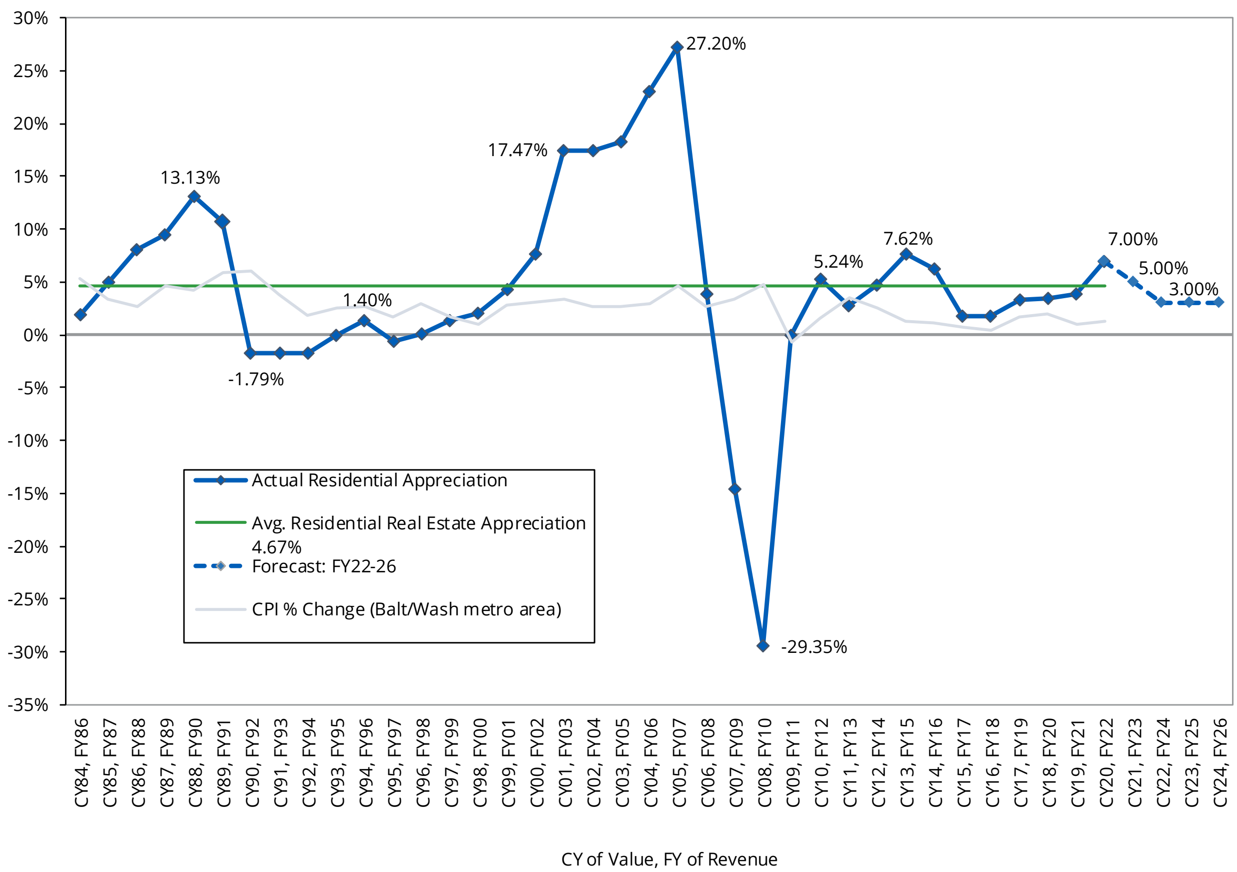
In 2019, foreclosures fell sharply from approximately 114 in 2019 to only 11 in 2020. Bank owned properties and short sales made up approximately 0.5% of all sales that transacted in 2020, down from 1.5% in 2019. The average number of days on the market also declined significantly from 29 days in December 2019 to 13 days in 2020.

[1] 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 1985 through 2020 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 2022	FY 2023	FY 2024	FY 2025	FY 2026
Calendar Year Activity	2020	2021	2022	2023	2024
Landbook Year (real estate)	2021	2022	2023	2024	2025
Appreciation					
Residential	7.00%	5.00%	3.00%	3.00%	3.00%
Apartments	2.50%	3.00%	3.00%	3.00%	3.00%

Comparable to nationwide trends, the Washington D.C. Metropolitan area economy has experienced the detrimental impact of the pandemic, but the resilience of the area has cushioned the blow. Job growth and median household incomes are likely to remain strong going forward while interest rates are expected to rise over the coming years.

Prince William County's residential market is projected to experience moderate price improvement over the next four years.

Apartments Market Value Change

Apartments appreciated approximately 2.5% in value during 2020, driven primarily by modest rental rate growth. Factors that limited further appreciation include a decrease in capitalization rates and a slight increase in collection and concessions losses. Demand for apartments is expected to remain strong due to affordability challenges presented by residential real estate. Appreciation is projected to continue throughout the forecast period at a somewhat lower rate due to apartment market saturation.

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 2020 will be reflected in the County's January 1, 2021 land book, which provides the basis for real estate tax revenue projected to be received in fiscal year 2022.

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

Fiscal Year	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
Calendar Year Activity	2020	2021	2022	2023	2024
Landbook Year (real estate)	2021	2022	2023	2024	2025
Residential Units Completed					
Single Family	774	700	650	650	650
Townhouse	523	500	500	500	500
Condominium	106	100	100	100	100
Apartments	300	131	150	150	150

The volume of new home starts is expected to remain near current levels. Construction of new apartment units is expected to add approximately 300 units in FY 2022 and proceed to level off at roughly 150 units during the remaining forecast period due to relative market saturation.

Residential Values per New Unit

The average assessed value of a new home (all types) built during calendar year 2020 is estimated to be approximately $550,000. It should be noted that the overall assessed value of a new home is influenced by the mix of single family, townhouse, and condominium units constructed in any given year.

The average assessed value of a new single-family home is projected to be approximately $640,000 in 2020. The average assessed value of a new townhouse and a condominium unit are estimated to be approximately $450,000 and $390,000, respectively.

Commercial Real Estate

Calendar year 2020 market activity in Prince William County resulted in an overall decline of approximately 4.5% in commercial property values. Property types impacted most by the pandemic were in the hospitality and retail sectors. Although commercial real estate vacancy rates in most sectors were not affected significantly, collections and concessions did show increases. The strongest performing properties were in the industrial sector, which showed approximately 6.5% appreciation.

Commercial appreciation for FY 2022–2026 is forecasted as follows:

Fiscal Year	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Calendar Year Activity	2020	2021	2022	2023	2024
Landbook Year (real estate)	2021	2022	2023	2024	2025
Commercial Appreciation	-4.5%	2.0%	3.0%	4.0%	4.0%

Average assessed values per square foot for FY 2022 are determined based on the added building value resulting from new construction completed during calendar year 2020[2]. 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 use, and miscellaneous. For FY 2022 (calendar year 2020 market activity), approximately 1.7 million square feet of commercial space, including powered shell warehouse data centers, 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.

2 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

The retail sector suffered during the pandemic, and reverberations are anticipated to be felt over the coming years. Rents are expected to suffer, and concessions projected to rise as landlords struggle to retain tenants in an environment of altered consumer behavior, such as an increasing tendency to shop online. Approximately 82,000 square feet of new space was added to the retail sector in 2020. Shopping centers, specifically, have experienced higher vacancies and concessions during the pandemic. The demand for retail space remains sluggish while the capitalization rates are stable. We expect new retail construction to remain subdued going forward.

Industrial

During 2020 the industrial sector was the strongest commercial category in the County, as well as regionally. Rents are robust while vacancies are low as industrial space is at a premium. Construction of industrial properties added approximately 1.4 million square feet to the commercial/industrial base in 2020. The current pipeline includes planned projects that should add roughly 700,000 square feet in calendar year 2021 and beyond.

Hotels

Hotels suffered greatly due to reduced business and tourism travel throughout the past year. In calendar year 2020 two new hotels were completed. Despite the pandemic, development in the western end of the county continues. Two hotels are expected to be completed in 2021.

Office Buildings

Offices was another sector hurt by the pandemic. Teleworking is becoming a more common reality for many businesses and will likely lead to decreased demand for office space in the future. This will likely lead to reduced rents and lower office valuations in the outyears. Approximately 27,000 square feet of office space was added in the County in calendar year 2020. Currently there is a 244,000 square foot Kaiser medical facility under construction that is expected to be completed in FY 2023.

Special Use

Properties within the special use category comprise nursing homes, healthcare facilities, and other types of properties that have no foreseeable alternate uses. In 2020, an assisted living facility was added totaling approximately 57,000 square feet. Five more assisted living facilities totaling 825,000 square feet are planned and expected to be built over the next few years.

Miscellaneous

Miscellaneous category includes golf courses, taxable schools, and other property types that do not fit in one of the major categories. In 2020, approximately 12,000 square feet of miscellaneous commercial space was added to the County's taxable base.

Data Centers

Retail data centers are valued by the megawatt power available to the facility. The County added another 22 megawatts of retail data center capacity during 2020. Data Centers have been one of the few commercial beneficiaries of the pandemic with online traffic increasing considerably due to a significant shift of education, shopping and working from in-person to online. Prince William County's proximity to critical network infrastructure in Loudoun, namely MAE-East, makes it a desirable location to build and/or expand data center capacity.

Commercial and Industrial Tax

The Code of Virginia Title 58.1, Chapter 31 (58.1-3221.3) allows certain municipalities to impose an additional tax on commercial and industrial property. Revenue generated from the Commercial and Industrial (C&I) tax must be used for specific transportation-related purposes. This revenue is not proposed or included in the FY 2022-2026 Estimate of General Revenue. However, at the maximum rate of $0.125 per $100 of assessed value, the C&I tax could generate an additional $12 - $15 million per year to support the BOCS Mobility strategic goals.

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.

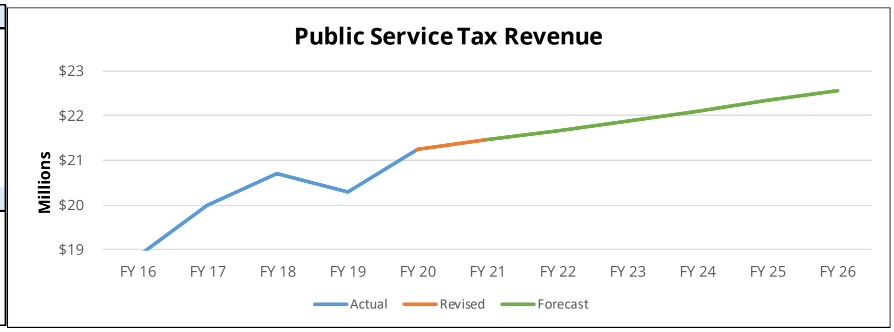
Exonerations are decreases in revenue due to assessment reductions, changes in tax liability, or tax relief programs. Assessment reductions are typically caused by appeals of assessed values. Changes in tax liability occur when a property transfers from a taxable to a tax-exempt status. Taxes are also 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. Tax Relief is expected to increase approximately 10%-15% in each year of the forecasting period.

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, most 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	% Change
FY 16	$	18,830,860	7.06%
FY 17	$	19,998,125	6.20%
FY 18	$	20,706,349	3.54%
FY 19	$	20,295,824	-1.98%
FY 20	$	21,241,234	4.66%
FY 21 Adopted	$	21,454,000	1.00%
FY 21 Revised (Q2)	$	21,454,000	1.00%
		Forecast	
FY 22	$	21,668,000	1.00%
FY 23	$	21,885,000	1.00%
FY 24	$	22,104,000	1.00%
FY 25	$	22,325,000	1.00%
FY 26	$	22,548,000	1.00%



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. Due to the impacts of the novel coronavirus (COVID-19) on individuals, families and businesses, collection efforts were curtailed in early March 2020, which will negatively affect this revenue stream.

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, 2020, were $813,155.

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 16	$	1,245,234	-0.54%
FY 17	$	1,327,220	6.58%
FY 18	$	1,418,348	6.87%
FY 19	$	1,444,430	1.84%
FY 20	$	1,626,344	12.59%
FY 21 Adopted	$	1,696,000	4.28%
FY 21 Revised (Q2)	$	1,696,000	4.28%
		Forecast	
FY 22	$	1,815,000	7.02%
FY 23	$	1,920,000	5.79%
FY 24	$	2,000,000	4.17%
FY 25	$	2,086,000	4.30%
FY 26	$	2,175,000	4.27%

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.

FY		Actual	% Change
FY 16	$	1,366,271	-4.91%
FY 17	$	1,435,853	5.09%
FY 18	$	1,594,517	11.05%
FY 19	$	1,284,426	-19.45%
FY 20	$	1,266,688	-1.38%
FY 21 Adopted	$	1,744,000	37.68%
FY 21 Revised (Q2)	$	1,744,000	37.68%
		Forecast	
FY 22	$	1,693,000	-2.92%
FY 23	$	1,771,000	4.61%
FY 24	$	1,836,000	3.67%
FY 25	$	1,906,000	3.81%
FY 26	$	1,977,000	3.73%

Personal Property Revenue

Personal Property revenues are broken down into the following categories: vehicles, motor vehicle license fee, business tangible property, personal property prior year, deferral, and penalties.

Vehicles

The personal property tax is assessed on vehicles, trailers, mobile homes, and business tangible property. Approximately 72% of personal property tax revenue is derived from vehicles and trailers.

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 (BOCS). 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.

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.

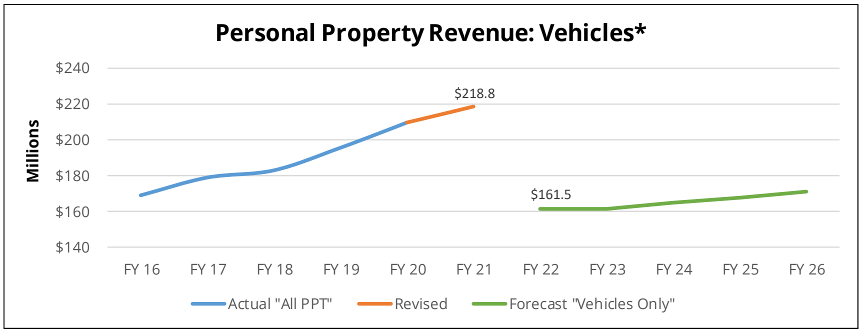
The per-unit average value is expected to increase slightly from 2020 to 2021 based on information received from NADA. Generally, vehicles depreciate from year-over-year, however COVID-19 altered the trends. As a result, all major vehicle valuation services, not just NADA, indicated increased market values between January 2020 and January 2021. Demand for older cars increased as new car production halted. Buying a used car however does not necessarily increase the number of cars on the road. Mobility behavior also changed drastically, as many commuters have worked from home and others have stayed away from public transportation due to health concerns. While the County's median household income remains above $100,000 and the unemployment rate has improved (currently 4.8%) consumers may still hold off on large purchases until they feel more confident with the pandemic and overall economy.

It also cannot be reliably determined if the Virginia Department of Motor Vehicles (DMV) response to COVID-19 by closing all 75 DMV customer service centers and suspending all DMV

Connect and DMV2Go mobile operations from March through May 2020 had an impact on the number of vehicles registered in 2020 or if there is a backlog that could impact FY 2021 and beyond.

The combination of these factors makes it challenging to forecast future growth in this revenue source. Accordingly, the FY 2022 estimate remains flat over the next two years with moderate growth to follow.

FY		Actual	% Change
FY 16	$	168,957,847	6.43%
FY 17	$	178,876,546	5.87%
FY 18	$	182,970,452	2.29%
FY 19	$	195,606,549	6.91%
FY 20	$	209,704,787	7.21%
FY 21 Adopted	$	218,800,000	4.34%
FY 21 Revised (Q2)	$	218,800,000	4.34%
		Forecast	
FY 22	$	161,500,000	-
FY 23	$	161,500,000	0.00%
FY 24	$	164,700,000	1.98%
FY 25	$	168,000,000	2.00%
FY 26	$	171,400,000	2.02%

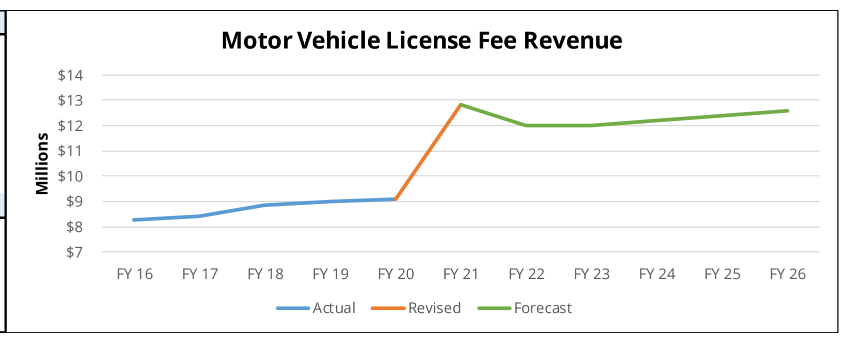


*Previously, the County had combined all Personal Property Tax revenues (Vehicle and Business Tangible). To provide greater transparency, these two revenue sources are now separated. The chart and table below provide total revenue generated for the Fiscal Years 2016 through 2021. Beginning with Fiscal Year 2022, the data only reflects the vehicle portion.

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[3] is $33 per year for each passenger car and truck normally garaged or parked in the County. The adopted fee per year for each motorcycle is $20. The license fee revenue forecast is derived by multiplying the license fee by the estimated billable units in the County.

FY		Actual	% Change
FY 16	$	8,260,395	2.58%
FY 17	$	8,408,654	1.79%
FY 18	$	8,845,474	5.19%
FY 19	$	8,986,829	1.60%
FY 20	$	9,086,293	1.11%
FY 21 Adopted	$	12,840,000	41.31%
FY 21 Revised (Q2)	$	12,840,000	41.31%
		Forecast	
FY 22	$	12,000,000	-6.54%
FY 23	$	12,000,000	0.00%
FY 24	$	12,200,000	1.67%
FY 25	$	12,400,000	1.64%
FY 26	$	12,600,000	1.61%



[3] On April 28, 2020, the BOCS increased the vehicle license fee effective FY 2021 to $33 from $24 for passenger cars and trucks and to $20 from $12 for motorcycles. The prior rates were in place since 2006.

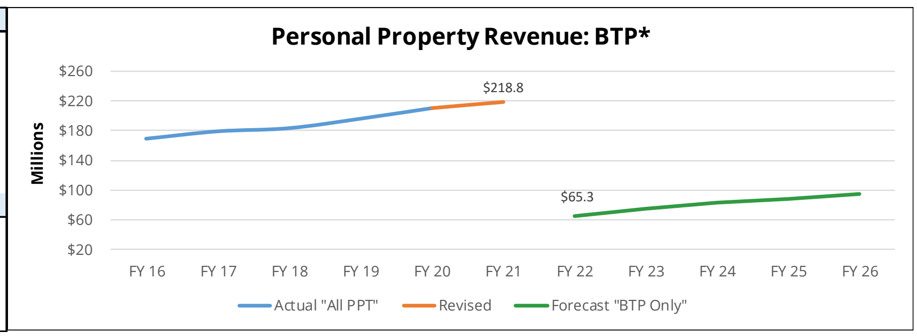
Business Tangible Property

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. Approximately 30% of personal property tax is derived from business tangible property (BTP). 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.

Computer equipment and peripherals, heavy equipment and machinery account for approximately 68% of taxable property value on business equipment. Taxes on furniture and fixtures account for the remaining 32%.

Taxes from business tangible property are expected to increase throughout the five- year plan[4] although at a slower rate. The growth is driven by an increase in the tax rate and increases in the revenue generated by the tax on computer equipment and peripherals, specifically equipment located in data centers assuming continued development.

FY		Actual	% Change
FY 16	$	168,957,847	6.43%
FY 17	$	178,876,546	5.87%
FY 18	$	182,970,452	2.29%
FY 19	$	195,606,549	6.91%
FY 20	$	209,704,787	7.21%
FY 21 Adopted	$	218,800,000	4.34%
FY 21 Revised (Q2)	$	218,800,000	4.34%
		Forecast	
FY 22	$	65,318,000	-
FY 23	$	74,608,000	14.22%
FY 24	$	82,661,000	10.79%
FY 25	$	88,450,000	7.00%
FY 26	$	94,640,000	7.00%



*Previously, the County had combined all Personal Property Tax (Vehicle and Business Tangible). To provide greater transparency, these two revenue sources are now being separated. The chart and table below provide total revenue generated for the Fiscal Years 2016 through 2021. Beginning with Fiscal Year 2022, the data only reflects the business tangible portion.

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.

[4] On April 28, 2020, the BOCS adopted a tax rate of $1.35. The current forecast includes a proposed increase in the tax rate over a 3-year period as follows: FY 2022 $1.60, FY 2023 $1.85, FY 2024-2026 $2.00.

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. Due to COVID-19, collection efforts were curtailed in early March 2020, which will negatively affect this revenue stream.

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.

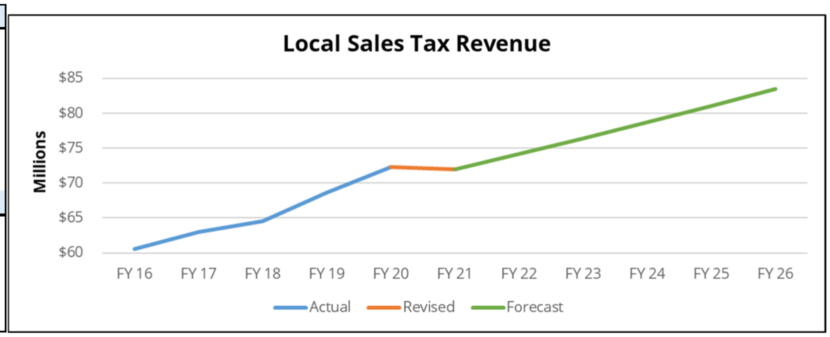
Personal property penalty revenue is projected to increase in each year of the FY 2022– 2026 forecast period due to the increase in the estimate of personal property taxes billed each year as well as a result of COVID-19 hardships

Local Sales Tax

Prince William County, by adopted ordinance, has elected to levy a 1% general retail sales tax. This tax is levied on the 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 16	$	60,550,579	1.41%
FY 17	$	63,021,936	4.08%
FY 18	$	64,565,705	2.45%
FY 19	$	68,699,741	6.40%
FY 20	$	72,320,380	5.27%
FY 21 Adopted	$	65,130,000	-9.94%
FY 21 Revised (Q2)	$	72,000,000	-0.44%
		Forecast	
FY 22	$	74,150,000	3.00%
FY 23	$	76,385,000	3.00%
FY 24	$	78,675,000	3.00%
FY 25	$	81,035,000	3.00%
FY 26	$	83,470,000	3.00%



Retail activity, as reflected by sales tax revenue, increased 5.3% in FY 2020, above the 3% forecasted growth rate. Consumers quickly shifted their purchases from brick-and-mortar to online purchases as national closures occurred in March/April of 2020. In January 2021 (FY 2021), a total of $6.6 million in sales tax revenue was reported, bolstered by internet sales. Sales tax revenue is currently up 6.7% through January when compared to FY 2020, ahead of the 2.5% decline forecasted in March 2020 when there was a great deal of uncertainty. Based on the cumulative fiscal year actual monthly averages, the forecast for FY 2021 is currently projected to be flat. A conservative and more normal growth rate of 3% is forecasted for FY 2022 and the remaining forecast period.

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 – (2019 median household was$106,861[5]);
- low unemployment;
- wage growth;
- continued population growth; and
- increase in registered remote sellers[6].

Consumer Utility Tax

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

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[5] Source: Median household income (in 2019 Inflation-Adjusted dollars) - U.S. Census Bureau, American Community Survey.
[6] Effective July 1, 2019 HB 1722/SB 1083 - Remote Sales & Use Tax Collection.
[7] Code of Virginia §58.1-3814.

Since consumer utility taxes are capped, inflation and utility rate increases are not a factor in the five-year forecast. As reported by the Office of Real Estate Assessments, the FY 2022-2026 forecast reflects a stable forecast in new residential housing units.

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.

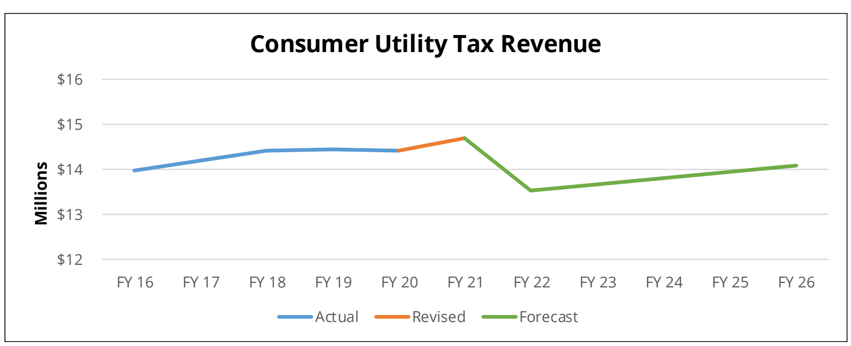
The levy for *natural gas*[9] consumption based on 100 units of cubic feet (CCF) is:

- 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.

Utility revenue has been inconsistent in terms of remittance from the utility providers since the onset of the COVID-19 pandemic. On November 18, 2020, Governor Northam signed a revised state budget that provided critical relief and support for utility customers. House Bill 5005 (HB5005), the Utility Disconnection Moratorium and Emergency Debt Repayment Plan (EDRP). The budget puts in place a moratorium on utility disconnections, including water and electricity, which will remain in effect until the Governor determines that the economic and public health conditions have improved such that the prohibition does not need to be in place or until at least 60 days after the declared state of emergency ends. It includes protection for utility providers dealing with revenue shortfalls and establishes a repayment plan to give customers the opportunity to pay off back debt over a longer period.

Staff will continue to closely monitor this revenue source and make appropriate adjustments to the FY 2021 forecast. The FY 2022 forecast reflects a decrease of approximately 8% as the full impact on this revenue source remains unclear. The remaining forecast period provides a modest 1% increase, reflecting a return to normal.

FY		Actual	% Change
FY 16	$	13,976,627	0.02%
FY 17	$	14,195,902	1.57%
FY 18	$	14,417,046	1.56%
FY 19	$	14,443,344	0.18%
FY 20	$	14,407,996	-0.24%
FY 21 Adopted	$	14,700,000	2.03%
FY 21 Revised (Q2)	$	14,700,000	2.03%
		Forecast	
FY 22	$	13,540,000	-7.89%
FY 23	$	13,675,000	1.00%
FY 24	$	13,812,000	1.00%
FY 25	$	13,950,000	1.00%
FY 26	$	14,090,000	1.00%



[8] Prince William County, VA-*Code of Ordinances* Sec. 26-111.
[9] Prince William County, VA-*Code of Ordinances* Sec. 26-112.

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

FY	Utilities Electric	Utilities Gas
FY 16	0.66%	-1.56%
FY 17	1.25%	2.36%
FY 18	1.27%	2.27%
FY 19	0.18%	0.20%
FY 20	-0.24%	-1.01%

Communications Sales and Use Tax

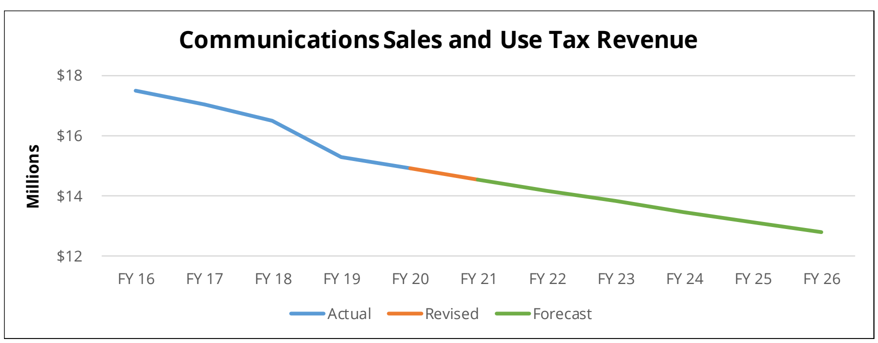
Under legislation enacted by the 2006 General Assembly, House Bill 568, the Virginia communications sales and use tax, also referred to as the communications sales tax, replaced most of the previous state and local taxes and fees on communications services, effective on January 1, 2007.

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 in 2006 relative to the statewide total. The County's current allocation is 4.6% of the statewide telecommunications sales and use tax.

FY		Actual	% Change
FY 16	$	17,490,453	-3.61%
FY 17	$	17,035,603	-2.60%
FY 18	$	16,509,503	-3.09%
FY 19	$	15,289,789	-7.39%
FY 20	$	14,914,152	-2.46%
FY 21 Adopted	$	14,530,000	-2.58%
FY 21 Revised (Q2)	$	14,530,000	-2.58%
		Forecast	
FY 22	$	14,180,000	-2.41%
FY 23	$	13,830,000	-2.47%
FY 24	$	13,480,000	-2.53%
FY 25	$	13,140,000	-2.52%
FY 26	$	12,810,000	-2.51%



This revenue source continues to decline as landline usage decreases. Preliminary results from the National Center for Health Statistics' July-December 2019 National Health Interview Survey (NHIS), released September 2020, indicate that the number of American homes with only wireless telephones continues to grow. The survey states that nearly two-thirds of American homes (60.3%) had only wireless telephones. Additionally, the Commonwealth's 2020--2022 biennium budget provides an annual deposit[10] 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 2021 and the outyears as uncertainty remains as to when this revenue source will level out.

Business, Professional, and Occupational License Tax

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[11]:

- 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.

BPOL revenue is made up of the following components: retail (42%), building construction (19%), business services (19%), professional services (11%), and hotels and other (9%).
The number of active accounts that reported gross receipts above the threshold in 2020 decreased by 17% but total gross receipts increased in all categories for an overall increase of 17% over the previous year, with contractors reporting the highest increase.

The basis for the FY 2022 BPOL tax revenue is business gross receipts from calendar year 2021. As previously mentioned, the retail sector, which accounts for 42% of BPOL, has suffered. As reported by Businesswire, small and mid-sized businesses have demonstrated a disproportionate impact from the COVID-19 pandemic. "The pandemic touched nearly all industries across the small- and mid-sized business space and the emerging federal relief programs have proven critical as the sector continues to respond."[12] Key findings in the report include:

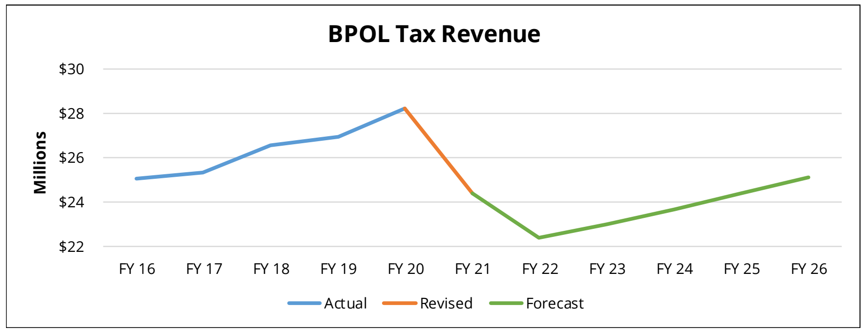
- Overall business health has been impacted,
- Current valuations are feeling the impact, while future growth potential remains uncertain,

[10] 2018 Appropriation Act, Chapter 2 paragraph KK.
[11] 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.
[12] October 8, 2020 Businesswire, Philip Noftsinger, EVP, CBIZ, Inc.

- Effects felt across industries with some more impacted than others,
- Small businesses took advantage of lifelines – Payroll Protection Program,
- Road ahead uncertain, but there are signals of optimism.

It is difficult to estimate with certainty the impact of the pandemic on BPOL revenues at this point; however, it is expected to see a decline on the amount of revenues coming from those sectors most impacted by COVID-19 such as businesses dependent on tourism. The FY 2022-2026 forecast reflects a reduction in total revenues as businesses navigate and adjust to these impacts, followed by a more normal growth trend as the economy begins to recovery.

FY		Actual	% Change
FY 16	$	25,065,213	1.30%
FY 17	$	25,340,993	1.10%
FY 18	$	26,553,957	4.79%
FY 19	$	26,945,229	1.47%
FY 20	$	28,236,279	4.79%
FY 21 Adopted	$	24,375,000	-13.67%
FY 21 Revised (Q2)	$	24,375,000	-13.67%
		Forecast	
FY 22	$	22,375,000	-8.21%
FY 23	$	23,000,000	2.79%
FY 24	$	23,690,000	3.00%
FY 25	$	24,401,000	3.00%
FY 26	$	25,133,000	3.00%



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 Pool "general" investment portfolio. When compared to proceeds from County bond issuances, which have strict requirements as to how they are spent, the general portfolio consists of invested funds that are classified as unrestricted. All monies are invested in accordance with the *Code of Virginia* and the BOCS adopted Investment Policy[13] 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 group of assets comprised of cash and cash equivalents, U.S. Government Agency securities, and high-quality Municipal and Corporate bonds while maintaining sufficient liquidity to meet anticipated operating requirements. In addition, the County seeks to maximize yield, without compromising protection of principal, by constructing a maturity profile that strives to accurately assess forthcoming cash flow commitments.

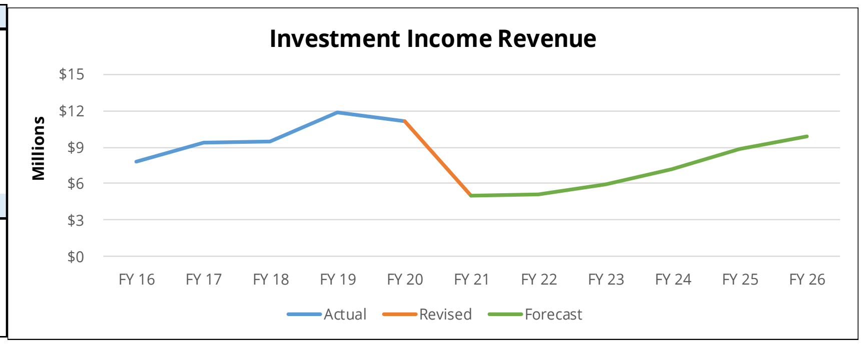
To forecast investment income, the average portfolio yield and portfolio value are projected to determine the current or estimated future year's investment revenue. The general fund share is calculated based on the prior year actual share of cash balances available to invest.

[13] Amended and adopted by the BOCS on December 15, 2020.

Because the average total dollar value of the portfolio is impacted by a combination of County revenues and expenses, the revenue forecast itself becomes a key determinate of interest income. Furthermore, the projected average portfolio values also consider historical revenue trends in the first and second halves 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 22	$1,262,000
FY 23	$1,303,000
FY 24	$1,355,100
FY 25	$1,412,700
FY 26	$1,472,700

FY		Actual	% Change
FY 16	$	7,832,996	29.76%
FY 17	$	9,417,266	20.23%
FY 18	$	9,424,113	0.07%
FY 19	$	11,893,648	26.20%
FY 20	$	11,180,034	-6.00%
FY 21 Adopted	$	8,050,000	-28.00%
FY 21 Revised (Q2)	$	5,000,000	-55.28%
		Forecast	
FY 22	$	5,150,000	3.00%
FY 23	$	5,940,000	15.34%
FY 24	$	7,150,000	20.37%
FY 25	$	8,820,000	23.36%
FY 26	$	9,900,000	12.24%

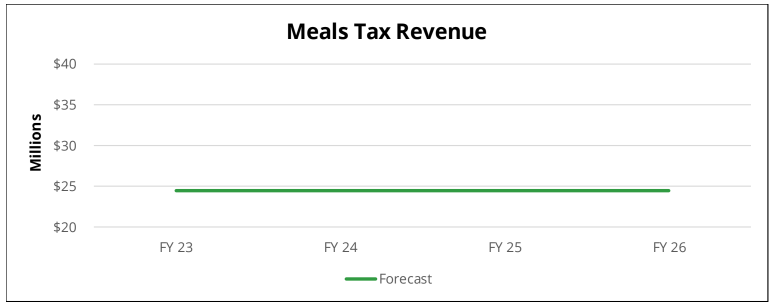


Prince William County's portfolio earnings yield is broadly correlated to the Federal Funds Rate and current holdings in the portfolio. At present, the Federal Reserve's monetary policy stance should continue to anchor short term interest rates at current levels leading into FY 2022. Ongoing open market operations conducted by the Federal Reserve are expected to keep the Federal Funds Rate between 0% - 0.25% until officials determine the U.S. economy has successfully navigated the challenges affiliated with the COVID-19 pandemic. Moving forward through the current economic climate, the County's general portfolio yield will be shaped by the interest rate environment at the time securities are purchased, the maturity horizon of portfolio assets, and future cash flow obligations.

Meals Tax

The meals tax is imposed as a flat percentage on the price of a meal. The General Assembly, in its 2020 session, amended the enabling legislation and a referendum is no longer needed to impose a meals tax. The County is limited to a maximum meals tax rate of 6% (Code of Virginia §58.1-3833). Based upon an analysis of pre-pandemic FY 2019 and FY 2020 taxable sales generated by restaurants, a meals tax is expected to generate approximately $24.5 million in FY 2023, at a 4% tax rate. Impacts associated with restaurant closures and limited service, provide a great amount of uncertainty and therefore the forecast for the remainder of the reporting period remains flat.

FY		Actual	% Change
FY 21 Adopted	$	-	-
FY 21 Revised (Q2)	$	-	-
		Forecast	
FY 22	$	-	-
FY 23	$	24,500,000	100.00%
FY 24	$	24,500,000	0.00%
FY 25	$	24,500,000	0.00%
FY 26	$	24,500,000	0.00%



All Other Revenue Sources

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:

Miscellaneous Revenue Source		FY 2022 Forecast		FY 2023 Forecast		FY 2024 Forecast		FY 2025 Forecast		FY 2026 Forecast
Daily Rental Equipment Tax	$	529,000	$	541,000	$	552,000	$	563,000	$	574,000
Bank Franchise Tax	$	1,800,000	$	1,800,000	$	1,800,000	$	1,800,000	$	1,800,000
BPOL Public Utility	$	1,424,000	$	1,424,000	$	1,424,000	$	1,424,000	$	1,424,000
Tax on Deeds	$	2,450,000	$	2,500,000	$	2,550,000	$	2,550,000	$	2,550,000
Transient Occupancy Tax	$	986,000	$	1,600,000	$	1,648,000	$	1,697,000	$	1,748,000
Interest Paid to Vendors	$	(100,000)	$	(100,000)	$	(100,000)	$	(100,000)	$	(100,000)
Interest Paid on Refunds	$	(20,000)	$	(20,000)	$	(20,000)	$	(20,000)	$	(20,000)
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	$	865,000	$	1,500,000	$	1,545,000	$	1,591,000	$	1,639,000
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
Cigarette Tax	$	3,000,000	$	3,000,000	$	3,000,000	$	3,000,000	$	3,000,000
Total Miscellaneous Revenue	$	11,151,000	$	12,462,000	$	12,616,000	$	12,722,000	$	12,832,000

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 BOCS 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.

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.

Growth in this revenue source over the last two years has been driven more by price appreciation and less by sales activity. Although mortgage rates remain at historical lows -sub 3% - the Prince William housing market remains challenged by lack of inventory. Uncertainty surrounding affordability has also arisen, providing a conservative projection in the five-year forecast.

Transient Occupancy Tax

The County levies a transient occupancy tax (TOT) 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 general revenue share of this tax is 40% and the remaining 60% is budgeted for tourism-related purposes. Appropriation by the BOCS 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.

There is an additional 3%[14] transient occupancy tax on the amount of the charge for the occupancy of any room or spaced occupied in the County, as a member of the Northern Virginia Transportation Authority (NVTA), with 2% earmarked for public transportation purposes and 1% used for any transportation purpose. [Note: This revenue is not included in the general revenue estimate.]

The tourism industry has been impacted the most by the global health pandemic. The U.S. Travel Association reported a 42% annual decline in travel spending in 2020. Nationally, hotel occupancy averaged just 44% in 2020 (33% lower than in 2019). As reported by PWC Department of Parks, Recreation and Tourism the County will continue to experience double digit losses in revenue through FY 2022. The availability and distribution of COVID-19 vaccines continues to be a major factor in the return to normalcy for many travelers.

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 daily 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.

[14] §58.1-1744 (Effective May 21, 2021); Local transportation transient occupancy tax. Prior to May 1, 2021, rate of 2%.

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. On December 27, 2020, the President signed the Consolidated Appropriations Act, 2021 (P.L.116-260) which appropriated full funding for PILT. Payments are normally remitted to localities prior to June 30th. Also included in PILT are funds received from the U.S. Fish and Wildlife Service.

Cigarette Tax

Effective July 1, 2021, Code of Virginia § 58.1-3830 now authorizes counties to levy a cigarette tax not to exceed two cents ($0.02) per cigarette sold. The Northern Virginia Cigarette Tax Board (NVCTB) is the mechanism to collect and enforce cigarette taxes for Northern Virginia municipalities. It is estimated that implementing a cigarette tax at $0.30 per pack will generate approximately $3.0 million annually.