

REVENUES

OVERVIEW

The FY 2007 projected revenues reflect a continued growth in the local economy. On a national level, calendar year (CY) 2005 was a year of strength in the housing market fueled by continued low interest rates, a return of positive earnings for companies, and rising stock prices. Though certain sectors of the market continued to struggle, the strength of the economy was returning from several years of declining or stagnant growth. At the same time, the Washington Metropolitan area was experiencing phenomenal growth in real estate. The County continues to see a strong real estate market. Appreciation in real estate assessments has averaged 16.8 percent over the last three calendar years (CY 2004 – 2006).

Tax Revenues Show Strong Growth

For FY 2007, many tax revenues show continued growth. Real estate tax revenue, which has been driven by the increasing assessment value of real property, increased 18%. Sales, meals, and transient occupancy taxes continue to grow. The growth in these sectors is expected to continue but at a pace lower than has been experienced over the last three years. The hot real estate market is expected to cool. Interest rates have already begun to rise, and it is projected that the real estate market will not continue to experience 15%+ year over year growth. Fortunately, Arlington has a diverse tax base, and the weakness in one area has historically been offset by strength in another. The estimates of the revenues forecast in the FY 2007 budget reflect conservative projections when compared to recent trends in several tax and non-tax categories.

Comparison between Budgeted Revenues and Expenditures

County budget information compares budgeted revenues and expenditures from the current fiscal year to the adopted fiscal year. Most of the growth calculations in this section, derived from historical trends and other data, are calculated against revised estimates for the current year. This is especially important for real estate revenue since the County's assessment of real estate occurs each January 1 (half way through the current fiscal year). The value of real estate, determined in the middle of a fiscal year, has a significant impact on the current fiscal year's revenue (since the first payment is due in June, prior to the end of the current fiscal year) and drives the forecast for the subsequent fiscal year. Other tax revenues are revised in the current year if the tax receipts indicate higher/lower year-end projected revenue. This revenue surplus/deficit is typically not recognized in the budget until the Mid-Year or Third Quarter review is completed. The revised FY 2006 estimates can be found in the spreadsheet at the end of this section.

General Fund Revenues

General Fund revenues (excluding fund balance) for FY 2007 are anticipated to increase by 10.1 percent over the FY 2006 adopted budget. Given that real estate taxes comprise 54 percent of General Fund revenues, the growth in real estate materially affects total revenue growth. While some increase in the real property base is the result of new construction, appreciation in values of existing real properties is the primary factor influencing the growth in the real estate tax revenue for calendar year 2006 and 2007.

