

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%. Personal property revenue increased 14% primary due to the increase in the CY 2006 tax rate. Business, Professional, and Occupational License (BPOL) tax, meals, and transient occupancy taxes continue to grow at rates in excess of historical averages. 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 8.6 percent over the FY 2006 adopted budget. Given that real estate taxes comprise 51 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.

Fiscal Outlook

Overall, Arlington will continue to be fiscally sound and will benefit from its abundant economic, cultural and educational resources. Arlington's unemployment rate remains low and per capita income remains high in comparison to other counties and cities in the nation. Residential properties experience strong market activity due to Arlington's strategic location. Commercial office properties exhibit relatively low vacancy rates attributable to Arlington's commercial development near metro station areas.

ECONOMIC INDICATORS

	CY 2003	CY 2004	CY 2005
Consumer Price Index (CPI-U)	2.3%	2.8%	3.4%
Employment Cost Index (private ind.)	3.8%	3.8%	3.1%
Unemployment – U.S. / Arlington	6.0% / 2.9%	5.5% / 2.6%	5.1% / 2.5%
Mortgage Rates (annual avg.) – 30 year fixed rate	5.82%	5.84%	5.86%
Federal Funds Rate (range)	1.00% - 1.25%	1.00% - 2.25%	2.25% - 4.25%
Retail Sales (based on 1% of Arlington tax revenue)	\$2.9 billion	\$3.0 billion	\$3.2 billion
Vacancy Rate - 4th Qtr. (incl. sublet)	12.2%	10.7%	9.6%
Tourism - Occupancy	68%	73%	75%
Tourism - Average Hotel Room Rate	\$121.60	\$127.15	\$140.11

Sources: Federal Data, Virginia Employment Commission, Freddie Mac, Costar, Smith Travel Research

TAX COMPETITIVENESS

Arlington County continues to have a tax structure that is competitive with the region and with the nation. The County's \$0.818 real estate tax rate in calendar year (CY) 2006 is one of the lowest in the Washington metropolitan area. Arlington does not have a residential consumer's utility tax, unlike all surrounding Northern Virginia jurisdictions. Changes throughout the past several years have reduced the business license tax liability for many small and medium-sized businesses. Charts comparing tax rates and tax bills for various northern Virginia jurisdictions are found later in this section.

FINANCIAL STANDING

Arlington is one of approximately 23 counties in the United States to be awarded a triple Aaa/AAA/AAA credit rating. In April 2006, the three primary rating agencies all reaffirmed the highest credit rating attainable for jurisdictions. Fitch, Inc. (AAA), Moody's Investors Services (Aaa), and Standard & Poor's (AAA) ratings validates that Arlington's financial position is outstanding and reflects the continued growth of high wage jobs in the technology, communications and financial services sectors and high per capita retail sales.

ADOPTED TAX RATES, USER CHARGES AND PERMIT FEE CHANGES FOR FY 2007

The following changes are adopted for FY 2007 and are reflected in the Adopted Budget revenue totals.

General Fund

In the General Fund, changes in several departments are reflected in the department revenue narratives and the General Fund total revenues. These include the following actions:

- ↓ Reduced the Real Estate tax rate six cents to \$.818 per \$100 of assessed valuation.
- ↓ In the Department of Environmental Services, decreased the Chain Bridge Road Service District tax rate \$.015 to \$0.054 for each \$100 of real estate assessment value. This tax is imposed to fund the repayment of the extension of a sanitary sewer line along Chain Bridge Road. This service district tax rate is in addition to the real estate tax rate.
- ❖ The Real Estate Tax Relief Program for elderly and disabled persons was enhanced by increasing the income and asset limits.
- ↑ Increased the Personal Property tax rate to \$5.00 per \$100 of assessed valuation.
- ↑ In the Department of Environmental Services, increased the household solid waste rate by \$11.60 to \$260.36 per year. The fee is charged per refuse unit and is set to recover the full cost of refuse collection and disposal, including administrative costs.
- ↑ In the Department of Environmental Services, increased one-way fares for paratransit (STAR) trips. Fares for Arlington to Arlington trips increased from \$2.00 to \$2.50; Arlington to Alexandria/DC/Fairfax/Falls Church (inside the beltway) increased from \$2.00 to \$3.00; and Arlington to Virginia outside the beltway/Maryland (areas served by WMATA) increased from \$2.00 to \$7.00.
- ↑ In the Department of Human Services, increased the transportation fee for the Madison Adult Day Health Care Center from \$4.75/trip to \$5.00/trip and increased the program fee from \$71/day to \$82/day.
- ↑ In the Department of Human Services, increased the Environmental Health restaurant plan review fee from \$135 to \$200 reflecting the additional time needed to review plans due to changes which have been made in the Food Code.
- ↑ In the Department of Community Planning, Housing and Development, increased fees for occupancy permits and subdivision plat review.
- ↑ In the Department of Parks, Recreation and Cultural Resources, increased fees for the Supplemental Fee Program, recreation fitness center memberships, and rentals for facilities.

Utilities Fund

- ↑ Increased the water/sewer rate \$0.87 per thousand gallons from \$7.13 to \$8.00. This is an estimated increase of \$70 per household annually (assumes 80,000 gallons of usage).
- ↓ Decreased the 2nd Road North Service District tax rate \$0.042 to \$0.223 for each \$100 of real estate assessment value. This tax is imposed to fund the repayment of the extension of a sanitary sewer line along 2nd Road North. This service district tax rate is in addition to the real estate tax rate.

Special Assessment District Fund

- ↓ Decreased the Rosslyn Business Service District tax rate \$0.008 from \$.086 to \$0.078 for each \$100 of real estate assessment value. This tax is imposed to fund additional services in the downtown Rosslyn area. This service district tax rate is in addition to the real estate tax rate.

New Taxes and Fees Include:

- ↑ The Crystal City Business Improvement Service District was created and a tax rate of \$0.045 per one hundred dollars of assessed value was adopted to fund additional services in the downtown Crystal City area. This service district tax rate is in addition to the real estate tax rate.

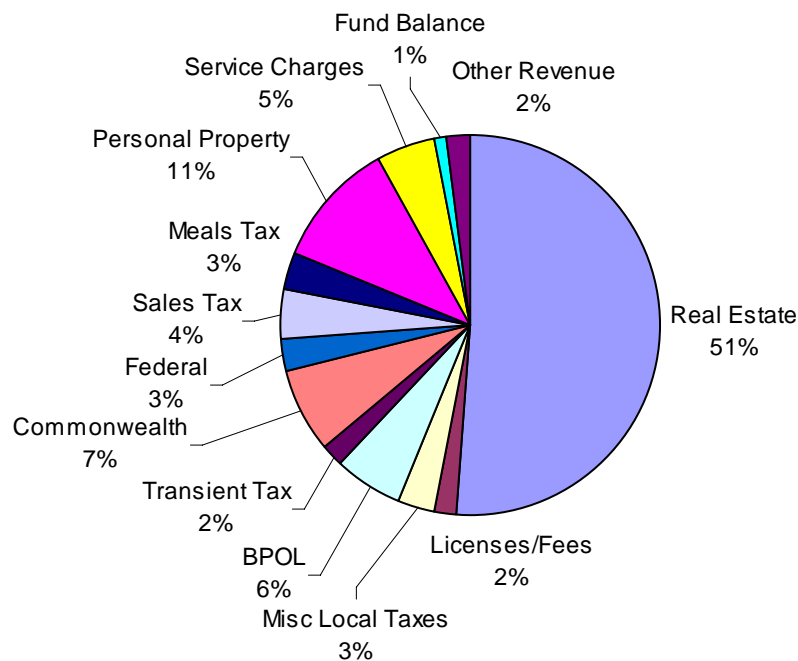
GENERAL FUND REVENUE SUMMARY

The FY 2007 General Fund budget is financed by a variety of revenue sources, which include local taxes, service charges, fees, and revenues from the Commonwealth of Virginia and the federal government. For FY 2007:

- General Fund revenues projected to total \$828.9 million, an increase of \$70.0 million (9.2%) over the adopted FY 2006 budget
- Local tax revenues projected to total \$666.9 million, an increase of \$57.1 million (9.4%) over the FY 2006 adopted budget
 - Local taxes are 80% of total General Fund revenue
- License, Permits, and Fee revenue projected to total \$13.5 million
- Service charge revenue projected to total \$37.2 million
- State revenue projected to total \$60.2 million
- Federal Government revenue projected to total \$23.7 million
- FY 2006 fund balance carryover totaled \$7.3 million
- Other revenue projected to total \$20.1 million

The pie chart below illustrates the major sources of General Fund revenues.

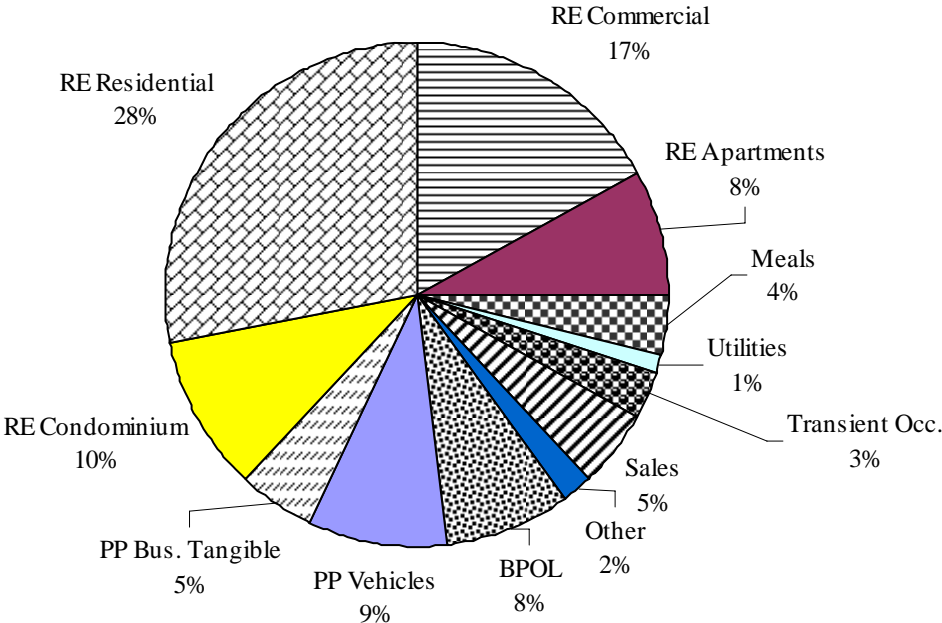
FY 2007 General Fund Revenue Sources



Local Taxes

The pie chart below illustrates the local taxes that the County collects. As demonstrated by the chart, real estate and personal property taxes are the largest tax categories. Together, they account for 77 percent of local tax revenue. A description of the local taxes and a discussion of the FY 2007 projections follow.

FY 2007 Local Taxes



Real Estate Tax

Real estate tax revenues are the largest source of funds, generating \$420.1 million or 51 percent of all revenues for the FY 2007 budget (excluding fund balance) and 63 percent of all local tax revenues. The FY 2007 revenue projections reflect a CY 2006 real estate tax rate of \$0.818 for each \$100 of assessed property value (applying both to commercial and residential real estate).

Under current state statute, the real estate tax rate must be the same for all classes of real property. Arlington County prorates real estate taxes for the value increase on new construction, a policy adopted in FY 1986. Previously, a property owner paid real estate taxes based on the January 1 value of a structure. No additional tax was assessed if the building was completed during the course of the year. With proration, property owners pay a prorated share of the real estate tax increase during the calendar year, based on when the building is substantially completed.

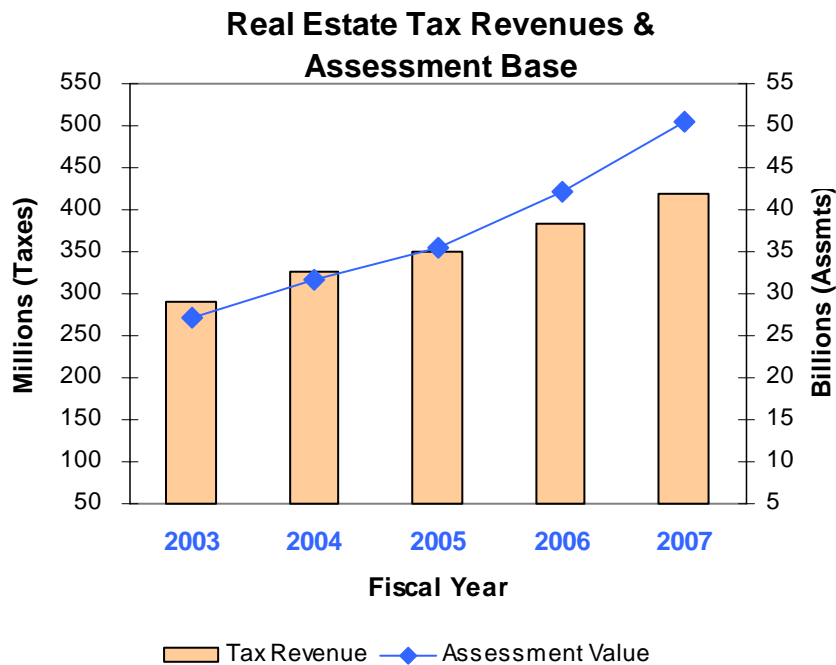
For the adopted budget, the value of real property in the County excluding Public Service Corporations (PSCs) increased approximately 19.4 percent on average from CY 2005 to CY 2006. New construction added 3.1 percent to the tax base, while assessments of existing property increased 16.3 percent overall. The assessed value of the average single-family residence increased by 18.25 percent, from \$458,200 to \$541,800. Therefore, at the adopted real estate tax rate of \$0.818, the average single family residential tax bill will increase by about \$409 over CY 2005. The tax base of multi-family residential properties (rental apartments), including new construction, increased in assessed value by 14.8 percent. While some increase in assessed value of residential property is the result of new construction, renovation, and remodeling, the bulk of the assessment increase is the result of higher market prices for homes in Arlington County. In the commercial sector, the value of office buildings increased by 21.7 percent with 2.3 percent attributed to new construction. Hotels and motels increased 12.0 percent after several years of relatively stable assessments. The net effect of the 19.4 percent increase in assessed value is an increase in the FY 2006 re-estimated real estate tax revenue from the FY 2006 adopted budget level, since assessment growth was projected to be 8.0 percent.

CHANGE IN ASSESSED VALUE OF REAL ESTATE IN ARLINGTON COUNTY Calendar Year 2005 to Calendar Year 2006 (In millions, numbers may not add due to rounding)

	Single-Family		Apartment	Commercial	Total
	Houses	Condominium			
Percentage of CY 2006 Tax Base	44%	16%	12%	27%	100%
CY 2005 Tax Base	\$18,542	\$6,266	\$5,445	\$12,023	\$42,275
Assessed Value Change	\$3,508	\$1,217	\$571	\$1,577	\$6,873
CY 2006 Tax Base (Excluding New Growth)	\$22,050	\$7,483	\$6,016	\$13,600	\$49,148
Percent Change	18.9%	19.4%	10.5%	13.1%	16.3%
New Construction	\$170	\$720	\$234	\$205	\$1,329
Percent Change	0.9%	11.5%	4.3%	1.7%	3.1%
CY 2006 With New Construction	\$22,220	\$8,203	\$6,250	\$13,805	\$50,477
Percent Change CY 2005 to CY 2006	19.8%	30.9%	14.8%	14.8%	19.4%

The FY 2006 adopted budget estimated a real estate tax base of \$45.4 billion for CY 2006 (including reassessment and new growth). Subsequently, the CY 2006 real estate tax base increased to \$50.5 billion. The adjustment to the tax base will increase real estate revenue in FY 2006 (June payment) by \$22.4 million. The projected tax base growth in CY 2007 is currently

estimated at 5 percent. This reflects a conservative continued growth estimate in the residential and commercial sectors.



The following table shows the projected revenue generated by a real estate tax rate of \$0.818 per \$100 of assessed value in FY 2007. The FY 2007 budget for real estate tax revenues are net of \$2.6 million in tax refunds and \$3.6 million for the County’s tax relief program for the elderly and disabled.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
October Taxes	170,415,299	183,080,104	204,399,774	12%
June Taxes	181,870,222	197,837,164	214,681,095	9%
Del./Pen./Int.	4,145,573	3,371,308	3,631,559	8%
Tax Refunds - Real Estate *	(2,251,807)	(2,100,000)	(2,600,000)	24%
Total	\$354,179,286	\$382,188,576	\$420,112,428	10%

* For FY 2005, tax refund payments are netted against revenue. The breakout above is for illustrative purposes.

FY 2006 REVISED - REAL ESTATE TAX REVENUES

Description	Percent Change	Assessed Value	Tax Rate	Tax Levy	Percent Collected	Total for Tax Year	Total for Fiscal Year
REAL ESTATE							
County Property, CY 2004		\$35,569,361,600					
Net Change in Assessments	18.85%	<u>6,706,060,300</u>					
County Property as of January 1, 2005		\$42,275,421,900	\$0.878	\$371,178,204	99.6%	\$369,693,491	
PSC Property in Tax Year 2004		\$140,181,891					
PSC Estimated Net Change in Assessments	0.00%	<u>0</u>					
PSC Property in Tax Year 2005		\$140,181,891	\$0.878	\$1,230,797	100.0%	<u>\$1,230,797</u>	
Total Taxable Base, Fall 2005		\$42,415,603,791				\$370,924,288	
Taxes Due October 5, 2005							\$185,462,144
Less Tax Relief for Elderly and Disabled							<u>(1,500,000)</u>
REVENUE FOR FISCAL YEAR 2005 - FALL							\$183,962,144
County Property as of January 1, 2005		\$42,275,421,900					
Net Change in Assessments	19.40%	<u>8,201,898,120</u>					
County Property as of January 1, 2006		\$50,477,320,020	\$0.818	\$412,904,478	99.6%	\$411,252,860	
PSC Property in Tax Year 2005, prior to Fall adjustment		\$140,181,891	\$0.818	\$1,146,688	100.0%	<u>\$1,146,688</u>	
Total Taxable Base, Spring 2006		\$50,617,501,911				\$412,399,548	
Taxes Due June 15, 2006							\$206,199,774
Less Tax Relief for Elderly and Disabled							<u>(1,500,000)</u>
ESTIMATED REVENUE FOR FISCAL YEAR 2006 - SPRING							\$204,699,774
TOTAL ESTIMATED ASSESSMENT TAX REVENUE FOR FISCAL YEAR 2006							\$388,661,918

FY 2007 ADOPTED - REAL ESTATE TAX REVENUES

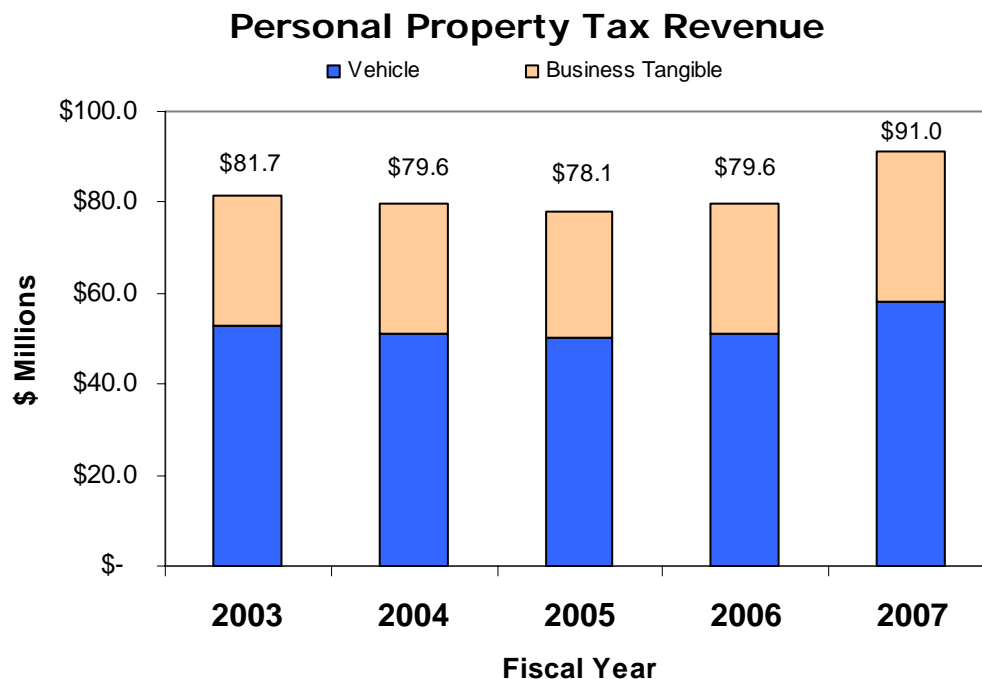
Description	Percent Change	Assessed Value	Tax Rate	Tax Levy	Percent Collected	Total for Tax Year	Total for Fiscal Year
REAL ESTATE							
County Property as of CY 2005 Land Book		\$42,275,421,900					
Net Change in Assessments	19.4%	<u>8,201,898,120</u>					
County Property as of January 1, 2006		\$50,477,320,020	\$0.818	\$412,904,478	99.60%	\$411,252,860	
PSC Property in Tax Year 2005		\$140,181,891					
PSC Estimated Net Change in Assessments	0.0%	<u>0</u>					
PSC Property in Tax Year 2006		\$140,181,891	\$0.818	\$1,146,688	100.0%	<u>\$1,146,688</u>	
Total Taxable Base, Fall 2006		\$50,617,501,911				\$412,399,548	
Taxes Due October 5, 2006							\$206,199,774
Less Tax Relief for Elderly and Disabled							<u>(1,800,000)</u>
ESTIMATED REVENUE FOR FISCAL YEAR 2007 - FALL							\$204,399,774
County Property as of January 1, 2006		\$50,477,320,020					
Net Change in Assessments	5.0%	<u>2,523,866,001</u>					
County Property as of January 1, 2007		\$53,001,186,021	\$0.818	\$433,549,702	99.60%	\$431,815,503	
PSC Property in Tax Year 2006, prior to Fall adjustment		\$140,181,891	\$0.818	\$1,146,688	100.0%	<u>\$1,146,688</u>	
Total Taxable Base, Spring 2007		\$53,141,367,912				\$432,962,191	
Taxes Due June 15, 2007							\$216,481,095
Less Tax Relief for Elderly and Disabled							<u>(1,800,000)</u>
ESTIMATED REVENUE FOR FISCAL YEAR 2007 - SPRING							\$214,681,095
TOTAL ESTIMATED ASSESSMENT TAX REVENUE FOR FISCAL YEAR 2007							\$419,080,869

PERSONAL PROPERTY TAX

This tax is levied on the tangible property of individuals and businesses. For individuals, personal property tax is primarily assessed on automobiles. For businesses, examples of tangible property include machines, furniture, computer equipment, fixtures, and tools. Personal property taxes are projected to generate 11.0 percent of the General Fund revenues (excluding fund balance) for FY 2007. The personal property tax rate was increased for CY 2006 from \$4.40 to \$5.00 per \$100 of assessed valuation.

Personal Property and Business Tangible Assessments

For the CY 2005 tax book, the assessed value of personal property in the County (excluding PSCs) totals approximately \$1.8 billion. The make-up of the County-assessed portion of the personal property tax base reflects a slight increase in the average assessed value and the total number of vehicles in the County. Business tangible assessments are relatively flat. Projections of vehicle assessments and business tangible assessments are expected to increase slightly in CY 2006.



Vehicle Assessment

Vehicles in Arlington County are assessed using the average loan value from the National Automobile Dealers Association (N.A.D.A.) Used Car Guide, whereas other neighboring jurisdictions (except for Loudoun County) use the average trade-in value. This results in a lower assessment (about 10 percent less or at an approximate rate of \$4.50) for vehicles in Arlington County. If vehicles are in the County for only part of the year, the tax is prorated for the time located in Arlington.

The estimated average assessed value (average loan value) for vehicles billed by the County for CY 2006 is estimated to be \$6,819. The table on the following page shows the ten-year history for average assessed value, tax rate, and average tax payment per vehicle.

PERSONAL PROPERTY TAX PAID BY TYPICAL HOUSEHOLD*
(Assumes 2.0 Cars Per Household)

Calendar Year	Assessed Value	Tax Rate	Tax Payment
1997	\$5,227	\$4.40	\$460
1998	\$5,311	\$4.40	\$467
1999	\$5,581	\$4.40	\$491
2000	\$5,986	\$4.40	\$527
2001	\$6,287	\$4.40	\$553
2002	\$6,405	\$4.40	\$564
2003	\$6,702	\$4.40	\$590
2004	\$6,970	\$4.40	\$613
2005	\$6,601	\$4.40	\$581
2006	\$6,819	\$5.00	\$682

*Does not reflect state rebates of PPTRA or the State's fixed block grant distribution.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Personal Property Taxes	76,746,807	78,521,176	88,884,879	13%
Delinquent/Penalty/Interest	2,485,780	3,140,847	3,140,847	-
Tax Refunds - Personal Property *	(1,181,363)	(2,100,000)	(1,000,000)	-52%
Total	\$78,051,224	\$79,562,023	\$91,025,726	14%

* For FY 2005, tax refund payments are netted against revenue. The breakout above is for illustrative purposes.

In June 2004, the State General Assembly adopted their budget (SB 5005) which fundamentally changed the Personal Property Tax Relief Act (PPTRA) enacted in 1998. Beginning in CY 2006, Arlington will no longer be reimbursed for 70% of vehicle taxes for automobiles assessed below \$20,000. Rather, the State will reimburse Arlington County a fixed amount (\$31.3 million) which will be a level frozen for current and future year reimbursements. All localities will receive a fixed dollar amount annually from the state instead of the prior PPTRA reimbursement.

The State requires localities to distribute the fixed block grant to qualifying vehicle value below \$20,000. The State allowed localities wide discretion in determining how the money should be spread among the qualifying vehicle value range. The County Board is expected to adopt the method of distribution at their July 10, 2006 meeting. The proposed method of distribution of the state funds will provide 100% tax relief to all qualified assessed vehicle value below \$3,000. For assessed vehicle value between \$3,001 and \$20,000, the taxpayer will pay approximately 60% of the tax liability with the State block grant funds contributing the remaining 40%. The table on the following page illustrates various assessments levels and the amount of tax the car owner is responsible for and the portion of the total tax paid by the state grant monies. For FY 2007, it is

projected that the owners of 34% of all vehicles in the County will pay no personal property taxes and 88% of all vehicle owners will pay 50% or less of the tax bill due to the State's block grant monies provided to Arlington County.

State Block Grant Funding Distribution

(examples at various assessment levels assuming distribution assumptions above)

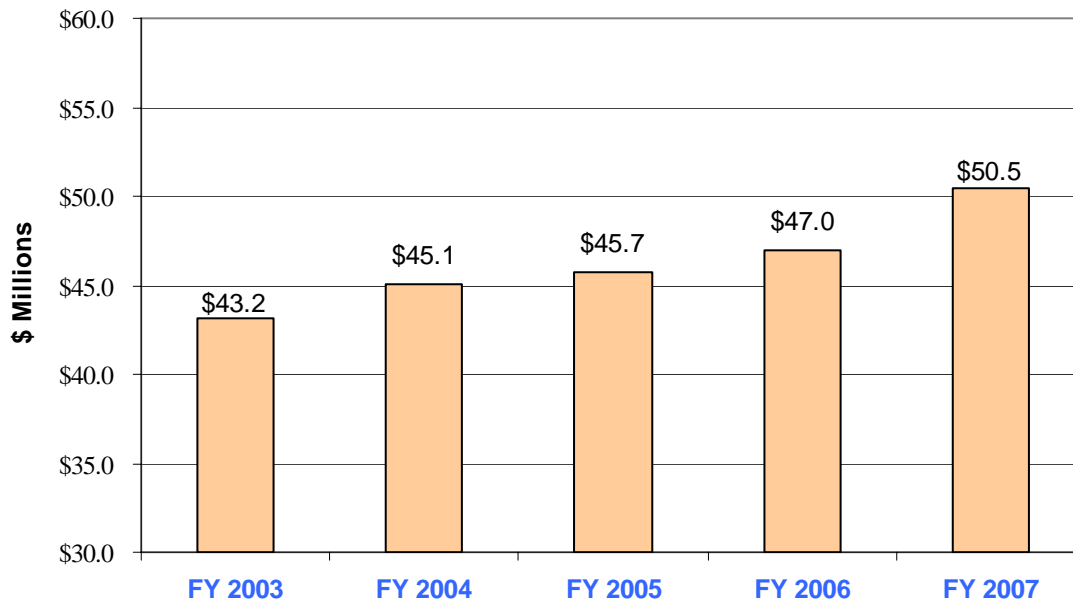
VEHICLE ASSESSMENT	CUMULATIVE % OF CARS AFFECTED	TOTAL TAX		PORTION PAID BY STATE	PORTION PAID BY TAXPAYER	% OF TAX BILL PAID BY TAXPAYER
\$1,000	14%	\$50		\$50	\$0	0%
\$2,000	25%	\$100		\$100	\$0	0%
\$3,000	34%	\$150		\$150	\$0	0%
\$4,000	41%	\$200		\$170	\$30	15%
\$5,000	47%	\$250		\$190	\$60	24%
\$6,000	52%	\$300		\$210	\$90	30%
\$7,000	56%	\$350		\$230	\$120	34%
\$8,000	60%	\$400		\$250	\$150	38%
\$9,000	64%	\$450		\$270	\$180	40%
\$10,000	67%	\$500		\$290	\$210	42%
\$11,000	70%	\$550		\$310	\$240	44%
\$12,000	73%	\$600		\$330	\$270	45%
\$13,000	77%	\$650		\$350	\$300	46%
\$14,000	80%	\$700		\$370	\$330	47%
\$15,000	82%	\$750		\$390	\$360	48%
\$16,000	84%	\$800		\$410	\$390	49%
\$17,000	86%	\$850		\$430	\$420	49%
\$18,000	88%	\$900		\$450	\$450	50%
\$19,000	89%	\$950		\$470	\$480	51%
\$20,000	91%	\$1,000		\$490	\$510	51%
\$21,000	92%	\$1,050		\$490	\$560	53%

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE (BPOL) TAX

(State Code Section §58.1-3700, et al / County Code Section §11-57 thru §11-84)

These taxes are levied on entities doing business in the County and are in the form of fixed fees or a percentage of gross receipts. For the first year of business, a firm is required to obtain a business license within 75 days of operation. The business license tax is based on the previous year's gross receipts (except in the case of new businesses which must estimate their receipts until they have been in business a full calendar year). All licenses that are paid based on estimates are subject to adjustment when the actual receipts are known. Effective in 2001, the due date for filing and renewal of business license changed from January 31 to March 1. A comparison of selected BPOL rates for Arlington and neighboring jurisdictions can be found at the end of this Revenue section.

Business, Professional and Occupational License Tax



	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
BPOL Taxes	44,007,761	42,499,915	47,900,000	13%
Delinquent/Penalty/Interest	4,549,631	7,300,000	5,000,000	-32%
Tax Refunds - BPOL *	(2,858,348)	(2,800,000)	(2,400,000)	-14%
Total	\$45,699,044	\$46,999,915	\$50,500,000	7%

* For FY 2005, tax refund payments are netted against revenue. The breakout above is for illustrative purposes.

LOCAL SALES TAX

(State Code Section §58.1-605 & 606 / County Code Section §27-6)

Beginning September 1, 2004, the State increased the sales tax 0.5 percent from 3.5 percent to 4.0 percent on all non-food items (excludes Arlington 1.0 percent local option). Of the new 0.5 percent sales tax, one-half will go to the Arlington County School system directly and the other one-half will stay with the State. The revenue distributed to the School's will be based on school age population and Standards of Quality (SOQ) funding formulas determined by the state.

Effective July 1, 2006 the tax rate on food is reduced an additional 0.5 percent to 2.0 percent (State portion). An additional reduction of 0.5 percent is scheduled to occur on July 1, 2007. Food items are defined under the Food Stamp Act of 1977 (7 U.S.C. § 2012) to be food for home consumption by humans. This includes most grocery food items and cold prepared foods. Excluded from the definition of food are alcoholic beverages, tobacco and prepared hot foods sold for immediate consumption. The food tax described above does not include the local option 1.0 percent.

In Arlington, the total non-food sales tax is currently 5.0 percent, 1.0 percent is a local option tax which is returned to localities by the Commonwealth and supports general fund expenditures. Sales tax revenue for FY 2007 is estimated at five percent above the FY 2006 adopted budget.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Sales Tax	\$30,969,494	\$32,111,546	\$33,859,087	5%

TRANSIENT OCCUPANCY TAX (TOT)

(State Code Section §58.1-3819, 3822 & 3833.3B / County Code Section §40, et al)

A 5.25% local tax is levied on the amount paid for hotel and motel rooms (0.25 percent is dedicated to the promotion of tourism). The FY 2007 projections reflect continued growth based on recent hotel trends. The FY 2007 revenues are projected to increase seven percent over FY 2006 adopted budget. The 0.25 percent dedicated tax to the promotion of tourism is estimated to generate \$0.9 million in revenue in FY 2007 and is reported separately in the Travel and Tourism Promotion Fund section. There is currently a sunset provision in the state code for the .25% dedicated tax to tourism. The law is scheduled to sunset January 1, 2009.

In the spring of 2002, the General Assembly passed enabling legislation allowing Arlington to increase its transient occupancy tax an additional 2% provided the funds are dedicated to the construction of a visitor and convention center. The County is required to have a site selected prior to initiating the new tax. The site selection process is currently under way, and it is anticipated that a recommendation will be brought forward for County Board action later in CY 2006. The potential revenue that would be received from this tax increase to fund the construction of a new convention and visitor's center is \$6,200,000 in the first twelve months the tax is in effect. Funds derived from the additional 2% transient occupancy tax are not included in the adopted budget.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Transient Occupancy Tax	\$17,236,935	\$16,995,000	\$18,495,000	9%

MEALS TAX

(State Code Section §58.1-3833 & 3840 / County Code Section §65, et al)

The restaurant meals tax was enacted effective June 1, 1991. The tax of 4.0 percent is charged on most prepared foods offered for sale. The tax is in addition to the 5.0 percent sales tax. Meals taxes have been common in most Virginia cities and a number of Virginia counties for many years. Airline catering services are assessed at a rate of 2.0 percent.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Meals Tax	\$23,844,071	\$25,237,811	\$26,834,292	6%

OTHER LOCAL TAXES

The chart below lists other sources of local taxes.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Car Rental	4,486,018	4,600,000	4,600,000	-
Bank Stock	1,480,360	1,200,000	1,200,000	-
Recordation	7,089,601	6,534,052	6,860,755	5%
Cigarette	1,925,743	3,900,000	3,000,000	-23%
Estate	75,672	75,000	75,000	-
Short-Term Rental	67,756	65,000	65,000	-
Commercial Utility	7,802,051	9,500,000	9,500,000	-
Consumption	772,573	800,000	775,000	-3%
Total	\$23,699,774	\$26,674,052	\$26,075,755	-2%

Car Rental Tax

(State Code Section §58.1-2402)

The local car rental tax is collected by the state and remitted to localities where the rental transaction occurred. Arlington local car rental tax is 4.0 percent which is in addition to the State's 6.0 percent. In 2005, the State General Assembly increased the state tax portion from 4.0 percent to 6.0 percent. The revenue increase from the additional 2.0 percent tax increase was dedicated to the Virginia Public Building Authority for the Statewide Agencies Radio System (STARS).

Bank Stock Tax

(State Code Section §58.1-1208 - 1211 / County Code Section §28, et al)

The bank stock tax is a franchise tax on the net capital gains of banks and trust companies. The tax is assessed at a rate of \$0.80 per \$100 of capital.

Recordation Tax

(State Code Section §58.1-3800 / County Code Section §27-1)

The local recordation tax is assessed at the rate of \$0.0833 per \$100 of value for all transactions including the recording of deeds, deeds of trust, mortgages, leases, contracts, and agreements admitted to record by the Circuit Court Clerk's Office. In Virginia, localities can charge up to one-third of the state rate. Recordation tax revenues fluctuate due to the volume of mortgage refinancing as a result of lower or higher interest rates.

For the State's FY 2004 – FY 2006 biennium revenue budget signed by the Governor June 3, 2004, the recordation tax was increased \$0.10 to \$0.25 per \$100 effective September 1, 2004. With the State's legislation change, Arlington's locally imposed recordation tax increased \$0.033 to \$0.0833 per \$100 of transaction value. The FY 2007 budget reflects \$4,118,100 in recordation tax revenue (\$0.05 per \$100) to fund General fund expenses and \$2,742,655 (\$0.033 per \$100) to be earmarked for affordable housing.

Cigarette Tax

(State Code Section §58.1-3831 / County Code Section §39, et al)

The local cigarette tax on every pack of 20 cigarettes sold in Arlington County is \$0.30. For the State's FY 2004 – FY 2006 biennium revenue budget signed by the Governor June 3, 2004, the state cigarette tax was increased from \$0.025 to \$0.20 per pack beginning September 1, 2004 and to \$0.30 per pack beginning July 1, 2005.

With the state's legislative change, Arlington had the local authority to increase the local cigarette tax to the new state levels. In July 2004, the Arlington County Board adopted an ordinance increasing the local cigarette tax commensurate with the state. Arlington's tax on a package of cigarettes prior to September 2004 was \$0.05. Beginning September 1, 2004 the local tax rate was increased to \$0.20 per pack and on July 1, 2005 (FY 2006) Arlington's cigarette tax rate increased to \$0.30 per package of 20 cigarettes.

Since the rate change took effect in September 2004, there has been a decline in the number of cigarette packs sold in the County. For FY 2007 the revenue estimate for cigarette taxes is reduced to \$3.0 million.

Estate Tax

(State Code Section §58.1-3805 / County Code Section §27-19)

The local estate tax was introduced in FY 1992. The tax is charged for the processing of estates by the Circuit Court Clerk's Office. At one-third of the State's estate tax rate of \$0.10 per \$100, the County rate is \$0.033 per \$100 of estate value.

Short-term Rental Tax

(State Code Section §58.1-3510 / County Code Section §64, et al)

A person is engaged in the short-term rental business if not less than 80 percent of the gross rental receipts of such business in any year arises from transactions involving rental periods between 31 and 92 consecutive days, including all extensions and renewals to the same person or a person affiliated with the lessor. The rate of the tax is one percent on the gross receipts of such business.

Commercial Utility Tax

(State Code Section §58.1-3814 / County Code Section §63, et al)

Arlington charges a utility tax on commercial users of electricity and natural gas. Unlike other localities, Arlington does not charge this tax to residential consumers. This tax is based on kilowatt hours (kWh) for electricity and hundred cubic feet (CCF) for natural gas delivered monthly to commercial consumers. The state froze utility tax rates in 2002 to allow supply companies to convert locality taxation from a percentage of cost to a tax rate per unit of utility consumed. This cap was lifted in January 2004, allowing the County future flexibility on this local tax revenue. In addition to electricity and gas, other localities, unlike Arlington, also impose this tax on consumers of telephone and water utilities.

For the FY 2006 adopted budget the commercial utility tax rate for gas and electricity was increased 30%. The new rate for commercial and industrial consumers of natural gas was increased from \$0.05017/CCF to \$.06522/CCF and the new rate for commercial consumers of electricity was increased from \$0.004989/kWh to \$.00649/kWh. These taxes were increased to fund, in part, the FY 2006 Pay-As-You-Go capital program. The incremental amount generated in FY 2007 (\$2,200,000) is again set aside for Pay-As-You-Go capital funding.

Consumption Tax

(State Code Section §58.1-2900 & 2904 / County Code Section §63, et al)

The deregulation of electric and gas utilities, enacted during the 1999 and 2000 General Assembly, eliminated the Business, Professional, and Occupational License (BPOL) tax on electric and natural gas companies and created a new tax charged to consumers based on usage. This consumption tax is collected by the utilities and remitted back to localities.

LICENSES, PERMITS, AND FEES

Revenues in this category are levied to offset the cost of licensing certain trades, inspecting various types of construction, and providing related services.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Motor Vehicle Decal Fees	3,456,567	3,500,000	3,500,000	-
Cable TV Franchise Fees	2,128,092	2,100,000	2,346,221	12%
Building Permits	2,617,256	2,080,000	3,038,123	46%
Electrical Permits	649,553	520,000	793,488	53%
Plumbing Permits	472,989	437,000	485,161	11%
Site Plan Fees	377,202	406,000	500,000	23%
Right-of-Way Fees	891,344	1,100,000	900,000	-18%
Other	1,911,674	1,787,529	1,965,435	10%
Total	\$12,504,677	\$11,930,529	\$13,528,428	13%

Decal Fees

An annual license tag fee of \$24 is imposed for all applicable motor vehicles. This annual fee compares similarly to charges by the surrounding jurisdictions. From CY 2004 to CY 2005 the number of vehicles increased only slightly. This trend is projected to continue in FY 2007. Projected revenues for FY 2007 total \$3.5 million.

Cable TV Franchise Fees

The agreement with the cable service license contract includes a franchise fee of four percent of gross revenues. This is paid to the County each year during the term of the certificate as compensation for the use of the public rights-of-way.

Building Permit Fees

Building permits are calculated on a square footage basis and fluctuate based on the number of projects. Electrical permits are charged on all electrical work in homes, commercial and apartment projects such as services, outlets, lights and motors. Plumbing permits are required for water and sewer service, all plumbing fixtures and gas installations for new construction, repairs, alterations and additions. Mechanical permits are charged for boilers, cooking appliances, heating and air conditioning systems, ventilation and smoke control systems. Building permit fee revenue increased in FY 2007 due to increased activity.

Right-of-Way Fees

The FY 2007 budget includes the public rights-of-way use fee which was approved during the 1998 General Assembly and enacted by the County Board effective October 1, 1998. Revenues from the right-of-way fees are based on the rate imposed by the state at \$0.64/line. This fee covers the use of highway and street right-of-way by certificated providers of telecommunication services and is charged to the ultimate end user. The decrease in fee revenue is based on a revised estimate for the number of telephone lines in the County subject to the fee.

Other

Most of the "other" license and permit revenue is generated by the Department of Community, Planning, Housing and Development. Included are elevator certificate fees, building plan reviews, site plan fees and occupancy permits. For FY 2007, revenue increased due to fee and activity increases.

FINES, INTEREST, RENTS

These revenues include fines, interest, building rent, lease agreements, paid parking, rental and sale of surplus.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Fines/Tickets	8,376,350	8,136,000	8,140,000	-
Interest	3,440,539	3,811,000	7,600,000	99%
Courthouse Plaza	87,992	1,150,000	900,000	-22%
Paid Parking	948,861	909,384	830,665	-9%
Other Revenue	537,534	400,825	393,590	-2%
Total	\$13,391,276	\$14,407,209	\$17,864,255	24%

Fines/Tickets

This category is comprised of traffic moving violations, parking tickets, arrest fees, court reporter's costs, and miscellaneous court costs. Fines are also collected on infractions that occur at Reagan National Airport.

Interest

Interest is earned on County general and bond funds, which are invested on a short-term basis until needed to pay for County expenditures. Interest earned varies due to changing balances and interest rates. Over the last 18 months interest rates have almost doubled, increasing the projections for interest earnings on various County portfolio investments.

Courthouse Plaza

The County receives payments from Vornado Realty (formerly Charles E. Smith) for the land under 2100, 2110 and 2150 Courthouse Road. The County shares in the net profit on the buildings operations. In FY 2005 it was discovered that Vornado Realty had over paid the County for several years. The FY 2005 actuals reflect the amount paid to the County after a substantial refund was issued for past years. FY 2007's lower revenue estimate reflects a more appropriate profit sharing projection for the three buildings.

Paid Parking

Parking revenue is generated by the monthly charge paid to park in the various government buildings. For FY 2007, the portion previously paid by employees to park in the Metro corridor at their various government buildings was removed.

Other

Rentals, sales of surplus, and lease agreements are included in this revenue category.

CHARGES FOR SERVICES

This category encompasses revenues received for a variety of County services. Service charges are structured so that the users of a particular service are the ones to pay for a majority of its costs, as opposed to using general tax dollars to fund services that benefit a small segment of the population. The chart below highlights the major sources of revenues.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Refuse/Recycling Fee	7,946,512	7,997,634	8,370,574	5%
Parking Meters	3,707,799	4,016,830	4,071,113	1%
Court Costs	2,192,298	2,300,000	2,637,113	15%
Falls Church Reimbursement	1,648,028	1,853,553	2,135,733	15%
Recreation Fees	4,590,404	4,670,111	4,746,114	2%
Ambulance Service Fees	847,277	1,150,000	1,150,000	-
E 9-1-1 Surcharge	4,677,408	5,400,000	4,900,000	-9%
Other	8,886,030	8,084,436	9,182,192	14%
Total	\$34,495,756	\$35,472,564	\$37,192,839	5%

For FY 2007, the combined residential customer rate for refuse collection, disposal and recycling increased \$11.60 from \$248.76 to \$260.36 per year. The County's policy for the refuse rate is recovery of 100 percent of disposal and collection costs. In FY 2007, the solid waste fee will generate approximately \$8.4 million in revenues based on the current number of households served by the refuse collection and recycling programs.

The change in revenue for court costs reflects the amount of court-related activity. The Falls Church reimbursement represents a charge for services provided by the County which includes fire, emergency medical services, sheriff, court and judicial services. Recreation fees include charges for summer and holiday camp programs, senior adult programs, competitive swimming, and membership to the Thomas Jefferson Community Center and for use of athletic fields. Ambulance service fees reflect a change to the Emergency Medical Service (EMS) ambulance transport fee structure and the FY 2006 increase in the fees from a flat transport fee for residents and non-residents to a uniform fee based on services provided.

In FY2005, the E-911 telephone fee charged for each telephone land line was increased from \$1.75/line/month to \$3.00/line/month. The additional revenue is being used to fund the cost of debt financing and system upgrades in a new emergency communication center. The decrease in revenue from FY 2006 to FY 2007 is based on a revised estimate of the number of telephone lines in the County paying the E-911 fee.

Major revenue sources in the "Other" category and their FY 2007 revenues are: fees from human services programs (\$2.0 million); reimbursement from the Utilities Fund for administrative functions of County staff agencies (\$1.0 million); library fines and fees (\$0.5 million); engineering service charges (\$0.7 million); and Arlington Transit (ART) fares (\$0.9 million).

REVENUE FROM THE COMMONWEALTH

Arlington receives funds from the Commonwealth of Virginia for a variety of state-mandated and supported functions and services. The County also receives a portion of some revenues collected by the state. The chart below highlights the total amount received from the Commonwealth of Virginia and details the sources that comprise the total.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Highway Aid	14,134,844	14,300,000	14,900,000	4%
Law Enforcement	7,142,280	7,696,281	7,251,914	-6%
Health Reimbursement	3,304,237	3,335,241	3,434,780	3%
Social Services	4,120,450	4,069,323	4,283,597	5%
Mental Health	5,098,646	5,209,665	5,302,858	2%
Sheriff / Detention	6,785,905	6,779,475	6,948,453	2%
Prisoner Expense	1,486,885	1,478,741	1,478,741	-
Commuter Assistance	2,565,310	2,555,460	3,240,460	27%
Comprehensive Services Act	2,838,816	2,209,917	2,209,917	-
Jail Construction	1,808,660	1,800,000	1,800,000	-
Other	10,140,362	9,508,988	9,346,645	-2%
Total	\$59,426,395	\$58,943,091	\$60,197,365	2%

The County receives highway aid as a result of Arlington's decision not to join the Commonwealth's secondary road system in 1932. The County assumed maintenance responsibilities for the secondary roads in Arlington, and receives state highway aid for that function. These funds are derived primarily from the Commonwealth's collection of new car sales and gasoline taxes, and other vehicle related fees and taxes. In addition to highway aid, the County is reimbursed for approximately 48 percent of its costs for maintaining traffic signals on state roads. The state traffic signal funds total approximately \$0.9 million for FY 2007 and are included in the "other" category.

Law enforcement aid is provided to the County to partially fund salaries of law enforcement officers and to provide funds for their training in order to comply with the Code of Virginia Section 9.1-165. Arlington receives a percentage of law enforcement aid ("599") funding each year based on population, crime rates, and social service rates. Calculations to determine the distribution of "599" funds are performed biennially by the Department of Criminal Justice Services.

Changes in Social Services budgeted revenues include a decrease in the state reimbursement of social services programs. This revenue source fluctuates depending on the number of state social services caseloads. The Comprehensive Services Act (CSA) is a consolidation of court and social service programs targeted at preventing out-of-home placements for troubled youths and totals \$2.2 million for FY 2007.

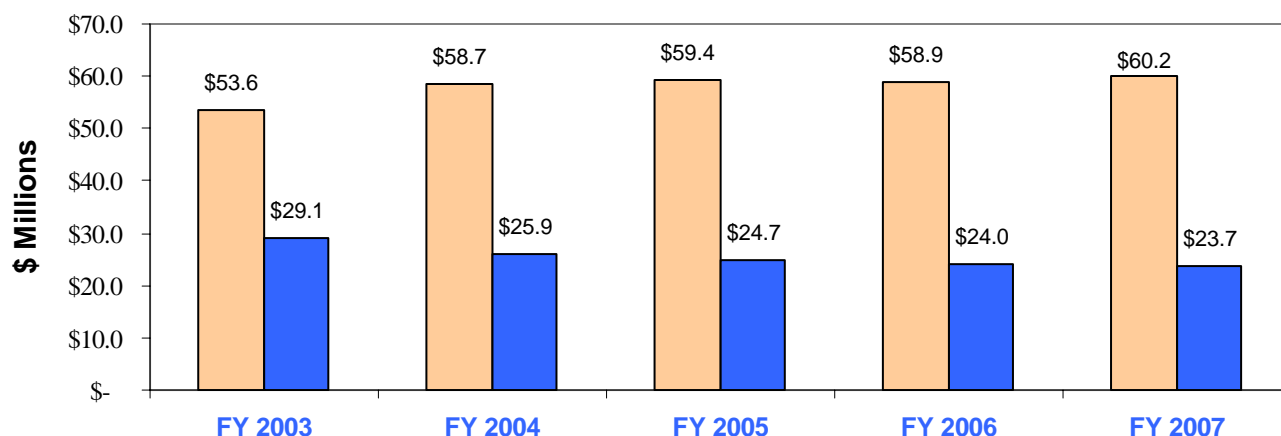
The County also receives a reimbursement for a portion of the costs to construct the Arlington Regional Jail. The regional jail reimbursement to the County will continue until FY 2013. Other major revenues that the County receives from the Commonwealth include support for health and mental health/retardation programs. Other revenues from the Commonwealth include Compensation Board funding for support of elected officials who perform state-mandated and local functions, such as the Commissioner of the Revenue, Treasurer, Sheriff, Commonwealth's Attorney, Circuit Court Clerk, and the General Registrar.

REVENUE FROM THE FEDERAL GOVERNMENT

The federal government provides funding for employment assistance, housing programs, drug enforcement, aid to the elderly, and other programs. The Workforce Investment Act (WIA)/Job Training Partnership Act (JTPA) funding is based on unemployment data and poverty levels and are based on the current year's allocation by the state. In FY 2007, Arlington's allocation of HUD/HOME funds declined for FY 2007. Revenue of approximately \$9.9 million from the federal government for social service programs is passed through from the state budget to Arlington County. This includes approximately \$5.5 million in federal funding appropriations from the Local Public Assistance Cost Allocation Plan (LPACAP) to support a variety of human service initiatives. Since some of the federal social service programs are 100 percent reimbursable, revenue will change with changes in caseloads. Revenue to maintain U.S. Marshal prisoners is generated through an agreement with the U.S. Marshal's Office to house federal prisoners in the Arlington County Detention Facility when bed space is available. The remaining federal revenue includes payments for grant funding through the Older Americans Act, mental health reimbursements and other miscellaneous grant and reimbursement funding.

**State and Federal Government Revenue
(\$ millions)**

State Aid Federal Aid



	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
WIA / JTPA	968,513	977,397	1,161,703	19%
HUD / HOME Program	826,821	1,201,029	1,133,313	-6%
Social Services	10,737,905	9,837,029	9,902,809	1%
LPACAP	4,958,611	6,603,830	5,499,583	-17%
Substance Abuse	830,240	853,141	847,535	-1%
US Marshal Prisoners	1,560,562	1,137,004	1,137,004	-
Other	4,861,074	3,439,705	4,026,048	17%
Total	\$24,743,726	\$24,049,135	\$23,707,995	-1%

MISCELLANEOUS REVENUE

These include revenue sources that do not fall under any other category and include one-time or pass through funds. Included in these payments are the sale of land & buildings and cable revenue from Comcast Cable of Maryland, Inc. for administrative reimbursements and pass-through payments to the Arlington Community Television (ACT) as part of the cable television agreement. The other category includes various revenue to the Department of Human Services for a lease agreement with Cherrydale Nursing Center, Comprehensive Health Investment Project (CHIP) of Virginia, Teens Against Tobacco, and other County departmental funding including Department of Environmental Services reimbursements.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Sale of Land and Buildings	3,500	25,000	25,000	-
Cable TV Administration	184,461	185,050	190,000	3%
Affordable Housing Investment Fund	9,131,609	-	-	-
Cable TV ACT Payments	539,730	525,000	586,555	12%
Bond Premiums	4,344,542	-	-	-
Proceeds from Lease Purchases	3,962,112	-	-	-
Other	1,746,911	645,967	619,460	-4%
Total	\$19,912,865	\$1,381,017	\$1,421,015	3%

TRANSFERS FROM OTHER FUNDS

Transfers to the General Fund include the Automotive Fund transfer to cover its share of insurance costs, funding for the Chesapeake Bay program, funding for the administration of the business improvement districts (Rosslyn and Crystal City), and transfers to the Departments of Economic Development and Parks & Recreation from the Rosslyn Trust & Agency account.

PRIOR YEAR FUND BALANCE

Funds unspent (under-expenditures or increased revenues) from previous fiscal years have been used to support one-time expenses in subsequent year's budgets. At the end of FY 2005, \$2.2 million was set aside by the County Board for capital project implementation in FY 2006. For FY 2007, \$7.3 million of FY 2006 revenue has been set aside to fund PAYG capital projects.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Transfers	\$3,125,186	\$752,166	\$787,754	5%
Prior Year Adjusted Balance	\$11,203,957	\$2,197,843	\$7,283,814	231%

TOTAL GENERAL FUND REVENUES

Below is a summary of the revenue categories previously described, as well as total revenues for the General Fund in Fiscal Years 2005, 2006 and 2007.

General Fund Revenues	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Real Estate Tax	354,179,286	382,188,576	420,112,428	10%
Personal Property Tax	78,051,224	79,562,023	91,025,726	14%
BPOL Tax	45,699,044	46,999,915	50,500,000	7%
Local Sales Tax	30,969,494	32,111,546	33,859,087	5%
Recordation Tax	7,089,601	6,534,052	6,860,755	5%
Cigarette Tax	1,925,743	3,900,000	3,000,000	-23%
Transient Occupancy Tax	17,236,935	16,995,000	18,495,000	9%
Commercial Utility Tax	7,802,051	9,500,000	9,500,000	-
Meals Tax	23,844,071	25,237,811	26,834,292	6%
Other Taxes	6,882,378	6,740,000	6,715,000	-
Total Local Taxes	\$573,679,827	\$609,768,923	\$666,902,288	9%
Decal Fees	3,456,567	3,500,000	3,500,000	-
Licenses, Permits & Fees	9,048,110	8,430,529	10,028,428	19%
Fines, Interest, Rents	13,391,276	14,407,209	17,864,255	24%
Charges for Service	34,495,756	35,472,564	37,192,839	5%
Commonwealth	59,426,395	58,943,091	60,197,365	2%
Federal Government	24,743,726	24,049,135	23,707,995	-1%
Miscellaneous Revenue	19,912,865	1,381,017	1,421,015	3%
Transfers	3,125,186	752,166	787,754	5%
Total Non-Tax Revenue	\$167,599,881	\$146,935,711	\$154,699,651	5%
TOTAL (excluding prior year balance)	\$741,279,708	\$756,704,634	\$821,601,939	9%
Prior Year Adjusted Balance	11,203,957	2,197,843	7,283,814	231%
TOTAL (including prior year balance)	\$752,483,665	\$758,902,477	\$828,885,753	9%

TRAVEL AND TOURISM PROMOTION FUND (Fund 2)

The FY 2007 revenue budget for the Travel and Tourism Promotion Fund (Fund 002) reflects a seven percent increase in projected transient occupancy tax revenues from the FY 2006 adopted budget. Funds are used to market and promote tourism in Arlington County. The reduction in County Store revenue reflects the relocation of the County Store function to Department of Libraries with minimum sales remaining at the Arlington Visitor's Center. During FY 2003, a federal recovery grant totaling \$400,000 was awarded. The grant funds will be paid out over five years and are being used toward the cost associated with the build-out and the rent related to the Visitors' Center located in Pentagon Row. For FY 2007, the reimbursed revenue for lease costs is estimated to be \$78,000. The General Fund transfer supports the personnel costs associated with the Arlington Convention and Visitors Service, which was transferred from the General Fund in FY 1992.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Transient Occupancy Tax	866,306	849,750	910,000	7%
County Store	6,563	8,000	2,500	-69%
Miscellaneous Federal Grants	86,053	78,000	78,000	-
Transfer In	247,000	247,000	247,000	-
Utilized Fund Balance	-	9,696	-	-100%
Total	\$1,205,922	\$1,192,446	\$1,237,500	4%

UTILITIES FUND (Fund 3)

For FY 2007, the Utilities Fund revenues total \$60,351,109. The revenues for this enterprise (self-supporting) fund are derived from water/sewer service charges, water service connection fees, sewage treatment service charges, interest earnings, and other fees for service.

Water/sewer service charges are the largest source of revenue for the Utilities Fund and are derived from quarterly utility bills paid by residents and monthly or quarterly bills paid by commercial establishments. The water/sewer rate increased \$0.87 to \$8.00 per thousand gallons for FY 2007.

Water service connection fees, which are paid by new water users to connect to the water system, recover 100 percent of costs. The fee amount is based on the size of the pipe being connected into the water system.

Sewage treatment charges are revenue received for operations and maintenance cost reimbursement from neighboring jurisdictions (Falls Church, Alexandria, and Fairfax County) and federal government installations (Pentagon, Reagan National Airport, Columbia Island Marina and Fort Myer) that use the County sewage system, but supply their own water.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Interest	38,732	100,000	50,000	-50%
Utility Marking Fee	121,566	100,000	100,000	-
Water Sewer Service	44,779,175	52,138,085	56,969,609	9%
Water Service Connection Fees	547,212	400,000	400,000	-
Sewage Treatment	3,415,872	2,823,500	2,821,000	-
Flow Test Fees	14,375	8,000	8,000	-
Late Charges & Turn On Fees	18,000	-	-	-
Miscellaneous Revenue	7,802	-	2,500	-
Total	\$48,942,734	\$55,569,585	\$60,351,109	9%

ROSSLYN SPECIAL ASSESSMENT DISTRICT FUND (Fund 4)

In December, 2002, the Arlington County Board established a service district in the downtown Rosslyn area. The purpose of the district is to provide supplemental services to those already provided by county government. Each year an additional real estate tax levy is approved to fund the additional services and programs within the district's boundaries. The Rosslyn Business Improvement Corporation, an organization whose board of directors and committee membership includes owners and tenants of properties in the district as well as County and neighborhood representatives, submit a work program and budget for Arlington County Board consideration.

For the FY 2007 budget, the additional real estate tax rate was decreased to \$.078 for each \$100 of real estate assessment value. This is a decrease of \$0.008 from the adopted FY 2006 rate for the Rosslyn business improvement district.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Service District Taxes	\$995,783	\$1,945,751	\$2,052,435	5%

CRYSTAL CITY SPECIAL ASSESSMENT DISTRICT FUND (Fund 5)

In April 2006, the Arlington County Board established a service district in the downtown Crystal City area. The purpose of the district is to provide supplemental services to those already provided by county government. Each year an additional real estate tax levy is approved to fund the additional services and programs within the district's boundaries. The Crystal City Business Improvement Corporation, an organization whose board of directors and committee membership includes owners and tenants of properties in the district as well as County representatives, submit a work program and budget for Arlington County Board consideration.

For the FY 2007 budget, an additional real estate tax rate was established at \$.045 for each \$100 of real estate assessment value.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Service District Taxes	\$0	\$0	\$1,701,000	-

COMMUNITY DEVELOPMENT FUND (Fund 6)

The FY 2007 revenue budget for the Community Development Fund is used to address low- and moderate-income housing needs and other community projects. The Community Development Block Grant (CDBG) program was established as a separate special revenue fund in FY 1987 to comply with requirements of the federal Department of Housing and Urban Development (HUD).

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Federal Aid - CDBG	\$2,069,122	\$2,172,472	\$1,816,925	-16%

SECTION 8 HOUSING ASSISTANCE FUND (Fund 8)

This program provides vouchers for housing to eligible Arlington County residents. The federal funds are used for the administrative costs of the program, as well as for the rental subsidy payments.
1992.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Federal Section 8	14,195,476	13,854,892	14,148,922	2%
HOPWA Grant	169,697	140,000	140,000	-
Shelter Plus Care	64,303	108,312	180,312	66%
Interest Income	29,341	15,679	31,247	99%
Total	\$14,458,817	\$14,118,883	\$14,500,481	3%

AUTOMOTIVE EQUIPMENT FUND (Fund 9)

The Automotive Equipment Division of the Department of Environmental Services operates as an internal service fund and supports the County's automotive fleet.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Sales of Surplus Equipment	351,426	271,800	237,900	-12%
Subrogation / Third Party	104,552	63,000	63,000	-
Miscellaneous	10,447	22,100	22,100	-
Lease Purchase	1,936,484	-	-	-
Transfer In	192,459	196,418	178,665	-9%
Total	\$2,595,368	\$553,318	\$501,665	-9%

PRINTING FUND (Fund 11)

Revenues in this internal service fund are received from outside agencies and the Arlington County Public Schools for printing and photocopying services, as well as a General Fund transfer for non-billable services.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Services to Outside Agencies	39,394	40,000	40,000	-
Transfer In	144,655	168,312	182,704	9%
Total	\$184,049	\$208,312	\$222,704	7%

JAIL INDUSTRIES FUND (Fund 12)

The Jail Industries Fund was created in FY 1995 to track and report the activities of a program within the new Detention Facility which trains inmates in park maintenance, printing services and catering services. Revenues accrue from charges to outside agencies for services provided.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Service Fees	\$3,684	\$5,100	\$5,100	-

GENERAL CAPITAL PROJECTS FUND (Fund 13)

The General Capital Project Fund accounts for the capital projects for general government functions which are financed under the County's Pay-As-You-Go (PAYG) Capital Program. The program areas include local parks and recreation, transportation, community conservation, government facilities, and regional contributions. For FY 2007, funding sources for the County's PAYGo budget included FY 2006 carryover funds, and the continuing revenue stream from the incremental increases to ambulance fees and commercial utility tax.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Project Receipts	2,823,792	-	-	-
Miscellaneous Revenue	8,428,653	-	-	-
Cable TV	461,260	-	-	-
Virginia Transportation Dept. Grants	4,911,720	-	-	-
LPACAP	3,279,798	-	-	-
Transfer In	17,587,502	5,868,773	10,868,000	85%
Total	\$37,492,725	\$5,868,773	\$10,868,000	85%

UTILITIES CAPITAL PROJECTS FUND (Fund 19)

The Utilities Capital Projects Fund accounts for capital projects for the sanitary sewer system, water distribution system, and wastewater treatment plant. The projects are funded through interest earnings from fund balance, hook-up charges paid by developers for connection into the County water distribution and sanitary sewer systems, and transfers from the Utilities Operating Fund. Sewage treatment charges are revenues received from neighboring jurisdictions (Falls Church, Alexandria, and Fairfax County) for reimbursement of a portion of the upgrade costs at the Water Pollution Control Plant.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Interest	211,373	100,000	140,000	40%
Water / Sewer Hook-up	4,539,488	3,000,000	4,300,000	43%
Sewage Treatment Charges	4,451,658	294,667	295,000	-
Miscellaneous	200	-	-	-
Proceeds from VRA Loan	16,184,083	-	-	-
Transfer In	6,963,467	9,945,333	9,316,000	-6%
Utilized Fund Balance	-	200,000	-	-100%
Total	\$32,350,269	\$13,540,000	\$14,051,000	4%

BALLSTON GARAGE (Fund 40)

Revenues received from the Ballston Garage Fund are used to offset costs of operating the garage. Interest accrues from earnings on the fund balance. Parking revenues are payments by the users of the public parking facility, which are collected by the County's contract operators, Standard Parking. For FY 2006 and FY 2007, fund balance will be used to fund construction in the garage.

	FY 2005 Actuals	FY 2006 Adopted	FY 2007 Adopted	% Change '06 to '07
Interest	161,250	100,000	164,475	64%
Parking Revenue	3,765,054	3,517,140	3,490,364	-1%
Utilized Fund Balance	-	2,240,148	1,437,037	-36%
Total	\$3,926,304	\$5,857,288	\$5,091,876	-13%

RESIDENTIAL TAXATION AND FEE TRENDS

During each budget cycle, tax and fee rate changes are reviewed in light of the costs of providing services to County residents. The following section is a brief analysis of the residential tax burden in Arlington County and other area jurisdictions. Generally, Arlington's tax rates are the lowest, or are very competitive with other Washington metropolitan area jurisdictions. For example, Arlington does not have a residential utility consumer's tax while all surrounding Northern Virginia jurisdictions levy this tax on electricity, natural gas and telephone usage.

Real Estate Tax

Using the adopted tax rate of \$0.818 per \$100 of assessed valuation, the real estate tax bill of the average residential family home will increase by \$409 to \$4,432 for calendar year (CY) 2006 (portion of FY 2006 and FY 2007). The average assessment for a single-family home increases by 18.25 percent from \$458,200 to \$541,800 for CY 2006.

REAL ESTATE TAX PAYMENT Average Single Family Home

Calendar Year	Average Assessed Value	Tax Rate	Tax Payment	Tax Payment Increase
1997	\$186,030	\$0.986	\$1,834	
1998	\$186,130	\$0.998	\$1,858	\$24
1999	\$191,350	\$0.998	\$1,910	\$52
2000	\$202,770	\$1.023	\$2,074	\$164
2001	\$224,390	\$1.023	\$2,296	\$222
2002	\$269,500	\$0.993	\$2,676	\$380
2003	\$316,000	\$0.978	\$3,090	\$414
2004	\$369,600	\$0.958	\$3,541	\$451
2005	\$458,200	\$0.878	\$4,023	\$482
2006	\$541,800	\$0.818	\$4,432	\$409

Personal Property Tax

For residents, vehicles are generally the item for which the personal property tax is paid. For CY 2006, the personal property tax rate was increased from \$4.40 per \$100 of assessed valuation to \$5.00. The valuation method uses the average loan value, which is approximately ten percent lower than the trade-in value, and results in an effective personal property tax rate to \$4.50. The chart below illustrates the calendar year average assessed value through the sixth certified personal property book (December) which represents approximately 97% of the actual year end vehicle assessments.

PERSONAL PROPERTY TAX PAID BY TYPICAL HOUSEHOLD*
(Assumes 2.0 Cars Per Household)

Calendar Year	Average Assessed Value	Tax Rate	Tax Payment
1997	\$5,227	\$4.40	\$460
1998	\$5,311	\$4.40	\$467
1999	\$5,581	\$4.40	\$491
2000	\$5,986	\$4.40	\$527
2001	\$6,287	\$4.40	\$553
2002	\$6,405	\$4.40	\$564
2003	\$6,702	\$4.40	\$590
2004	\$6,970	\$4.40	\$613
2005	\$6,601	\$4.40	\$581
2006	\$6,819	\$5.00	\$682

*Does not reflect state rebates of PPTRA or State's fixed block grant distribution for FY 2007.

Refuse Collection and Disposal Fees

The annual residential charge for refuse collection and disposal was increased to \$260.36 and includes cardboard recycling. This rate achieves the County's objective of 100 percent recovery of household refuse collection and disposal costs and part of the leaf collection costs. Arlington's rate continues to be competitive in the Washington metropolitan area.

Fiscal Year	Refuse/Recycling Fee
1998	\$160.60
1999	\$168.60
2000	\$197.64
2001	\$219.48
2002	\$219.48
2003	\$227.92
2004	\$232.60
2005	\$245.64
2006	\$248.76
2007	\$260.36

Water/Sewer Service Fees

As costs have risen, additional funding is required to sustain the self-supporting Utilities Fund. The water/sewer rate was increased by \$0.87 to \$8.00 per thousand gallons in FY 2007. Arlington's rate continues to be competitive in the Washington metropolitan area.

Fiscal Year	Water/Sewer Service Rate*	Average Annual Residential Cost
1998	\$4.19	\$335.20
1999	\$4.19	\$335.20
2000	\$4.19	\$335.20
2001	\$4.46	\$356.80
2002	\$4.58	\$366.40
2003	\$4.70	\$376.00
2004	\$5.30	\$424.00
2005	\$6.20	\$496.00
2006	\$7.13	\$570.40
2007	\$8.00	\$640.00

*Per Thousand Gallons; average usage equals 80,000 gallons per year.

Major Residential Taxes and Fees

The following chart summarizes the major residential taxes and fees for Arlington County for the average household. The chart uses the adopted tax, refuse/recycling and water/sewer rates.

Summary of Major Residential Taxes and Fees

	CY 2003	CY 2004	CY 2005	CY 2006	% Change '05 to '06
Real Estate Tax	\$3,090	\$3,541	\$4,023	\$4,432	10%
Personal Property*	590	613	581	682	17%
Annual Decal Fee	24	24	24	24	0%
Refuse Fee	233	246	249	260	4%
Water / Sewer Service	424	496	570	640	12%
Total	\$4,361	\$4,920	\$5,447	\$6,038	11%

* Assumes 2 cars per household. Does not reflect state rebates for PPTRA or the State's fixed block grant distribution.

The following chart compares the major residential taxes and fees for the Northern Virginia jurisdictions for the average household using Calendar Year 2006 rates and assessments.

**Calendar Year 2006 Regional Comparison
Average Annual Local Taxes/Fees Per Household**

	Arlington County	Fairfax County	City of Fairfax	City of Alexandria	City of Falls Church	Prince William County	Loudoun County
Real Estate ¹	\$4,432	\$5,418	\$3,847	\$4,416	\$5,472	\$4,425	\$4,822
Personal Property ²	682	623	517	648	642	505	573
Residential Consumer Utility ³	-	265	144	130	240	144	97
Subtotal	\$5,114	\$6,306	\$4,508	\$5,193	\$6,355	\$5,073	\$5,492
Water/Sewer ⁴	\$640	\$485	\$468	\$687	\$763	\$699	\$481
Solid-Waste/Recycling ⁵	260	315	n/a	237	n/a	275	300
Decal Fee	24	-	25	25	25	24	25
TOTAL	\$6,038	\$7,106	\$5,001	\$6,142	\$7,143	\$6,071	\$6,298
Amount more (less) than Arlington		\$1,068 17.7%	(\$1,037) -17.2%	\$105 1.7%	\$1,105 18.3%	\$34 0.6%	\$260 4.3%

¹ Represents the annual real estate tax bill based on each locality's tax rate at an average single family home value of \$541,800.

² Estimate based upon 2.0 cars per household, and assumes the same average vehicle value (however, given that Arlington and Loudoun uses a lower assessment valuation, the actual average vehicle value for Fairfax County and Cities of Alexandria and Falls Church may be higher). Taxes do not reflect the State's fixed block grant to localities and the adopted method of distribution.

³ Average household utility tax bills are based on the ceiling tax rate.

⁴ Rate for City of Falls Church represents the residents who live inside the City and pay Falls Church water and sewer rates. Residents living outside the City pay Falls Church water and Fairfax sewer rates.

⁵ Residents in Falls Church pay for the solid-waste/recycling fee as part of their real estate taxes. Loudoun & Prince William Counties do not offer this service. Instead, residents pay private haulers, such as BFI, directly. The amounts shown represent the average fees charged by private haulers.