

Five-Year General Fund Financial Plan

Fiscal Years 2012 Through 2016

Background

The County began preparing a Five-Year Financial Plan for the General Fund in 1989. The plan plays a key role in assisting the County in determining funding priorities and balancing the budget each year. Because the plan is an important planning tool, priority funding is given to items in the previous year's adopted plan versus new requests. Departments wishing to fund an item that is not included in the previous year's approved plan must be able to demonstrate clearly what has occurred during the past year to make the item in question a funding priority over items that had been incorporated in the County's planning process. The plan helps identify which areas of the cumulative requests are higher than anticipated, allowing budget staff to focus on those areas and identify the unanticipated issues.

The plan is also an assurance to our citizens that the County is planning long-term and financially positioning itself to meet the needs of the future. This is particularly important in a growing county like Hanover where the service delivery expectations are increasing annually.

When reviewing the plan, it is important to remember that only the first year is adopted and appropriated by the Board of Supervisors. The remaining years of the plan are based on current programmatic and financial conditions. The *exact* dollars or positions in the plan are likely to change, but, if current needs and conditions remain relatively constant, the overall direction and emphasis reflected in the plan should remain consistent. The Five-Year General Fund Financial Plan is adopted by the Board of Supervisors during the budget process and is subject to a public hearing.

Major Assumptions

Traditionally, great efforts have been spent on the Five-Year General Fund Financial Plan in illustrating conservative revenue growth and how such revenue growth over current year projections can be reinvested in the County. As fiscal flexibility is limited in meeting current service levels, the County is selective in any enhancements of service levels and prioritizes resources in areas where core services are most being impacted (e.g., staffing of Fire/EMS, student-teacher ratios including ever-increasing need for special education services, sheriff patrols). Therefore, some service level enhancements are either staggered, phased-in or deferred until the County can afford to provide such enhancements, unless a corresponding revenue increase can be identified. This situation is most represented by the debt funded projects. Prior to the recession, such projects were staggered to enable revenue and debt affordability models to be accomplished without a tax rate increase. During this recession period, the same model has also assisted the County in determining how to appropriately time the final borrowing of referendum funding, and the deferral of all additional debt funded projects to year five of the plan to allow time to assess the stability of the economy.

The Five-Year General Fund Financial Plan represents the County's attempt to quantify the impacts of future needs matched with a projection of available resources. Each year this plan is adopted by the Board of Supervisors, thereby indicating to the public the County's expected tax rates, operating costs, capital improvements, debt service requirements, school allocations and service level plans. Generally, the plan seeks to maintain or enhance all current budget guidelines and the Board's adopted initiatives.

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Overarching Philosophy

The overarching philosophy for this five-year plan is that FY12 will be similar to FY11 with minimal growth. FY13 will begin what is anticipated to be four years of steady growth at levels climbing from 2.1% to 4.2% in ongoing revenues. While this growth will be a welcome change from the declines seen during the recent recession, it will not be nearly the regular growth levels experienced prior to FY08.

Revenues

General Property Taxes

- Real property tax revenue from the reassessment of existing property is projected to decline by 2.5% in calendar year 2012, increase 0.5% in 2013, and increase 2.5% annually thereafter.
- Real property tax revenue growth from the assessment of new construction is projected to be 1.5% in calendar year 2012, and 2.0% thereafter.
- Maintenance of the adopted \$0.81 per \$100 assessed value real property tax rate throughout the plan.
- Personal property tax revenues are projected to increase 6.7% in FY13, increase 6.6% in FY14, and increase 6.4% in FY15 and FY16.

Other Revenues

- Sales tax receipts are projected to increase 6.0% in FY12 over the current FY11 forecast. The projection for FY13 anticipates a 7.0% increase, then an increase of 5.0% in FY14 through FY16.
- The five-year plan does not anticipate funding for any additional positions from the Compensation Board over the Governor's budget. Compensation Board funding in FY13 through FY16 is projected to increase on average 2.7% per year.
- Permits, privilege fees, and regulatory licenses are projected to increase 7.9% in FY13 with the assumption that building permit fees will return to FY11 levels. Then this category is budgeted to increase 2.6% in FY14. In FY15, we see an increase of 21.6% with the addition of a fee to offset the cost of compliance with state mandated environmental programs. And in FY16, the increase is anticipated to again be inflationary at 2.6%.
- Interest on investments is projected to be an interest rate of 0.35% on the County's short term investments and 2.3% on the long term investments for FY12. The investment income is budgeted to grow on average at 3.0% annually thereafter.

Expenditures

County-wide

- There are no planned compensation increases in FY13 through FY15. In FY16, a merit increase of 2.25% is included.
- Health insurance expenditures for the employer are projected at a 13.0% increase for FY12, and then a 9.0% increase for FY13, and a 10.0% increase thereafter. The plan assumes employee increases or plan modifications for premium adjustments above the employer's increase in FY12 through FY16.
- Retirement benefit expenditures are based on current information for the Virginia Retirement System and its actuarial valuation as of June 30, 2009, and are anticipated to increase in FY13 (14.48%, 14.48%, and 15.50%, 15.50%).

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- The Five-Year Plan assumes that fifteen (15) of the authorized, unfunded positions are reinstated. The plan also includes eight (8) new positions in the five years.
- Base operating expenditures remain flat in FY13, then increase 1.5% in FY14, increase 2.8% in FY15, and then increase 3.0% in FY16.
- The tax relief for the elderly and disabled program has appeared to level off in terms of participation. Given the decrease in real property values, the value of the property in the program decreased proportionately. These two factors resulted in an anticipated decrease in tax relief of \$139,500 or 7.4% in FY12. Thereafter, the cost of the program begins to rise again with the increase in real property values.

School Allocation Plan

- Funding provided to the Schools will increase 1.1% in FY12. Funding from the General Fund on-going revenues will continue to increase in FY13 and annually thereafter at the same rate as the increase in adjusted on-going General Fund revenues. A decrease shown in FY14 results from changes in the “Use of Planned Surpluses” source.
- Debt service funding has been provided for all outstanding school bonds and all proposed bond issuances identified in the CIP as a part of the General Fund transfer to the School Fund.

Other Allocation Plans

- Funding to the Community Services Board (CSB) is projected to increase by 2.0% in FY13 and FY14, 2.5% in FY15 and 4.0% in FY16.
- Funding to the Pamunkey Regional Jail is projected to increase 3.0% annually beginning in FY13.
- Funding to the Comprehensive Services Fund (CSA) is projected to increase 2.0% from FY12 through FY15 and 3.0% in FY16.
- Funding to the Hanover County Airport is projected to decrease 19.1% in FY13, increase 6.9% in FY14, increase 68.9% in FY15, and decrease 17.7% in FY16. The fluctuation in the funding of the Airport is due to the capital improvements portion of the transfer; FY14 has the local support of the Airport’s capital at \$100,000. Funding fluctuates to best match grant funding.
- Throughout this Five-Year Plan, the cyclical computer replacement program continues to be funded in an alternative way since being put on hold in FY10. Due to the high cost of the traditional replacement program and other priority services competing for the same dollars, the County has, instead, funded a pool of money in the Capital Improvements Program to replace computers that can no longer be repaired.
- Funding is provided to maintain the five-year Capital Improvements Program and meet basic vehicle replacement plans.

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	Year 1	Year 2	Year 3	Year 4	Year 5
	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Revenues:					
General Property Taxes	\$ 128,148,000	\$ 130,788,500	\$ 135,710,000	\$ 142,023,600	\$ 149,103,200
Other Local Taxes	28,404,000	29,933,000	31,218,000	32,564,000	33,977,000
Permits, Fees, and Licenses	1,522,000	1,642,700	1,684,800	2,048,900	2,103,000
Fines and Forfeitures	1,269,100	1,269,200	1,270,300	1,272,400	1,274,500
Revenue from Use of Money	709,000	722,000	743,000	761,000	779,000
Charges for Services	3,532,288	3,599,844	3,635,369	3,708,788	3,784,788
Recovered Costs	3,198,825	3,286,828	3,363,786	3,451,298	3,551,297
Intergovernmental	26,054,206	25,543,059	25,811,059	26,087,059	26,369,059
Miscellaneous	863,000	970,500	978,500	986,500	994,500
Subtotal - Ongoing Revenues	193,700,419	197,755,631	204,414,814	212,903,545	221,936,344
Use of planned surpluses	9,035,621	11,224,821	5,873,921	5,267,611	5,387,917
Total Revenues	\$ 202,736,040	\$ 208,980,452	\$ 210,288,735	\$ 218,171,156	\$ 227,324,261
Expenditures:					
Salaries and Fringe Benefits	\$ 62,636,973	\$ 63,517,247	\$ 64,146,866	\$ 65,292,272	\$ 67,290,847
Operating	23,427,782	22,963,571	23,279,573	23,994,223	24,890,727
Tax Relief for the Elderly and Disabled	1,733,300	1,746,300	1,781,300	1,839,400	1,922,300
Capital	1,271,281	1,520,486	1,783,791	1,994,173	2,716,138
Service Level Plan	-	1,504,920	1,935,021	2,604,545	3,357,779
Debt Service	4,272,681	4,498,641	4,674,904	4,556,386	4,471,589
CSB Base Allocation Plan	4,580,671	4,672,300	4,765,700	4,884,800	5,080,200
CSA Allocation Plan	2,790,991	2,846,800	2,903,700	2,961,800	3,050,700
Airport Fund	192,889	156,100	166,800	281,700	231,800
Pamunkey Regional Jail	4,740,861	4,883,087	5,029,580	5,180,467	5,335,881
Lewistown CDA	426,000	441,500	462,000	485,600	512,200
County CIP	2,242,000	2,511,000	2,511,000	3,285,290	3,423,600
School Allocation Plan					
School Operating	76,993,893	79,762,887	78,074,770	82,561,264	85,318,903
School Debt	15,616,718	16,280,613	17,078,730	16,412,236	17,884,597
Subtotal Schools	92,610,611	96,043,500	95,153,500	98,973,500	103,203,500
School CIP	1,810,000	1,675,000	1,695,000	1,837,000	1,837,000
Total Schools	94,420,611	97,718,500	96,848,500	100,810,500	105,040,500
Total Expenditures	\$ 202,736,040	\$ 208,980,452	\$ 210,288,735	\$ 218,171,156	\$ 227,324,261