

Five Year Financial Plan

Fiscal Years 2004 Through 2008

HISTORY

The County began preparing a Five-Year Financial Plan in 1989. The Plan has been adapted since that time to address several issues.

The plan plays a key role in assisting the budget team determine funding priorities and balance the budget each year. Because the Plan is an important planning tool, the budget staff gives priority funding to items in the previous year's adopted plan versus those items that are not. Departments wishing to fund an item that has not been approved must be able to clearly demonstrate 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. On a global basis, the plan also 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.

Because the Plan is an integral part of the budget process, department directors use the format to make long term programmatic decisions for their respective departments. Knowing that the items included in the Plan are more likely to be funded, departments plan for their growth and related resource needs for five years at a time instead of year to year.

Finally, the Plan is an assurance to our citizens that the Administration is thinking long term and financially positioning the County 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.

This year's budget document, for the first time, reflects the five year plan for each department on the departmental page. This presentation will allow the reader to see the financial activity covering a seven year period for each department. When reviewing the Plan, it is important to remember that only the first year, FY04, is adopted by the Board. 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 on the Plan should remain consistent.

MAJOR ASSUMPTIONS

REVENUES:

General Property Taxes:

- Real estate tax revenue growth from the reassessments of existing property is projected to be 2.8% annually;
- Real estate tax revenue growth from the assessment of new construction is projected to be between 3.5 to 3.9% annually;
- Personal property tax revenues are projected to increase 5.0% to 6.9% over the five year period;
- Maintenance of the current real estate tax rate of \$.82 per \$100 of assessed value;
- The implementation of a payment in lieu of taxes program with the Department of Public Utilities beginning in FY05; and,
- The implementation of EMS service fees on January 1, 2006.

Other Revenues:

- Sales tax receipts are projected to increase 5.5% annually;
- Maintenance of Compensation Board positions funded with annual State revenue increase for salary increases of 0% in FY04 to 2.5% thereafter;
- Social Services is projected to increase approximately 3.5% annually over the five year period;
- Permits, privilege fees, and regulatory licenses are projected to increase approximately 5.0% annually;
- Interest on investments are projected to grow between 5.6% and 6.7% annually over the five year period.

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EXPENDITURES:

Existing Salaries and Fringe Benefits:

- Merit raises of 3.0% have been provided annually.

Existing Operating Expenditures:

- An operating base expenditure increase of 2.0% annually.

Operating, Capital, and Service Level Plan

- Personnel changes in response to meeting public safety needs and other service demands with subsequent merit raises and operating base expenditures growing parallel to other assumptions;
- County salary benchmark program which reviews each position annually to determine if positions are materially below the market;

County Debt Service:

- Debt service funding has been provided for all outstanding County bonds and lease agreements;
- Interest rates for general obligation issues (20 years with level debt service) are projected to be approximately 4.0%.

School Allocation Plan:

- Funds are earmarked for schools to maintain student/instructional personnel ratios;
- Additional allocations to base for operating impact of CIP projects (utilities, custodians, administration, and student related costs such as school supplies and bus drivers);
- Debt service funding has been provided for all outstanding school bonds and all proposed bond issuances identified in the CIP;
- Projected interest rates of approximately 4.0% for new VPSA debt issuances, 4% for State Literary Loan Funds, and 4.0% for general obligation issues with all issuances for 20 years with level principal payments;
- For each School issuance of debt, no debt service payments are included in the fiscal year of sale;
- Modular trailers, as needed, based on enrollment forecasts by Schools; and,
- Additional reserves for the enhancement of other service level items (VoTech, International Baccalaureate, including the opening of Hanover High Schools in FY04).

Community Services Board Allocation Plan:

- Merit raises and operating expenditures are parallel with merit raises of County employees and departments, respectively; and,
- \$75,000 additional allocation to operating base and \$15,000 in capital annually in years 2-5 of the Plan.

Comprehensive Services Act (CSA) Allocation Plan:

- An operating expenditure increase of 4% annually.

Capital Improvements Program (CIP)

- All projects identified with General Fund as the funding source in the Five-Year CIP are funded;
- Funding is provided to maintain the replacement schedule of all County equipment;
- Local funding of airport improvements with non-local funding provided by Federal and State grants;
- Landfill replacement equipment and closure; and,
- Additions to and/or new schools to meet objective of no school greater than 110% of capacity for three consecutive years.

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	Year 1 Projection <u>FY04</u>	Year 2 Projection <u>FY05</u>	Year 3 Projection <u>FY06</u>	Year 4 Projection <u>FY07</u>	Year 5 Projection <u>FY08</u>
Revenues:					
General Property Taxes	\$ 85,351,000	\$ 90,884,000	\$ 96,703,000	\$ 102,754,000	\$ 109,265,000
Other Local Taxes	21,846,000	23,017,000	24,145,000	25,325,000	26,569,000
Intergovernmental	22,969,000	24,290,000	25,728,000	27,256,000	28,877,000
Other Operating Revenues	7,764,000	7,988,000	8,259,000	8,619,000	8,987,000
Subtotal - Ongoing Revenues	137,930,000	146,179,000	154,835,000	163,954,000	173,698,000
Proposed Changes in Revenues:					
Operating, Capital and Service Level Plan		142,000	248,000	334,000	407,000
Delinquent Tax Recovery		125,000	129,000	133,000	137,000
EMS Recovery			800,000	1,648,000	1,697,000
Utility PILOT		500,000	515,000	530,000	546,000
Subtotal - operating revenues	137,930,000	146,946,000	156,527,000	166,599,000	176,485,000
Use of Accumulated/Planned Surpluses:					
Reappropriation of Prior Surplus/Reserves	2,985,000	3,185,000	3,185,000	3,185,000	3,185,000
Total Revenues	\$ 140,915,000	\$ 150,131,000	\$ 159,712,000	\$ 169,784,000	\$ 179,670,000
Expenditures:					
Existing Salaries and Fringe Benefits	\$ 36,850,868	\$ 37,956,394	\$ 39,095,335	\$ 40,267,876	\$ 41,475,582
Existing Operating Expenditures	20,581,969	21,081,143	21,608,172	22,148,376	22,702,086
Operating, Capital and Service Level Plan	1,209,912	4,137,928	7,192,815	10,214,200	10,288,880
Debt Service	2,134,000	2,085,000	1,743,000	2,646,000	4,368,000
School Allocation Plan	58,297,395	61,629,343	65,559,150	69,506,402	74,035,698
School Debt Service	13,850,386	14,141,755	15,056,525	15,172,476	16,583,787
CSB Base Allocation Plan	3,198,835	3,358,777	3,526,716	3,703,051	3,888,204
CSA Allocation Plan	1,625,635	1,690,660	1,758,287	1,828,619	1,901,763
Capital Improvements Program (CIP)	3,166,000	4,050,000	4,172,000	4,297,000	4,426,000
Total Expenditures	\$ 140,915,000	\$ 150,131,000	\$ 159,712,000	\$ 169,784,000	\$ 179,670,000