

Five Year Financial Plan

Fiscal Years 2006 Through 2010

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 to 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 County is planning 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.

The budget document reflects the five year plan for each department on the departmental page. This presentation allows 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, FY05, 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 5.4% in FY06 and 4.0% annually thereafter.
- Real estate tax revenue growth from the assessment of new construction is projected to be 3.0% in FY06 and annually thereafter.
- Personal property tax revenues are projected to increase 6.9% in FY06 and 6.0% annually thereafter.
- Maintenance of the \$.86 per \$100 assessed value real property tax rate throughout the plan.

Other Revenues:

- Sales tax receipts are projected to increase 6.3% annually for existing businesses.
- State funding for Compensation Board positions increases of 8.7% in FY06 and 3.2% annually thereafter.
- State and Federal revenue for Social Services is projected to increase approximately 5% annually beginning in FY07.
- Permits, privilege fees, and regulatory licenses are projected to increase between 4.0% and 7.1% during the five years.
- Interest on investments are projected to grow between 2.6% and 20.4% annually beginning in FY06.

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EXPENDITURES:

- The total salary and benefits compensation package will increase 4.2% annually (including increases for health insurance).
- An operating base expenditure increase of 2.75% annually.
- 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 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 5.0%.

School Allocation Plan:

- Beginning in FY06, total funding (operating, debt service, and capital) provided to the Schools will increase at the same rate as the County's ongoing revenue growth.
- 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 4.9% 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.

Community Services Board Allocation Plan:

- Beginning in FY06, funding to the CSB will be based on the total revenue growth of the County.

Comprehensive Services Act (CSA) Allocation Plan:

- An operating expenditure increase of 3.8% annually.

Capital Improvements Program (CIP):

- Funding is provided to maintain the replacement schedule of all County equipment.
- Additions to and/or new schools to meet objective of no school greater than 110% of capacity for three consecutive years.

Five Year Financial Plan

FY2006 - FY2010

	Year 1 <u>FY 2006</u>	Year 2 <u>FY 2007</u>	Year 3 <u>FY 2008</u>	Year 4 <u>FY 2009</u>	Year 5 <u>FY 2010</u>
Revenues:					
General Property Taxes	101,415,000	108,140,000	115,234,000	122,784,000	130,896,000
Other Local Taxes	25,647,000	27,020,000	28,323,000	29,697,000	31,147,000
Intergovernmental	25,069,000	26,340,000	27,603,000	29,011,000	30,324,000
Other Operating Revenues	11,439,000	12,157,000	12,854,000	13,380,000	14,090,000
Subtotal - Ongoing Revenues	163,570,000	173,657,000	184,014,000	194,872,000	206,457,000
Proposed Changes in Revenues:					
Operating, Capital and Service Level Plan		79,000	72,000	74,000	77,000
Subtotal - operating revenues	163,570,000	173,736,000	184,086,000	194,946,000	206,534,000
Use of accumulated/planned surpluses	3,901,000	3,256,000	3,406,000	3,565,000	3,734,000
Total Revenues	167,471,000	176,992,000	187,492,000	198,511,000	210,268,000
Expenditures:					
Salaries and Fringe Benefits	45,536,532	47,449,066	49,441,927	51,518,488	53,682,264
Operating Expenditures	22,220,309	22,435,672	23,048,391	23,681,174	24,332,655
Capital Expenditures	1,667,459	1,967,038	2,393,384	2,216,424	2,049,021
Service Level Plan		1,583,627	2,764,708	3,910,502	4,939,790
Debt Service	1,584,000	1,582,000	2,344,174	2,218,992	3,906,356
CSB Base Allocation Plan	4,137,282	4,392,345	4,663,134	4,950,616	5,255,821
CSA Allocation Plan	2,098,077	2,178,276	2,261,541	2,347,988	2,437,740
Pamunkey Regional Jail	4,080,000	4,488,000	4,936,800	5,046,891	5,159,436
County - Capital Improvements Program (CIP)	3,423,000	2,980,000	2,162,000	3,255,000	2,880,000
School Allocation Plan:					
Operating	65,565,405	69,879,205	73,938,019	77,857,182	84,472,351
Debt Service	14,465,937	15,964,771	17,340,923	19,199,744	18,727,566
School Capital Improvements Program	2,693,000	2,092,000	2,197,000	2,308,000	2,425,000
Total School Allocation Program	82,724,342	87,935,976	93,475,942	99,364,926	105,624,917
Total Expenditures	167,471,000	176,992,000	187,492,000	198,511,000	210,268,000