

Five-Year General Fund Financial Plan

Fiscal Years 2008 Through 2012

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 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.

Since 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 from year to year.

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 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 General Fund Five-Year 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 that 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 where such projects are staggered to enable revenue and debt affordability models to be accomplished without a tax rate increase.

The County's Five-Year 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,

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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.

The success of the Five-Year Financial Plan for the General Fund has served as the basis from which five-year financial plans were formulated for the Self-Insurance Fund in FY07 and the Fleet Management Fund for FY08.

REVENUES:

General Property Taxes:

- Fiscal year real estate tax revenue growth from the reassessments of existing property is projected to be 7.0% in 2009 and 5.5% annually thereafter.
- Real estate tax revenue growth from the assessment of new construction is projected to be 2.0% in 2008 and annually thereafter.
- Personal property tax revenues are projected to increase 4.5% in 2008, 6.0% in 2009 and 2010, and 6.5% annually thereafter.
- Maintenance of the proposed \$.81 per \$100 assessed value real property tax rate throughout the plan.

Other Revenues:

- Sales tax receipts are projected to increase 6.0% annually for existing businesses.
- State funding for Compensation Board positions increases of 2.5% annually.
- State revenue for Social Services is projected to increase 2.5% in FY08 and 3.0% annually thereafter and federal revenue is projected to increase 4.0% annually beginning in FY08.
- Permits, privilege fees, and regulatory licenses are projected to increase between 2.0% and 5.0% during the five years with periodic targeted inflationary rate increases.
- Interest on investments is projected to increase 80.0% in FY08, decreasing to 17.8% in FY09 and leveling out to 1.0% in the remaining years.

EXPENDITURES:

- The total salary and benefits compensation package will increase approximately 3.8% annually (including increases for merit (4.0%) and health insurance (10.1%) and retirement).
- Base operating expenditures will increase approximately 3.0% 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. The Plan funds 94 new positions, of which 22 are proposed in FY08.
- The tax relief for elderly and disabled program enhancements approved by the Board of Supervisors in November 2006 will raise total relief to \$1.2 million in FY08 and continues to grow approximately 7.5% each year thereafter.

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) are projected to be approximately 5.0% and 5.5% for revenue lease bonds for a new courts facility.

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School Allocation Plan:

- Funding (operating, debt service, and textbook) provided to the Schools is projected to 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, 4.0% for State Literary Loan Funds, and 5.0% for general obligation issues with all issuances for 20 years with level principal payments.

Other Allocation Plans:

- Funding to the Community Services Board (CSB) is projected to increase at the same rate and the County's ongoing revenue growth.
- Funding to the Pamunkey Regional Jail is projected to increase 4.0% annually.
- Funding to the Comprehensive Services Fund (CSA) is projected to increase 4.0% annually.
- Funding is provided to maintain the five-year approved Capital Improvements Program and meet vehicle replacement plans.

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	Year 1	Year 2	Year 3	Year 4	Year 5
	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
Revenues:					
General Property Taxes	\$ 125,950,000	\$ 135,998,000	\$ 146,087,000	\$ 157,085,000	\$ 168,892,000
Other Local Taxes	27,545,080	28,895,000	30,317,000	31,815,000	33,396,000
Intergovernmental	27,118,000	27,386,000	27,677,000	27,857,000	28,226,000
Other Operating Revenues	12,973,037	13,491,000	13,987,000	14,283,000	14,733,000
Subtotal - Ongoing Revenues	193,586,117	205,770,000	218,068,000	231,040,000	245,247,000
Use of planned surpluses	5,994,000	7,353,000	4,021,000	4,199,000	4,391,000
Total Revenues	\$ 199,580,117	\$ 213,123,000	\$ 222,089,000	\$ 235,239,000	\$ 249,638,000

Expenditures:					
Salaries and Fringe Benefits	55,970,367	58,035,674	60,275,851	62,590,443	64,887,512
Operating	25,043,279	25,427,817	26,231,922	27,055,158	27,908,979
Tax Relief for the Elderly and Disabled	1,164,000	1,256,900	1,350,100	1,451,700	1,560,800
Capital	1,646,102	2,542,976	2,596,593	2,442,569	2,616,561
Service Level Plan	-	1,288,686	2,985,845	4,954,645	7,352,823
Debt Service	2,274,585	2,629,864	4,799,555	6,043,638	7,127,610
CSB Fund Allocation Plan	4,944,751	5,211,319	5,522,777	5,851,305	6,211,111
CSA Fund Allocation Plan	2,209,647	2,298,033	2,389,954	2,485,552	2,584,974
Airport Fund Allocation Plan	229,678	338,865	348,420	258,357	368,691
Pamunkey Regional Jail	4,547,083	4,728,966	4,918,125	5,114,850	5,319,444
County Improvements Fund	6,291,000	8,155,000	3,451,000	3,447,000	3,244,000
School Allocation Plan:					
Operating	75,938,199	80,143,970	85,765,831	92,943,470	99,688,220
Debt	16,824,426	18,456,930	18,728,027	17,766,313	17,829,275
Subtotal Schools	92,762,625	98,600,900	104,493,858	110,709,783	117,517,495
CIP	2,497,000	2,608,000	2,725,000	2,834,000	2,938,000
Total Schools	95,259,625	101,208,900	107,218,858	113,543,783	120,455,495
Total Expenditures	\$ 199,580,117	\$ 213,123,000	\$ 222,089,000	\$ 235,239,000	\$ 249,638,000

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