

Five Year Financial Plan

Fiscal Years 2005 Through 2009

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 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 4.7% in FY05 and 3.3% annually thereafter;
- Real estate tax revenue growth from the assessment of new construction is projected to be 3.1% in FY05 and 3.0% annually thereafter;
- Personal property tax revenues are projected to increase 6.3% annually;
- Increase in the current real estate tax rate from \$.82 to \$.86 in calendar year 2005 per \$100 of assessed value in FY05 and reduced to \$.83 in FY06 and subsequent years.

Other Revenues:

- Sales tax receipts are projected to increase 6.0% annually;
- State funding for Compensation Board positions increases of 1.7% in FY05 to 3.2% in FY09;
- State revenue for Social Services is projected to increase approximately 5% annually beginning in FY06, while Federal revenue increases by 4.0% during the same period;
- Permits, privilege fees, and regulatory licenses are projected to increase between 3.5% and 7.6% during the five years;
- Interest on investments are projected to grow between 6.6% and 21.3% annually beginning in FY06;
- The implementation of a Utility Service Assessment beginning in FY05; and,
- The implementation of EMS service fees on March 1, 2005;
- The implementation of a 4% meals tax in FY06 following a referendum in November 2004.

Five Year Financial Plan Fiscal Years 2005 Through 2009

EXPENDITURES:

- The total salary and benefits compensation package will increase 4.2% annually (including increases for health insurance);
- An operating base expenditure increase of 2.7% annually; and,
- 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; and,

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 FY05 Through FY09

	Year 1 Adopted FY05	Year 2 Projection FY06	Year 3 Projection FY07	Year 4 Projection FY08	Year 5 Projection FY09
Revenues:					
General Property Taxes	\$ 94,766,000	\$ 100,495,000	\$ 106,643,000	\$ 113,167,000	\$ 120,096,000
Other Local Taxes	22,832,000	23,847,000	24,913,000	26,034,000	27,217,000
Other Operating Revenues	24,166,000	25,373,000	26,696,000	28,094,000	29,572,000
Intergovernmental	9,471,000	11,034,000	11,658,000	12,433,000	12,968,000
Subtotal - Ongoing Revenues	\$ 151,235,000	\$ 160,749,000	\$ 169,910,000	\$ 179,728,000	\$ 189,853,000
Changes in Revenues:					
Operating, Capital and Service Level Plan	\$ -	\$ 49,000	\$ 44,000	\$ 46,000	\$ 47,000
Real property tax rate (3 cent reduction)	-	(2,655,000)	(2,820,000)	(2,994,000)	(3,180,000)
Meals tax	-	2,655,000	2,788,000	2,927,000	3,073,000
E911 tax (\$1 to \$3 per month)	-	1,622,000	1,686,000	1,754,000	1,824,000
Subtotal - operating revenues	\$ -	\$ 162,420,000	\$ 171,608,000	\$ 181,461,000	\$ 191,617,000
Use of accumulated/planned surpluses	2,960,000	2,664,000	2,664,000	2,664,000	4,042,000
Total Revenues	\$ 154,195,000	\$ 165,084,000	\$ 174,272,000	\$ 184,125,000	\$ 195,659,000
Expenditures:					
Salaries and Fringe Benefits	\$ 40,969,486	\$ 42,690,434	\$ 44,483,657	\$ 46,351,494	\$ 48,298,305
Ongoing Operating Expenditures	20,295,195	20,299,806	20,847,901	21,410,794	21,988,886
Operating Capital	1,775,186	1,890,229	1,928,224	1,967,447	2,006,966
Service Level Plan	-	2,343,725	4,096,339	5,390,737	6,659,890
Pamunkey Regional Jail	3,033,987	3,192,361	3,359,002	3,534,342	3,718,835
County CIP	1,970,000	3,853,000	3,440,000	2,593,000	2,460,000
County Debt Service	1,926,000	1,584,000	1,582,000	2,719,000	4,409,000
School Allocation Plan-Operating	63,122,343	66,825,673	71,535,769	76,569,336	80,771,291
School Debt Service	14,141,755	15,074,000	15,278,000	15,456,000	16,779,000
School CIP	1,550,000	1,643,000	1,742,000	1,847,000	1,958,000
CSB Base Allocation Plan	3,668,709	3,879,660	4,102,740	4,338,648	4,588,120
CSA Allocation Plan	1,742,339	1,808,112	1,876,369	1,947,201	2,020,708
Total Expenditures	\$ 154,195,000	\$ 165,084,000	\$ 174,272,000	\$ 184,125,000	\$ 195,659,000