

Five Year General Fund Financial Plan Fiscal Years 2007 Through 2011

HISTORY

The County began preparing a Five-Year Financial Plan for the General Fund 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 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. 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 Financial 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, FY07, 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. The FY07 Five Year Financial Plan was adopted on April 5, 2006 and will be updated in the FY08 budget process.

MAJOR ASSUMPTIONS

REVENUES:

General Property Taxes:

- Real estate tax revenue growth from the reassessments of existing property is projected to be 8.5% in FY07, 6.9% in FY08, and 5.0% annually thereafter.
- Real estate tax revenue growth from the assessment of new construction is projected to be 3.9% in FY07 and 2.0% annually thereafter.
- Personal property tax revenues are projected to increase 4.9% in FY07 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 18.3% in FY07 and 5.5% annually thereafter for existing businesses.
- State funding for Compensation Board positions increases of 6.4% in FY07 and 3.2% annually thereafter.
- State and Federal revenue for Social Services is projected to increase approximately 5.0% annually beginning in FY08.
- Permits, privilege fees, and regulatory licenses are projected to increase between 3.5% and 9.8% during the five years.
- Interest on investments is projected to change between 6.5% and 13.4% annually beginning in FY07.

Five Year General Fund Financial Plan

Fiscal Years 2007 Through 2011

EXPENDITURES:

- The total salary and benefits compensation package will increase 3.9% annually (including increases for health insurance).
- An operating base expenditure increase of 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 98 new positions, of which 24 are funded in FY07.

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 FY07, 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, 4.0% 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 FY07, funding to the CSB will be based on the total revenue growth of the County.

Comprehensive Services Act (CSA) Allocation Plan:

- Beginning in FY07, funding to the CSA will be based on the total revenue growth of the County.

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.

County of Hanover, Virginia
Five Year Financial Plan
Fiscal Years 2007 through 2111

	Year 1 <u>FY07</u>	Year 2 <u>FY08</u>	Year 3 <u>FY09</u>	Year 4 <u>FY10</u>	Year 5 <u>FY11</u>
Revenues:					
General Property Taxes	\$ 114,633,000	\$ 123,614,000	\$ 132,334,000	\$ 141,706,000	\$ 151,721,000
Other Local Taxes	26,305,000	27,503,000	28,762,000	30,085,000	31,473,000
Intergovernmental	26,181,000	26,349,000	26,768,000	27,205,000	27,659,000
Other Operating Revenues	11,666,000	12,249,000	12,700,000	13,250,000	13,904,000
Subtotal - Ongoing Revenues	<u>178,785,000</u>	<u>189,715,000</u>	<u>200,564,000</u>	<u>212,246,000</u>	<u>224,757,000</u>
Proposed Changes in Revenues:					
Operating, Capital and Service Level Plan		20,000	20,000	80,000	80,000
Subtotal - operating revenues	<u>178,785,000</u>	<u>189,735,000</u>	<u>200,584,000</u>	<u>212,326,000</u>	<u>224,837,000</u>
Use of accumulated/planned surpluses	3,549,000	3,694,000	3,853,000	4,021,000	4,199,000
Total Revenues	<u>\$ 182,334,000</u>	<u>\$ 193,429,000</u>	<u>\$ 204,437,000</u>	<u>\$ 216,347,000</u>	<u>\$ 229,036,000</u>

Expenditures:

Salaries and Fringe Benefits	\$ 50,571,002	\$ 52,549,665	\$ 54,605,746	\$ 56,742,275	\$ 58,962,398
Operating Expenditures	24,702,530	25,050,962	25,804,507	26,580,519	27,379,976
Capital Expenditures	1,949,880	2,280,406	2,488,921	2,373,695	2,325,043
Service Level Plan	-	1,604,099	2,665,296	3,692,996	5,549,636
Debt Service	1,582,393	2,362,074	3,170,414	4,996,330	4,976,925
CSB Base Allocation Plan	4,481,270	4,745,665	5,025,659	5,327,199	5,646,831
CSA Allocation Plan	2,179,591	2,308,187	2,444,370	2,591,032	2,746,494
Pamunkey Regional Jail	4,340,903	4,762,966	5,239,263	5,048,865	5,163,475
County - Capital Improvements Program (CIP)	4,225,000	3,890,000	3,495,000	3,532,000	4,439,000
School Allocation Plan:					
Operating	69,832,958	74,439,505	78,371,507	83,953,811	91,208,564
Debt Service	15,961,473	16,938,471	18,518,317	18,783,278	17,803,658
School Capital Improvements Program	2,507,000	2,497,000	2,608,000	2,725,000	2,834,000
Total School Allocation Program	<u>88,301,431</u>	<u>93,874,976</u>	<u>99,497,824</u>	<u>105,462,089</u>	<u>111,846,222</u>
Total Expenditures	<u>\$ 182,334,000</u>	<u>\$ 193,429,000</u>	<u>\$ 204,437,000</u>	<u>\$ 216,347,000</u>	<u>\$ 229,036,000</u>