

Five-Year General Fund Financial Plan

Fiscal Years 2009 Through 2013

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 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.

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 General Fund 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 Five-Year General Fund 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 Five-Year General Fund 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, 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.

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Revenues

General Property Taxes

- Real property tax revenue growth from the reassessments of existing property is projected to be only 2.5% in calendar year 2009 and increasing 4.5% annually thereafter.
- Real estate tax revenue growth from the assessment of new construction is projected to be 2.5% in calendar year 2009 and to continue at that rate annually thereafter.
- Personal property tax revenues are projected to increase 5.0% in FY09, 5.9% in FY10 and annually thereafter.
- Maintenance of the adopted \$0.81 per \$100 assessed value real property tax rate throughout the plan.

Other Revenues

- Sales tax receipts are projected to increase 6.5% in FY10 and annually thereafter for existing businesses.
- Impact of the State Reversion Account legislation in each year of the plan at 4.2% State funding reduction.
- State funding for Compensation Board positions to increase 2.5% each year of the plan.
- State revenue for Social Services is projected to increase 6.5% in FY09 and 3.0% annually thereafter and federal revenue is projected to increase 3.4% in FY09 and 4.0% annually thereafter.
- Permits, privilege fees, and regulatory licenses are projected to increase between 1.6% and 9.7% during the five years with periodic targeted inflationary rate increases.
- Interest on investments is projected to be an interest rate of 3.3% in FY10 and annually thereafter.

Expenditures

County-wide

- The total salary and benefits compensation package will increase approximately 3.8% annually (including increases for merit of 3.5% in FY09 and 3.0% annually thereafter, health insurance and retiree health benefits of 10.0% annually, and retirement held at the current rate of 13.1%).
- Base operating expenditures will increase approximately 3.0% annually.
- Personnel will increase 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 96 new General Fund positions, of which 14 full-time, 3 part-time, and 5 seasonal in FY09.
- The tax relief for elderly and disabled program enhancements approved by the Board of Supervisors in October 2007 will raise total relief to over \$1.4 million in FY09 and continues to grow at the real property reassessment 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 6.0% for lease revenue bonds for a new courts facility.

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School Allocation Plan

- Funding (operating and textbook) provided to the Schools is projected to increase at 5.0% in FY10 and annually thereafter.
- 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 4.0% in FY10 and annually thereafter.
- Funding to the Pamunkey Regional Jail is projected to increase 3.0% in FY10 and annually thereafter.
- Funding to the Comprehensive Services Fund (CSA) is projected to increase 5.0% in FY10 and 4.0% annually thereafter.
- Funding to the Hanover County Airport is projected to increase 4.0% in FY10 and annually thereafter.
- Funding is provided to maintain the five-year Capital Improvements Program and meet vehicle replacement plans.
- Beginning in the second year, FY10, of the Five-Year General Fund Financial Plan a Reserve for Savings Plan is established to begin to meet County and School future capital needs.

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	Year 1 <u>FY09</u>	Year 2 <u>FY10</u>	Year 3 <u>FY11</u>	Year 4 <u>FY12</u>	Year 5 <u>FY13</u>
Revenues:					
General Property Taxes	\$ 135,792,050	\$ 144,141,000	\$ 154,075,000	\$ 164,700,000	\$ 176,055,000
Other Local Taxes	32,387,995	34,171,800	36,045,100	38,029,600	40,130,200
Intergovernmental	27,121,500	27,371,000	27,562,000	27,898,000	28,326,000
Other Operating Revenues	<u>11,434,965</u>	<u>11,810,955</u>	<u>12,045,663</u>	<u>12,370,505</u>	<u>12,749,617</u>
Subtotal - Ongoing Revenues	206,736,510	217,494,755	229,727,763	242,998,105	257,260,817
Use of planned surpluses - County	9,940,000	4,021,000	4,199,000	4,391,000	4,566,880
Total Revenues	<u>\$ 216,676,510</u>	<u>\$ 221,515,755</u>	<u>\$ 233,926,763</u>	<u>\$ 247,389,105</u>	<u>\$ 261,827,697</u>
Expenditures:					
Salaries and Fringe Benefits	60,263,842	62,742,926	65,089,596	67,541,548	70,105,110
Operating	26,772,317	27,145,291	28,012,666	28,859,449	29,760,447
Tax Relief for the Elderly and Disabled	1,370,000	1,418,000	1,481,800	1,548,500	1,618,200
Capital	1,893,755	2,795,228	2,742,633	2,690,174	2,891,771
Service Level Plan	-	1,534,082	4,005,944	6,100,334	8,285,184
Debt Service	2,212,123	3,672,176	4,748,166	7,398,704	9,473,652
CSB Allocation Plan	5,090,550	5,294,200	5,506,000	5,726,200	5,955,200
CSA Allocation Plan	2,824,662	2,965,900	3,084,500	3,207,900	3,336,200
Airport Fund	333,081	346,400	360,300	374,700	389,700
Pamunkey Regional Jail	4,672,000	4,812,160	4,956,525	5,105,221	5,258,378
Lewistown CDA	812,280	855,340	899,548	945,999	994,492
County CIP	10,373,000	2,990,000	4,098,000	3,764,000	4,497,400
School Allocation Plan					
Operating	80,053,037	84,055,584	88,258,363	92,671,281	97,304,845
Debt	<u>17,397,863</u>	<u>17,873,468</u>	<u>17,848,722</u>	<u>18,352,095</u>	<u>17,251,598</u>
Subtotal	97,450,900	101,929,052	106,107,085	111,023,376	114,556,443
CIP	<u>2,608,000</u>	<u>2,725,000</u>	<u>2,834,000</u>	<u>2,938,000</u>	<u>3,055,520</u>
Total School Allocation Plan	100,058,900	104,654,052	108,941,085	113,961,376	117,611,963
Reserve for Savings Plan	-	290,000	-	165,000	1,650,000
Total Expenditures	<u>\$ 216,676,510</u>	<u>\$ 221,515,755</u>	<u>\$ 233,926,763</u>	<u>\$ 247,389,105</u>	<u>\$ 261,827,697</u>