

FINANCE

Description

The Director of Finance is charged by State law with all duties mandated for the constitutional offices of the Treasurer and Commissioner of Revenue as prescribed by the Code of Virginia §15.2-617, along with the preparation and administration of the County budget and the Comprehensive Annual Financial Report (CAFR). To accomplish these tasks, the Department is comprised of administration and technology functions, and five divisions: Real Estate Assessment, Revenue (split into Business and Vehicle sections), Accounting, Treasury, and the Office of Management and Budget.

- To administer all licensing activities in the County.
- To maintain complete and accurate accounting records for the County.
- To maintain the County's triple AAA bond ratings through sound financial management, the accurate recording of financial activity, and the timely preparation of the Comprehensive Annual Financial Report.
- To prepare, administer, and monitor the Capital and Operating Annual Fiscal Plans of the County.
- To continue the commitment for the education and career development of all Department employees.
- To promote the most innovative technologies available to enhance financial service delivery, information management, and customer service.
- To administer the Real Estate Tax Advantage Program (REAP) for the elderly and/or disabled.

Objectives

- To continue the improvement of customer service for both our internal and external customers.
- To provide convenient property tax information for the citizens of Henrico County.
- To assess all real estate and certain personal property located in the County.
- To review, assess, bill, and collect all taxes, licenses, and fees in the County in conformance with all local, state, and federal regulations.

Annual Fiscal Plan

<u>Description</u>	<u>FY08 Actual</u>	<u>FY09 Original</u>	<u>FY10 Approved</u>	<u>Change 09 to 10</u>
Personnel	\$ 10,141,899	\$ 10,879,606	\$ 11,073,908	1.8%
Operation	1,433,256	1,764,498	1,687,055	(4.4%)
Capital	43,863	102,590	45,500	(55.6%)
Total	<u>\$ 11,619,018</u>	<u>\$ 12,746,694</u>	<u>\$ 12,806,463</u>	<u>0.5%</u>
 Personnel Complement	 164	 166	 167	 1

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Performance Measures				
	FY08	FY09	FY10	Change 09 to10
Workload Measures				
Parcels of Land Reviewed	108,881	110,081	111,281	1,200
Vehicles Assessed	338,242	355,000	360,000	5,000
Business License Payments	8,554	8,345	8,750	405
Cashier Transactions Per Teller/Day	360	367	374	7
Budget Transfer Documents Processed	1,627	1,600	2,300	700
Checks Written	189,934	185,000	190,000	5,000
Tax Advantage Applicants	4,717	5,583	6,000	417
Electronic Bill Payments	n/a	131,630	134,262	2,632
Effectiveness Measures				
G.O. Bond Ratings:				
Standard & Poor	AAA	AAA	AAA	n/a
Moody's	Aaa	Aaa	Aaa	n/a
Fitch	AAA	AAA	AAA	n/a
Number of Years - GFOA Award for CAFR	25	26	27	1
Number of Years - GFOA Award for Budget	18	19	20	1

Budget Highlights

During FY2008-09, the Department of Finance again received recognition from the Government Finance Officer's Association (GFOA) for the Annual Fiscal Plan and the Comprehensive Annual Financial Report (CAFR). The County has been awarded the Certificate of Achievement for Excellence in Financial Reporting from GFOA for the CAFR for twenty six consecutive years. The Office of Management and Budget received the Distinguished Budget Presentation Award from GFOA for the Annual Fiscal Plan for the nineteenth consecutive year.

In addition to sound fiscal planning, Henrico County also makes every effort to operate in a conservative fashion by maximizing efficiencies and engaging in special initiatives to ensure the appropriate level of tax collection. Of these measures, what has been termed the "Henrico, VA" address initiative recently took place, which was a collaborative effort between many departments, executive administrators and the Board of Supervisors. This initiative, which won a 61 percent voter approval rating among Henrico County's residents, allowed for the recognition of "Henrico, VA" by the United States Postal Service in order to correct a revenue miscoding problem with the City of Richmond. A conservative estimate

of the impact of these misdirected revenues is \$5 million a year. The address change formally took place on October 1, 2008. In addition to these achievements, there were several other significant accomplishments that occurred during the 2008-09 fiscal year, which include:

- 1) A new cashier system to improve efficiency and customer service quality
- 2) Acceptance of pin-based debit cards to provide additional convenience to taxpayer's and ensure the timely and accurate collection of payments
- 3) Three successful bond issuances, with favorable interest rates, reflective of our AAA, AAA, Aaa bond ratings from the three primary bond rating agencies
- 4) A highly successful refunding for the water and sewer operating fund
- 5) Transition to a new banking and investment entity to best manage and invest County resources

Administration

The Administration function oversees all activities of the Finance Department with the Director of

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Finance establishing the policies and procedures under which the Department operates. The administrative staff is responsible for the issuance of all County debt and maintains all of the debt issuance records as well as handling all subsequent reviews or filings related to that debt. The Administration staff also monitors the County's investments and administers the County's Investment and Cash Management Guidelines. Within Administration lies the Technology function, which maintains the Finance Department's computers, printers, servers, and other related equipment. This section also handles personal computer software installations and upgrades along with assisting in the implementation of new systems or upgrades of existing systems in the Department. In addition, due to the current economic difficulties experienced this year, the Department of Finance has also assisted in the presentation of economic updates at a number of community forums and gatherings.

Henrico County also engaged in three successful bond issuances in 2008, two General Obligation (GO) Bonds, and one Virginia Public School Authority (VPSA) Special Obligation Financing Bond. The first G.O. Bond issued during this period, Series 2008, was issued in the amount of \$30,800,000, at a True Interest Cost (TIC) of 3.665 percent. The second G.O. Bond, Series 2008A, issued during FY2008-09, in the amount of \$93,090,000, with a TIC of 4.345 percent, while \$44,440,000 of VPSA bonds were issued, at a TIC of 4.116 percent. Also, the successful refunding of Water and Sewer revenue bonds occurred during February, 2009, at the favorable TIC of 3.671 percent, resulting in a savings of over \$5.65 million.

Real Estate Assessment

Article X of the Virginia Constitution, Title 58.1 of the Code of Virginia, and Section 15.2 of the County Manager Act mandate Henrico County to assess real property at its fair market value. To accomplish this, the County employs an annual reassessment program which utilizes a Computer Added Mass Appraisal (CAMA) system. Changes in assessed value are based on actions of buyers and sellers in the local real estate market and are not related to revenue requirements. As of January 1, 2009, the taxable assessed value of real property in

Henrico County was approximately \$34.6 billion, an increase of about 0.48 percent over January 1, 2008.

The entire increase was related to new construction as reassessments decreased by over \$456 million countywide. This decrease reflects the current economic environment and its impact on the price of real estate within Henrico County. The Real Estate Assessment Division is committed to providing the public and citizenry with accurate and up to date information for all real property with the highest level of customer service.

Through mid-November, 2008, the Real Estate Assessment Division processed approximately 29,600 telephone inquiries and 4,600 walk-in requests for property information. An Interactive Voice Response (IVR) system provides residents and real estate professionals access to property data via touch-tone telephone 7 days a week, 24 hours a day. IVR received 105,094 requests for data in 2007, and through mid-November, 2008, there were 103,404 inquiries.

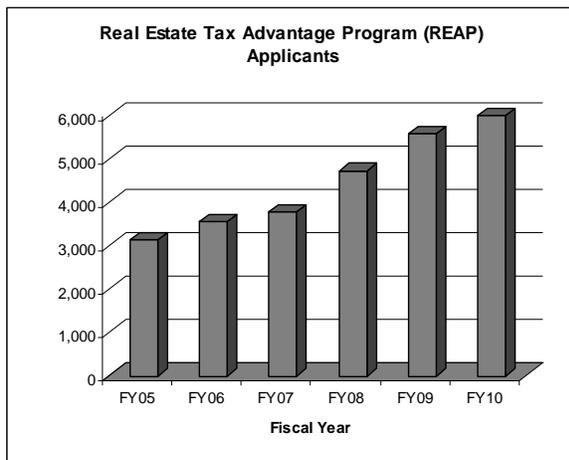
The Real Estate Assessment Division administers a countywide Partial Real Estate Tax Credit program for qualifying rehabilitated or renovated multi-family, commercial/industrial, and hotel/motel properties. The structure (building) for multi-family and commercial/industrial properties must be at least 26 years old and a minimum of 35 years old for hotel/motel properties. In 2008, 16 property owners received \$322,000 in tax credits. The Real Estate Assessment Division also administers a countywide Land Use program for the assessment of qualifying land based on agricultural, horticultural, forestry, or open-space use value rather than market value. Forest land eligibility includes a 20-acre minimum and the other classifications require a 5-acre minimum. In 2008, 425 property owners participated in the program totaling approximately 30,000 acres.

Revenue

The Revenue Division consists of two sections: Business and Vehicle. The Business Section administers business license/personal property taxes within the County along with a variety of other taxes, including the monitoring of the relevant

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portion of the Virginia Sales and Use Tax attributable to Henrico County. The Vehicle Section administers vehicle license/personal property taxes within the County, as well as a variety of other taxes. This section also offers assistance to citizens through the Real Estate Tax Advantage Program (REAP), which provides real estate tax relief for persons 65 years of age and older, or permanently and totally disabled persons so long as they own and occupy their home. Historically, the Board of Supervisors has increased qualifying parameters of this program to the maximum levels authorized by the Virginia Legislature. The FY2009-10 budget continues the expanded Real Estate Tax Advantage Program, with \$350,000 set as the maximum net worth, \$67,000 as the household income threshold, while continuing to award a maximum real estate tax relief award per household of \$3,000. In addition, certain administrative changes to the program were initiated, which liberalized application deadline requirements in order to meet the tax relief needs of those seniors who fail to apply on time. Also, with the elimination of the matrix that previously determined the level of tax relief that could be awarded, all qualifying participants receive the maximum level of tax relief. The expansion has and will continue to provide immediate tax relief to a greater percentage of our seniors, with the underlying goal of eliminating the Real Estate Tax for a majority of our senior households.



The total number of business licenses issued in calendar year 2006 totaled 22,104, with 22,238 and 21,600 issued in 2007 and 2008 respectively. Given

the current state of the economy, it was predicted that there would be a contraction in the number of new business licenses received.

In addition to assessing these businesses for license and/or personal property taxes, the division continually seeks to improve the other administrative duties it is responsible for. In 2008, the Division continued design work on developing a combined business license/personal property system to improve efficiency in the entry and storage of sensitive taxpayer information, as well as enhance customer service performance by limiting wait time for taxpayers seeking to obtain a business license.

The Revenue Division also played a significant role in the recent "Henrico, VA" initiative, prompting the change of mailing addresses within the community in order to reduce the miscoding of local tax revenues. Additional duties performed by the Division include the administration and collection of the Daily Rental Tax, Bank Franchise Fees, Pari-mutuel Betting Fees, as well as auditing and collecting the Hotel/Motel Transient Occupancy Tax, Consumer Utility Tax and all applicable personal property taxes. The Division also monitors the County's portion of both the Virginia Communication Sales Tax, and the Sales and Use Tax.

Accounting

The Accounting Division has three operating sections: General Accounting, Payroll, and Accounts Payable. The General Accounting Section assigns and establishes all account coding, exercises pre-audit control over receipts and disbursements, accumulates information to meet budget requirements, prepares financial statements, maintains inventory records of County property, maintains and supervises fixed assets, grants accounting, and complies with IRS arbitrage/rebates requirements. The Payroll Section audits and approves payrolls, issues checks, records all payroll deductions, deposits taxes withheld, and completes required reporting of such activity. The Accounts Payable Section verifies that expenditures are within the approved limits and exercises pre-audit control over expenditures and disbursement of funds. The number of accounts payable transactions processed 165,351 were processed, with 171,293 in FY2007

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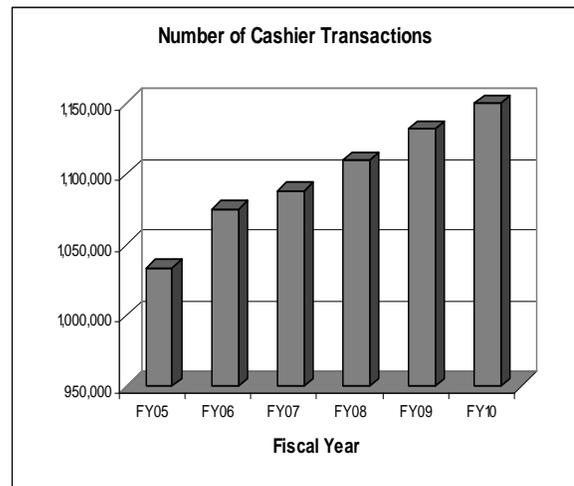
and 178,653 in 2008. It is projected that 184,000 accounts payable transactions will be processed for FY2009. In addition, the Division processes approximately 1,440 payroll checks and 17,240 payroll direct deposits per month. The Accounting Department, in cooperation with other areas of Administration, also facilitates information and provides as-needed assistance in the County's annual external audit. Despite the economic climate, the County audit assessment was distinctly favorable, having not elicited an engagement comment, further illustrating the soundness and conservative nature of Henrico County's fiscal management.

Treasury

The Treasury Division serves as the County's cashier function and provides tellers to collect taxes and utility payments. Treasury is also responsible for the billing of real estate and personal property taxes, along with the collection of delinquent taxes using the various tools provided by the Code of Virginia. For a fee, certain payments can be made by credit card. In July, 2008, the Division implemented the use of pin-based debit cards as an acceptable form of payment in the cashier offices at the Western and Eastern Government Centers and the Utility Cash Office. Between the months of July and December, 2008, there were a total of 4,030 pin-based debit card transactions. The number of transactions is expected to increase throughout 2009. The introduction of this form of payment has been well received by the citizens of Henrico County and its availability has just been expanded to the Department of Recreation & Parks. Libraries and the Cafeteria at the Western Government Center are scheduled to be added to this service by the start of FY2009-10.

The Eastern and Western Government Center's Cashier offices, through November, 2008, processed 306,498 transactions, while the lockbox processed 674,205 transactions for personal property tax, real estate tax and utility payments during the same period. The Division also answered a total of 74,564 incoming telephone inquiries from citizens and handled 85,559 pieces of mail. The Delinquent Collection Section placed 36,799 vehicle registration withholdings at DMV, compared to 28,903 over the same period in the prior year, a 27.3 percent increase. The Delinquent Section also

processed payments in the amount of \$867,947, received from the Virginia Set-Off Debt program, which represents funds withheld from individual state income tax returns for delinquent personal property taxes. The amount collected through this program was \$254,306, or approximately 41 percent higher than the amount collected for the same period in 2007. In 2008, a change requiring all veterinarians in the County to report all rabies vaccinations created additional administrative work for the Division. During 2008, there were a total of 8,349 related veterinary applications sent to citizens, and 6,543 notices sent to various surrounding localities as a result of their citizen's vaccination information being sent to the County in error.



Office of Management and Budget

The Office of Management and Budget (OMB) prepares and monitors the operating and capital budgets. This Division works closely with the County Manager's Office in monitoring current revenue collections and projecting future resources as a means of preparing a realistic budget for future fiscal years. Throughout the year, OMB maintains close contact with all operating departments to avoid deficit spending and to ensure the prudent use of County funds. In addition to preparing the budget, OMB conducts a comprehensive analysis of historic and current economic conditions in Henrico County, culminating in the creation of the Financial Trends Monitoring System. This document, which is completed every fiscal year, takes into account several economic factors and financial information

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to identify trends and to derive statistical models to accurately forecast the future economic health of the County.

It is also the responsibility of OMB to engage in special studies as they are deemed necessary, as well as conduct a thorough fiscal impact analysis of legislation proposed by the General Assembly. While Henrico County is not immune to changes in the economy, it can mitigate the effects of adverse economic conditions through prudent and conservative fiscal policies. One of the many such proactive measures that the Board of Supervisors, Henrico County's executive administrators and the OMB have implemented is to plan on a multi-year basis. This allows budgetary and fiscal planning to be conducted more accurately, based on exhaustive analyses of current and anticipated revenues and expenditures, in a thoroughly preparative fashion. Another of these measures has been to keep incremental expenditure growth capped at an amount not to exceed 5 percent in any given

fiscal year. This five percent figure is based on yearly Consumer Price Index statistics and a constant two percent population growth factor. Limiting spending during strong economic times not only allows for prudent fiscal management in the short term, but also helps to prepare for more trying economic times in the long term.

In addition, revenue projections are done on an extremely conservative basis, in accordance with the multi-year planning approach that the County has adopted. Factors such as state aid, personal property tax and sales tax revenues, as well as interest on investments, are some of the revenue sources that are estimated conservatively.

All of these efforts have contributed to the conservative nature of Henrico County's budgetary processes and fiscal policy, and to the exceptional services that the County provides for its citizens on a continual basis.