

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 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>FY11 Actual</u>	<u>FY12 Original</u>	<u>FY13 Approved</u>	<u>Change 12 to 13</u>
Personnel	\$ 10,586,828	\$ 10,645,353	\$ 10,474,683	(1.6%)
Operation	994,405	1,386,988	1,254,415	(9.6%)
Capital	11,109	24,917	24,917	0.0%
Total	<u>\$ 11,592,342</u>	<u>\$ 12,057,258</u>	<u>\$ 11,754,015</u>	<u>(2.5%)</u>
 Personnel Complement	 159	 157	 153 *	 (4)

* Four vacant positions are being moved to the "hold" complement in FY2012-13.

Performance Measures				
	FY11	FY12	FY13	Change 12 to 13
Workload Measures				
Parcels of Land Reviewed	112,383	112,783	112,924	141
Vehicles Assessed	347,790	337,860	350,000	12,140
Business License Payments	7,901	7,667	8,500	833
Cashier Transactions Per Teller/Day	90	90	90	0
Budget Transfer Documents Processed	1,567	1,600	1,600	0
Checks Written	132,245	122,900	122,900	0
Debit Card Transactions	25,408	25,480	29,219	3,739
Credit Card Transactions	49,849	69,089	75,275	6,186
Tax Advantage Applicants	6,386	6,452	6,500	48
Electronic Bill Payments	185,387	181,744	203,926	22,182
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 Budget	21	22	23	1
Number of Years - GFOA Award for CAFR	28	29	30	1

Budget Highlights

During FY2011-12, 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 nine consecutive years. The Office of Management and Budget received the Distinguished Budget Presentation Award from GFOA for the Annual Fiscal Plan for the twenty second consecutive year.

In addition to sound fiscal planning, Henrico County also makes every effort to operate in a conservative fashion by maximizing efficiencies, prudently managing resources and engaging in special initiatives to ensure the appropriate level of tax collection. One example is the County's proactive debt management, taking advantage of favorable interest rates to minimize costs through new debt issuances and debt refundings. Also, the County continues the practice of conservatively estimating revenues and minimizing expenditures without compromising service delivery. In these difficult

economic times, fiscal prudence, combined with proactive, and pragmatic fiscal management is of absolute necessity.

The adverse economic conditions that have existed the past few years has compelled Henrico County to examine the entire process by which it conducts business in order to more cost effectively provide valuable services to citizens. This examination has led to the County's departments and agencies, including Finance, to streamline operations, identify cost savings and implement efficiency measures to maximize the value of taxpayer's dollars. The Department has adopted many new cost cutting and efficiency maximizing strategies that are consistent with the County's overall goal of continuing to provide exceptional services to citizens.

Among these efforts, there were several notable accomplishments that occurred during the 2011-12 fiscal year, which include:

- 1) Issued \$73.5 million in General Obligation Bonds at a True Interest Cost of 2.83 percent.

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- 2) Became the first locality in the Country to have its triple AAA Bond Rating reaffirmed after the historic downgrade of the U.S.'s debt rating.
- 3) Implemented new, state-of-the-art Computer Assisted Mass Appraisal system (CAMA).
- 4) Continued filling only critically needed vacant positions.
- 5) Expanded the use of volunteers and interns.
- 6) Continued the reallocation and elimination of capital outlay throughout the Department to best utilize equipment.

Administration

The Administration function oversees all activities of the Finance Department with the Director of 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 exists 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 continued economic difficulties experienced this year, the Department of Finance has also assisted in the presentation of economic updates at numerous community forums and gatherings.

During 2011, Henrico County performed another of a recent series of successful bond sales that resulted in significant debt service savings. The most recent occurred in August, 2011, when the County issued \$73.5 million in General Obligation Bonds, with a True Interest Cost (TIC) of 2.83 percent. The issuance of these G.O. Bonds was approved on the March 2005 Referendum. Prior to this issuance, Henrico County's triple AAA bond rating was reaffirmed by the three primary bond rating agencies: Moody's; Standard & Poor's; and Fitch, and is a distinction of credit worthiness

shared by only 35 counties in the nation. Henrico County led the way for local governments in U.S. bond markets during this period of heightened economic uncertainty, and was the first locality in the Country to have its triple AAA bond rating status reaffirmed following S&P's historic downgrade of the U.S.'s debt rating. It was Henrico County's outstanding credit rating, combined with the prevailing economic conditions that resulted in achieving the extraordinarily low TIC of 2.83 percent.

Real Estate Assessment

The Real Estate Assessment Division is responsible for the review/reassessment of all real property in Henrico County, in conformance with the standards of Market Value and Uniformity as mandated by Article X of the Constitution of Virginia, Title 58.1, of the Code of Virginia, and Section 15.2 of the County Manager Act. Henrico County employs an annual countywide reassessment program using a Computer Assisted Mass Appraisal (CAMA) system. Changes in assessed value are based on actions of buyers and sellers in the local real estate market. The Real Estate Assessment Division maintains accurate and up-to-date records on each parcel of real estate in the County. These records reflect uniform, comprehensive, and descriptive data relative to location, improvements, ownership, sales information, and assessed value. The Real Estate Assessment Division is responsible for tracking all changes in assessed value including reassessment and new construction. Real Estate Assessment staff also provides valuation recommendations and administrative support to the Board of Real Estate Review and Equalization. New subdivisions, parcel splits/combinations, deeds, wills, etc. recorded in the Clerk's Office of the Circuit Court of Henrico County are received and processed by the Real Estate Assessment Division. Also, accounts for individuals and properties eligible for assessment adjustments or exemption are catalogued.

As of January 1, 2012, the taxable assessed value of the County was approximately \$30.6 billion, a decrease of 3.28 percent, or approximately \$1.0 billion compared to January 1, 2011. Excluding new construction, the decline in assessed value was 3.68 percent. As can be inferred from this data, the real estate market continued to experience declines due to the economic downturn.

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The County experienced fewer foreclosures in calendar year 2011, than in 2010, but foreclosures continue to have a measurable impact on real estate valuations. While the 3.28 percent decline in total assessed value in 2012 is greater than the 0.98 percent decline experienced in 2011, it does represent an improvement from the 7.98 percent drop in real estate valuations recognized in 2010.

The division implemented a new state of the art CAMA system to assist in the annual reassessment process. The previous system had been in place for 15 years and significant improvements in database software had occurred since its implementation. The new VISION system is ORACLE based and contains numerous improvements including integration with the County GIS system. In conjunction with the CAMA system implementation, the County also made real estate data available to the public on the Internet, using a newly developed system.

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. For the calendar year 2011, the division processed 19,368 telephone inquiries and 2,124 walk-in requests for property information. As a result of making real estate information available on the Internet, telephone inquiries and walk-in inquires have decreased 39 percent and 49 percent, respectively.

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 for hotel/motel properties. For 2012, a total of 26 commercial property owners will receive \$602,000 in tax credits. The "Reinvest" residential rehabilitation program was initiated January 1, 2010. Thirteen properties have been completed with a total tax credit of \$5,800. Additionally, in 2011 the Commonwealth of Virginia modified the Constitution to exempt the residence of permanently disabled veterans. As of January 1, 2012, 125 homes have been exempted for a total tax savings for the veterans of \$221,254.

The Real Estate Assessment Division manages 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. Forestland eligibility includes a 20-acre minimum and other classifications require a 5-acre minimum. A total of 453 property owners are currently 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 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.

The total number of business licenses issued in calendar year 2009 totaled 22,618 compared to 23,736 issued in 2011. The upward trend in business licenses issued over this period is an indication of a slight change in local labor market demographics, where more citizens are pursuing individually or cooperatively owned local enterprises. In addition, this growth is also an indication of an improving economy.

This Division also offers assistance to citizens through the Real Estate Tax Advantage Program



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(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. For FY2012-13, the maximum net worth and income thresholds are \$350,000 and \$67,000, respectively. In addition, certain administrative changes to the program were initiated by the Board of Supervisors, which liberalized application deadline requirements in order to meet the tax relief needs of those seniors who fail to apply on time. All qualifying participants will receive tax relief for 100 percent of their taxes, up to a maximum of \$3,000. REAP continues to provide immediate tax relief to a large percentage of seniors.

In addition to assessing these businesses for license and/or personal property taxes, the division continually seeks to improve the administrative duties to streamline processes. As a result of these efforts, the office received an award from the National Association of Counties (NACo) in 2011 for re-engineering its license and personal property audit program. This area was enhanced to improve the level of customer service and efficiency, as well as generate additional revenue. The actions taken include: assigning responsibility for handling inquiries on a business account among the staff; imaging the business tax returns and work papers so that they can be readily retrieved; setting quantitative "goals" with regard to the number of field audits; and vastly expanding the number of desk reviews.

The Revenue Division continues its effort from the "Henrico, VA" initiative, which was implemented to reduce the miscoding of local tax revenues to area localities. Additional duties performed by the Division include the administration and collection of the Daily Rental Tax, Bank Franchise 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/rebate 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 in Fiscal Years 2010 and 2011 were 195,509 and 206,691 respectively. It is projected that 202,000 accounts payable transactions will be processed during FY2012. The Accounts Payable Section initiated an invoice imaging system in FY2011 that streamlines the data storage and retrieval process. During FY2011, 119,362 invoices were scanned into the imaging system.

In addition, the Division processes approximately 730 payroll checks, and 18,800 payroll direct deposits per month. In an effort to be more efficient, as of January 1, 2012, the Division no longer processes payroll checks and all payroll transactions are performed via direct deposit. The Accounting Division, 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, further illustrating the soundness and conservative nature of Henrico County's fiscal management.

Treasury

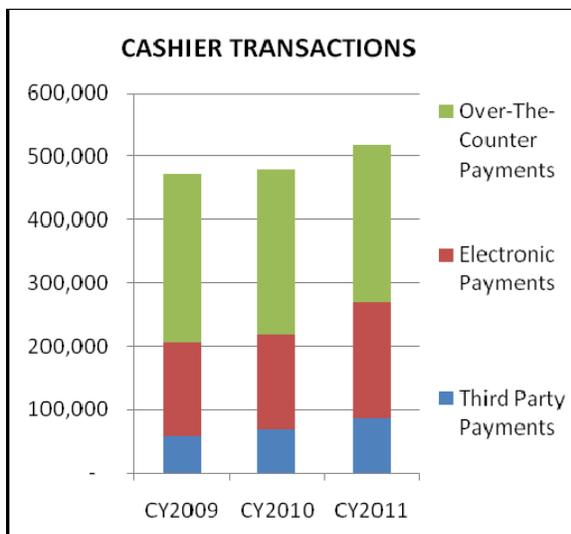
The Treasury Division serves as the County's cashier function and provides tellers to collect taxes and utility payments. Treasury is also responsible for the billing of real estate and personal property taxes, along with the collection of delinquent taxes using the various tools provided by the Code of Virginia.

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

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Eastern Government Centers and the Utility Cash Office. Over the initial 12 months, there were a total of 14,396 pin-based debit card transactions.

The number of pin-based debit card transactions for the most recent calendar year was 25,408 and is projected to increase to 29,219 representing an increase of 3,811 or 15 percent over the previous period. Third party credit card payments, initially accepted in March, 2000 numbered 5,464 over the first 12 months but have grown to 60,220 during calendar year 2011. This form of remittance is projected to increase to 75,275, a growth rate of 25 percent. The Division is beginning to experience a reduction in the number of checks processed as both in-person payments (246,917 transactions, a reduction of 13,358 or 5.0 percent) and Lockbox Operations (517,105 transactions, a reduction of 23,097 or 4 percent) were down during calendar year 2011. Electronic Bill Payments, however, increased 23 percent from 150,978 in 2010, to 185,387 in 2011. This trend is partially responsible for the Division's reduced headcount without experiencing any service level reductions.



The Customer Service-Account Maintenance function within Treasury also answered 66,550 incoming telephone inquiries from citizens, handled 31,127 pieces of mail, and made 49,401 personal property and real estate customer account adjustments in 2011.

The Treasury Division also includes the compliance/enforcement team, which is responsible for the collection of delinquent taxes using various

tools facilitated by provisions in the Code of Virginia. To promote and enforce payment of delinquent personal property taxes the Vehicle Registration Withholding process is used in collaboration with the Department of Motor Vehicles.

The Treasury Division – Delinquent Team also enforces payment of taxes via the Commonwealth of Virginia's Debt Set-Off Program (funds withheld from individual state income tax returns). In 2011, this program produced \$630,769 in revenue from unpaid taxes, utility debts, library fees and miscellaneous items. These collections decreased slightly from the 2010 total of \$686,805, emphasizing the success of the Division's goal toward promoting voluntary compliance. In addition, in 2010, the Division's Customer Service Team processed 25,562 applications for renewal of dog licenses.

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 multiple economic factors and financial information to identify past trends that aid in the derivation of 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 clearly not immune to changes in the economy, it can mitigate the effect of adverse economic conditions through prudent and conservative fiscal policies. One of the many such proactive measures that the Board of Supervisors

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has 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 was to keep incremental expenditure growth capped at an amount not to exceed five percent in any given fiscal year. This five percent figure is based on yearly Consumer Price Index statistics and an estimated 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, 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.