

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 six divisions: Real Estate Assessment, Revenue (split into Business and Vehicle sections), Accounting, Treasury, Purchasing, 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>FY13 Actual</u>	<u>FY14 Original</u>	<u>FY15 Approved</u>	<u>Change 14 to 15</u>
Personnel	\$ 10,039,008	\$ 10,472,973	\$ 11,567,566	10.5%
Operation	1,192,716	1,255,340	1,377,992	9.8%
Capital	5,066	23,992	19,992	(16.7%)
Total	<u>\$ 11,236,790</u>	<u>\$ 11,752,305</u>	<u>\$ 12,965,550</u>	<u>10.3%</u>

Personnel Complement 153 153 168 * 15

*In FY2013-14, fifteen positions were moved from Purchasing in General Services to Finance. Also, two existing positions were reclassified and redistributed to the Revenue division to accommodate increased workload.

Finance (cont'd)

Performance Measures

	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>Change 14 to 15</u>
Workload Measures				
Parcels of Land Reviewed	112,986	113,624	114,124	500
Vehicles Assessed	354,419	347,795	360,000	12,205
Business License Payments	7,402	7,310	7,500	190
Cashier Transactions Per Teller/Day	95	95	95	0
Budget Transfer Documents Processed	1,686	1,650	1,400	(250)
Checks Written	96,410	90,902	85,872	(5,030)
Accounts Payable Transactions	178,307	175,000	175,000	0
Debit Card Transactions	21,831	25,000	25,000	0
Credit Card Transactions	78,149	85,000	85,000	0
Tax Advantage Applicants	6,636	6,570	6,700	130
Electronic Bill Payments	222,104	266,524	266,524	0
Tax Bills Generated	618,275	618,275	618,275	0
Work Orders Processed	2,691	2,500	2,500	0
Annual Contracts Maintained	390	387	390	3
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	23	24	25	1
Number of Years - GFOA Award for CAFR	30	31	32	1

Budget Highlights

The Department of Finance's budget for FY2014-15 totals \$12,965,550, representing an overall increase of \$1,213,245 or 10.3 percent from the previous approved budget. This increase is driven primarily by the absorption of Purchasing during FY2013-14. Purchasing moved from General Services to Finance after the adoption of the FY2013-14 budget. Fifteen positions were added to Finance's complement as a result of the Purchasing move. Two positions were reclassified and redistributed to the Business section of Revenue during FY2013-14 to accommodate an increased workload. Finance has eliminated fourteen positions from the personnel complement since FY2009-10. The addition of Purchasing brought the total number of Finance personnel back to FY2009-10 levels, yet the total amount budgeted for personnel costs has only increased 4.5 percent over the same period.

The operating component of the Finance budget

has increased due to the absorption of Purchasing. Despite the overall operating increase from FY2013-14, the Finance operating budget has decreased 18.3 percent over the past five fiscal years, including the addition of Purchasing. Similarly, the capital portion of the Finance budget has decreased over the past five fiscal years. Capital outlay has decreased by 56.1 percent since FY2009-10.

During FY2013-14, 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 thirty-one consecutive years. The Office of Management and Budget received the Distinguished

Finance (cont'd)

Budget Presentation Award from GFOA for the Annual Fiscal Plan for the twenty-fourth 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 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 2013-14 fiscal year, which include:

- 1) Filling only critically needed vacant positions.
- 2) Continue to expand the use of volunteers and interns to assist the department in providing services.
- 3) Continue to seek ways to provide more efficient services to citizens through the use of technology.

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.

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 the County Manager Act located in Section 15.2 of the Code of Virginia. 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 as well as properties eligible for assessment adjustments or exemption are catalogued.

As of January 1, 2014, the taxable assessed value of the County was approximately \$31.9 billion, an increase of 3.7 percent, or approximately \$1.1 billion compared to January 1, 2013. The real estate market

Finance (cont'd)

appears to be in recovery with modest increases in both residential and commercial values.

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 2013, the division processed 15,263 telephone inquiries and 1,471 walk-in requests for property information.

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 2014, a total of 18 commercial property owners will receive \$381,698 in tax credits. The "Reinvest" residential rehabilitation program was initiated on January 1, 2010. A total of 46 properties have been completed with a total tax credit of \$27,221. To encourage increased participation in the reinvestment of older properties, the maximum assessed value has been changed from \$200,000 to \$250,000. Additionally, in 2011, the Commonwealth of Virginia modified the Constitution to exempt the residence of permanently disabled veterans. As of January 1, 2014, 223 homes have been exempted for a total tax savings for the veterans of \$390,401 based on the current tax rate.

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 twenty acre minimum and other classifications require a five acre minimum. A total of 453 property owners are currently in the program totaling approximately 30,000 acres.

Revenue

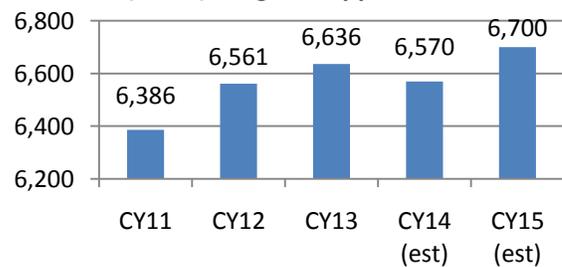
The Revenue Division consists of two sections: Business and Vehicle. The Business section administers business license/personal property taxes within the County along with a variety of other taxes, including the collection and monitoring of the Meals Tax and the relevant portion of the Virginia Sales 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 2013 remained reasonably constant when compared to the previous fiscal year. In FY2013-14, the Business section continues design work on developing a combined business license/personal property computer system. The Division continued imaging over 100,000 documents within the office and outsourced printing and mailing of business license/personal property renewal forms. The Division updated depreciation schedules for computer, furniture and fixtures, and machinery and tools as well as updated tax code and forms on the Internet.

The Revenue Division continues to verify vehicles are in compliance with the Personal Property Tax Relief Act. The Division offers State Income Tax assistance to citizens. This Division 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. For calendar year 2014, the maximum net worth and income thresholds are \$350,000 and \$67,000, respectively. Currently, all qualifying participants will receive tax relief for 100 percent of their taxes, up to a maximum of \$1,500. REAP continues to provide immediate tax relief to a large percentage of seniors.

Number of Real Estate Tax Advantage (REAP) Program Applicants



In addition to assessing these businesses or vehicles for license and/or personal property taxes, the division continually seeks to improve the administrative duties to streamline processes. It also 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, collection, and auditing (where authorized under the State Code) of the following

Finance (cont'd)

taxes: Bank Franchise, Communications' Sales, Consumer Utility, Daily Rental, Hotel/Motel Transient Occupancy, Off-Track Betting, Public Service Corporation, and the local portion of the Virginia Sales and Use.

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.

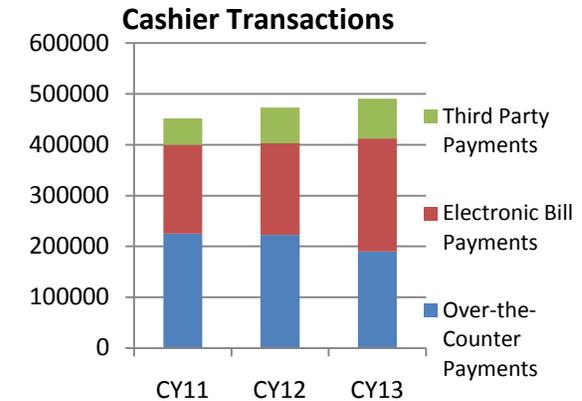
The Accounts Payable Section verifies that expenditures are within the approved limits and exercises pre-audit control over expenditures and disbursement of funds. The number of accounts payable transactions processed in FY2012-13 was 178,307 and it is projected that 175,000 will be processed during FY2013-14 and 175,000 transactions are forecasted to be processed in FY2014-15. The Accounts Payable Section initiated an invoice imaging system during FY2010-11 that streamlines the data storage and retrieval process. In FY2012-13, 112,800 invoices were scanned into the imaging system.

In addition, the Division processes approximately 18,700 payroll direct deposits per month. 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 and provides tellers, at both the Western Government Center (WGC) and the Eastern Government Center (EGC), to collect taxes, fees, Department of Public Utilities (DPU) and parking ticket payments from

citizens. Treasury is also responsible for the billing of real estate and personal property taxes as well as dog license fees. Additional functions include billing and collection of delinquent taxes and fees, taxpayer liaison and account maintenance.



The number of pin-based debit card transactions for the most recent fiscal year was 52,366 and is projected to increase. Third party credit card payments increased from 67,256 in FY2011-12 to 78,146 in FY2012-13, a 16.2 percent increase. In addition, Treasury recently enhanced the on-line remittance process by offering electronic checks (eChecks) as an additional lower cost payment alternative for citizens and to increase the timeliness of the check deposits.

The cashiers processed 102,953 checks in-person during FY2012-13, whilst the County Lockbox Operation Center processed 482,726 paper checks. Electronic Bill Payments, during the same period, increased 17.9 percent from 188,334 to 222,104 and are projected to increase another 20.0 percent by the end of FY2013-14. This trend, in conjunction with re-engineering several work processes, is responsible for the Division's ability to maintain the same high level of customer service while reducing the number of staff within the Treasury Division.

The recently implemented tax billing system generated 618,725 bills during FY2012-13, a decrease of 13.6 percent from the previous year. This decrease is attributable to the consolidation of accounts during phase two of the billing system project and the division is working with technology staff to begin electronic billing for large business and leasing companies during the upcoming fiscal year. The Taxpayer Assistance and Account Maintenance

Finance (cont'd)

teams within Treasury answered 70,510 incoming telephone inquiries from citizens (up 3.0 percent from last year), handled 27,276 pieces of mail (up 31.8 percent), and processed 52,907 personal property and real estate customer account adjustments during FY2012-13 (an increase of 10.8 percent).

The Revenue Collection Officer (RCO) team collected \$6.1 million of delinquent real estate taxes and \$1.1 million of delinquent business taxes during FY2012-13. In addition, RCO's were responsible for processing a total of 30,433 new Department of Motor Vehicle registration withholdings (VRW) resulting in collection of 24,435 vehicle personal property accounts. Collections utilizing the Commonwealth of Virginia's Debt-Set-Off Program (funds withheld from individual state income tax returns) produced \$945,507 in revenue from unpaid taxes, utility debts and library and miscellaneous fees. The collection of 490 NSF (non-sufficient fund) checks for multiple Henrico Departments resulted in \$530,907 worth of additional revenue.

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 effects of adverse economic conditions through prudent and conservative fiscal policies. One of the many such proactive measures that the Board of Supervisors 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.

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 a 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.

Purchasing

During FY2013-14, as part of a County-wide reorganization, the Purchasing division was aligned with the Finance Department. Previously housed in General Services, Purchasing is responsible for procuring goods and services required by County departments and Schools at the lowest price in a legally responsible manner. Purchasing also administers the surplus auctions and sales.

In FY2012-13, Purchasing processed 6,699 purchase orders, totaling \$214,318,451. The Division held one surplus auction and twenty-four sales, generating revenue of \$1,276,048. Purchasing processed 2,691 database updates to the Oracle system in FY2012-13 and maintains seven professionally-certified staff.