

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.

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.
- 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 procure goods and services required by County departments and Schools at the lowest price in a legally responsible manner.
- 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.

Annual Fiscal Plan

<u>Description</u>	<u>FY14 Actual</u>	<u>FY15 Original</u>	<u>FY16 Approved</u>	<u>Change 15 to 16</u>
Personnel	\$ 10,954,962	\$ 11,567,566	\$ 12,016,270	3.9%
Operation	1,279,676	1,377,992	1,394,203	1.2%
Capital	16,753	19,992	12,633	(36.8%)
Total	<u>\$ 12,251,391</u>	<u>\$ 12,965,550</u>	<u>\$ 13,423,106</u>	<u>3.5%</u>
Personnel Complement	168	168	168	0

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Performance Measures

	FY14	FY15	FY16	Change 15 to 16
Workload Measures				
Parcels of Land Reviewed	113,641	114,283	114,783	500
Vehicles Assessed	351,318	354,633	360,000	5,367
Business License Payments	6,945	7,047	7,250	203
Cashier Transactions Per Teller/Day	98	95	98	3
Budget Transfer Document Processed	1,375	1,400	1,400	0
Checks Written	91,372	103,470	103,500	30
Accounts Payable Transactions	211,346	212,000	213,000	1,000
Debit Card Transactions	91,358	95,000	95,000	0
Credit Card Transactions	95,355	85,000	114,000	29,000
Tax Advantage Applicants	6,606	6,394	6,700	306
Electronic Bill Payments	220,600	266,524	266,524	0
Tax Bills Generated	602,821	618,275	618,275	0
Annual Contracts Maintained	409	400	400	0
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	24	25	26	1
Number of Years - GFOA Award for CAFR	31	32	33	1

Budget Highlights

The Department of Finance's approved budget for FY2015-16 totals \$13,423,106, representing an overall increase of \$457,556 or 3.5 percent from the previous approved budget. This increase is driven primarily by increased personnel costs due to a 2.0 percent partial year salary increase in FY2015-16 and the annualization of a partial year salary increase provided in FY2014-15. Finance has eliminated fourteen positions from the personnel complement since FY2009-10. The addition of Purchasing in FY2013-14, brought the total number of Finance personnel back to FY2009-10 levels, yet the total amount budgeted for personnel costs has only increased 8.5 percent over the same period.

The operating component of the Finance budget has increased slightly due to fixed cost increases in Technology and Purchasing. While there is a slight operating increase in FY2015-16, the Finance operating budget has decreased 17.4 percent since FY2009-10, including the addition of Purchasing.

Similarly, the capital portion of the Finance budget has decreased over the same time period. Capital outlay has decreased by 72.2 percent since FY2009-10.

During FY2014-15, 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-two consecutive years. The Office of Management and Budget received the Distinguished Budget Presentation Award from GFOA for the Annual Fiscal Plan for the twenty-fifth 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

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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 2014-15 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, 2015, the taxable assessed value of the County was approximately \$33.1 billion, an increase of 3.7 percent, or approximately \$1.2 billion compared to January 1, 2014, which includes new construction. The real estate market 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 2014, the division processed 14,933 telephone inquiries and 1,625 walk-in requests for property information.

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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 property devoted to hotel and motel use whose structures are rehabilitated for residential use must be no less than 35 years old. For 2015, a total of 17 commercial property owners will receive \$244,249 in tax credits. The "Reinvest" residential rehabilitation program was initiated on January 1, 2010. A total of 72 properties have been completed with a total tax credit of \$38,006. 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, 2015, 269 homes have been exempted for a total tax savings for the veterans of \$486,467 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 449 property owners are currently in the program totaling approximately 30,000 acres.

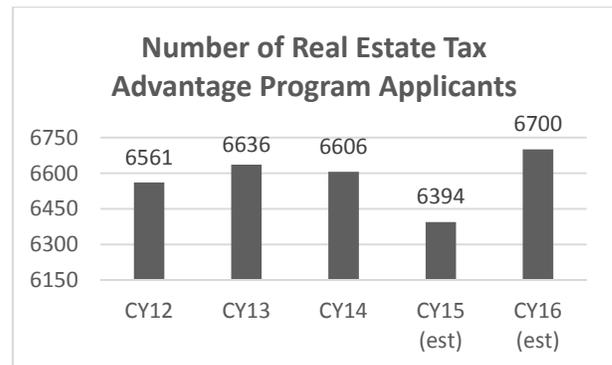
Revenue

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 2014 remained reasonably constant when compared to the previous fiscal year. In FY2014-15, 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 2015, the maximum net worth and income thresholds are \$350,000 and \$67,000, respectively. During calendar year 2015, all qualifying participants will receive tax relief for 100 percent of their taxes up to a maximum of \$2,500. This threshold will increase to \$3,000 in calendar year 2016. REAP continues to provide immediate tax relief to a large percentage of seniors.



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 taxes: Bank Franchise, Communications' Sales, Consumer Utility, Daily Rental, Hotel/Motel Transient Occupancy, Off-Track Betting, Public Service Corporation, Food and Beverage, 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

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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 FY2013-14 was 211,346 and it is projected that 212,000 will be processed during FY2014-15 and 213,000 transactions are forecasted to be processed in FY2015-16. The Accounts Payable Section initiated an invoice imaging system during FY2010-11 that streamlines the data storage and retrieval process. In FY2013-14, 109,071 invoices were scanned into the imaging system.

In addition, the Division processes approximately 22,255 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

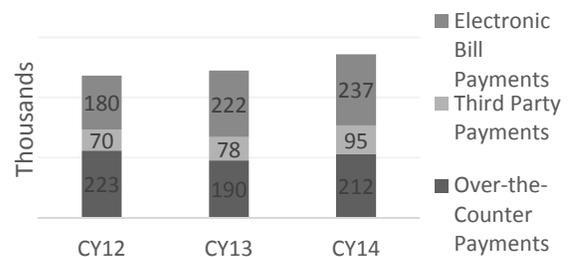
The Treasury Division serves as the County's cashier and provides tellers, at both the Western Government Center (WGC) and the Eastern Government Center (EGC), to collect taxes, fees, Department of Public Utilities (DPU) and parking ticket payments from citizens. Treasury is also responsible for the 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 91,358. Credit card and E-Check payments increased from 78,146 in FY2012-13 to 95,355 in FY2013-14, a 22.0 percent increase. Treasury recently enhanced the on-line remittance process by offering electronic checks (E-Checks) as an additional lower cost payment alternative for citizens and to increase the timeliness of the check deposits;

these payment types are expected to increase another 20.0 percent in FY2014-15.

The cashiers processed 138,481 checks in-person during FY2013-14, while the County Lockbox Operation Center processed 483,029 paper checks. Electronic Bill Payments, during the same period, increased 6.71 percent from 222,104 to 237,015 and are projected to increase another 20.0 percent by the end of FY2014-15.

Cashier Transactions



The Treasury Division continues to expand payment options for taxpayers and County customers by providing various payment methods: cash, check, debit cards, credit cards, electronic checks, and bill paying services. Treasury installed remote deposit scanners to electronically deposit checks. These scanners have decreased the time it takes for checks to process through the bank, thus increasing the efficiency of applying payments to customer accounts.

Real estate and personal property tax bills are mailed in two installments, with due dates of June 5th and December 5th. Treasury mailed 602,821 bills during FY2013-14, a decrease of 2.8 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 working with technology staff to begin electronic billing for large business and leasing companies during FY2013-14. The collaboration with technology staff resulted in five mortgage files being submitted electronically for 119,329 accounts and the initiation of a pilot program with leasing companies using electronic files for billing. The Taxpayer Assistance and Account Maintenance teams within Treasury answered 57,025 incoming telephone inquiries from citizens (down 19.1 percent from last year), handled 24,476 pieces of mail (down 10.3 percent), and processed 64,497 personal property and real estate customer account adjustments during FY2013-14 (an increase of 21.9 percent).

The Revenue Collection Officer (RCO) team collected \$4.4 million of delinquent real estate taxes and \$965,998 of delinquent business taxes during

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FY2013-14. In addition, RCO's were responsible for processing a total of 32,981 new Department of Motor Vehicle registration withholdings (VRW) resulting in collection of 31,487 vehicle personal property accounts. Collections utilizing the Commonwealth of Virginia's Debt-Set-Off Program (funds withheld from individual state income tax returns) produced \$1,686,450 in revenue from unpaid taxes, utility debts and library and miscellaneous fees. The collection of 373 NSF (non-sufficient fund) checks for multiple Henrico Departments resulted in \$305,485 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. The mission of the Purchasing division is to professionally procure all goods and services essential to Henrico County and Henrico County Public Schools, and to ensure the integrity and efficiency of the procurement process in an environment that is fair to all qualified suppliers. The goal of the division is to provide overall direction, management and oversight of the County's centralized procurement functions and the surplus property program. Operation of the division is accomplished in accordance with the Code of Virginia (Chapter 43, Title 2.2 Virginia Public Procurement Act) and the Code of the County of Henrico, Chapter 16. In addition, the division supports the Board of Supervisors' Supplier Diversity Program.

In FY2013-14, the Purchasing team processed a total of 8,977 purchase requisitions totaling \$281,569,617. In addition, 177 solicitations were issued and 158 contracts were awarded. Of these contracts, ninety-eight or 62 percent were to Small, Women- and Minority-Owned (SWAM) suppliers. County purchases from SWAM suppliers totaled \$134.2 million, or 51.3 percent, during FY2013-14.

The Supplier Diversity Program was created to actively promote procurement from SWAM suppliers in a competitive manner and ensures the inclusion of SWAM suppliers on solicitation lists. Supplier Diversity is a significant part of the Henrico County business strategy. As a major purchaser of goods, services, insurance, and construction, Henrico County has the opportunity to facilitate diverse business growth.

The Purchasing division has received numerous awards for its performance and contributions to the

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procurement field and was recognized by the National Association of Counties (NaCO) for an Online Construction Document Management System (eBid).