

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 operating and capital budgets 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.

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>FY15 Actual</u>	<u>FY16 Original</u>	<u>FY17 Approved</u>	<u>Change 16 to 17</u>
Personnel	\$ 11,085,719	\$ 12,016,270	\$ 12,264,989	2.1%
Operation	1,322,434	1,394,203	1,509,077	8.2%
Capital	53,972	12,633	24,633	95.0%
Total	<u>\$ 12,462,125</u>	<u>\$ 13,423,106</u>	<u>\$ 13,798,699</u>	<u>2.8%</u>
Personnel Complement	168	168	168	0

	Performance Measures			Change 16 to 17
	FY15	FY16	FY17	
Workload Measures				
Parcels of Land Reviewed	114,370	114,840	115,540	700
Vehicles Assessed	363,776	364,000	370,000	6,000
Business License Payments	7,201	7,250	7,250	0
Cashier Transactions Per Teller/Day	64	100	100	0
Budget Transfer Document Processed	1,364	1,400	1,400	0
Accounts Payable Transactions	216,615	217,500	218,500	1,000
Debit Card Transactions	72,604	75,000	75,000	0
Credit Card Transactions	115,014	117,000	117,000	0
Tax Advantage Applicants	6,455	6,500	6,500	0
Electronic Bill Payments	246,996	266,524	266,524	0
Tax Bills Generated	705,614	733,800	763,200	29,400
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	25	26	27	1
Number of Years - GFOA Award for CAFR	32	33	34	1

Budget Highlights

The Department of Finance's budget for FY2016-17 totals \$13,798,699, representing an overall increase of \$375,593 or 2.8 percent from the previous approved budget. This increase in personnel is due to the annualization of a partial year salary increase, which became effective October 2015, as well as a 2.372 percent salary increase in FY2016-17. 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.

The operating component of the Finance budget includes the addition of training and tuition funds that were previously budgeted in a central reserve as well as additional funding for postage. The capital component includes an additional \$12,000 for replacement furniture and fixtures. The Finance operating budget decreased 17.4 percent between FY2009-10 and FY2015-16, including the addition of Purchasing. The capital portion of the Finance budget decreased 72.2 percent over the same time period.

During FY2015-16, 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-three consecutive years. The Office of Management and Budget received the Distinguished Budget Presentation Award from GFOA for the Annual Fiscal Plan for the twenty-sixth 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

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revenues and minimizing expenditures without compromising service delivery. In the current economic environment, fiscal prudence, combined with proactive and pragmatic fiscal management, is of absolute necessity. The challenging economic conditions that have existed the past few years have 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 2015-16 fiscal year, which include:

- Filling only critically needed vacant positions.
- Continuing to seek ways to provide more efficient services to citizens through the use of technology such as making a receiving online payments.

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 and maintenance of new systems or upgrades of existing systems in the Department. 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 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 as well as properties eligible for assessment adjustments or exemption are catalogued.

As of January 1, 2016, the taxable assessed value of the County was approximately \$34.2 billion, an increase of 3.2 percent, or approximately \$1.1 billion, compared to January 1, 2015. The real estate market continues to recover 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 calendar year 2015 the Division processed 12,944 telephone inquiries and 1,297 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) must be at least 26 years old to

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qualify. For 2016, a total of 16 commercial property owners will receive \$140,799 in tax credits. The "Reinvest" residential rehabilitation program was initiated on January 1, 2010. A total of 92 properties have been completed with a total tax credit of \$49,215. In 2011 the Commonwealth of Virginia modified the Constitution to exempt the residence of permanently disabled veterans. As of January 1, 2016, 320 homes have been exempted for a total tax savings for the veterans of \$589,165 based on the current tax rate. Also, beginning in 2016 an additional constitutional amendment exempted residences of spouses of members of the armed forces killed in action.

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 452 property owners are currently in the program totaling approximately 30,000 acres.

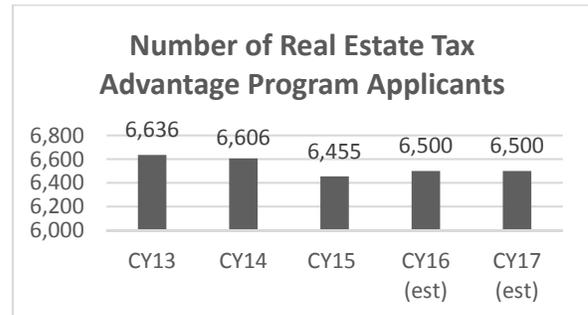
Revenue

The Revenue Division consists of two sections: Business and Vehicle. The Business section administers business license and 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 and personal property taxes within the County, as well as a variety of other taxes.

The total number of business licenses issued in calendar year 2015 remained reasonably constant when compared to the previous fiscal year. The Division continued imaging over 100,000 documents within the office and outsourced printing and mailing of business license and personal property renewal forms. The Division updates depreciation schedules for computer, furniture and fixtures, and machinery and tools as well as 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. The maximum net worth and income thresholds are \$350,000 and \$67,000,

respectively. During calendar year 2016, 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 or vehicles for license and 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, 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 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 and 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 FY2014-15 was 216,615 and it is projected that 217,500 will be processed during FY2015-16 and 218,500 transactions

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are forecasted to be processed in FY2016-17. The Accounts Payable Section initiated an invoice imaging system during FY2010-11 that streamlines the data storage and retrieval process. In FY2014-15, 105,382 invoices were scanned into the imaging system.

The Division began making epayments in January 2015. In the calendar year 2015, 21.9 percent of all payments made by the County were epayments. In the second half of FY2015-16 the Division will begin to process employee expense direct deposits as epayments, which should increase the percentage by an additional 5.0 percent. In the calendar year 2015, using the epayments program generated a rebate of \$146,143 for the County.

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. The County audit assessment continues to be favorable, further illustrating the soundness and conservative nature of Henrico County's fiscal management.

Treasury

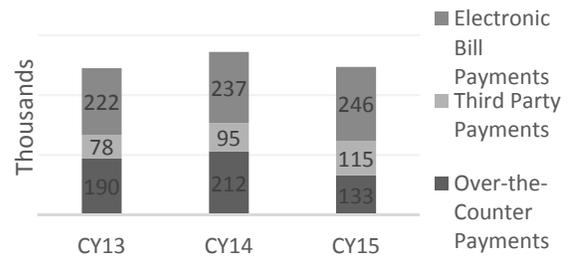
The Treasury Division serves as the County's cashier and provides tellers, at both the Western Government Center (WGC) and the Eastern Government Center (EGC), to collect taxes, fees, Department of Public Utilities (DPU), and parking ticket payments from citizens. Treasury is also responsible for the 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.

Treasury continues to expand the payment options for taxpayers and County customers by providing different methods to pay: cash, check, pin-based debit cards, credit and pin-less debit cards, electronic checks and bill paying services. Treasury offers several payment methods to customers paying for County services, fees and taxes by offering lockbox services, e-box services that take ACH payments, credit/debit cards in person, by phone or the internet, electronic checks by phone or over the internet, 24/7 drop boxes located conveniently at each government center, and in-person payments at the Cashier windows at the government centers. A new cash payment option was implemented to allow taxpayers and utilities customers the convenience of making cash payments at any 7-Eleven nationwide, called "Pay-Near-Me." Treasury uses remote deposit scanners in the Cashier's

offices and Public Utilities to electronically deposit checks. Remote lockbox scanners were upgraded to process tax bills through a virtual lockbox. The scanners decreased the time it takes for checks to process through the bank and increased the efficiency of applying tax payments to customer's accounts.

The cashiers processed 133,140 checks in-person during FY2014-15, while the County Lockbox Operation Center processed 440,487 paper checks. The number of pin-based debit card transactions for FY2014-15 was 72,604 for all County agencies. Credit card and E-Check payments increased from 95,355 in FY2013-14 to 115,014 in FY2014-15, which represents an increase of 19,659 or 20.6 percent. Electronic lockbox payments increased 4.2 percent, from 237,015 in FY2013-14 to 246,996 in FY2014-15. Electronic payments are projected to increase by another 20 percent in FY2015-16 as taxpayers continue to bank more electronically.

Cashier Transactions



Real estate and personal property tax bills are mailed in two installments, with due dates of June 5th and December 5th. Treasury mailed 705,614 bills during FY2014-15, an increase of 17.0 percent from the previous year. Of these bills, 104,915 were real estate bills and 600,699 were personal property bills. Six mortgage files were submitted electronically for 119,359 accounts. An additional 1,824 real estate accounts were sent to mortgage holders. Escrow accounts are 57.4 percent of the real estate bills. 12,110 supplemental bills were mailed and 204,615 delinquent bills were mailed. Treasury provides electronic files to leasing companies. In FY2014-15, 23 leasing companies participated in the pilot program utilizing electronic files for leasing company billings.

The Delinquent Accounts and Collections Section collected \$6.25 million of delinquent real estate taxes and \$2.3 million of delinquent business taxes during FY2014-15. In addition, the Delinquent Accounts and Collections Section was responsible for processing a total of 34,627 new Department of Motor Vehicle registration withholdings (VRW) resulting in

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collection of 33,309 vehicle personal property accounts. Collections utilizing the Commonwealth of Virginia's Debt-Set-Off Program, in which funds withheld from individual state income tax returns, produced \$1,422,919 in revenue from unpaid taxes, utility debts, and library and miscellaneous fees. The collection of 501 NSF (non-sufficient fund) checks for multiple Henrico Departments resulted in \$690,227 worth of additional revenue. This Section also handled 637 bankruptcy claims filed in FY2014-15, collecting \$367,189. In April 2015, Treasury initiated the use of a collection agency to collect delinquent taxes from taxpayers no longer located in Henrico County, resulting in \$19,413 of additional delinquent collections.

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

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 FY2014-15, Purchasing processed a total of 8,422 purchase requisitions totaling \$283,997,475, and held 24 surplus sales, generating \$1,803,159 in revenue. In addition, 172 solicitations were issued and 167 contracts were awarded. Of these contracts, 58 percent were to Small, Women- and Minority-Owned (SWAM) suppliers. County purchases from SWAM suppliers totaled \$157.5 million during FY2014-15.

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 and to strengthen the economies of all our customer service areas. The Division's staff participated in twenty-one supplier outreach events in FY2014-15.

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

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procurement field and supplier diversity. Being “Customer Focused, Performance Driven,” the Division continues to focus on education and outreach for both the staff and the suppliers.