

# 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

Description	FY12 Actual	FY13 Original	FY14 Approved	Change 13 to 14
Personnel	\$ 10,236,827	\$ 10,474,683	\$ 10,472,973	(0.0%)
Operation	1,352,669	1,254,415	1,255,340	0.1%
Capital	11,124	24,917	23,992	(3.7%)
Total	<u>\$ 11,600,620</u>	<u>\$ 11,754,015</u>	<u>\$ 11,752,305</u>	<u>(0.0%)</u>
Personnel Complement	157	153	153 *	0

\*In FY2012-13, two positions in the Real Estate Division were transferred to Information Technology, one position was transferred from Risk Management, and one position was transferred from the HR hold complement.

<b>Performance Measures</b>				
	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>Change 13 to 14</b>
<b>Workload Measures</b>				
Parcels of Land Reviewed	112,490	113,085	113,585	500
Vehicles Assessed	354,721	350,000	360,000	10,000
Business License Payments	7,810	8,500	8,500	0
Cashier Transactions Per Teller/Day	83	90	85	(5)
Budget Transfer Documents Processed	1,783	1,600	1,650	50
Checks Written	109,989	103,000	103,000	0
Accounts Payable Transactions	210,939	211,000	215,000	4,000
Debit Card Transactions	27,350	29,219	30,000	781
Credit Card Transactions	67,256	75,275	70,000	(5,275)
Tax Advantage Applicants	6,561	6,572	6,700	128
Electronic Bill Payments	188,334	203,926	195,000	(8,926)
Tax Bills Generated	716,350	696,024	706,000	9,976
<b>Effectiveness Measures</b>				
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	22	23	24	1
Number of Years - GFOA Award for CAFR	29	30	31	1

### Budget Highlights

The Department of Finance's budget for FY2013-14 totals \$11,752,305, representing an overall decrease of \$1,710 from the previous approved budget. It is important to note that two positions from the Real Estate Assessment Division were transferred to Information Technology and one position was transferred from the HR hold complement during FY2012-13, which offset the personnel budget by a net difference of \$47,937 for FY2013-14. Additionally, one position was transferred from Risk Management during FY2012-13, however funding for this position will be captured in the Healthcare Fund. As a budget reduction strategy, the department has committed to under-fill a total of seven positions throughout the various divisions, impacting the personnel budget by \$126,782.

This year's budget reflects the 5.0 percent raise to employees that was imposed by state government, partially offset by a reduction in the VRS requirement. The personnel component also reflects a reduction in budgeted vacancy savings as well as rising VRS life insurance and health care

expenditures. The operating and capital components remain relatively flat with the exception of the movement of \$925 from capital to operating, to more accurately reflect actual expenditures.

During FY2012-13, 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 consecutive years. The Office of Management and Budget received the Distinguished Budget Presentation Award from GFOA for the Annual Fiscal Plan for the twenty-third 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

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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 2012-13 fiscal year, which include:

- 1) Issued \$37.5 million in General Obligation Refunding Bonds at a True Interest Cost of 2.2 percent. The refunding resulted in debt service savings of \$2.5 million over the life of the bonds.
- 2) Implemented a new assessment and billing system to replace two legacy systems that were over twenty years old. The new assessment and billing system allows the County the technology to offer new methods of billing and collecting payments from residents and businesses.
- 3) Continue filling only critically needed vacant positions.
- 4) Continue to expand the use of volunteers and interns to assist the department in providing services. 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.

During 2012, Henrico County issued \$37.5 million in refunding bonds as a means to reduce the cost of debt service and save valuable resources. The bond refunding, which took place in September 2012 achieved a True Interest Cost (TIC) of 2.2 percent and generated over \$2.5 million in debt service savings over the life of the bonds. As a note, the life of the bonds was not extended and there were debt service savings in each year. The refunding bonds received a AAA rating from the three primary bond rating agencies, Moody's, Standard & Poor's, and Fitch, and confirmed that Henrico County bonds continue to achieve the highest rating possible. The triple AAA bond rating received in September confirmed that Henrico County continues to lead the way for local government finances, which is noteworthy considering the continued economic uncertainty.

## Real Estate Assessment

The Real Estate Assessment Division is responsible for the review/reassessment of all real property in

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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, 2013, the taxable assessed value of the County was approximately \$30.8 billion, an increase of 0.36 percent, or approximately \$109 million compared to January 1, 2012. The real estate market appears to have become relatively stable with a slight decrease in residential values offset by an increase in 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 2012, the division processed 13,463 telephone inquiries and 1,381 walk-in requests for property information. By releasing real estate information to the public via the Internet, telephone and walk-in inquiries continue to decrease.

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 2013, a total of 22 commercial property owners will receive \$408,000 in tax credits. The "Reinvest" residential rehabilitation program was initiated on January 1, 2010. A total of 24 properties have been completed with a total tax credit of \$12,600. Additionally, in 2011, the Commonwealth of Virginia modified the Constitution to exempt the residence of permanently disabled veterans. As of January 1, 2013, 182 homes have been exempted for a total tax savings for the veterans of \$306,153 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 454 property owners are currently in the program totaling approximately 30,000 acres.

## Revenue

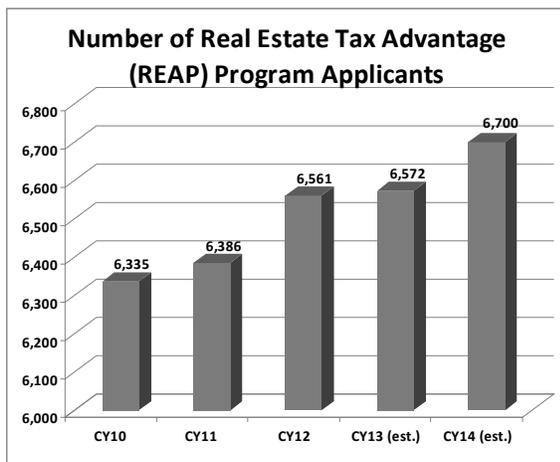
The Revenue Division consists of two sections: Business and Vehicle. The Business section administers business license/personal property taxes within the County along with a variety of other taxes, including the monitoring of the relevant portion of the Virginia Sales and Use Tax attributable to Henrico 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 2012 was up slightly compared to the previous fiscal year. 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 may be an indication of an improving economy.

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In FY2012-13, the Business section continues design work on developing a combined business license/personal property computer system. The Division continued imaging over 200,000 documents within the office and outsourced printing and mailing of business license/personal property renewal forms. The Division received an award from the National Association of Counties (NACo) in 2012 for the iBusiness System. The Division also 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 2013, 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 \$3,000. Effective January 1, 2014, this amount will be reduced to \$1,500 to better reflect the average \$1,300 award amongst all REAP participants. 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, 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.

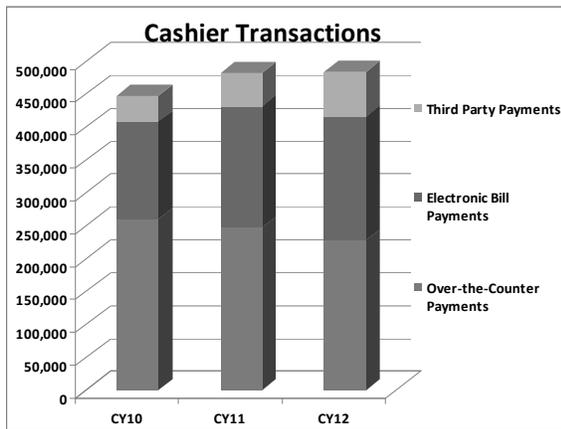
The Accounts Payable Section verifies that expenditures are within the approved limits and exercises pre-audit control over expenditures and disbursement of funds. The number of accounts payable transactions processed in FY2012 was 210,939 and it is projected that 211,000 will be processed during FY2013 and 215,000 transactions are forecasted to be processed in FY2014. This section initiated an invoice imaging system during FY2011 that streamlines the data storage and retrieval process. In FY2012, 121,450 invoices were scanned into the imaging system.

In addition, the Division processes approximately 19,000 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.

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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 27,350 and is projected to increase to 30,000 in FY2013-14 representing an increase of 2,650 or 9.7 percent. Third party credit card payments (67,256 during FY2011-12) are projected to increase to 70,000 in FY2013-14, which represents an increase of 2,744 or 4.1 percent. In addition, Treasury recently enhanced the on-line remittance process by offering electronic checks (eChecks) as an additional lower cost payment alternative for citizens.

The Division experienced a reduction of 18,568 or 7.5 percent of checks processed in-person as well as a reduction of 11,900 or 2.3 percent of transactions processed by the County's Lockbox Operation Center. Electronic Bill Payments, during the same period, increased 1.6 percent from 185,387 to 188,334. 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.

One notable process improvement resulted in Treasury processing 13,376 applications for renewal of dog licenses during 2012, roughly half of the 2011 total of 25,562. This decrease is due to the change from yearly tags to multi-year dog tags, a cost savings in paper, mailing fees, cost of tags, and employee processing as well as an improvement in customer satisfaction as the license period was adjusted to coincide with the dog's rabies vaccination effective period.

The recently implemented tax billing system generated 716,350 bills during FY2011-12. The forecast for FY2013-14 represents a 1.4 percent decrease to 706,000 bills as accounts were consolidated during phase two of the project and the division fully expects to begin electronic billing for large business and leasing companies during the upcoming fiscal year. The Customer Service and Account Maintenance teams within Treasury answered 68,379 incoming telephone inquiries from citizens, handled 20,700 pieces of mail and processed 47,720 personal property and real estate customer account adjustments during FY2011-12.

The Revenue Collection Officer (RCO) team collected \$16.92 million of delinquent real estate taxes and \$330,000 of business taxes during FY2011-12. In addition, RCO's were responsible for processing a total of 13,726 new Department of Motor Vehicle registration withholdings (VRW) resulting in collection of 24,703 vehicle personal property accounts. Collections utilizing the Commonwealth of Virginia's Debt-Set-Off Program (funds withheld from individual state income tax returns) produced \$707,000 in revenue from unpaid taxes, utility debts and library and miscellaneous fees. The collection of 439 NSF (non-sufficient fund) checks for multiple Henrico Departments resulted in \$298,546 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

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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 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.