FINANCIAL GUIDELINES

The following informal guidelines represent principles and practices that have guided the County in the past and have helped foster the County's current financial stability. These guidelines allow the Board maximum flexibility each year when determining how best to meet the needs of County residents when adopting the Annual Fiscal Plan.

General Guidelines:

The County of Henrico will maintain its AAA General Obligation Bond ratings with Standard and Poors, Moody's Investor Service and Fitch IBCA. Currently, Henrico County is one of 35 Counties in the nation that maintains a AAA/AAA/Aaa General Obligation Bond rating.

The County of Henrico will continue its efforts of "Changing the way Henrico does business", as a means of ensuring the County's residents an efficient and highly effective local government.

The County of Henrico will utilize technological advances as a means of providing more convenient and streamlined services to citizens, increasing employee productivity and reducing the need for new positions.

The County of Henrico will allocate new dollars (after meeting fixed commitments such as debt service requirements and benefits changes) to the areas of Education and Public Safety first.

The County of Henrico will attempt to utilize benefits of new economic development successes as a means of maintaining the low tax rate environment the residents currently enjoy. In addition, the County will maintain a balance between the need for real estate tax relief for residents with the long-term operational needs of the County. In that regard, **the FY2014-15 Annual Fiscal Plan is based on a Real Estate Tax rate of $0.87/$100 of assessed valuation for CY2014 real estate tax levies.**

The County of Henrico will continue its proactive efforts to bolster the quality of life our residents now enjoy.

Budgetary Guidelines:

The County's budgetary policies are based upon guidelines and restrictions established by State and County Code and Generally Accepted Accounting Principles (GAAP) for Governmental entities. These provisions set forth the County's fiscal year, public hearing and advertising requirements, restrictions on taxation, and also stipulate that the County must maintain a balanced budget.

The County's budget may be considered balanced if estimated revenues meet planned expenditures.

Cash Management:

The County will invest public funds in a manner that provides the highest investment return with the maximum safety while meeting daily cash flow demands. The County will deposit available funds on the same day they are received.

Capital Improvement Program Guidelines:

The County will develop a Five-Year Capital Improvement Program annually. The first year of this plan or a portion thereof will be approved by the Board of Supervisors after legal advertising and public hearing requirements have been met.

The County's Capital Improvement Program will utilize debt financing as a funding source only after it has been determined that the County can afford to service this debt and associated operating costs in subsequent years. The County will attempt to maximize the use of pay-as-you-go financing for capital projects.

Financial Guidelines (continued)

The County will continue to enhance the level of pay-as-you-go funding in the annual Capital budget as a means of reducing reliance on debt financing for capital projects.

The County will ensure that all operating costs arising from approved capital projects are accounted for in the operating budget, through the compilation of an annual crosswalk analysis that captures all such costs.

The County will maintain its physical assets at a level adequate to protect the County's capital investment and minimize future maintenance and replacement costs. The operating budget will provide for the adequate maintenance of these facilities and infrastructure.

Debt Guidelines:

A long-term debt affordability analysis will be completed on an annual basis as a means of ensuring that the County does not exceed its ability to service current and future debt requirements. This analysis will verify that the County is maintaining the following prescribed ratios and will be performed in conjunction with the County's Capital Improvement Program Process. The guidelines that are utilized are as follows:

Debt Service as a Percentage of General Fund Expenditures: 7.75%
Debt as a Percentage of Assessed Value: 1.49%
Debt per Capita: $1,650

The County will adopt annual water and sewer rates that will generate sufficient revenues to meet the legal requirements of Enterprise Fund bond covenants. These rates will also allow for adequate capital replacement in water and sewer systems.

Revenues:

Multi-Year revenue and expenditure forecasts for all County funds will be included as a part of the Adopted Annual Fiscal Plan.

The County of Henrico will attempt to maintain a stable but diversified revenue base as a means of sheltering it from fluctuations in the economy.

The County will continue to strive to exceed a 70% residential – 30% commercial real estate assessment ratio. Maintaining a healthy commercial ratio will help the County maintain current tax rates while continuing to enhance service delivery efforts – particularly in the area of Education.

While revenues are monitored continually, a report is compiled quarterly that depicts current year trends, receipts, and explains any unanticipated revenue variances. With the approval by the voters of a referendum on November 5, 2013 and subsequent ordinance approved by the Board of Supervisors on February 25, 2014, all revenues generated by a 4% tax on food and beverages sold in restaurants, commonly known as a "meals tax", will support the operations and capital infrastructure of Henrico County Public Schools.

Financial Guidelines (continued)

Fund Balance Guidelines:

The County has, over time, maintained a healthy unassigned fund balance – as compared to similar sized Virginia localities. As a percentage of actual General Fund expenditures, the County's unassigned (formally undesignated) fund balance has been:

FY99:	10.67%
FY00:	12.90%
FY01:	15.54%
FY02:	16.69%
FY03:	17.79%
FY04:	18.04%
FY05:	18.00%
FY06:	18.00%
FY07:	18.00%
FY08:	18.00%
FY09:	18.00%
FY10:	18.00%
FY11:	18.00%
FY12:	15.00%
FY13:	15.00%

During the FY2005-06 budget, the Board of Supervisors agreed with a policy recommendation to maintain the undesignated fund balance at a level of 18.0 percent of General Fund expenditures effective June 30, 2006. During the fiscal year-end closing of the County's books, any funding over the agreed upon level of unassigned fund balance will be allocated to a Capital Reserve Fund for future allocation as a pay-as-you-go funding source in the Capital Budget. The policy of maintaining this reserve will be examined on an annual basis, during the budget process.

During the FY2012-13 Approved Budget, the Board of Supervisors agreed to reduce the amount of unassigned fund balance maintained from 18.0 percent to 15.0 percent of General Fund expenditures. The one-time funding generated due to this reduction as of June 30, 2012 was assigned to a dedicated vehicle replacement reserve that was used to replace police vehicles, fire apparatus and school buses.

The County will not use its unassigned fund balance to subsidize current operations.

Note: The fund balance portrayal above is different than the analysis performed annually in the Trends document. The Trends portrayal examines the Unassigned Fund Balance as a percentage of revenues in the Operating Funds – which includes the General, Special Revenue and Debt Service Funds. The portrayal above reflects the County's Unassigned Fund Balance as a percentage of General Fund Expenditures.

Inter-Fund Guidelines:

The General Fund will be reimbursed annually by the Enterprise Fund for general and administrative services provided such as finance, personnel, and administration.

The General Fund will reimburse the Enterprise Fund, on an annual basis, for debt service requirements associated with the Elko Tract Infrastructure Improvement Bonds.

The General Fund will subsidize the Solid Waste Operation for costs not recouped from user fees associated with curbside recycling, bulky waste pickup, neighborhood cleanups and bagged leaf collection.