

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 Annual Comprehensive Financial Report (ACFR). To accomplish these tasks, the Department is comprised of administration and seven divisions: Real Estate Assessment, Revenue (split into Business and Vehicle sections), Accounting, Treasury, the Office of Management and Budget, Purchasing, and Risk Management, which is budgeted within the Internal Service Fund section of this budget book.

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 maintain and complete accurate accounting records for the county.
- To maintain the county’s AAA bond ratings through sound financial management, the accurate recording of financial activity, and the timely preparation of the Annual Comprehensive Financial Report (ACFR).
- 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.

FISCAL YEAR 2023 SUMMARY

Annual Fiscal Plan

| Description | FY21 | FY22 | FY23 | Change |
|----------------------|----------------------|----------------------|----------------------|-------------|
| | Actual | Original | Approved | 22 to 23 |
| Personnel | \$ 11,824,095 | \$ 13,613,795 | \$ 14,771,748 | 8.5% |
| Operation | 1,444,513 | 1,470,630 | 1,546,130 | 5.1% |
| Capital | 10,106 | 2,575 | 2,575 | 0.0% |
| Total | <u>\$ 13,278,714</u> | <u>\$ 15,087,000</u> | <u>\$ 16,320,453</u> | <u>8.2%</u> |
| Personnel Complement | 165 | 165 | 165 | |

PERFORMANCE MEASURES

| | FY21 | FY22 | FY23 | Change 22 to 23 |
|---|---------|---------|---------|--------------------|
| Workload Measures | | | | |
| Parcels of Land Reviewed | 119,000 | 120,550 | 121,000 | 450 |
| Vehicles Assessed | 397,458 | 399,616 | 400,000 | 384 |
| Business License Payments | 4,703 | 4,125 | 4,200 | 75 |
| Cashier Transactions Per Teller/Day | 108 | 200 | 150 | (50) |
| Accounts Payable Transactions | 207,629 | 216,372 | 227,000 | 10,628 |
| Credit and Debit Card Transactions | 361,481 | 500,000 | 400,000 | (100,000) |
| REAP Applicants | 6,241 | 6,081 | 6,100 | 19 |
| Electronic Check Payments | 392,962 | 450,000 | 400,000 | (50,000) |
| Tax Bills Generated | 852,983 | 800,000 | 850,000 | 50,000 |
| Effectiveness Measures | | | | |
| G.O. Bond Ratings | | | | |
| Standard & Poor's | 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 | 31 | 32 | 33 | 1 |
| Number of Years - GFOA Award for ACFR | 41 | 42 | 43 | 1 |
| Number of Years - GFOA Award for PAFR | 2 | 3 | 4 | 1 |

OBJECTIVES (CONTINUED)

- 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.

BUDGET HIGHLIGHTS

The Department of Finance's budget for FY23 totals \$16,320,453 representing an overall increase of \$1,233,453 or 8.2%, compared to FY22. The increase is partially attributed to employee compensation increases as well as rising benefit costs. An additional \$50,000 was added to the department's operational budget for ongoing employee training and education.

During FY21, the Department of Finance again received recognition from the Government Finance Officers Association (GFOA) for the Annual Fiscal Plan and the Annual Comprehensive Financial Report. The Department of Finance also received its third award for its Popular Annual Financial Report (PAFR).

In addition to sound fiscal planning, Henrico County also makes every effort to operate in a fiscally conservative fashion by maximizing efficiencies, prudently managing resources, and engaging in special initiatives to ensure the

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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 refunding. Also, the county continues the practice of conservatively estimating revenues and minimizing expenditures without compromising service delivery. In any economic environment, fiscal prudence, combined with proactive and pragmatic fiscal management, is of absolute necessity. Even as local economic conditions improve, economic challenges continue in other areas, which means Henrico County must continue to examine the processes by which it conducts business 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 dollars.

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 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.

REAL ESTATE ASSESSMENT

The Real Estate Assessment Division is responsible for the review and 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 within Title 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. Staff also provides valuation recommendations and administrative support to the Board of Real Estate Review and Equalization. New subdivisions, parcel splits, parcel combinations, deeds, wills, and other transactions recorded in the Clerk's Office of the Circuit Court of Henrico County are received and processed by the Real Estate Assessment Division. Also, the Real Estate Assessment Division administers a countywide Partial Real Estate Tax Credit program for qualifying rehabilitated properties and 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.

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 Revenue Division assesses approximately 25,000 businesses for either license and/or

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business personal property taxes and roughly 400,000 vehicles for personal property taxes. 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 also ensures compliance with the Personal Property Tax Relief Act, offers State Income Tax assistance to citizens, and 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. Eligibility for REAP currently requires a maximum net worth of \$400,000 and an income limit of \$75,000. The FY23 budget proposes to increase the net worth parameter to \$500,000. Those that meet these requirements may receive 100% relief, currently up to \$3,000. There are over 6,000 REAP participants who together saved \$9,624,119 in 2020.

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 the county's Annual Comprehensive Financial Report, maintains inventory records of county property, maintains and supervises fixed assets, grants accounting, and complies with IRS arbitrage and rebate requirements. The Accounting Division completes cash management reporting including bank reconciliations and the county's investment portfolio. 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. In addition, the Division processes approximately 25,000 payroll direct deposits/checks 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 and fees, as well as Department of Public Utilities (DPU), and parking ticket payments from citizens. Treasury is also responsible for billing approximately 800,000 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 is divided into three distinct areas: Cash Operations, Receivables and Account Maintenance, and Delinquent Accounts Collections. Treasury implemented a career development plan for non-supervisory personnel to encourage retention and provide advancement opportunities. These efforts are one of the Department's goals of becoming a high performing organization.

Treasury continues to expand billing and payment options for taxpayers and county customers. A Business Tax Filing and Payment Portal was launched May 2021. Payment methods at the government centers include cash, checks, pin-based debit cards, and credit and pin-less debit cards. Treasury offers several offsite payment methods to

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customers paying for county services, fees and taxes by offering lockbox services, e-box services that take ACH payments, credit/debit cards, by phone or the internet, electronic checks by phone or over the internet, off site cash payment locations, monthly ACH withdrawals, 24/7 drop boxes located conveniently at each government center, and in-person payments at the cashier windows at the government centers. A remote lockbox process is used to quickly deposit drop box payments for personal property and real estate taxes. Real estate and personal property tax bills are mailed in two installments, with due dates of June 5th and December 5th.

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 but conservative 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 the county, culminating in the Financial Trends Monitoring System. This document, which is completed every fiscal year, considers multiple economic factors and financial information to identify past trends that aid in the derivation of statistical models to accurately forecast the future county economic health.

It is also the responsibility of the 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.

PURCHASING

The mission of the Purchasing Division is to professionally procure all goods and services essential to Henrico County and Henrico County Public Schools (HCPS), 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.

The Division assures that Small, Women-Owned, and Minority-Owned (SWaM) suppliers have the maximum practicable opportunity to participate in county procurement transactions by developing and executing procedures in support of the Board of Supervisors' SWaM Supplier Policy. The county continues to reinforce and strengthen its commitment to an inclusive supply chain for the purchase of goods, services, insurance, and construction. Being "Customer Focused, Performance Driven," the Division continues to focus on education for staff and outreach for suppliers.

RISK MANAGEMENT

Risk Management, which is included in the Internal Service Fund section of the budget, and described further in a separate narrative, provides protection from accidental losses arising out of the County's General Government and Public Schools operations. Protection is provided through a combination of self-insurance, purchased insurance, and risk transfer mechanisms. The division is responsible for the management of the Self-Insurance fund, excess insurance coverages, certificates of insurance for proof of insurance, and provides oversight of workers' compensation claim administration and the administration of auto, property, and liability claims. The Risk Management staff provides training and guidance to all county agencies and Henrico County Public Schools to help identify and manage operational risks to minimize potential loss and liabilities. Additionally, Risk Management works in collaboration with Workplace Safety and Emergency Management regarding loss prevention, safety training, and environmental concerns.