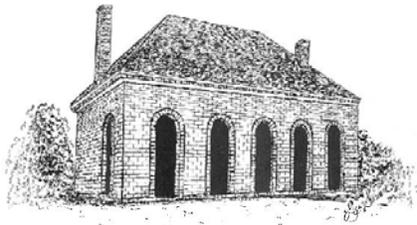


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*HANOVER COURTHOUSE*

## **HANOVER COUNTY**

ESTABLISHED IN 1720

### **COUNTY ADMINISTRATOR'S OFFICE**

**CECIL R. HARRIS, JR.**  
COUNTY ADMINISTRATOR

**FRANK W. HARKSEN, JR.**  
DEPUTY COUNTY ADMINISTRATOR

**JAMES P. TAYLOR**  
DEPUTY COUNTY ADMINISTRATOR

WWW.HANOVERCOUNTY.GOV

P.O. BOX 470, HANOVER, VA 23069  
7516 COUNTY COMPLEX ROAD, HANOVER, VA 23069

PHONE: 804-365-6005  
FAX: 804-365-6234

April 10, 2013

The Honorable Members of the Board of Supervisors  
County of Hanover, Virginia

Dear Members of the Board:

As I write this budget message for Fiscal Year 2014, we are seeing signs that our local economy is beginning to stabilize and we all hope this prolonged recession will soon be behind us. Fiscal Year 2014 ongoing revenues are anticipated to increase 1.3% from the previous year. This positive news, however, is tempered by the continued reductions in our real estate values for this budget year.

Four years of budget reductions have required us to become more efficient. However, we have also had to reduce many of the service levels we take pride in and are known for. While I would like to begin restoring selective levels of service, at our current tax rate we can only maintain what we have until our revenue growth is more significant and sustainable.

### **Local Economy and State Impacts**

Hanover has maintained a strong and stable business base throughout the recession and we expect modest growth in the coming years, particularly from small- and mid-sized businesses expanding and making investments. We also are encouraged about several announcements on the economic development front, including The Vitamin Shoppe building their flagship distribution center in Ashland, a \$39 million investment. This plant will open later this year and create about 170 jobs over the next 3 years. We were also pleased when Morooka America announced the opening of two plants which will create about 50 jobs in the next three years. These new employment opportunities and the continued resilience of our existing businesses

bring us hope that our unemployment rate, most recently 5.2%, will continue to improve along with the quality of life of our County's residents.

While I believe our local economy is stabilizing, there is some uncertainty with State and Federal budgets. In the Commonwealth's budget, local governments will no longer have to return State aid to the Commonwealth, as we have in the last five years. This change will allow Hanover County to retain State funding of approximately \$400,000. The Governor proposed State support for teacher pay raises, but unfortunately, it would cost the County more than \$2 million in local funding to match the state funding for eligible School employees only. School Superintendent, Dr. Jamelle Wilson and I feel that it is a priority to reward all of our employees, not a select group as the Governor's budget recommends. Unfortunately, this budget does not include the revenues to support a salary increase for our workforce.

### **Stabilizing General Fund Revenues**

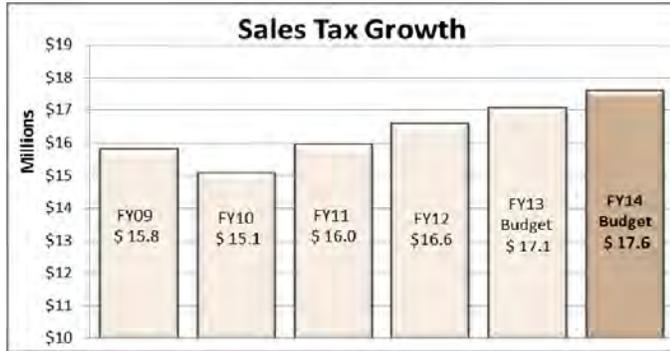
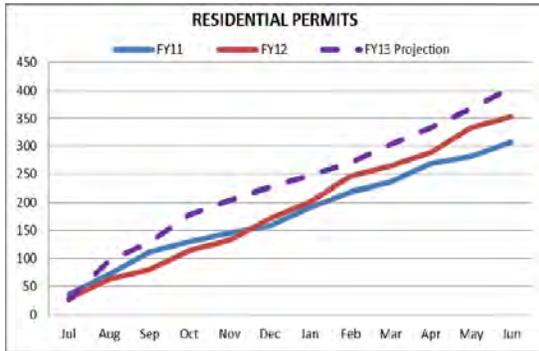
The economy's decline over the last five years has resulted in decreased local taxes for our residents, but has created growing financial challenges for local government because of our dependence on real property taxes. Since Fiscal Year 2009, County revenues have declined by nearly \$10 million. **Real Property Taxes** are down \$8 million or 8% since FY09 including the forecasted 1.0% decline in reassessments again in FY14. The County has worked hard to balance to the declining revenues, which have been compounded by corresponding inflation increases of over 6 percent over the same five-year period. By not increasing the



tax rate, we have offered relief to the taxpayers throughout the recession. Taxpayers have actually seen a decline in tax bills that will continue into next year. Had the Real Property Tax rate been annually equalized to produce the same amount of revenue, it would have increased 8 cents. Like many of our citizens, we have been living with less revenue while prioritizing our spending. The only fee or rate changes that are proposed in this budget are slight increases in EMS fees and an increase in the tax rate that applies to public service generating equipment.

Early indications for this fiscal year are that revenues are close to or perhaps above our budget assumptions. Our five-year plan assumes slow but steady economic growth over the next five years, with a modest recovery in real property revenues beginning in fiscal year 2015. New residential building permits issued were up 15% last year and show similar trends this year. There are also positive trends in personal property tax revenues which are estimated to

increase 3.8 percent or \$1.4 million in FY2014. Sales tax revenue is also expected to show a moderate increase of up to \$500,000 from the current fiscal year.

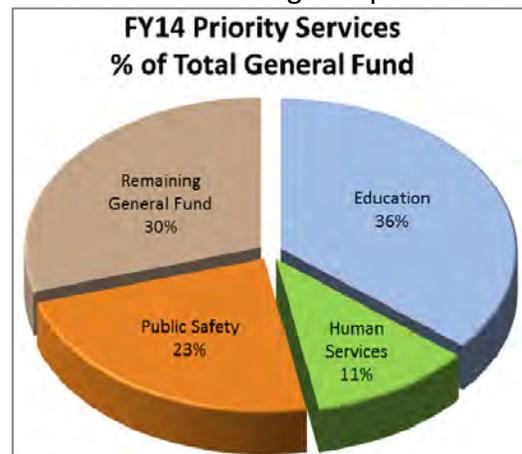


**How we have balanced the budget**

The leaner organization that we are today is evident when you compare the net changes in departmental budgets. Almost half of the County’s departmental budgets have decreased from last year while another 30% had slight increases of 1% or less. This brings the total decrease in our operating expenditures to \$20.5 million or 13.7% since FY09. In addition to savings identified in departmental budgets, we have continued the planned use of our prior year’s savings. We expect to draw down the balance of the reserve for revenue stabilization fund over the next two fiscal years.

**Board-adopted Strategic Focus Areas**

The Board adopted Strategic Focus Areas in September which include Education, Safety and Human Services. These areas comprise 70% of the FY14 General Fund budget expenditures. The local contribution to the **School** budget is \$74.9 million and is level with previous budgets net of the use of School reserve funds and the transfer of debt payments to the new Debt Service Fund. School enrollment and revenues have declined; however the percentage of our revenue which is directed to the Schools remains unchanged. The School Board, Dr. Wilson and her staff have made difficult decisions as they positioned the resources available to continue to provide superior classroom instruction. During this budget process, we have worked together to identify opportunities for consolidating the Accounting and Purchasing operations centrally in the County’s Department of Finance and Management Services. Our school system is critical to our mission of being a premier community. I thank them for their extended efforts to minimize the impact to our classroom



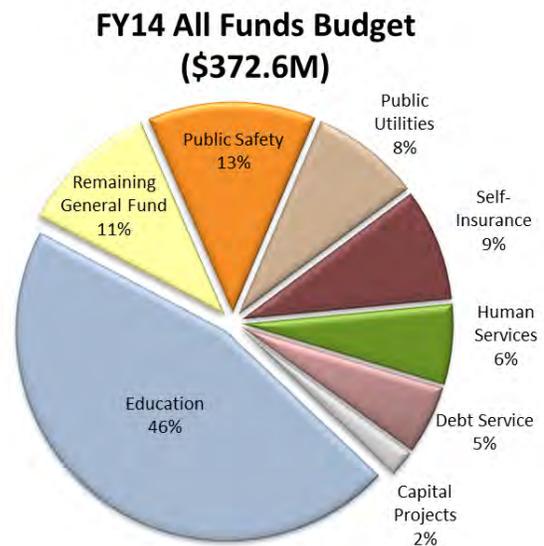
teachers and maintain student/teacher ratios. Together, the County and School Board leadership continue to prioritize our future through the education of our children.

**Public Safety** budgets total \$48.2 million and have remained relatively flat as a percent of the total General Fund for a second straight year. The Sheriff has worked within his budget and prior year's savings to fund three previously unfunded positions. Fire/EMS has developed a strategy to maximize fire truck replacement funding. The operating budget for Emergency Communications is up significantly because of the maintenance support agreement associated with the new 800 MHz radio system.

Funding has remained stable for **Human Services** budgets of \$23.0 million. This stable funding has enabled our Human Services departments to maintain State standards for benefits. While this area continues to be stressed by the demands of the recession, we have consolidated some management responsibilities and redeployed resources to Human Services departments to ensure that our services meet the County's goal of providing citizens with a higher quality of life and citizen independence.

### **Total Budget – All Funds**

The total FY14 budget for all funds is \$372.6 million. That reflects an increase of \$4.8 million or 1.3%, which is primarily in the Utility Fund. The Education budget is 46% of the total budget for all funds, which is comparable to prior year funding when considering that debt is no longer shown as part of the Education budget. The \$170.3 million of Education funding includes the School Operating, Textbook, Food Service and School Improvement Funds. The other Strategic Focus areas, Public Safety and Human Services, make up 19% of the total budget for all funds, or \$71.2 million. The General Fund portion of the total budget is basically flat from FY13 at \$207.8 million.



### **Investing in the Future**

As we navigate the path to financial recovery, I believe there are three areas that we should focus on. Our Workforce, Capital and Technology needs have been deferred during these difficult times and all three of these areas need resources for the future.

Our **Workforce** has continued to demonstrate their dedication to the citizens and the County. However, the leaner organization that we are today comes at a cost to our workforce that is not

reflected in the budget. Prior to the recession, we were able to invest in our employees with competitive salaries and benefits, pay increases and educational assistance. Most, if not all, of the employees have assumed additional duties. Unfortunately, this budget does not include any compensation increases for our employees but will reinstate the career development programs so that we can remain competitive with our peers and demonstrate to our employees the value we see in their professional growth. We anticipate health care rates for our employees will be stable for next year.

With the changes in our organization, pressures are building on our workforce and I am concerned about growing morale problems as employees take on additional responsibilities while continually falling behind in their take-home pay. One of our first priorities should be supporting our excellent employees, who are the key to the services we provide our citizens, and we need to be looking for opportunities to reward them.

Major **Capital** needs have been deferred and the focus of the capital improvements plan is on emergency vehicles and roads. Long term Capital projects such as a library, public safety training center and courts building that would require debt funding are removed from the Capital Improvement Plan. We must look to the future and develop funding strategies and savings plans for necessary Capital needs.

The FY14 budget begins to address the **Technology** needs. The FY14 County Capital Improvement Plan increase of \$1.5 million, or 45% from FY13, is primarily due to the use of \$950,000 of reserve funds for the replacement of the Public Safety Computer Aided Dispatch System. Our major business applications have all been evaluated to determine the necessary Technology investment strategy. The cost of replacing our outdated technology is estimated to exceed \$10 million. In the five-year plan, we have begun to save for future technology needs with annual expenditure savings. Current technology will reduce the workload impacts on our leaner workforce.

### **Public Utilities**

Public Utilities continues to find alternative solutions for managing operating costs while maintaining system infrastructure and service levels. However, challenges associated with regulatory mandates, aging facilities, and long term contracts for water and sewer treatment services are increasing budgetary pressures. Although the operating budget is relatively flat, a \$6.7 million increase in the capital budget consists primarily of a required plant upgrade (\$4.7 million) and other renewal projects. Most projects related to extending the service area have been deferred. This budget includes rate increases of 5% for water, 1% for sewer and 2.5% for capacity. Associated with the increase in capacity fees is a change to meter sizing policies that will reduce meter sizes for some new customers, which we propose to implement this spring.

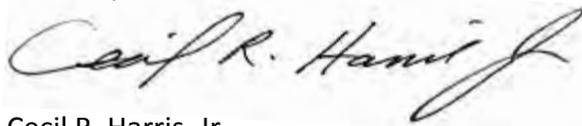
## Conclusion

This budget attempts to sustain major services without raising property taxes on our citizens. We have worked hard to achieve operational efficiencies and this budget continues that focus with the consolidation of the county and schools finance operations, along with outsourcing a significant portion of our grounds maintenance functions. This budget does not increase our citizens' real estate taxes; however, we will have to address revenue alternatives if the recovery assumptions are not realized in the five-year plan. If these revenue assumptions are not achieved, we would need a modest 2-3% increase in funding sources to maintain service levels.

It is our hope that we have seen the bottom of the real estate recession and that going forward our citizens will see appreciation in their homes and businesses. This, along with our economic development efforts, keeps me positive about the County's future.

In closing, I wish to express my appreciation to our dedicated Budget staff and our senior County and School leaders, whose efforts truly epitomize Hanover County's spirit of teamwork.

Sincerely,

A handwritten signature in black ink that reads "Cecil R. Harris, Jr." The signature is written in a cursive style with a large, sweeping initial 'C'.

Cecil R. Harris, Jr.

County Administrator



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## FY13 Initiatives Update

Following is a status update as of April 30, 2013 for the following Board of Supervisors Fiscal Year 2013 Initiatives, adopted by the Board on April 25, 2012:

- **Review and update the Comprehensive Land Use Plan:** The County reviews its 20-year Comprehensive Land Use Plan every five years, with the last update taking place in 2007. The current update began with a joint meeting between the Board of Supervisors, Planning Commission and Economic Development Authority in June 2012, following which the Planning Commission has conducted a series of workshops. Issues under consideration in this year's update include densities within the Suburban Services Area; new land use designation concepts; review of Economic Development Zones; and evaluation of Small Area Plans. The Planning Commission is holding work sessions with the goal of having the update completed by the end of FY13.
- **Review and update the Public Safety Strategic Plan, including a review of the Fire/EMS service standards:** The Public Safety Strategic Plan was adopted in 2007. Technology has changed significantly since that time and constraints on resources due to the ongoing economic recession have made this a good time to review the plan and engage the community in a discussion of what the service standards should be. A Steering Committee is beginning to align County-wide safety goals with department-specific strategies and plans to make a recommendation to the Board of Supervisors in the spring of 2013 after input from stakeholders.
- **Provide resources to assist the School Board in the update of their Education Strategic Plan:** The County provided resources to help the schools complete their 2012-18 Long-Range Plan, which was completed this past fall. The effort involved nearly 80 members of the community and school staff. The purpose of this document is to clearly define a foundation and a path to achieve the specific goals.
- **Identify compliance options for Chesapeake Bay and stormwater management mandates:** It has been estimated that coming into compliance with federal and state regulations designed to improve water quality in the Chesapeake Bay watershed will exceed \$15 billion for the Commonwealth of Virginia, its local governments, businesses and citizens. The largest portion of that will be the cost of meeting new stormwater regulations and most of that funding burden will fall on local governments. The County will be expected to begin complying with new Chesapeake Bay special conditions in state and federal permits effective July 1, 2013. Local government-imposed stormwater taxes or stormwater utility fees will likely become the main source for supporting the future costs of this program for existing developed land. The magnitude of these costs may vary greatly depending on the final state and federal implementation goals, but in every instance they are expected to be significant. The Department of Public Utilities has already started design and construction activities as part of a multi-phased, multi-year plan to bring facilities into compliance with new regulations. Current projects include initial upgrades to the Ashland Wastewater Treatment Plant at an estimated cost of \$500,000 in FY13 and to the Totopotomoy Wastewater Treatment Plant at an estimated cost of \$4.6 million in FY14.

## **FY13 Initiatives Update**

- **Develop objectives and key indicators for County Strategic Plan:** In July 2011, the Board of Supervisors adopted new Vision, Mission and Value Statements as the first step towards an overall County Strategic Plan. The purpose of this overall Strategic Plan will be to clearly identify the County's strategic focus areas. The Plan will also help define and illustrate the local government's role in helping County citizens and business attain a high quality of life. Seven strategic focus area teams consisting of over 70 employees (senior leaders and other key service or technically-skilled employees) developed goals, strategies and objectives for education, community, safety, economic development, human services, stewardship and service and engagement – the components of the overall strategic plan. The Board adopted this Overall Strategic Plan in September 2012. With an Overall Strategic Plan developed, individual strategic plans can be developed for each focus area and community engagement sought. Key indicators will also be developed and then monitored to help better illustrate overall Strategic Plan performance.
- **Complete the comprehensive reorganization and re-codification of the Zoning Ordinance:** As part of its FY2012 Initiatives, the Board directed Planning staff to draft a reorganization of the Zoning Ordinance. Since its initial adoption in 1959, the Ordinance has been amended numerous times, which has resulted in a document that is no longer well organized and often challenging to follow. This effort will reorganize elements into a logical sequence, modernize terminology where necessary and remove ambiguities where they exist. This initiative does not include modifications to current policies or changes to zoning practices. This initiative was completed in January 2013.

## FY14 Adopted Initiatives

The following initiatives for Fiscal Year 2014 were adopted by the Board of Supervisors on February 13, 2013:

- **Develop capital plans to meet general government and school renovation and improvement needs utilizing the debt service savings plan as a primary funding source:** Current debt service will decrease approximately \$12 million over the next five years, creating funding capacity for short-term capital improvement needs and related debt funding if necessary. The Board of Supervisors is in the process of determining priorities for the potential use of the debt service savings plan.
- **Complete the Comprehensive Plan 2012-32 update:** The Planning Commission has been holding public workshops for several months and anticipates holding a public hearing on June 13, 2013. It is anticipated that the Planning Commission will be able to make a recommendation to the Board of Supervisors this summer, with the Board then scheduling public input sessions.
- **Develop a County Plan to meet Chesapeake Bay & stormwater management mandates:** Staff is in the process of developing this plan, which will first go to the Board's Community Development Committee for recommendation to the full Board.
- **Further explore efficiency of collaboration between general government and schools on related functions:** School Board and County staff reviewed workflows, staffing, systems, policies and practices. The FY14 budget included consolidation of the processing and financial reporting functions of the accounting, debt, external audit, accounts payable, payroll and procurement operations and staff centrally within the Department of Finance and Management Services. Staff will analyze if opportunities for future consolidation exist in such departments as General Services, Human Resources and Information Technology.
- **Update the Human Services Strategic Plan:** The Human Services Strategic Plan has reached the end of its five-year span and is due for an update, including revisiting the goals of the current plan.
- **Develop strategies for increasing inventory of Tier 3 (prime) commercial property by at least 100 acres:** Hanover County does not compare favorably with Richmond, Henrico and Chesterfield in terms of commercial property available. Competiveness for these prospects is severely limited by a lack of available pad-ready sites and buildings. To be effective, any long-term economic development strategy must include the aggressive development of available pad-ready sites and buildings. Staff is currently in the process of developing these strategies.
- **Petition for termination of coverage of the preclearance requirements under Section 5 of the Voting Rights Act:** Staff filed the County's Complaint seeking exemption from

## **FY14 Adopted Initiatives**

preclearance requirements with the D.C. District Court on April 30, 2013 and a three judge panel has been appointed to hear the case.

- **Update Information Technology Strategic Plan:** The current IT Strategic Plan 2011-14 provides direction for technology investments and operations. New technology capabilities and changing business needs will be used to update the current plan. Input will be provided by senior leadership, departments, and research into best practices. This Board initiative will result in a new IT Strategic Plan 2015-18.

# Hanover County FY14 Adopted Budget Highlights

## Quick Facts of the FY14 Adopted Budget:

The FY14 adopted budget is \$372.6 million, a 1.3% increase from the current year.

The County's General Fund budget is \$207.8 million, a 0.3% decrease from the current year.

## Highlights of the FY14 Budget:

- All residential property tax rates remain unchanged.
- Real Property revenue decrease of \$350,000 or (0.4%) below FY13 budget. This assumes a conservative 1% decline in assessments in 2014.
- Personal Property increase of \$1.4 million or 6.3% above FY13 budget.
- Continued strategic use of Reserve for Revenue Stabilization to weather recession.
- Creation of a new Debt Service Fund for School and County debt costs.
- Intergovernmental revenues to the General Fund increase \$919k or 3.0%: 1) elimination of the requirement to return \$400,000 of state funding back to the Commonwealth; 2) increases in human services program reimbursements; and, 3) federal revenue to subsidize debt is reduced from the General Fund and now recorded in the new Debt Service Fund.
- Priority was given to maintaining service levels as much as possible in the areas of Public Safety, Education and Human Services which comprise 70% of the General Fund budget.
- Public Utility 5% water rate increase equals just under \$2 more per bill; the 1% wastewater rate increase equals \$0.75 per bill on average.

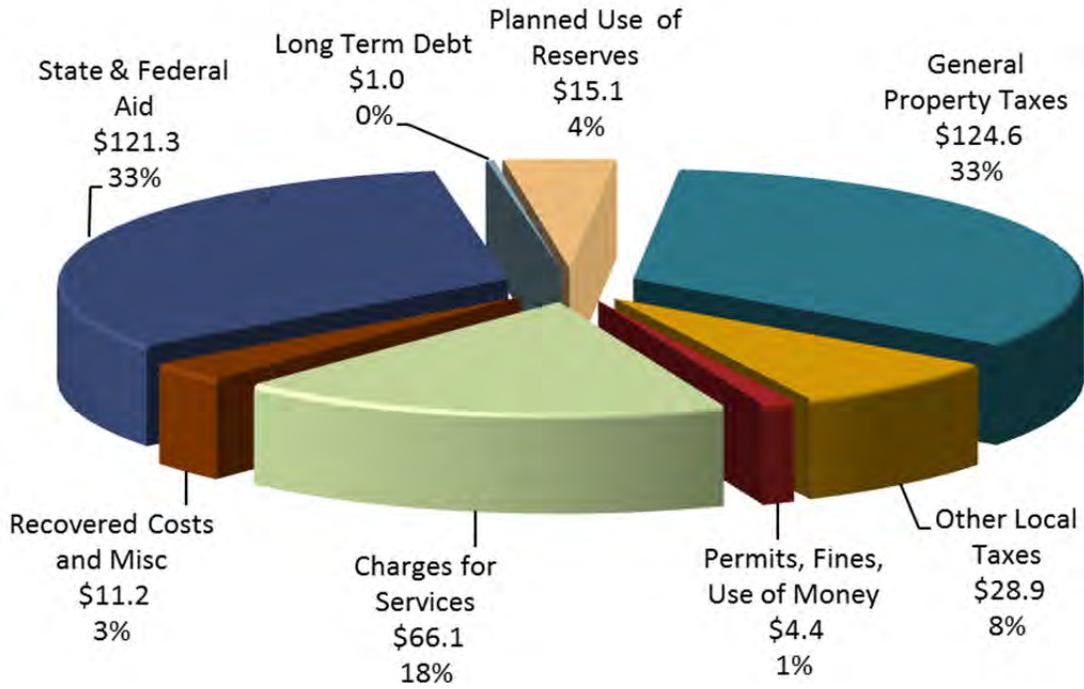
## Schools

- Local contribution to the Schools is \$74.9M – an \$18.6M or 20% decrease from the prior year.
  - \$15M reflects debt service moving from the Schools budget to a separate fund
  - \$3.2M is a reduction in the use of one-time revenue
  - \$350k was reduced due to the transfer of some financial and purchasing functions from the Schools to the County
- Elimination of 36.8 leadership, support staff, vacant and instructional positions.

## County Staff

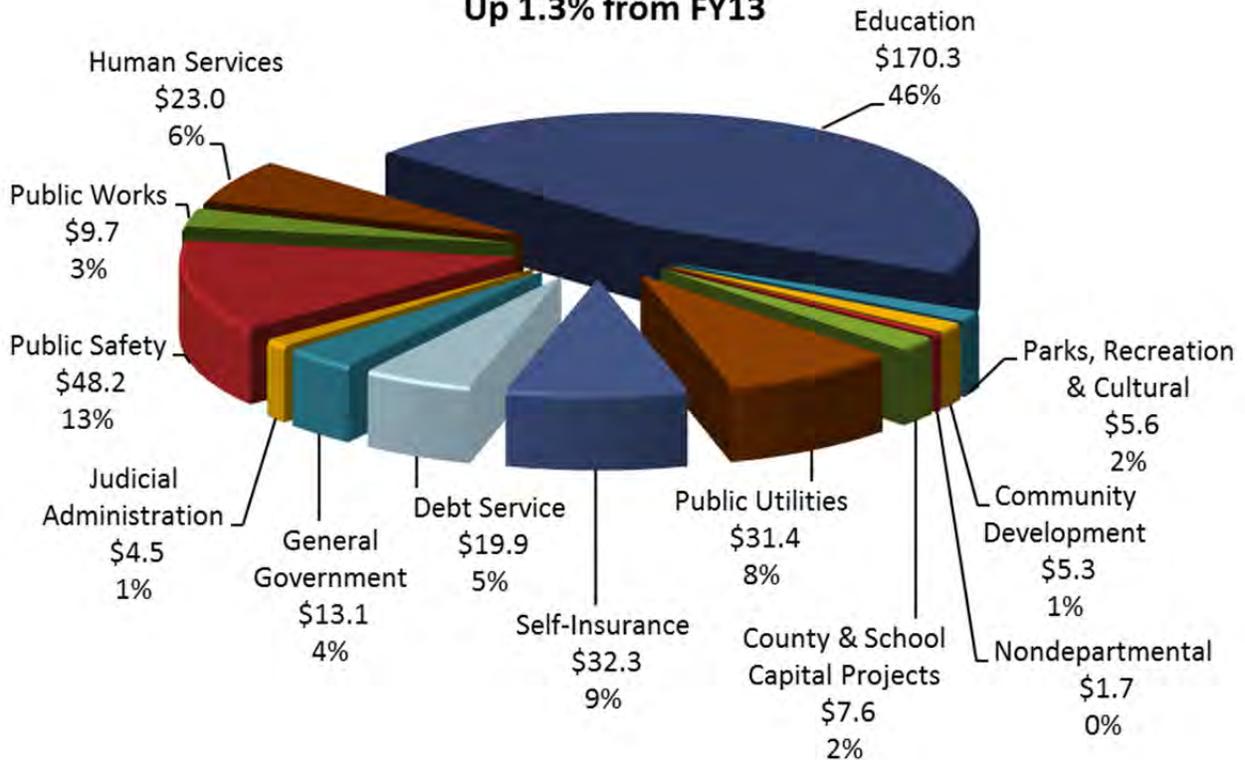
- General Fund staffing increase of 1.6 positions. The consolidation of financial and purchasing functions with the Schools results in the transfer of 6 positions from the Schools to the County. This is offset by the elimination of 4.9 vacant positions in multiple departments and the creation of a part-time position in the Treasurer's Office. Additionally, Public Utilities staffing is decreasing by 2 positions.
- Health insurance is budgeted to increase 4% for the employer. The employee contribution is expected to remain unchanged.

## FY14 All Funds Revenues



## FY14 All Funds Expenditures

**\$372.6M Total**  
**Up 1.3% from FY13**



## **Appendix to County Administrator's Letter**

While the preceding County Administrator's Letter is meant to highlight the budget, the following supplemental information details the more specific changes in the budget. The purpose is to provide a summarized version of the manner in which the County's budget funds are allocated, the sources of such funding, long-term financial planning and other items illustrating how the County attempts to provide the services needed and desired by the citizens in an efficient and effective manner. The following areas are presented:

- Employee Compensation and Benefits
- General Fund – Revenues by Category
- Expenditures by Function
  - Public Schools
  - Public Safety
  - Human Services
  - Parks, Recreation and Cultural
  - Community Development
  - Public Works
  - General Government
  - Judicial Administration
  - Nondepartmental
- County and School – Debt Service Fund
- County and School – Five-Year Capital Improvements Program
- Public Utilities – Operating Budget and Five-Year Capital Improvements Program
- Financial Condition Overview
- Economic Development Update

### **EMPLOYEE COMPENSATION AND BENEFITS**

The Board of Supervisors has long recognized that competitive employee compensation is critical to the County's success. Recognizing that compensation is only one aspect of a quality work environment, the County has traditionally focused on employee development in addition to the maintenance of competitive compensation and benefits. While competitive compensation is crucial to the strength of the locality, revenues have not grown to a level that will support a compensation increase for FY14.

- Career ladders have been developed for many positions in the County to recognize the advancing achievements of the workforce during their careers with the County. Although this program was suspended in FY13, funding has been made available in this Five-Year Plan to support this program.
- The 2012 Session of the General Assembly ended with substantial changes to the Virginia Retirement System (VRS). Due to the extended nature of the session, the legislation was not passed until after adoption of the County's FY13 budget. As a result, the County passed an amendment on May 23, 2012 to recognize the cost of implementation of the VRS change that required the employees to pay the employee portion of their retirement that had previously been paid by the County. Additionally, the legislation required that this five percent (5%) employee contribution be matched by an increase in compensation of five percent (5%). These amendments were the basis for the FY14 personnel costs.

## Appendix to County Administrator’s Letter

**Self-Insurance Fund (\$1.1 million a 3.3% decrease):** The Self-Insurance Fund provides for health insurance payments through employer contributions and employee deductions and other post-employment benefit (OPEB) payments. This program serves all County entities, including the Pamunkey Regional Jail and Pamunkey Regional Library. The opt-out credit is \$100 annually for employees that do not elect health insurance through the County, and provides \$50,000 for the employee health and wellness program funded with revenues from our insurance carrier. The increase in FY14 expenses is based on market trend increases in health care claims. Employee premiums are anticipated to remain unchanged from FY13. Employer health insurance costs will increase 4% to \$7,444 for each full-time participating employee.

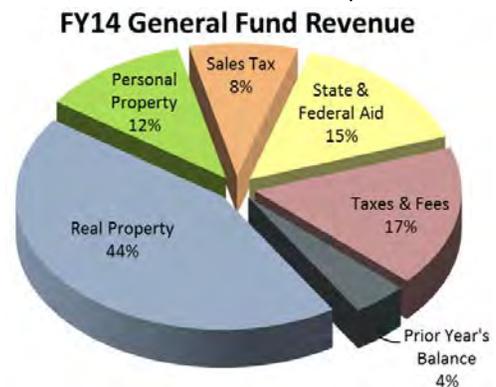
### GENERAL FUND

The General Fund serves as the primary operating fund from which nearly all County services receive all or most of their local funding. In addition to specific funding adjustments noted in other sections, the budget is prepared to accommodate service level changes with many areas of the County’s operation being mandated by Federal or State law for which budgetary control is always a challenge.

### GENERAL FUND – REVENUES BY CATEGORY

Available ongoing revenues in the General Fund have resulted in an overall increase of \$2.5 million or 1.3% due mainly to growth in personal property and sales tax as well as the elimination of the State’s required return of funds. After factoring in one-time funding sources, the General Fund budget is decreasing \$642,000 or 0.3%.

The following revenues have been highlighted to reflect the County’s reliance upon these revenue sources. In order to align revenues with specific expenditure functions, the revenues related to Schools and Public Utilities are addressed under their applicable expenditure by function narratives.



**Real Property Taxes (\$90.8 million, a \$350,000 and 0.4% decrease):** The total value of taxable real estate in the County decreased to \$12.0 billion for January 2013 (2.4% decrease from reassessment and a 0.9% increase from new construction and growth). The total revenue includes \$165,000 of incremental revenues generated by the Lewistown CDA, which will be transferred to the Lewistown CDA fund upon receipt.

**Public Service Corporation Taxes (\$4.5 million, a \$450,000 and 11.1% increase):** This revenue category is a compilation of businesses that are directly assessed by the State Corporation Commission (SCC) and have property tax rates, as applicable, that are the same as those classified under real and personal property tax categories. The increase is attributable to an increase in the generating equipment rate from \$0.55 to the maximum allowed of \$0.81 (or the rate equal to the local real property tax rate).

## **Appendix to County Administrator's Letter**

**Personal Property Taxes (\$24.0 million, a \$1.4 million and 6.3% increase):** Personal property tax revenue is based upon our preliminary assessment of existing vehicle sales and continued conservative assumptions for new vehicle purchases. The State's fixed allotment of \$15.0 million for car tax relief is recognized as non-categorical State revenue. The actual percent relief to be applied to the taxpayer's bill is quantified in September of each year with completion of vehicle assessments. The 64% State relief for 2011 was reduced to 60% for 2012.

**Sales Taxes (\$17.6 million, a \$510,000 and 3.0% increase):** The current year trend for sales tax is up from FY12, and is projected to increase in FY14 by 3.0%. Sales Tax is expected to increase annually by 4.0% – 5.0% throughout the County's Five-Year Plan. The total sales tax includes \$250,000 incremental sales tax revenue generated by the Lewistown CDA.

**State and Federal Revenues (\$31.1 million, a \$918,858 and 3.0% increase):** The State budget assumptions were based on the information available from the Governor's 2012-2014 biennial budget as well as pending legislation currently under consideration in the General Assembly. Funding has been maintained for State support of local offices. Increases in this category are due to the elimination of the requirement to return a portion of State funding and increases in reimbursements for Social Services and the Sheriff's Office.

**Charges for Services (\$6.3 million, a \$40,650 and 0.6% decrease):** These revenue accounts include all of the user-related fees the County charges for services. The largest items in this category are Community Services Board charges, EMS cost recovery fees and Parks and Recreation fees.

**Revenue from Use of Money & Property (\$664,000, a \$94,700 and 12.5% decrease):** The FY14 budget anticipates a decrease in interest income from FY13. The decrease in this category is also attributable to the elimination of a lease of one of the former Community Services Board facilities.

### **EXPENDITURES BY FUNCTION**

The following section of the budget synopsis illustrates all the functions of the County. Under each functional area are the departmental budgets with the dollar and percentage change noted. A brief description of a department's function and budget is presented on the departmental pages later in the document. Generally, all functional areas of the County are impacted by the current and projected economic climate. County-wide, departments are continuing to adjust to the staff reductions of prior years, and a Service Level Plan that primarily addresses equipment replacements without additions.

#### **PUBLIC SCHOOLS**

The County and School staffs continue to enjoy a solid working relationship to ensure that funding is provided and managed to meet the challenges and opportunities that accompany a successful school community. The School Board operates the 15<sup>th</sup> largest division in the Commonwealth, consisting of 25 schools throughout the County with a projected FY14 enrollment of 17,810 students (18,951 including non-K-12 students). The School Board is committed to preserving the core values of the Division during this time of economic recession and enrollment change.

## Appendix to County Administrator's Letter

**School Operating Budget (\$17.7 million and 9.8% decrease, 21.2% local decrease):** Complete detail of all funds can be found in the School Board's Adopted FY13-14 Budget, which can be accessed on the School's website at <http://hcps2.hanover.k12.va.us>.

**Textbook Fund Budget (\$502,646 and 93.0% increase):** The budget reflects a substantial increase over previous years to allow the program to rebuild from the previous reductions. There is local funding for this program in FY14.

**Food Services Budget (\$25,110 and 0.3% decrease):** The Food Services budget is based upon continued participation of elementary and middle schools in both the National School Breakfast and Lunch Programs. There will be a price increase of \$0.05 cents for student and adult breakfasts and \$0.10 cents for lunches. There is no local funding for this program.

**School Capital Budget:** The \$2.8 million capital budget is funded with \$1.8 million of cash and \$1 million of debt. Funded projects include:

Facilities Renovation	\$ 1,000,000
Computer Replacement	\$ 1,820,000



### **PUBLIC SAFETY**

**Fire/EMS (\$72,449 and 0.5% increase, 3.0% increase in local funding):** The FY14 budget for this department will remain relatively flat from FY13. There are operating increases for restored funding for leased trailers used as EMS classrooms and vehicle gas. However, those increases were negated by substantial decreases in funding for uniforms and wearing apparel, education and recreation supplies, noncyclical computer replacement, and educational training. Included in the Service Level Plan for FY14 are two (2) replacement vehicles for the administrative fleet. The personnel increase is due primarily to employee career development and moving a portion of the wireless communication costs from operating to personnel in the form of a stipend. Costs for the Line of Duty Insurance, an unfunded mandate, increased as well. The personnel category also includes pooled funding for non-benefitted employees. The Fire/EMS portion of the capital budget includes \$250,000 for the fire engine and heavy rescue apparatus replacement plan as well as \$376,000 for the ambulance replacement plan. The reduction in intergovernmental revenue is attributable mainly to the expiration of two (2) federal grants; 2011 Assistance to Firefighters Grant (AFG) and 2009 Urban Areas Security Initiative (UASI) Communications Grant.

**Sheriff's Office (\$450,272 and 2.2% increase, 2.7% increase in local funding):** The FY14 Sheriff's Office Service Level Plan has \$852,800 for twenty-nine (29) replacement vehicles, sixteen (16) mobile data terminal replacements, and an Extended Range Situational House. The personnel increase is due mainly to added funding for three (3) Deputy Sheriff's positions that were previously vacant unfunded. The cost of career development was mostly offset by six (6) less employees opting for health insurance coverage. The operating increase is due primarily to increased funding for vehicle gas.

## **Appendix to County Administrator's Letter**

The Sheriff's Office also includes the Court Services division (addressed under the Judicial Administration function). Total funding provided to the Sheriff's Office, including Court Services, is \$21.9 million, a \$464,739 and 2.2% increase.

**Emergency Communications (\$408,734 and 8.8% increase; 8.4% increase in local funding):** The FY14 Emergency Communications Service Level Plan has \$30,200 for a radio calibration monitor and CALEA accreditation. The operating budget is up significantly because of the maintenance support agreement associated with the new 800 MHz radio system. Operating expenditures were partially offset by decreases in both repair and maintenance and electrical services. The personnel category does include pooled funding for non-benefited employees.

**Animal Control (\$20,891 and 2.2% increase):** The overall FY14 budget for this department increased by 2.2% from FY13. The personnel decrease is due primarily to filling three (3) vacant positions at lower rates of pay. The operating increase is due mainly to funding for physicals, restored funding for repair and maintenance, small capital to replace animal cage front doors, and increased funding for professional services and vehicle gas.

**Juvenile Court Services Unit (\$62 and 0.0% change, 0.0% change in local funding):** The budget is primarily comprised of the cost of housing juvenile offenders who are placed at the Merrimac Juvenile Detention Center as well as other community programs provided to address accountability, public safety, and treatment (e.g., case management, probation, electronic monitoring, community service, and treatment groups). The overall FY14 budget for this department will remain flat from FY13. The slight increase in personnel expenditures is due to increased benefit costs. The personnel category does include pooled funding for non-benefitted employees.

**Pamunkey Regional Jail (\$30,011 and 0.6% decrease):** This budget reflects the per diem costs (\$47.59 per day) to house inmates as part of the County's participation in the Pamunkey Regional Jail Authority (PRJA). The daily per diem rate has decreased for FY14. The costs for housing inmates have benefited from the economies of scale of the larger jail operations as well as the benefits of using available capacity for bed rentals to other governments.

**Community Corrections (\$2,202 and 0.5% decrease, 5.9% increase in local funding):** Community Corrections is required to provide pre-trial services to those deemed necessary by the Court. The Department of Criminal Justice Services provides a grant to Community Corrections. The overall FY14 budget for this department will remain relatively flat. The significant reduction in operating expenditures is due mainly to the termination of a lease agreement.

**Building Inspections (\$2,893 and 0.2% increase):** The FY14 Building Inspections budget will remain relatively flat overall. The slight personnel increase is due in part to increased benefit costs. The operating decrease is due primarily to computer related purchases that were funded in the prior year.

## Appendix to County Administrator's Letter

### HUMAN SERVICES

**Social Services (\$86,833 and 1.7% increase, 6.4% decrease in local funding):** Social Services is the primary local agency meeting the social service needs of individuals that arise from a variety of circumstances and who are being impacted dramatically by the downturn in the economy. Changes in the FY14 budget are correlated to serving individuals in mandated programs. All of the federal, state and/or local service standards have been met or exceeded (i.e. time application processing of the Supplemental Nutrition Assistance Program - SNAP, Medicaid, and Temporary Assistance for Needy Families – TANF). The increase in personnel is due mainly to the transfer of the CSA employee to Social Services. The full-time equivalent increase is also due to that transfer and the reclassification of a part-time benefitted employee in FY13. The operating increase is due mainly to an increase in adoption subsidy program funding.

**Community Services Board (CSB) (\$232,916 and 2.3% decrease, 0.2% increase in local funding):** The total CSB FY14 budget is \$9.9 million and reflects an overall decrease of 2.3%. The personnel decrease is due primarily to a reduction in the number of employees opting for health insurance coverage and the elimination of a vacant Account Clerk position. The personnel category does include pooled funding for non-benefitted employees. The reduction in revenue from use of money and property is the result of a property sale to a vendor that once leased county owned property. Revenue from the general fund is to remain unchanged from FY13.

**Comprehensive Services Act (CSA) (\$83,990 and 1.5% increase, 3.0% decrease in local funding):** The increase in the FY14 operating budget is due to an anticipated increase in mandated expenditures. The state revenue increased proportionately while general fund revenue remains flat. The state revenue reflects a decision by the County beginning in FY12 to no longer charge a prorated share of the State reversion account to the CSA State revenue. The personnel decrease is due to the department employee being transferred to the Social Services department.

**Community Resources (\$116,157 and 28.3% decrease, 33.3% decrease in local funding):** The personnel decrease is due to the elimination of a vacant funded Director position. The operating increase is due primarily to an increase in fees and miscellaneous charges.

**Health Department (\$0 and 0.0% change):** This budget represents the County's required funding of a 45% share of this State agency budget. The Health Department represents a stand-alone State function for which the County's share changes in proportion to State funding of this service. There will be no increase in local funding for FY14.

**Tax Relief for the Elderly and Disabled (\$0 and 0.0% change):** Enhancements to the relief program were adopted by the Board of Supervisors in October 2007 to increase the eligibility criteria for gross income limit to \$50,000, including the acreage exclusion to ten acres, maximum allowable net worth to \$200,000, and removed the maximum discount that could be received by participants. The primary reasons for the flat budget are that it appears that this program has reached a majority of the potential qualified population and the taxable value of real property has leveled, thereby stabilizing the value of the eligible property.

## **Appendix to County Administrator's Letter**

### **PARKS, RECREATION AND CULTURAL**

**Parks and Recreation (\$31,999 and 1.0% increase, 0.6% decrease in local funding)**: The personnel decrease is due primarily to the elimination of two (2) vacant Groundskeeper positions. The operating increase is due primarily to the merger of Senior Travel Commission budgeting into the Parks and Recreation operating budget. The personnel category includes pooled funding for non-benefited employees associated with the Youth Summer Programs.

**Pamunkey Regional Library (\$0 and 0.0% change)**: The County has benefited greatly as part of the Pamunkey Regional Library System that serves four counties. The County and the Pamunkey Regional Library often refer to the goal to have a ratio of 0.6 per square feet of library space per person in the County. With the replacement of the Mechanicsville Library the County's ratio is 0.43. The Library's budget is to remain flat in FY14.

### **COMMUNITY DEVELOPMENT**

**Economic Development (\$10,049 and 1.0% decrease)**: The overall FY14 Economic Development budget decreased from FY13. The personnel increase is due mainly to increased benefit costs. The operating decrease is due primarily to a reduction in maintenance service contracts and from moving a portion of wireless communications to the personnel category in the form of a stipend. Economic Development also provides administrative oversight over the following fund:

- **Economic Development Authority (EDA) Fund (\$28,925 and 11.5% increase)**: The EDA issues tax-exempt bonds for qualifying projects and partners with local developers in furthering economic development goals. The budget consists of fees to partially recover Economic Development costs on revenue bonds issued. Revenues are up slightly due to additional bond issuances.

**Planning Department (\$11,249 and 0.6% decrease)**: The FY14 budget for this department has decreases in both personnel and operating budgets. Due to the lagging economic recovery, one (1) full-time Deputy Director position was eliminated. The overall decrease in the operating budget can be attributed to reductions in professional services. The personnel category does include funding for non-benefited Board and Commission members.

The budgets of the following community development divisions are generally small in scope and require little administrative oversight of the budget for the two divisions:

- **Extension Service (\$12,735 and 13.0% decrease)**: This function represents the County's share in participating in the State extension service (administered by Virginia Tech), which has been a valuable resource for our agribusiness and residents interested in horticulture, 4-H, and various other industry related programs. The decrease is due mainly to the elimination of a building lease for office space and moving the department to county owned and maintained facilities.
- **Soil and Water Conservation District (\$0 and 0.0% change)**: This is the County's share for participating in this district, which serves residents in conservation planning and education. Due to the current economic climate, the local contribution will remain flat in FY14.

## Appendix to County Administrator's Letter

**Community Support (\$38,210 and 3.5% increase):** The contributions to various local and regional entities are classified under community development to reflect their community support intentions. Although the FY14 budget for Community Support reflects an overall increase, contributions to funded agencies have been held steady. One agency, Hanover Habitat for Humanity, was restored in FY14 as funding appropriated a few years ago had been stretched across fiscal years and has now been exhausted. Regional agency contributions were held flat and the only increase was offset by revenue.

### **PUBLIC WORKS**

**Public Works (\$15,343 and 0.9% decrease, 1.8% decrease in local funding):** The FY14 budget for this department will remain relatively flat. Slight increases in office supplies and vehicle gas were primarily offset by the elimination of print shop funding. Funding has been included for automated stormwater facility monitoring (\$13,100) and the MS4 permit fee (\$3,000). The slight decrease in personnel is due mainly to a reduction in pooled funding for non-benefitted employees and the elimination of a transitional salary. There are no changes relative to the operation of the Cannery.

In the Capital Improvements Program (CIP), the funding of roadway improvements continues in the amount of \$1,250,000 (\$250,000 from the General Fund) and \$164,700 for regional stormwater implementation.

Public Works also provides administrative oversight over the following divisions:

- **Public Works Operations (\$146,382 and 3.8% decrease, 2.5% increase in local funding):** The FY14 budget combines the Recycling Service District budget with Public Works Operations. The Recycling Service District budget has been re-stated in this document for FY12 and FY13. The FY14 Service Level Plan for this division consists of \$76,170 for operational equipment (e.g. roll off containers and compactor systems). The reduction in operating is due mainly to substantial savings achieved through a rate reduction for contracted disposal services. The increase in personnel is due primarily to career development and restored pooled funding for a non-benefitted employee. In FY14 the contracted recycling collection rate with the Central Virginia Waste Management Authority (CVWMA) will increase to \$24.00 per lot in participating subdivisions for the purpose of funding recycling services.
- **Airport (\$266,081 and 33.3% decrease, 1.1% decrease in local funding):** The County has a fixed-base operator (FBO) in a lease agreement managing the Hanover Airport. The FY14 budget includes a slight increase in personnel due to increased benefit costs and a flat operating budget. The reduction in the capital improvements program is primarily due to land acquisition and perimeter security fencing that were funded in FY13. Also, Federal Aviation Administration (FAA) discretionary funds will be leveraged to complete obstruction removal, thus decreasing the amount of local funding. The local funding supports one (1) County employee as well as maintenance and improvements to the airfield and terminal facilities.

## **Appendix to County Administrator's Letter**

**General Services (\$28,879 and 0.8% increase):** Beginning in FY14, the General Services department will no longer provide print shop services to other departments, which results in a reduction in "other revenue". General Services also has \$88,000 in capital funding for FY14. The operating decrease is due primarily to reductions in heating and electrical services. Also, a portion of wireless communications funding has been moved from operating to the personnel category in the form of a stipend.

### **GENERAL GOVERNMENT**

The County continues to pride itself on providing high quality and technologically-current services to citizens in the most efficient and effective manner. This is further supported by the State's composite of the general government administration function statewide in which the County's cost for providing such services is 73.5% of the statewide per capita average. The following summarizes the operating budgets for these administrative departments:

**Board of Supervisors (\$2,158 and 0.4% decrease):** In FY14, the overall department budget will remain relatively flat. The slight personnel decrease is due mainly to one (1) less employee opting for health insurance coverage. The FY14 Service Level Plan does not contain funding for additional updating of audio visual equipment in the Boardroom. These matters will be addressed on an as needed basis by priority.

**County Administrator's Office (\$9,858 and 0.9% increase):** The increase in operating is due mainly to increases in professional services for the department's share of an annual laserfiche contract, printing and binding associated with publication of the Hanover Review, and vehicle gas. The personnel increase is due primarily to increased benefit costs and moving a portion of wireless communication costs from operating to personnel in the form of a stipend.

**Human Resources (\$11,040 and 1.6% increase):** The personnel increase is due primarily to an additional employee opting for health insurance coverage. The increase in operating is due mainly to increased funding for contractual services. As a continued cost savings measure, there is no funding for the county-wide tuition reimbursement program in FY14.

**County Attorney's Office (\$10,171 and 1.0% decrease):** The operating budget for this department will remain relatively flat in FY14. The personnel decrease is due mainly to the removal of a transitional salary. This budget includes funding for a non-benefitted employee. The department will continue with reduced employee hours for one (1) position in FY14.

**Commissioner of the Revenue (\$35,729 and 2.9% increase, 1.2% increase in local funding):** In addition to the many services provided by this office, two high volume activities include: 179,628 personal property taxpayer items valued in 2012 and approximately 3,382 State income tax returns requiring processing assistance. The FY14 budget does include pool funding for non-benefitted employees in the personnel category. The increase in other revenue represents a projected increase in DMV Select revenue. The FY14 Service Level Plan for this department consists of \$15,000 for a large format scanner.

## **Appendix to County Administrator's Letter**

**Assessor (\$22,030 and 2.7% increase):** The personnel increase is due mainly to the removal of a transitional salary and added funding at grade minimum for a vacant Chief Assessor position. The operating increase is due primarily to printing and binding for an increased number of assessment notices and vehicle and powered equipment.

**Treasurer (\$28,234 and 2.1% increase, 0.4% increase in local funding):** The operating increase is due primarily to increases in professional services, printing and binding, and one-time funding for a laserfiche module. The increase in the personnel category is due to the reclassification of a non-benefitted employee to benefitted status. The personnel category does include pool funding for non-benefitted employees.

**Finance & Management Services (\$425,541 and 31.8% increase):** The personnel increase is due mainly to the addition of an Accounting Supervisor, two (2) Purchasing Officers, and three (3) Financial Technicians. All of these positions were transferred to general government from the School System as the result of a consolidation plan. There is a slight decrease in operating due primarily to the transfer of arbitrage and trustee fees to the new Debt Service Fund.

**Internal Audit (\$10,521 and 4.2% increase):** The decrease in operating is due primarily to reduced funding for educational training and the elimination of wireless communication costs. The personnel increase is due primarily to filling the vacant Internal Audit Director position at a higher rate of pay. There will be no change in the hours assigned to the part-time position, and the Average Audit Cycle will remain at 9 years.

**Information Technology (IT) (\$28,966 and 0.7% increase):** The overall budget increase for this department in FY14 is less than one percent. The personnel increase is due mainly to turnover. Also, a portion of the wireless communications budget has been moved from operating to personnel in the form of a stipend. The operating increase is due primarily to increased funding for maintenance service contracts.

**Registrar (\$7,159 and 2.5% increase):** There are no significant changes for the FY14 budget. The slight increase in personnel is due primarily to increased pooled funding for Officers of Election and one additional employee opting for health insurance coverage. The operating increase is due mainly to printing and binding and the wireless communication budget has been moved to the personnel category in the form of a stipend.

### **JUDICIAL ADMINISTRATION**

**Clerk of the Circuit Court (\$34,143 and 2.7% increase, 10.2% increase in local funding):** The personnel increase is due primarily to pooled funding for non-benefitted employees. The operating increase is due to small capital outlay funded through the State Technology Trust Fund.

**Commonwealth's Attorney's Office (\$4,380 and 0.3% increase, 6.2% decrease in local funding):** The personnel increase is due mainly to one additional employee opting for health coverage. The operating decrease is due primarily to reductions in professional services, printing, and postage.

## Appendix to County Administrator's Letter

**Court Services (\$14,467 and 1.0% increase, 1.2% increase in local funding)**: The security of the courts through bailiffs and serving of court-related papers (e.g. subpoenas) is performed by this division of the Sheriff's Office. The FY14 Court Services Service Level Plan contains \$50,000 for two (2) replacement vehicles. The operating increase is due mainly to increases in small capital outlay, vehicle gas, and educational training. The personnel category is flat for FY14.

The following divisions of judicial administration (totaling \$176,300 in funding) represent the County's operating contributions to these State-related functions:

- **Circuit Court (\$1,168 and 1.7% decrease)**: Overall budget will remain relatively flat. The operating increase in books and subscriptions is offset by the reduced VRS rate in personnel.
- **General District Court: (\$6,671 and 7.4% decrease)**: The decrease seen in the departmental budget is directly linked to the trends in court appointed attorneys fees that the County has been incurring.
- **Juvenile and Domestic Relations Court (\$1,268 and 6.0% decrease)**: The decrease in the budget can be attributed to reductions in maintenance service contracts and small capital outlay.
- **Magistrates (\$12 and 0.4% increase)**: The budget remains relatively flat and the slight overall increase can be attributed to an increase in projected telecommunications costs.

### **NONDEPARTMENTAL**

This category traditionally appropriates funds for those functions not identified elsewhere and includes airport, and utility obligations, General Fund transfers to other funds, as well as reserves available for future appropriation. Transfers to the School Fund, Other Funds, and Capital Funds are detailed on the respective department pages. A transfer to the Lewistown CDA for incremental generated revenues in the amount of \$425,000 is included in this budget. The Reserve for Contingencies decreased as a result of the elimination of additional funds budgeted in FY13 in anticipation of the costs associated with the Virginia Retirement System required compensation change. Finally, the Reserve for Revenue Transfers has increased on both the revenue and expense side as the need for the larger amount is necessary to keep pace with the grants being successfully received.

### **COUNTY/SCHOOL DEBT SERVICE FUND**

**Debt Service Fund**: Beginning in FY14, the County consolidated debt service payments previously budgeted in the General Fund and the School Operating Fund into the new Debt Service Fund. Debt service for the County and Schools decreased \$318,700 in FY14 or 1.6%.

### **COUNTY/SCHOOL FIVE-YEAR CAPITAL IMPROVEMENTS PROGRAM**

The Capital Improvements Program (CIP) is the County's plan for investing in facilities, equipment, and vehicles over the next five years and includes those items with a unit cost greater than \$50,000.

## **Appendix to County Administrator's Letter**

The FY14 capital budget for County and School projects is \$7.6 million, which is \$258,130 less than the current fiscal year. The FY14 budget includes \$1,250,000 for road improvements (of which \$250,000 is from local funding sources), \$626,000 for Fire/EMS fire apparatus and ambulances, \$995,000 for Information Technology infrastructure, \$164,700 for regional stormwater implementation (all funded with non-local dollars), and \$125,000 for vehicle replacements. General Fund cash transfer for County and School projects is \$5.3 million, a \$1.8 million and 52.9% increase from the prior year.

### **PUBLIC UTILITIES** **BUDGET AND CAPITAL IMPROVEMENTS PROGRAM**

Public Utilities operates as an enterprise fund, meaning the operations and capital expenditures are funded with revenues generated from customer user fees, miscellaneous fees, and one-time capacity fees paid at the time of connection. County tax revenues are not used to support Public Utilities' operations. The department provides water and wastewater services to a customer base of approximately 19,379 residences and businesses. Public Utilities pays a recovered cost fee to the General Fund for services provided by General Fund Departments in support of its operations and a service assessment charge to the General Fund for law enforcement, fire protection, and emergency medical services.

**Utility Operating Budget:** The \$21 million operating budget is slightly less (0.2% decrease) than the previous year's budget. This flat budget reflects the net impact of increased contract costs for water and sewer services from the City of Richmond and Henrico County, reductions in staffing levels in areas that support development activity, and lower debt service. User fees for water and sewer have been increased by 5% and 1%, respectively. The combined residential bill for water and sewer will increase \$16.38 annually for average customers. Capacity fees have increased by 2.5%. There are no changes in miscellaneous fees. Public Utilities will continue to provide an elderly and disabled customer relief program, estimated to cost \$110,000 in FY14, based upon the same qualifying criteria as the tax relief program.

**Utility Capital Budget:** Growth in Hanover County and the Suburban Services Area has slowed during the past several years, reducing Public Utilities financial ability to expand the water and sewer systems to new portions of the Suburban Services Area. Public Utilities will complete its Route 33 Utility Extension Projects during the current fiscal year. The final cost of the Route 33 projects, a Board of Supervisors' Initiative, is estimated to be approximately \$10,000,000. Utilities focus with the CIP is to ensure continued regulatory compliance, system reliability, and to meet the needs of its current customers. Public Utilities is in a position to support continued growth in areas with existing underutilized infrastructure. The \$10.2 million CIP budget includes both renewal and replacement projects (\$9.3 million) and system expansion projects (\$400 thousand). Two renewal and replacement projects of note are an anticipated \$2.6 million joint capital cost payment to the City of Richmond and a \$4.7 million nutrient improvement project at the Totopotomoy Wastewater Treatment Plant.

## **Appendix to County Administrator's Letter**

### **FINANCIAL CONDITION OVERVIEW**

In January 2011, Hanover County's 'Triple-AAA' rating status was affirmed by all three national bond rating agencies. Moody's Financial Service, Fitch Ratings and Standard & Poor's all praised Hanover's financial management and noted that economic trends are slowly improving. "The AAA ratings reflect the County's sizeable tax base, sound and effectively-managed financial position with sound reserve levels and manageable debt burden," Moody's reported. "Moody's expects Hanover County to continue its conservative budgeting approach and effective expenditure management to maintain a sound financial position." "The County's financial management is strong, mitigating concerns raised by growth pressures," reported Fitch Ratings, which cited the County's "ample reserves, controlled expenditure growth and conservative out-year financial planning." Standard & Poor's expects "economic development to continue to strengthen the economy further, as well as the employment and tax bases, while allowing the County to maintain its rural nature." "The County's excellent fiscal policies, as well as adherence to those policies, and overall health of its financial position provide rating stability," Standard & Poor's added.

The County relies upon a strong fund balance policy, which reserves at least 10.0% minimum (10.6% goal) of its General Fund revenues (the industry benchmark for a fiscally well-managed local government). When balances are projected to be above such thresholds, excess balances can be either saved for future years in which economic conditions warrant using it to mitigate one-time revenue shortfalls or for expenditure mandates targeted for future capital needs to mitigate debt or other local funding needs. The undesignated fund balance as of June 2012 was \$23.9 million, which represented 12.6% of General Fund revenues. The fund balance is projected to be favorable on June 30, 2013, after meeting year-end fund balance policy thresholds and planned needs for the FY14 budget. The Five-Year Financial Plan is balanced each year, and its reliance on the use of surplus each year reinvested into the subsequent year is at a conservative level that should be accomplished; therefore compliance with the fund balance policy is expected to be maintained throughout the next five years.

Beginning in August 2008, the County began to experience revenue reductions primarily in sales tax collections, personal property taxes and development related fees. By the end of FY09, the economic slowdown produced lower than budgeted revenue of \$8.5 million (4.1%). County management, recognizing that the recession would impact multiple years, established a new reserve for revenue stabilization on June 30, 2009. The intent of this reserve is to provide a source of one-time funding to provide flexibility as the County continues to weather the recession. The County has continued to fund the reserve and plans to use \$2.0 million of the reserve as a part of the FY14 budget.

Even through the recent recession, the County remains strong and resilient as demonstrated by the following indicators of continued economic strength and strong financial condition:

- Virginia historically weathers recessions better than the Country and Hanover weathers in a manner similar to Virginia. The County's unemployment rate of 5.2% in February 2013 is below the State's 5.7% and compares favorably to the national rate of 8.1%;
- Because our long-term facility requirements were substantially met with the 2005 referendum projects, the County is in an envious position of having reduced capital financing

## Appendix to County Administrator's Letter

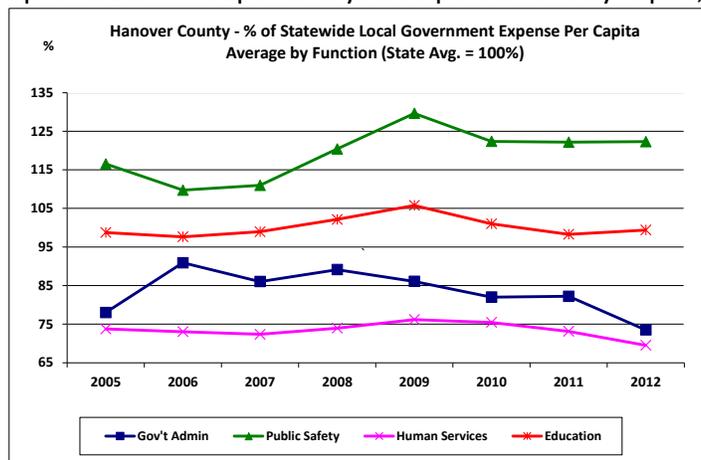
and cash funding needs in the Five-Year Plan which has provided for enhanced flexibility in financial planning;

- The County has long-term solid waste contracts through 2023;
- Our retail vacancy rate of 5.0% is very low;
- Foreclosures have declined for 2012 when compared to the 2011 calendar year and with other jurisdictions;
- Schools enrollment growth is expected to decrease by 0.7% in FY14, with a total enrollment of 18,951 estimated for September 2013.

To assess internally our financial health, the County has traditionally tracked State-published indicators of fiscal stress and median adjusted gross income. The most recent State report shows that Hanover has the 27<sup>th</sup> lowest level of fiscal stress and the 13<sup>th</sup> highest median adjusted gross income (\$47,362). A component of the fiscal stress index is a locality's tax rate compared to State-wide averages, with low tax rate jurisdictions assigned a lower stress as they would appear to have the greater capacity to generate additional revenue. Hanover has the lowest regional real property tax rate of \$0.81 as compared to Henrico's \$0.87, Chesterfield's \$0.95 and Richmond's \$1.20. The preceding economic highlights are not only very strong indicators of fiscal health, but also indicative of the traditionally strong indicators that the County has maintained or improved over many years.

A general indicator of the efficiency with which the County operates is an analysis of comparative per capita spending in functional areas as prepared by the State's Auditor of Public Accounts. Education is slightly below (0.6%) the state-wide average demonstrating the two Boards' commitment to quality education while maintaining efficient delivery of the educational services. Also, the State Department of Education reports that Hanover County Public Schools had the 25th lowest cost per pupil in the State of Virginia in FY12 (per pupil cost excludes debt service and capital costs).

All of our other functional areas are below the Statewide averages for counties. Demonstrating the County's emphasis on efficiently providing services, the County's general government function is at 73.5% of the statewide average. We are also regionally comparative: Henrico – 117.3%, Chesterfield – 90.8%, City of Richmond – 115.9%, Spotsylvania – 69.7%, Stafford – 62.3%, and Albemarle – 68.0%. While it is not practical to provide an in depth analysis as part of this synopsis, the four areas – Public Safety, Education, Human Services and General Administration – represent the Board's priorities and one other representative function of local government, respectively. The County's Community Development function, while operating at 68.0% below the statewide average, has significantly contributed in recent years to the quality of life in Hanover County, the diversification of the County's revenue base, and to the County's ability to attain triple AAA bond status.



## Appendix to County Administrator's Letter

### ECONOMIC DEVELOPMENT UPDATE

The Board of Supervisors' adopted Economic Development Strategic Plan encourages and supports the growth of existing and new businesses. This plan outlines the County's four major economic development goals: expansion of the tax base, economic stability, job retention, and job creation. The plan identifies target industries, utilization of incentives, the establishment of economic development zones for infrastructure enhancement, and revisions to the County's development regulations. Six (6) Economic Development Zones (EDZs) give priority consideration for development of infrastructure and fast track permitting to support new and expanding industrial and office projects in the County. The County's commercial tax base continues to grow through a combination of existing business expansions and new business attraction.

The Dominion Resources Innovation Center (DRIC), formerly known as the Dominion Resources GreenTech Incubator, is a partnership Hanover County has with the Virginia Biotechnology Research Park, the Town of Ashland, and Dominion Resources. DRIC serves entrepreneurs starting early and second stage technology based businesses. DRIC currently has four (4) member firms and recently had its inaugural "Tech Challenge Hanover" business plan competition, where 42 applicants competed their business concepts for privately funded prize money.

Recent economic development successes include:

- February 2012: Orbit Logistics consolidated 70,000 square feet of operations from three different buildings into one space in Hanover County. Orbit Logistics is a family-owned company doing business in the Richmond area since 1985, which provides order fulfillment, warehousing services, third party logistics and value added solutions. Their move to Hanover County encompassed 114,000 square feet off Route 1 in the former Best Products distribution center. In February, Orbit Logistics finished their second expansion within a 3-month period, adding an additional 30,000 square feet and 5 employees. November 2012 saw them acquire additional warehouse space next door to enable additional expansion.
- March 2012: East Penn Manufacturing Co., Inc., a privately-held company, operates one of the largest single-site lead-acid battery manufacturing facilities in the world. In early March 2012, the company completed a 13,500 square foot addition. This enhanced capabilities for its retail, commercial, and motive power service departments, and will create ten additional jobs in the future.
- April 2012: Virginia Crane (aka, Foley Material Handling Co.), a large manufacturer of industrial cranes, announced a significant expansion of their facility in Hanover County. Phase 1 of the project will include a 13,000 SF expansion that accommodates the production of a new, larger crane product. An additional 20,000 SF expansion is planned in Phase 2 that will add office and additional machine shop space. When both Phase 1 and Phase 2 are completed, Virginia Crane's footprint will be expanded to nearly 110,000 SF. The company also purchased the adjacent property, formerly occupied by Stafford Equipment, and will move vehicle maintenance, hoist repair, the parts department and mill operations. The total investment value of these expansion projects will equal \$2 million in construction and new equipment and include plans to hire an additional 15 employees
- July 2012: Morooka America, under a license agreement with Japan-based Morooka Co., Ltd., a manufacturer of rubber track carriers, will establish a manufacturing operation in

## **Appendix to County Administrator's Letter**

Hanover County. The first Morooka Track Carrier plant in the U.S., along with its sister company Virginia Steel Specialties LLC, will establish two product assembly operations. The facilities will encompass 50,000 square feet and an output of 100 machines annually valued at more than \$15 million. The project will create up to 50 new jobs over the next 3 years.

- August 2012: The Vitamin Shoppe decided to build their flagship distribution center (300,000+ SF) in the Virginia Transportation Park, which is located on Washington Highway/Route 1 in the Town of Ashland. The Vitamin Shoppe, Inc. (NYSE:VSI), with more than 550 company-owned locations in 38 states and Puerto Rico, is dedicated to helping people fulfill their health and wellness needs. More than 250 jobs will be created over 5 years, and approximately \$39 million invested in the project.
- Additional information can be found at <http://www.hanovervirginia.com/news-events>.

Hanover County is regarded as a positive business environment by the majority of the business community. Last year's Business First program met with 101 companies of which three quarters rated its business climate as excellent or good. The recession still lingers, however, a full 55% feel the business climate is worse today than it was five years ago. Looking forward, nearly 90% of interviewed businesses are optimistic that the business climate will improve over the next five years. Nearly 90% rated local government operations as excellent or good, with other county provided services also given high marks.

The County has a number of vital business parks within the community. Atlee Station, Northlake, Lakeridge Industrial Park, and the Air Park house the majority of the county businesses. Winding Brook and Northlake continues to market aggressively to significant retail and hospitality end users. The increase in leasing activity at the Air Park has been another positive sign in our overall economic development outlook.

In terms of economic development advantages, Hanover has the lowest property tax rate in the Greater Richmond Partnership region; no business, professional and occupational license tax (BPOL); available commercial and industrial sites; and water and wastewater capacity. In addition, the County utilizes comprehensive planning that targets business development for appropriate areas while maintaining a high quality of residential, forestry, and agricultural uses in other parts of the County.

## County and Departmental Achievements

Hanover County and several departments were recognized for outstanding achievement in the last year:

- For the fifth consecutive year, Hanover County was named one of America's Promise Alliance's **100 Best Communities for Young People**. The national award recognized Hanover for "its outstanding and innovative work in addressing the high school dropout crisis and for its programs and services that make it an outstanding place for youth to live, learn and grow."
- The Hanover Sheriff's Office was selected as one of only two agencies in the nation to receive the National Center for Missing & Exploited Children's 2012 **National Missing Children's Award** as a result of the successful search for a severely autistic and non-verbal 8-year-old boy who wandered away from his family during an outing to the North Anna Battlefield Park in October 2011. Sheriff David Hines directed a search effort that involved multiple law enforcement agencies and more than 3,500 volunteers. The young boy was safely recovered five days into the search and was in remarkably good health considering the amount of time he had spent out in the elements.
- The Sheriff's Office also received a 2012 **Virginia Association of Counties (VACo) Achievement Award** for the Motorist Assistance program. The Sheriff's Office currently has 24 trained Hanover residents participating in the Motorist Assistance patrol program. These volunteers work in pairs and drive well-marked Ford Explorers equipped with yellow emergency lights. Their duties include helping stranded motorists, directing traffic, assisting with traffic hazards, and providing guidance and assistance to those traveling in and through the County.
- **Emergency Communications** was one of only two local government agencies to be recognized as a 2012 "Industry Leader" by the National Safety Council. The Department's employees worked 98,753 hours without any time lost to injuries in 2011. Only 38 companies nationwide were honored with the Award, which recognizes the top 5% of member companies, units and facilities that meet safety criteria. Seven Hanover County departments received the National Safety Council's Occupational Excellence Award. Departments were the Assessor's Office, Community Corrections, Communications, Planning, the Sheriff's Office, Treasurer's Office and Voter Registration.
- For the third consecutive year, Hanover County achieved the goals of the **Go Green Challenge Award**, given by the Virginia Association of Counties and Virginia Municipal League to recognize local governments that reduce energy usage and promote sustainable practices. The Go Green Virginia Challenge is a friendly competition designed to encourage implementation of specific environmental policies and practical actions that reduce the carbon emissions generated by both the local government and its community.
- Water and wastewater systems operated by Hanover County's **Department of Public Utilities** were recognized for outstanding performance by the Virginia Department of Health (VDH) and the National Association of Clean Water Agencies (NACWA). DPU was awarded the VDH Office of Drinking Water's 2011 Excellence in Water Treatment Plant Performance Award for the **Doswell Water Treatment Plant**. The Doswell Water Treatment Plant also received a Silver Award for Excellence in Granular Media Filter Water Treatment Plant Performance from the Office of Drinking Water of the VDH. This award is given to those

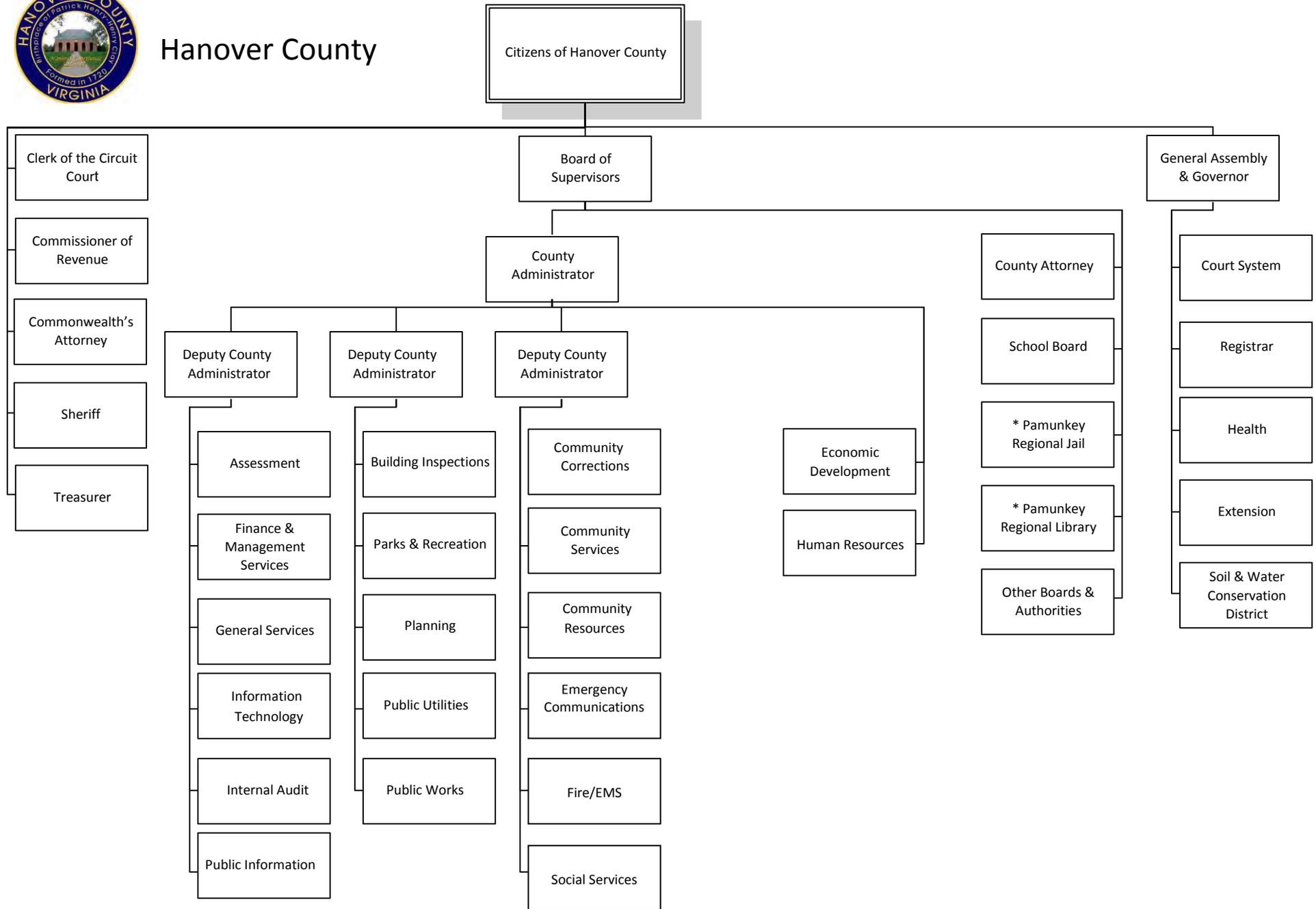
## County and Departmental Achievements

operations which achieve Virginia's goals for clarification and filtration. The **Ashland and Totopotomoy Wastewater Treatment Plants** (WWTP) received the NACWA's Platinum Peak Performance Awards. *Platinum Awards* are given to facilities that have achieved 100% compliance with National Pollutant Discharge Elimination System (NPDES) permit limits for five or more consecutive years. The Ashland WWTP has had thirteen (13) consecutive years of perfect compliance and the Totopotomoy WWTP has had seven (7) consecutive years of perfect compliance. The **Courthouse Wastewater Treatment Plant** and **Doswell Wastewater Treatment Plant** received NACWA's *Silver Peak Performance Awards*. Silver awards are given to facilities that have less than five permit excursions during an entire year.

- The Government Finance Officers Association (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to Hanover County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. The County has received this prestigious award each fiscal year since 1985. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements. The GFOA is a non-profit professional association serving approximately 17,500 government finance professionals. The GFOA also presented a **Distinguished Budget Presentation Award** to Hanover County for its FY2013 budget. The County has received this prestigious award each fiscal year since 1990. This award reflects the commitment of the governing body and staff to meeting the highest principles of governmental budgeting. In order to receive the budget award, Hanover County had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communications device.
- The **Pamunkey Regional Library** received a Voice of the People "Transformation" award given by the International City/County Management Association (ICMA) and the National Research Center (NRC), Inc. Hanover, through the regional library, was one of eight localities in the United States to receive the award, which is linked to Hanover's 2011 Citizens Survey done by the National Research Center, Inc. (NRC). According to the ICMA and NRC, communities receiving these awards showed the biggest improvement in service ratings and/or had the highest rated services according to a representative sample of their own residents. Award recipients were identified among all the jurisdictions that conducted the National Citizens Survey last year.



# Hanover County



\* Regional Board made up of some Hanover County appointees



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## **History and Description of Government**

### **History**

The County of Hanover, Virginia was formed on November 26, 1720 by the Virginia General Assembly in “An Act for dividing New Kent County.” It is named for King George I of England, who, at the time he came to the throne, was Elector of Hannover in Germany. Two of the County’s native sons – Patrick Henry and Henry Clay – distinguished themselves as orators, patriots, and statesmen in the early history of this country. Prior to English colonization in the 17th century, the Pamunkey Indians populated this area. Our northern boundary, the Pamunkey River, carries their name, and they maintain a reservation on the lower part of the river in neighboring King William County. The Town of Ashland, Virginia, was incorporated in 1858 and is located within the County. The Town was originally founded as a summer community by the Richmond, Fredericksburg, and Potomac (R,F&P) Railway.

### **Demographic and Economic Factors**

Located in Central Virginia about 15 miles north of Richmond and 70 miles south of Washington, D.C., the County of 471 square miles, or 301,000 acres, lies in the Commonwealth’s Piedmont and Coastal regions. Approximately 33% of the land in the County is utilized for agricultural and 33% for forestal purposes. The County is bordered by the Counties of Caroline, King William, New Kent, Henrico, Goochland, Spotsylvania, and Louisa, and by the Pamunkey (where the North and South Anna Rivers merge), North Anna, and Chickahominy Rivers. The County’s residential, commercial, and industrial areas are growing at moderate rates. New residents are attracted to Hanover’s exceptional schools, low taxes, and low crime rate. The County houses Randolph-Macon College, founded in 1830.

### **Transportation**

Based upon its proximity to Richmond and its rural character, the County has been an attractive location for businesses relocating or expanding, and for real estate developers interested in the opportunities in residential markets. The County is primarily served by Interstates 95 and 295, with Interstate 95 connecting the County to the metropolitan Richmond area to the south and providing the passage to Fredericksburg and Washington, D.C. to the north. Interstate 295 connects the east and west portions of the County together and represents a “loop” around the metropolitan Richmond area. U.S. Routes 1 and 301 are north/south primary roads: Route 1 runs parallel to I-95 and 301 runs northeastward toward Annapolis, Maryland. Maintenance of the primary and secondary roads of the County is under the jurisdiction of the Virginia Department of Transportation. Railroad passenger service is provided by Amtrak. Air transportation needs are served by the Richmond International Airport (RIC), located in neighboring Henrico County, while the Hanover County Municipal Airport operates primarily for small business and personal aircraft.

### **Tourism**

Home of the internationally renowned Hanover Tomato, the County has a rich history and proud heritage. The landscape is marked by numerous historic sites and homes, including Scotchtown, the Hanover County Courthouse, and the Hanover Tavern. There are two (2) national battlefields maintained and opened year round. Over two million visitors annually

## History and Description of Government

enjoy the thrills of Kings Dominion, a 630 acre amusement park featuring over 100 rides and shows. In addition to its tourism sites, the County is a point of origin from which many of the area's historical, amusement, and entertainment options can be visited.

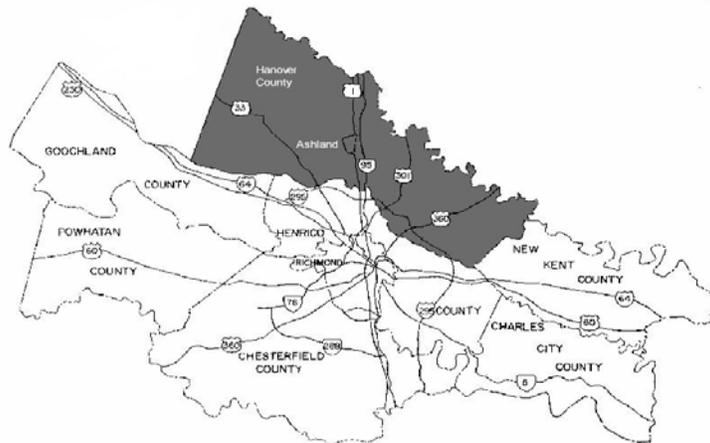
### **Description of Government**

The County is a political subdivision of the Commonwealth of Virginia and operates under the traditional Board form of government with a County Administrator. Policies governing the administration of the County are set by a seven member Board of Supervisors, elected from seven magisterial districts. A chairman and vice-chairman are selected by the Board on an annual basis from among its members. The Board is responsible for formulating policy, directing certain governmental services, and appointing members of various boards and agencies to implement specific policies or provide certain services. The body also has responsibility for appointing the County Administrator, who serves at the pleasure of the Board, implements Board policies, directs business and administrative procedures, and provides recommendations for various County boards and agency appointments. The County has taxing powers subject to statewide restrictions and tax limits. The operation of public schools in the County is vested in a seven member Hanover County School Board, the members of which are appointed by the Board of Supervisors. The local share of the cost of operating public schools is met with an appropriation from the County's General Fund. Operations of the School Board are independent of the Board of Supervisors as prescribed by Virginia law. A Superintendent is appointed by the School Board to administer the operations of the public schools.

The Town of Ashland provides certain additional levels of service to its residents. The ordinances and regulations of the County, with certain limitations as prescribed by State law, generally apply to Ashland. Property in Ashland is subject to both Ashland and County taxation, and Ashland may incur bonded indebtedness without the approval of the County.



Estimated Population (2012) – 101,586  
Per Capita Income (2012) – \$43,915  
Median Age (Bureau of Census) – 41.0  
Estimated School Enrollment (K-12)  
(September 2012) – 18,951  
Unemployment Rate (Feb. 2013) – 5.2%



## **County Funds Structure and Basis of Budgeting**

### **Basis of Accounting**

The County's accounting records are maintained on a modified accrual basis for the General Fund, Special Revenue Funds, and Capital Improvement Funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., as soon as they are both measurable and available. Revenues from intergovernmental reimbursement grants are recorded when earned. Other revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers general property tax and other intergovernmental revenues to be available if they are collected within 31 days of the end of the current fiscal period, and are due on or before the last day of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

### **Fund Accounting**

The accounts of the County and its discretely presented component units (Hanover County Public Schools and the Economic Development Authority) are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which comprise assets, liabilities, fund equities, revenues, and expenditures, or expenses, as appropriate. The various funds are summarized by governmental or business-type activities in the general purpose financial statements, while component units are reported in separate columns/rows. The following fund types and account groups are used by the County:

- A. Governmental Fund Type – Governmental type funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are reported through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The County's governmental fund types are:

General Fund – The General Fund is the chief operating fund of the County. All general tax revenues and other receipts that are not allocated by law or other contractual agreement to another fund are accounted for in this fund. From this fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds. This fund contains the operating budgets for most traditional local government programs such as Public Safety, Parks and Recreation, and Public Works.

Special Revenue Funds – Special revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the School, Food Service, and Textbook Funds of the School Board component unit; and the Economic Development Authority Fund.

## **County Funds Structure and Basis of Budgeting**

1. School Fund – The School Fund is the primary operating fund for all education-related governmental activities. Revenues come primarily from General Fund transfers and state and federal aid.
2. Food Services Fund – The Food Service Fund accounts for all of the operations of the school food services program. Revenues are generated from charges for services and state and federal aid.
3. Textbook Fund – The Textbook Fund provides administration, maintenance, and control over all of the textbooks used in the schools. Revenues are derived from General Fund transfers and state aid.
4. Economic Development Authority (EDA) Fund – This fund reflects revenues and expenditures associated with the issuance of tax-exempt industrial development revenue bonds to qualifying enterprises wishing to utilize that form of financing. Those bonds representing limited obligations of the EDA are to be repaid solely from the revenue and receipts derived from the projects funded with the proceeds. The debt outstanding does not constitute a debt or pledge of the faith and credit of the County or the EDA.

**Capital Improvement Funds** – Capital Improvement Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds. The County maintains two (2) capital improvement funds.

1. County Improvement Fund – This fund controls the financing and construction of most non-educational County facilities, such as parks, libraries, and public safety facilities. The Board of Supervisors approves these projects through the County's Capital Improvement Program (CIP). Revenue sources for this fund include transfers of local tax funding from the General Fund, the issuance of debt, and grants.
2. School Improvement Fund – This fund controls the financing and construction of local educational facilities. Revenue sources consist of local tax funding from the General Fund, the issuance of debt, and developer contributions.

**Debt Service Fund** – The Debt Service Fund is used to account for financial resources to be used for the payment of principal, interest and fees associated with County and School indebtedness. The County maintains one (1) Debt Service Fund which was created beginning with the FY14 Adopted Budget.

- B. **Proprietary Fund Type** – Proprietary Funds are used to account for a government's business-type activities. The services provided in these funds are intended to recover all or a significant portion of their costs through user fees. The County's proprietary fund types are:

## **County Funds Structure and Basis of Budgeting**

Enterprise Funds – Enterprise Funds are used to provide services that are financed and operated similarly to those of a private business enterprise. The County has two (2) enterprise funds: Public Utilities Fund and Airport Fund.

1. Public Utilities Fund – This fund accounts for the operation and maintenance of the County’s water and sewer system. The County’s Department of Public Utilities operates and maintains public water and wastewater systems in the Suburban Service Area, the Hanover Courthouse Area, and five rural residential subdivisions. Operations and capital expenditures are funded with revenues generated from customer user fees and one-time fees paid for capacity at the time of connection to the system.
2. Airport Fund – An Airport Fund was created in February 2007 to account for the County’s oversight of the Hanover County Airport. A fixed base operator (FBO) handles the day-to-day operations of the airport. Revenues are derived primarily from rental income provided by the FBO, state aid, and General Fund transfers.

Internal Service Fund – An Internal Service Fund is used to account for the costs of operations for services provided to other County departments. The County maintains one (1) internal service fund: Self-Insurance Fund.

1. Self-Insurance Fund – This fund provides for the fiscal management of the County and School Board health insurance premiums. Revenues are generated primarily from premiums charged to employees and to departments.

C. Fiduciary Fund Type – Fiduciary Funds are used to report resources that are used to report assets held for others and cannot be used to support the locality’s programs. The County has five (5) Fiduciary Funds; however, only the following two (2) are appropriated.

1. Bell Creek Community Development Authority Fund – This fund is used for the collection of revenue to provide for the repayment of the 2003 Special Assessment bonds issued for the Bell Creek Community Development Authority.
2. Lewistown Commerce Center Community Development Authority Fund – This fund is used for the collection of revenue to provide for the repayment of the 2007 Revenue bonds issued for the Lewistown Commerce Center Community Development Authority.

### **Basis of Budgeting**

In most cases, the County’s budget follows the same basis of accounting used in preparing the County’s Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with generally accepted accounting principles (GAAP). Several exceptions should be noted. The budget document does not include the following funds listed as Fiduciary Funds in the CAFR: the Escrow Fund, Special Welfare Fund, and the Retiree Medical Benefits trust. Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of individuals, private organizations, or other governments. In addition, budgets for the proprietary funds are adopted in accordance with GAAP with the exception that the budget recognizes the flow of funds (i.e., payment of debt principal is budgeted and depreciation is not budgeted).



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## **Budget Process**

The budget is the County's plan of how to collect and distribute revenues to departments in a manner that addresses the most critical public needs. In 1989 Hanover County began preparing a Five-Year Financial Plan for the General Fund. The plan is an integral part of the budget process, forming the basis for determining funding priorities. Priority is generally given to those items in the prior year's plan. Departments requesting funding for items not in the plan must clearly demonstrate what has occurred during the past year to make the item a priority. Knowing that the items included in the plan are more likely to be funded, departments plan for their growth and related resource needs five (5) years at a time instead of year-to-year. All five (5) years of the plan are adopted by the Board of Supervisors, however, only the first year is appropriated.

The County Administrator, after consultation with department heads, identifies budget objectives for the upcoming fiscal year. The budget objectives provide policy direction for the formulation of the County Administrator's proposed budget, while the County's budget calendar identifies important dates throughout budget preparation and adoption. The budget calendar is described in detail below.

### **September/October**

The Finance and Management Services Department and County Administrator establish a budget schedule by October 1. Budget development begins in late September when operating and Capital Improvement Program (CIP) budget worksheets are made available to all County department and agency heads. Budget training is held the first week of October with instructions for the upcoming budget process. All budget requests are due to the Budget Division at the end of October, providing detail as to personnel, operating and capital requests, including five-year CIP requests, five-year financial plan requests and performance objectives. Letters are mailed to community organizations to solicit contribution requests. County and School officials meet to reach consensus on enrollment projections, funding resources available, CIP needs and operating needs.

### **November**

Budget Division analyzes and compares operating budget, personnel and CIP requests to target budgets established in the Five-Year General Fund Financial Plan. Budget requests are reviewed for feasibility and adjustments to personnel are reviewed for cost/benefit justification and relation to performance objectives. Outside organizations submit contribution requests. The County Administrator begins meeting with each department head to discuss needs and requested enhancements. County and School officials continue to meet and agree on a School target.

### **December**

The County Administrator continues to meet with department heads. Preliminary estimates of revenues are compiled. The Governor presents his Recommended Budget to the General Assembly. County and School officials agree on target allocation of General Fund resources.

### **January**

The County Administrator adjusts departmental requested budgets and works with Budget Division staff and County Administrator's senior staff to prepare a balanced budget for the Five-Year Financial Plan. The Superintendent presents a recommended budget to the School Board by January 15 and the School Board approves the budget request, with any enumerated changes,

## **Budget Process**

by February 1. During the second half of the current fiscal year, quarterly financial reports are prepared by the Department of Finance and Management Services and presented to the Board of Supervisors. The General Assembly begins to review the Governor's budget and applicable changes by the General Assembly are made in the County's budget.

### **February**

Budget staff organizes, edits, and compiles the final draft of the County Administrator's Proposed Budget. The County Administrator presents the proposed budget to the Board of Supervisors. Copies are made available to the public and on the County's website. Summaries of the County Administrator's Proposed Budget are distributed to citizens, citizen action groups, businesses, media and other interested parties.

### **March**

Department workshops are held by selected department heads and County staff to provide the Supervisors and citizens with an understanding of the proposed budget. Public notices of the budget summary, CIP, and all rate and user fee changes are published in the local paper, giving the citizens and other interested parties sufficient notice as to the date, time and place of public hearings. Based on input from County staff, the Supervisors make any necessary adjustments to the County Administrator's Proposed Budget. The Planning Commission also reviews the Five-Year CIP and issues a resolution for the Board of Supervisors' consideration.

### **April**

Public hearings are held on the proposed budget and any changes in tax rates or County ordinances. The proposed budget and Five-Year Financial Plan are amended based on updated revenue projections, applicable General Assembly action and direction from the Board of Supervisors. The Board adopts a line-item budget, but appropriates by fund and major expenditure category as defined by the Auditor of Public Accounts. The Board sets tax rates and makes ordinance changes. The Board also adopts a Five-Year CIP and a Five-Year Financial Plan for the General Fund. Statutory deadlines for budget adoption are May 1 for the School Board and June 30 for the County. The County adopts the budget in early April to provide sufficient notice to taxpayers for the first half real property tax bills due on June 5.

### **May/June**

The adopted budget is prepared, distributed, and posted to the County website.

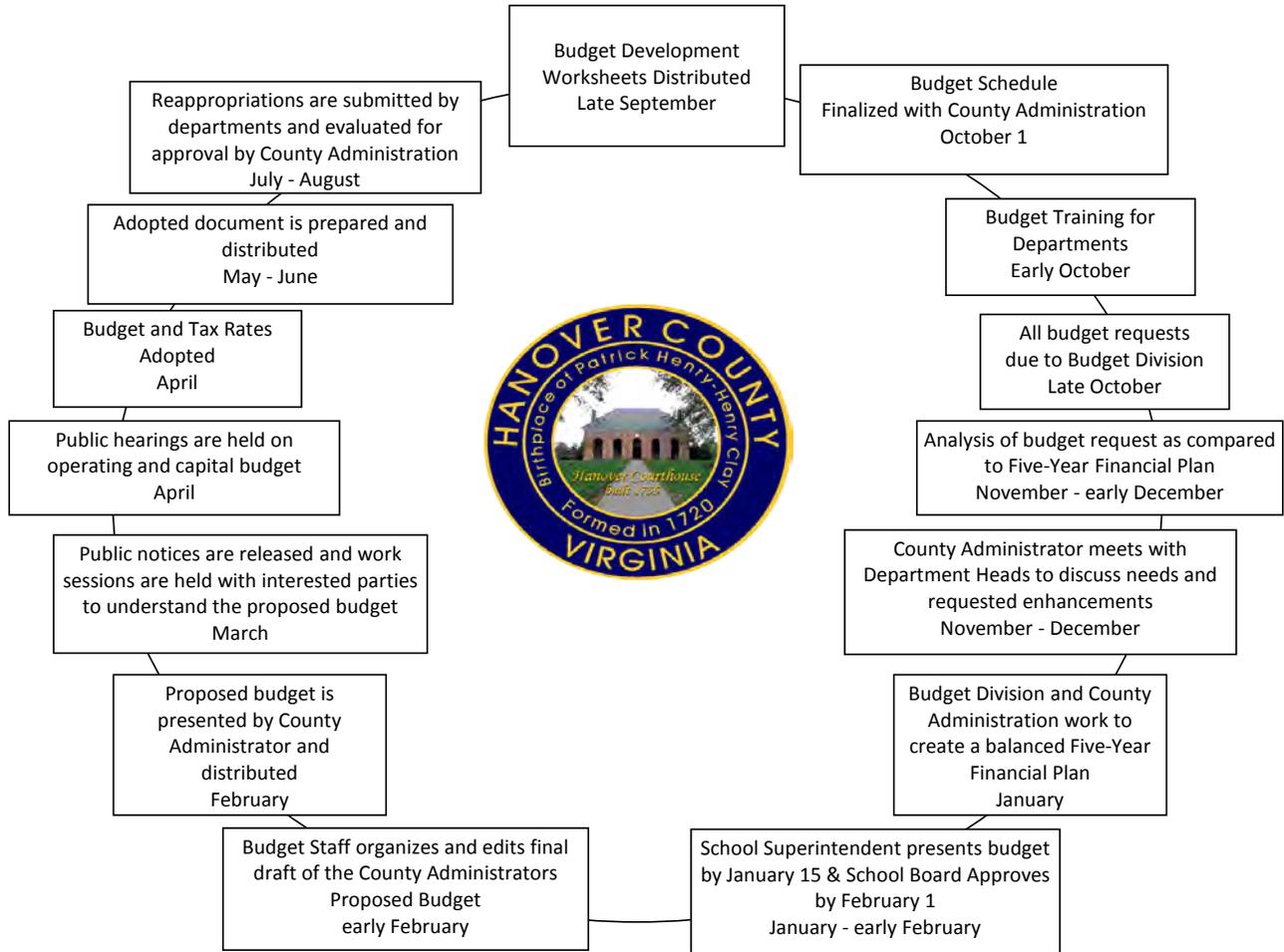
### **July**

Department and agency heads submit requests to reappropriate unencumbered operating balances into the subsequent fiscal year. Reappropriations represent goods or services which had been previously approved in the existing budget but due to time constraints, delay in receipt, etc., were not acquired during the current fiscal year. Requests are reviewed and adjustments are made. Encumbered items and unencumbered capital balances are reappropriated for the life of the projects, unless amended by the Board, effective July 1 of each year.

### **August**

The County Administrator recommends to the Board of Supervisors reappropriation of unencumbered operating balances from the previous fiscal year. Adjustments, if any, are made to the County Administrator's recommended reappropriations.

# Hanover County Budget Process





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## Summary of Revenues and Expenditures for All Funds

	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget
<b>Revenues</b>			
General Property Taxes	\$ 126,110,780	\$ 123,685,500	\$ 124,647,000
Other Local Taxes	27,362,807	28,342,000	28,883,000
Permits, Fees and Licenses	1,953,428	2,075,610	2,182,495
Fines and Forfeitures	1,123,148	1,269,200	1,202,200
Use of Money and Property	1,118,138	1,233,912	1,034,219
Charges for Services	65,581,809	67,972,385	66,094,384
Recovered Costs and Misc	12,155,069	10,176,838	11,184,335
Intergovernmental	122,812,974	118,740,586	121,308,450
Transfers In	-	-	-
Long Term Debt	6,471,989	2,000,000	1,000,000
Fund Balance	9,100,195	12,363,545	15,093,964
<b>Total Revenues</b>	<b>\$ 373,790,337</b>	<b>\$ 367,859,576</b>	<b>\$ 372,630,047</b>
<b>Expenditures</b>			
Salaries and Fringe Benefits	\$ 254,220,509	\$ 262,751,980	\$ 260,855,108
Operating Expenditures	59,560,117	63,030,060	61,424,506
Capital Expenditures	32,281,967	18,061,054	26,869,039
Transfers Out	-	-	-
Debt Service			
Principal Payments	15,008,737	15,824,583	14,940,167
Interest Payments	8,310,536	8,191,899	8,541,227
<b>Total Expenditures</b>	<b>\$ 369,381,866</b>	<b>\$ 367,859,576</b>	<b>\$ 372,630,047</b>
Estimated Beginning Fund Balance - June 30, 2013			\$ 78,762,320
Estimated Ending Fund Balance - June 30, 2014			\$ 77,762,320
Estimated Ending Fund Balance as a Percent of Net Operating Revenues			21.7%
Estimated Change in Fund Balance			-1.3%

## All Funds FY 2014 Budget

	General Fund	School Fund	Capital Funds	Special Revenue Fund	Enterprise Funds	Internal Service Fund	Fiduciary Funds	Debt Service Fund	Transfers from Other Funds	Grand Total
<b>Revenues</b>										
General Property Taxes	\$ 124,647,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124,647,000
Other Local Taxes	28,883,000	-	-	-	-	-	-	-	-	28,883,000
Permits, Fees and Licenses	1,615,800	-	164,700	199,635	202,360	-	-	-	-	2,182,495
Fines and Forfeitures	1,202,200	-	-	-	-	-	-	-	-	1,202,200
Use of Money and Property	664,300	8,000	-	-	271,919	90,000	-	-	-	1,034,219
Charges for Services	6,328,821	6,010,278	-	-	21,594,815	32,160,470	-	-	-	66,094,384
Recovered Costs and Misc	4,615,205	2,106,700	200,000	-	3,635,430	90,000	537,000	-	-	11,184,335
Intergovernmental	31,136,533	88,748,007	1,000,000	-	171,451	-	-	252,459	-	121,308,450
Transfers In	-	73,091,040	5,267,000	-	66,556	-	425,000	19,660,093	(98,509,689)	-
Long Term Debt	-	-	1,000,000	-	-	-	-	-	-	1,000,000
Fund Balance	8,730,386	337,000	-	80,000	5,946,578	-	-	-	-	15,093,964
<b>Total Revenues</b>	<b>\$ 207,823,245</b>	<b>\$ 170,301,025</b>	<b>\$ 7,631,700</b>	<b>\$ 279,635</b>	<b>\$ 31,889,109</b>	<b>\$ 32,340,470</b>	<b>\$ 962,000</b>	<b>\$ 19,912,552</b>	<b>\$ (98,509,689)</b>	<b>\$ 372,630,047</b>
<b>Expenditures - by Function</b>										
General Government	\$ 13,060,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,060,567
Judicial Administration	4,510,218	-	-	-	-	-	-	-	-	4,510,218
Public Safety	48,159,435	-	-	-	-	-	-	-	-	48,159,435
Public Works	9,274,171	-	-	-	532,426	-	-	-	(66,556)	9,740,041
Human Services	23,029,432	-	-	-	-	-	-	-	-	23,029,432
Education	73,091,040	170,301,025	-	-	-	-	-	-	(73,091,040)	170,301,025
Parks, Recreation & Cultural	5,619,759	-	-	-	-	-	-	-	-	5,619,759
Community Development	4,508,014	-	-	279,635	-	-	962,000	-	(425,000)	5,324,649
Nondepartmental	1,643,516	-	-	-	-	-	-	-	-	1,643,516
Capital Projects	5,267,000	-	7,631,700	-	-	-	-	-	(5,267,000)	7,631,700
Public Utilities	-	-	-	-	31,356,683	-	-	-	-	31,356,683
Self-Insurance	-	-	-	-	-	32,340,470	-	-	-	32,340,470
Debt Service	19,660,093	-	-	-	-	-	-	19,912,552	(19,660,093)	19,912,552
<b>Total</b>	<b>\$ 207,823,245</b>	<b>\$ 170,301,025</b>	<b>\$ 7,631,700</b>	<b>\$ 279,635</b>	<b>\$ 31,889,109</b>	<b>\$ 32,340,470</b>	<b>\$ 962,000</b>	<b>\$ 19,912,552</b>	<b>\$ (98,509,689)</b>	<b>\$ 372,630,047</b>
<b>Expenditures - by Category</b>										
Salaries and Fringe Benefits	\$ 72,477,229	\$ 149,873,864	\$ -	\$ -	\$ 6,304,215	\$ 32,199,800	\$ -	\$ -	\$ -	\$ 260,855,108
Operating Expenditures	30,402,156	18,623,455	-	279,635	10,999,940	140,670	962,000	16,650	-	61,424,506
Capital Expenditures	6,434,171	1,803,706	7,631,700	-	10,999,462	-	-	-	-	26,869,039
Transfers Out	98,509,689	-	-	-	-	-	-	-	(98,509,689)	-
Debt Service										
Principal Payments	-	-	-	-	2,411,511	-	-	12,528,656	-	14,940,167
Interest Payments	-	-	-	-	1,173,981	-	-	7,367,246	-	8,541,227
<b>Total Expenditures</b>	<b>\$ 207,823,245</b>	<b>\$ 170,301,025</b>	<b>\$ 7,631,700</b>	<b>\$ 279,635</b>	<b>\$ 31,889,109</b>	<b>\$ 32,340,470</b>	<b>\$ 962,000</b>	<b>\$ 19,912,552</b>	<b>\$ (98,509,689)</b>	<b>\$ 372,630,047</b>

## General Fund

	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget
<b>Revenues</b>			
General Property Taxes	\$ 126,110,780	\$ 123,685,500	\$ 124,647,000
Other Local Taxes	27,362,807	28,342,000	28,883,000
Permits, Fees and Licenses	1,555,734	1,551,700	1,615,800
Fines and Forfeitures	1,123,148	1,269,200	1,202,200
Use of Money and Property	724,967	759,000	664,300
Charges for Services	6,078,973	6,369,471	6,328,821
Recovered Costs and Misc	4,542,282	4,358,408	4,615,205
Intergovernmental	31,443,570	30,217,675	31,136,533
Fund Balance	9,100,195	11,912,562	8,730,386
Transfers In	-	-	-
<b>Total Revenues</b>	<b>\$ 208,042,456</b>	<b>\$ 208,465,516</b>	<b>\$ 207,823,245</b>

<b>Expenditures</b>			
Salaries and Fringe Benefits	\$ 70,113,172	\$ 71,789,317	\$ 72,477,229
Operating Expenditures	29,543,813	31,926,669	30,402,156
Capital Expenditures	5,253,122	4,459,625	6,434,171
Transfers Out	91,663,970	95,791,265	98,509,689
Debt Service			
Principal Payments	2,201,996	2,541,464	-
Interest Payments	2,001,749	1,957,176	-
<b>Total Expenditures</b>	<b>\$ 200,777,822</b>	<b>\$ 208,465,516</b>	<b>\$ 207,823,245</b>

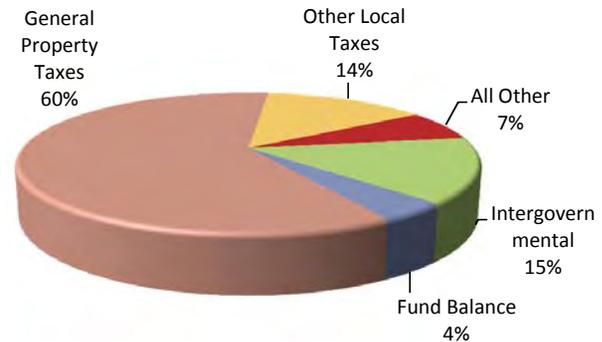
Estimated Beginning Fund Balance - June 30, 2013	\$ 33,720,294
Estimated Ending Fund Balance - June 30, 2014	\$ 24,989,908

Estimated Ending Fund Balance as a Percent of Net Operating Revenues	12.6%
Estimated Change in Fund Balance	-25.9%

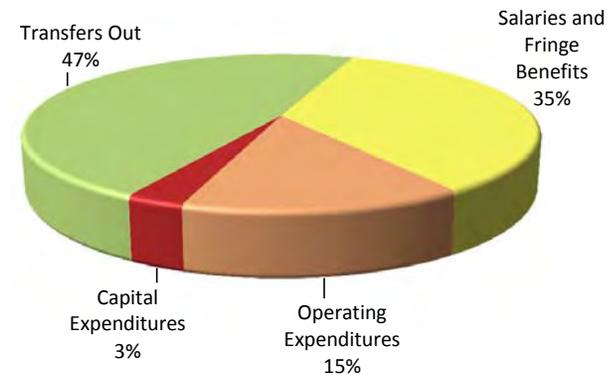
**Notes:**

- 1) In FY13, the Community Services Board (CSB) and Comprehensive Services Act (CSA) Funds were merged into the General Fund. For purposes of comparison, revenues and expenses for those functions have been restated in the General Fund for FY12.
- 2) In FY14, the Debt Service Fund was created. All County debt expenses which were previously shown in the table above as "Debt Service - Principal/Interest Payments" are now shown in General Fund as "Transfers Out" to the Debt Service Fund. All School debt expenses which were previously shown as "Transfers Out" to the School Fund are now "Transfers Out" to the Debt Service Fund.

**FY 2014 General Fund Revenues**



**FY 2014 General Fund Expenditures**



## School Funds

	School Operating Fund			School - Textbook Fund			School - Food Service Fund		
	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget
<b>Revenues</b>									
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Local Taxes	-	-	-	-	-	-	-	-	-
Permits, Fees and Licenses	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Use of Money and Property	-	-	-	3,781	-	-	-	8,000	8,000
Charges for Services	750,808	897,000	949,000	-	-	-	5,271,614	5,449,800	5,061,278
Recovered Costs and Misc	1,319,931	2,066,000	2,084,700	-	-	-	24,006	25,000	22,000
Intergovernmental	88,127,419	84,925,288	86,670,281	428,839	540,732	326,026	1,719,956	1,615,061	1,751,700
Fund Balance	-	-	-	-	-	-	-	107,227	337,000
Transfers In	86,899,750	91,841,500	72,373,688	-	-	717,352	-	-	-
<b>Total Revenues</b>	<b>\$ 177,097,908</b>	<b>\$ 179,729,788</b>	<b>\$ 162,077,669</b>	<b>\$ 432,620</b>	<b>\$ 540,732</b>	<b>\$ 1,043,378</b>	<b>\$ 7,015,576</b>	<b>\$ 7,205,088</b>	<b>\$ 7,179,978</b>
<b>Expenditures</b>									
Salaries and Fringe Benefits	\$ 145,741,177	\$ 147,104,128	\$ 146,077,036	\$ 73,889	\$ 82,258	\$ 76,034	\$ 3,260,088	\$ 3,812,302	\$ 3,720,794
Operating Expenditures	15,095,582	16,022,532	15,210,221	3,283	4,186	4,050	3,629,596	3,249,786	3,409,184
Capital Expenditures	1,208,088	887,128	790,412	358,202	454,288	963,294	98,331	143,000	50,000
Transfers Out	-	-	-	-	-	-	-	-	-
Debt Service									
Principal Payments	10,502,253	10,723,304	-	-	-	-	-	-	-
Interest Payments	5,092,904	4,992,696	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 177,640,004</b>	<b>\$ 179,729,788</b>	<b>\$ 162,077,669</b>	<b>\$ 435,374</b>	<b>\$ 540,732</b>	<b>\$ 1,043,378</b>	<b>\$ 6,988,015</b>	<b>\$ 7,205,088</b>	<b>\$ 7,179,978</b>
Estimated Beginning Fund Balance - June 30, 2013			\$ 2,512,652			\$ 1,685,027			\$ 891,534
Estimated Ending Fund Balance - June 30, 2014			\$ 2,512,652			\$ 1,685,027			\$ 554,534

## Capital Funds

	County Improvements Fund			School Improvements Fund		
	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget
<b>Revenues</b>						
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Local Taxes	-	-	-	-	-	-
Permits, Fees and Licenses	-	154,000	164,700	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Use of Money and Property	2,858	-	-	2,591	50,000	-
Charges for Services	596,818	200,000	-	707,412	780,000	-
Recovered Costs and Misc	77,694	200,000	200,000	-	-	-
Intergovernmental	767,187	1,000,000	1,000,000	-	-	-
Fund Balance	-	-	-	-	-	-
Transfers In	2,333,000	1,757,000	3,447,000	1,810,000	1,687,000	1,820,000
Long Term Debt	-	-	-	6,471,989	2,000,000	1,000,000
<b>Total Revenues</b>	<b>\$ 3,777,557</b>	<b>\$ 3,311,000</b>	<b>\$ 4,811,700</b>	<b>\$ 8,991,992</b>	<b>\$ 4,517,000</b>	<b>\$ 2,820,000</b>
<b>Expenditures</b>						
Salaries and Fringe Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenditures	-	-	-	-	-	-
Capital Expenditures	8,731,761	3,311,000	4,811,700	8,296,972	4,517,000	2,820,000
Transfers Out	-	-	-	-	-	-
Debt Service						
Principal Payments	-	-	-	-	-	-
Interest Payments	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 8,731,761</b>	<b>\$ 3,311,000</b>	<b>\$ 4,811,700</b>	<b>\$ 8,296,972</b>	<b>\$ 4,517,000</b>	<b>\$ 2,820,000</b>
Estimated Beginning Fund Balance - June 30, 2013			\$ 10,178,971			\$ 3,456,091
Estimated Ending Fund Balance - June 30, 2014			\$ 10,178,971			\$ 3,456,091

## Special Revenue Fund

## Internal Service Fund

	Economic Development Authority			Self-Insurance Fund		
	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget
<b>Revenues</b>						
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Local Taxes	-	-	-	-	-	-
Permits, Fees and Licenses	178,765	170,710	199,635	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Use of Money and Property	-	-	-	86,663	150,000	90,000
Charges for Services	-	-	-	31,111,302	33,004,244	32,160,470
Recovered Costs and Misc	-	-	-	318,452	72,000	90,000
Intergovernmental	-	-	-	-	-	-
Fund Balance	-	80,000	80,000	-	213,756	-
Transfers In	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 178,765</b>	<b>\$ 250,710</b>	<b>\$ 279,635</b>	<b>\$ 31,516,417</b>	<b>\$ 33,440,000</b>	<b>\$ 32,340,470</b>
<b>Expenditures</b>						
Salaries and Fringe Benefits	\$ -	\$ -	\$ -	\$ 28,559,301	\$ 33,325,000	\$ 32,199,800
Operating Expenditures	276,688	250,710	279,635	80,225	115,000	140,670
Capital Expenditures	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Debt Service						
Principal Payments	-	-	-	-	-	-
Interest Payments	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 276,688</b>	<b>\$ 250,710</b>	<b>\$ 279,635</b>	<b>\$ 28,639,526</b>	<b>\$ 33,440,000</b>	<b>\$ 32,340,470</b>
Estimated Beginning Fund Balance - June 30, 2013			\$ 140,522			\$ 5,721,948
Estimated Ending Fund Balance - June 30, 2014			\$ 60,522			\$ 5,721,948

## Enterprise Funds

	Public Utilities Fund			Airport Fund		
	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget
<b>Revenues</b>						
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Local Taxes	-	-	-	-	-	-
Permits, Fees and Licenses	218,929	199,200	202,360	-	-	-
Long-term Debt	-	-	-	-	-	-
Use of Money and Property	112,728	100,000	100,000	184,550	166,912	171,919
Charges for Services	21,064,882	21,271,870	21,594,815	-	-	-
Recovered Costs and Misc	5,039,742	2,941,930	3,562,930	-	72,500	72,500
Intergovernmental	-	-	-	326,003	441,830	171,451
Fund Balance	-	-	5,896,578	-	50,000	50,000
Transfers In	-	-	-	192,889	67,265	66,556
<b>Total Revenues</b>	<b>\$ 26,436,281</b>	<b>\$ 24,513,000</b>	<b>\$ 31,356,683</b>	<b>\$ 703,442</b>	<b>\$ 798,507</b>	<b>\$ 532,426</b>
<b>Expenditures</b>						
Salaries and Fringe Benefits	\$ 6,374,187	\$ 6,538,894	\$ 6,203,335	\$ 98,695	\$ 100,081	\$ 100,880
Operating Expenditures	9,834,593	10,519,058	10,937,321	52,063	62,619	62,619
Capital Expenditures	7,968,477	3,797,183	10,774,512	367,014	491,830	224,950
Transfers Out	-	-	-	-	-	-
Debt Service						
Principal Payments	2,304,488	2,492,814	2,344,510	-	67,001	67,001
Interest Payments	1,137,247	1,165,051	1,097,005	78,636	76,976	76,976
<b>Total Expenditures</b>	<b>\$ 27,618,992</b>	<b>\$ 24,513,000</b>	<b>\$ 31,356,683</b>	<b>\$ 596,408</b>	<b>\$ 798,507</b>	<b>\$ 532,426</b>
Estimated Beginning Fund Balance - June 30, 2013			\$ 19,608,976			\$ 846,305
Estimated Ending Fund Balance - June 30, 2014			\$ 13,712,398			\$ 796,305

## Fiduciary Funds

	Bell Creek Community Development Authority			Lewistown Community Development Authority		
	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget	FY 2012 Actual	FY 2013 Budget	FY 2014 Budget
<b>Revenues</b>						
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Local Taxes	-	-	-	-	-	-
Permits, Fees and Licenses	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Use of Money and Property	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Recovered Costs and Misc	481,680	305,000	405,000	351,282	136,000	132,000
Intergovernmental	-	-	-	-	-	-
Fund Balance	-	-	-	-	-	-
Transfers In	-	-	-	428,331	438,500	425,000
<b>Total Revenues</b>	<b>\$ 481,680</b>	<b>\$ 305,000</b>	<b>\$ 405,000</b>	<b>\$ 779,613</b>	<b>\$ 574,500</b>	<b>\$ 557,000</b>
<b>Expenditures</b>						
Salaries and Fringe Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenditures	482,274	305,000	405,000	562,000	574,500	557,000
Capital Expenditures	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Debt Service						
Principal Payments	-	-	-	-	-	-
Interest Payments	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 482,274</b>	<b>\$ 305,000</b>	<b>\$ 405,000</b>	<b>\$ 562,000</b>	<b>\$ 574,500</b>	<b>\$ 557,000</b>

## Debt Service Fund

<b>Debt Service Fund</b>			
	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>
<b>Revenues</b>			
General Property Taxes	\$ -	\$ -	\$ -
Other Local Taxes	-	-	-
Permits, Fees and Licenses	-	-	-
Fines and Forfeitures	-	-	-
Use of Money and Property	-	-	-
Charges for Services	-	-	-
Recovered Costs and Misc	-	-	-
Intergovernmental	-	-	252,459
Fund Balance	-	-	-
Transfers In	-	-	19,660,093
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,912,552</b>
<b>Expenditures</b>			
Salaries and Fringe Benefits	\$ -	\$ -	\$ -
Operating Expenditures	-	-	16,650
Capital Expenditures	-	-	-
Transfers Out	-	-	-
Debt Service			
Principal Payments	-	-	12,528,656
Interest Payments	-	-	7,367,246
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,912,552</b>

Note: In FY14, the Debt Service Fund was created. All County and School debt expenses are now represented in the Debt Service Fund instead of the General Fund and School Funds.



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# **Five-Year General Fund Financial Plan**

## **Fiscal Years 2014 Through 2018**

### **Background**

The County began preparing a Five-Year Financial Plan for the General Fund in 1989. The plan plays a key role in assisting the County in determining funding priorities and balancing the budget each year. Because the plan is an important planning tool, priority funding is given to items in the previous year's adopted plan versus new requests. Departments wishing to fund an item that is not included in the previous year's approved plan must be able to clearly demonstrate what has occurred during the past year to make the item in question a funding priority over items that had been incorporated in the County's planning process. The plan helps identify which areas of the cumulative requests are higher than anticipated, allowing budget staff to focus on those areas and identify the unanticipated issues. The plan is also an assurance to our citizens that the County is planning long-term and financially positioning itself to meet the needs of the future.

When reviewing the plan, it is important to remember that only the first year is adopted and appropriated by the Board of Supervisors. The remaining years of the plan are based on current programmatic and financial conditions. The *exact* dollars or positions in the plan are likely to change, but, if current needs and conditions remain relatively constant, the overall direction and emphasis reflected in the plan should remain consistent. The Five-Year General Fund Financial Plan is adopted by the Board of Supervisors during the budget process and is subject to a public hearing.

### **Major Assumptions**

Traditionally, great efforts have been spent on the Five-Year General Fund Financial Plan in illustrating conservative revenue growth and how such revenue growth over current year projections can be reinvested in the County. As fiscal flexibility is limited in meeting current service levels, the County is selective in any enhancements of service levels and prioritizes resources in areas where core services are most impacted (e.g., staffing of Fire/EMS, student-teacher ratios including the ever-increasing need for special education services, and sheriff patrols). Therefore, some service level enhancements are either staggered, phased-in or deferred until the County can afford to provide such enhancements, unless a corresponding revenue increase can be identified. This situation is mainly represented by the debt funded projects. Prior to the recession, such projects were staggered to enable revenue and debt affordability models to be accomplished without a tax rate increase. During this recession period, the same model has also assisted the County in determining how to appropriately time the final borrowing of referendum funding, and the deferral of all additional debt funded projects to allow time to assess the stability of the economy.

The Five-Year General Fund Financial Plan represents the County's attempt to quantify the impacts of future needs matched with a projection of available resources. Each year this plan is adopted by the Board of Supervisors, thereby indicating to the public the County's expected tax rates, operating costs, capital improvements, debt service requirements, school allocations and service level plans. Generally, the plan seeks to maintain or enhance all current budget guidelines and the Board's adopted initiatives.

# **Five-Year General Fund Financial Plan**

## **Fiscal Years 2014 Through 2018**

### **Overarching Philosophy**

The overarching philosophy for this Five-Year Plan is that FY14 marks the last year of declines in the plan and the years following have conservative growth assumptions. The anticipated decline in 2013 real estate reassessments improved 0.5% over our budget estimate in last year's Five-Year Plan. This decline is coupled with the conservative estimate of a 0.5% increase in values in 2014. FY15 will begin what is anticipated to be four years of slow growth at levels climbing from 2.0% to 3.7% in ongoing revenues.

### **Revenues**

#### **General Property Taxes**

- Real Property tax revenue from the reassessment of existing property is projected to decline by 1.0% in calendar year 2014, increase 1.0% in 2015, and increase 3.0% annually thereafter.
- Real Property tax revenue growth from the assessment of new construction is projected to be 1.5% in calendar year 2014, 2.0% in 2015, and 2.5% thereafter.
- The adopted \$0.81 per \$100 of assessed value real property tax rate has been maintained throughout the plan.
- Personal Property growth is projected to increase 3.0% in FY14, 4.0% in FY15, 4.5% in FY16, and 5.0% thereafter.

#### **Other Revenues**

- Sales tax receipts are projected to increase 3.0% over FY13 budget. The Plan anticipates a 4.0%-5.0% increase throughout the rest of the Five-Year Plan.
- The Five-Year Plan does not anticipate funding for any additional positions from the Compensation Board. Compensation Board funding is projected to increase 3.7% in FY14, 1.3% in FY15, then 2.5% per year thereafter.
- Permits, privilege fees, and regulatory licenses are projected to increase 4.1% in FY14. Then, in FY15, this category is budgeted to increase 23.1% with the addition of a fee to offset the cost of compliance with state mandated environmental programs. In FY16 and FY17, the increase is anticipated to return to a more inflationary norm of 2.4% and 2.9% respectively. Finally, in FY18, the increase is reduced to 0.5% to represent the potential leveling off of growth in permits.
- Interest on investments in FY14 is projected to decrease 12.5% from the FY13 budget, and then increase 2.5% on average annually thereafter.

### **Expenditures**

#### **County-wide**

- There are no planned compensation increases throughout the adopted Five-Year Plan.
- Health insurance expenditures for the employer are projected to increase 4.0% in FY14 and FY15, 6.0% in FY16, and 10.0% in FY17 and FY18. The Plan assumes employee increases or plan modifications for premium adjustments above the employer's increase throughout the Plan. For budgeting purposes, the employee premium is expected to be unchanged in FY14. The data to support that final decision will not be available until after budget adoption.

## **Five-Year General Fund Financial Plan**

### **Fiscal Years 2014 Through 2018**

- Retirement benefit expenditures are based on information from the Virginia Retirement System actuarial valuation as of June 30, 2011. Because FY13 is the beginning of a biennium, the rate for FY14 was certified by the VRS last year as 11.82%. In FY13, the County chose to shift from the use of the blended rate provided by the VRS noted above to an imputed rate that applies the Law Enforcement Officers Supplement (LEOS) only to those positions (and those departments) that receive the benefit. The rate split for FY14 is 9.33% for non-LEOS eligible employees and 16.33% for LEOS eligible employees. It is assumed that the VRS rate will increase by 1% at each biennium.
- Base operating expenditures increase 1.5% in FY15, then increase 2.0% in FY16, and 3.0% thereafter.
- The tax relief for the elderly and disabled program has appeared to level off in terms of participation. Tax relief is anticipated to remain at the FY13 funding level. Thereafter, the cost of the program begins to rise again with the increase in real property values.

#### **School Allocation Plan**

- While funding from the General Fund's on-going revenues remains relatively flat in FY14, overall ongoing and one-time funding provided to the Schools will decrease 20% in FY14 due to three (3) main factors: 1) transfer of the debt service payments from the Schools budget to a new Debt Service Fund, 2) a reduction in the Schools use of one-time funding sources, and 3) consolidation of some School financial functions with the County operations. The transfer of debt service and the financial consolidation have no net impact on the School budget as both the revenue and expense have been transferred. Annually thereafter in the Five-Year Plan, the School budget is assumed to increase at the same rate as the increase in adjusted on-going General Fund revenues.

#### **Other Allocation Plans**

- The Pamunkey Regional Jail was able to lower its funding request to the County in FY14. The Plan projects increases of 2.0%-3.0% in the subsequent years.
- Funding to the Hanover County Airport is projected to stay relatively flat until FY17 due to a planned use of reserves in the Airport Fund. The General Fund will begin contributing its typical share again in year 4 of the Plan. The fluctuation in the funding of the Airport is due to the capital improvements portion of the transfer; funding fluctuates to best match available grant funding.

**County of Hanover, Virginia**  
**Five-Year General Fund Financial Plan**  
**Fiscal Years 2014 through 2018**

	Year 1 <u>FY14</u>	Year 2 <u>FY15</u>	Year 3 <u>FY16</u>	Year 4 <u>FY17</u>	Year 5 <u>FY18</u>
<b>Revenues:</b>					
General Property Taxes	\$ 124,647,000	\$ 127,032,000	\$ 131,499,000	\$ 137,344,000	\$ 143,380,000
Other Local Taxes	28,883,000	29,666,000	30,789,000	31,966,000	32,998,000
Permits, Fees, and Licenses	1,615,800	1,989,740	2,038,000	2,097,100	2,107,100
Fines and Forfeitures	1,202,200	1,203,300	1,215,400	1,227,500	1,239,600
Revenue from Use of Money	664,300	683,000	699,000	715,000	732,000
Charges for Services	6,328,821	6,416,823	6,548,747	6,672,846	6,786,962
Recovered Costs	3,514,455	3,593,949	3,679,800	3,768,530	3,862,424
Intergovernmental	31,136,533	31,373,201	31,709,901	32,057,201	32,413,201
Miscellaneous	1,100,750	1,109,750	1,122,350	1,134,750	1,148,750
Subtotal - Ongoing Revenues	199,092,859	203,067,763	209,301,198	216,982,927	224,668,037
Use of planned surpluses	8,730,386	7,673,315	6,600,850	5,400,633	5,825,125
<b>Total Revenues</b>	<b>\$ 207,823,245</b>	<b>\$ 210,741,078</b>	<b>\$ 215,902,048</b>	<b>\$ 222,383,560</b>	<b>\$ 230,493,162</b>
<b>Expenditures:</b>					
Salaries and Fringe Benefits	\$ 72,477,229	\$ 73,337,299	\$ 73,767,614	\$ 75,029,084	\$ 75,789,748
Operating	29,324,568	29,548,324	30,264,129	30,314,946	32,824,273
Tax Relief for the Elderly and Disabled	1,630,000	1,640,000	1,670,000	1,740,000	1,830,000
Capital	1,167,171	1,417,490	1,877,730	1,788,800	1,753,000
Service Level Plan	-	194,680	661,090	1,207,020	1,968,960
Debt Service	19,660,093	18,386,827	17,598,367	16,996,338	15,806,189
Airport Fund	66,556	63,022	61,932	111,113	109,593
Pamunkey Regional Jail	4,714,588	4,808,880	4,953,146	5,101,740	5,254,792
Lewistown CDA	425,000	438,000	459,000	486,000	514,000
County CIP	3,447,000	4,201,516	5,232,000	6,118,979	7,498,367
School Allocation Plan					
School Operating	73,091,040	72,115,040	74,655,040	78,039,540	81,511,240
School CIP	1,820,000	4,590,000	4,702,000	5,450,000	5,633,000
Total Schools	74,911,040	76,705,040	79,357,040	83,489,540	87,144,240
<b>Total Expenditures</b>	<b>\$ 207,823,245</b>	<b>\$ 210,741,078</b>	<b>\$ 215,902,048</b>	<b>\$ 222,383,560</b>	<b>\$ 230,493,162</b>

## General Fund - Departmental Appropriations

	FY12 Actual	FY13 Budget	FY14 Budget	Percent Change	Dollar Change
<b>General Government Administration</b>					
Board of Supervisors	\$ 493,563	\$ 491,310	\$ 489,152	(0.4%)	\$ (2,158)
County Administrator	1,213,950	1,157,282	1,167,140	0.9%	9,858
Human Resources	741,524	696,046	707,086	1.6%	11,040
County Attorney	1,154,429	1,021,997	1,011,826	(1.0%)	(10,171)
Commissioner of the Revenue	1,283,749	1,234,939	1,270,668	2.9%	35,729
Assessor	867,880	803,693	825,723	2.7%	22,030
Treasurer	1,395,511	1,327,994	1,356,228	2.1%	28,234
Finance	1,305,632	1,336,148	1,761,689	31.8%	425,541
Internal Audit	228,168	250,353	260,874	4.2%	10,521
Information Technology	3,939,462	3,883,546	3,912,512	0.7%	28,966
Registrar	431,295	290,510	297,669	2.5%	7,159
Subtotal, General Government Admin.	\$ 13,055,163	\$ 12,493,818	\$ 13,060,567	4.5%	\$ 566,749
<b>Judicial Administration</b>					
Circuit Court	83,654	70,766	69,598	(1.7%)	(1,168)
General District Court	75,368	90,671	84,000	(7.4%)	(6,671)
Magistrates	2,494	2,889	2,901	0.4%	12
Juvenile & Domestic Relations Court	18,209	21,110	19,842	(6.0%)	(1,268)
Clerk of the Circuit Court	1,305,441	1,258,473	1,292,616	2.7%	34,143
Court Services	1,291,398	1,404,241	1,418,708	1.0%	14,467
Commonwealth's Attorney	1,542,837	1,618,173	1,622,553	0.3%	4,380
Subtotal, Judicial Administration	\$ 4,319,401	\$ 4,466,323	\$ 4,510,218	1.0%	\$ 43,895
<b>Public Safety</b>					
Sheriff	18,407,963	20,040,920	20,491,192	2.2%	450,272
Emergency Communications	3,855,327	4,624,171	5,032,905	8.8%	408,734
Fire/EMS	14,469,720	14,480,890	14,553,339	0.5%	72,449
Pamunkey Regional Jail	4,788,442	4,744,599	4,714,588	(0.6%)	(30,011)
Juvenile Court Services	636,716	706,442	706,380	(0.0%)	(62)
Community Corrections	448,405	442,909	440,707	(0.5%)	(2,202)
Building Inspections	1,300,974	1,247,994	1,250,887	0.2%	2,893
Animal Control	1,030,957	948,546	969,437	2.2%	20,891
Subtotal, Public Safety	\$ 44,938,504	\$ 47,236,471	\$ 48,159,435	2.0%	\$ 922,964
<b>Public Works</b>					
Public Works	1,895,679	1,752,445	1,737,102	(0.9%)	(15,343)
Public Works Operations	3,717,453	3,853,340	3,706,958	(3.8%)	(146,382)
General Services	3,624,393	3,734,676	3,763,555	0.8%	28,879
Transfer to Airport Fund	192,889	67,265	66,556	(1.1%)	(709)
Subtotal, Public Works	\$ 9,430,414	\$ 9,407,726	\$ 9,274,171	(1.4%)	\$ (133,555)
<b>Human Services</b>					
Health	504,233	496,000	496,000	0.0%	-
Community Services Board	10,119,257	10,174,588	9,941,672	(2.3%)	(232,916)
Social Services	4,854,699	5,053,161	5,139,994	1.7%	86,833
Community Resources	399,698	409,977	293,820	(28.3%)	(116,157)
Comprehensive Services Act	5,611,787	5,443,956	5,527,946	1.5%	83,990
Tax Relief for the Elderly and Disabled	1,718,837	1,630,000	1,630,000	0.0%	-
Subtotal, Human Services	\$ 23,208,511	\$ 23,207,682	\$ 23,029,432	(0.8%)	\$ (178,250)
<b>Education</b>					
Transfer to Education	\$ 86,899,750	\$ 91,841,500	\$ 73,091,040	(20.4%)	\$ (18,750,460)
Subtotal, Education	\$ 86,899,750	\$ 91,841,500	\$ 73,091,040	(20.4%)	\$ (18,750,460)

## General Fund - Departmental Appropriations

	FY12 Actual	FY13 Budget	FY14 Budget	Percent Change	Dollar Change
<b>Parks, Rec &amp; Cultural</b>					
Parks and Recreation	3,282,453	3,048,902	3,080,901	1.0%	31,999
Pamunkey Regional Library	2,672,482	2,538,858	2,538,858	0.0%	-
Subtotal, Parks, Rec & Cultural	\$ 5,954,935	\$ 5,587,760	\$ 5,619,759	0.6%	\$ 31,999
<b>Community Development</b>					
Planning	1,942,642	1,778,675	1,767,426	(0.6%)	(11,249)
Economic Development	918,651	1,028,546	1,018,497	(1.0%)	(10,049)
Extension Services	85,655	98,205	85,470	(13.0%)	(12,735)
Soil and Water Conservation District	95,545	92,680	92,680	0.0%	-
Community Support	1,166,742	1,080,731	1,118,941	3.5%	38,210
Transfer to Lewistown CDA	428,331	438,500	425,000	(3.1%)	(13,500)
Subtotal, Community Development	\$ 4,637,566	\$ 4,517,337	\$ 4,508,014	(0.2%)	\$ (9,323)
<b>Debt Service</b>					
Transfer to Debt Service Fund	-	-	19,660,093	100.0%	19,660,093
Principal	2,201,996	2,541,464	-	(100.0%)	(2,541,464)
Interest	2,001,749	1,957,176	-	(100.0%)	(1,957,176)
Subtotal, Debt Service	\$ 4,203,745	\$ 4,498,640	\$ 19,660,093	337.0%	\$ 15,161,453
<b>Nondepartmental</b>					
Reserve for Contingencies	-	1,414,259	1,143,516	(19.1%)	(270,743)
Reserve for Revenue Transfers	-	350,000	500,000	42.9%	150,000
Subtotal, Nondepartmental	\$ -	\$ 1,764,259	\$ 1,643,516	(6.8%)	\$ (120,743)
<b>Capital Projects</b>					
County Improvements Fund	2,333,000	1,757,000	3,447,000	96.2%	1,690,000
School Improvements Fund	1,810,000	1,687,000	1,820,000	7.9%	133,000
Subtotal, Capital Projects	\$ 4,143,000	\$ 3,444,000	\$ 5,267,000	52.9%	\$ 1,823,000
<b>TOTAL</b>	<b>\$ 200,790,989</b>	<b>\$ 208,465,516</b>	<b>\$ 207,823,245</b>	<b>(0.3%)</b>	<b>\$ (642,271)</b>
Salaries and Fringe Benefits	\$ 70,126,339	\$ 71,789,317	\$ 72,477,229	1.0%	\$ 687,912
Operating Expenditures	125,411,528	132,216,574	128,911,845	(2.5%)	(3,304,729)
Capital Outlay	5,253,122	4,459,625	6,434,171	44.3%	1,974,546
	<b>\$ 200,790,989</b>	<b>\$ 208,465,516</b>	<b>\$ 207,823,245</b>	<b>(0.3%)</b>	<b>\$ (642,271)</b>

*Capital projects are segregated as to function in the Capital Improvements Program section. Operating expenditures includes all funds transferred from the General Fund to the Schools, Textbook, Airport, Debt, Lewistown Commerce Center CDA, and Capital Improvements funds. A portion of the transferred funds may have been used to pay for salaries and fringe benefits and capital outlay in those funds.*

## FY14 Service Level Plan

Service Level Projects	FY14	Personnel	Recurring Operating	Operating/ Capital
<b>General Fund</b>	<b>1,187,670</b>	-	-	<b>1,187,670</b>
<b>General Government</b>	<b>17,500</b>	-	-	<b>17,500</b>
Commissioner of the Revenue	15,000	-	-	15,000
Large Format Scanner	15,000	-	-	15,000
Treasurer	2,500	-	-	2,500
Laserfiche Quick Fields Module	2,500	-	-	2,500
<b>Judicial Administration</b>	<b>50,000</b>	-	-	<b>50,000</b>
Court Services	50,000	-	-	50,000
Court Services Replacement Vehicles	50,000	-	-	50,000
<b>Parks, Recreation &amp; Cultural</b>	<b>23,000</b>	-	-	<b>23,000</b>
Parks and Recreation	23,000	-	-	23,000
Storage Shed/modify PGP existing	5,000	-	-	5,000
Commercial Mowers (3) Replace	18,000	-	-	18,000
<b>Public Safety</b>	<b>933,000</b>	-	-	<b>933,000</b>
Emergency Communications	30,200	-	-	30,200
CALEA Accreditation	5,200	-	-	5,200
Radio Frequency Calibration Monitor	25,000	-	-	25,000
Fire/EMS	50,000	-	-	50,000
Fire Dept. Vehicles	50,000	-	-	50,000
Sheriff	852,800	-	-	852,800
Extend Range Situational House	12,000	-	-	12,000
MDTs (16,16,16,16)	130,300	-	-	130,300
Vehicles (29, 30, 39, 40)	710,500	-	-	710,500
<b>Public Works</b>	<b>164,170</b>	-	-	<b>164,170</b>
General Services	88,000	-	-	88,000
30 ton floor jack	3,200	-	-	3,200
Paving & Repairs Courthouse Complex	7,500	-	-	7,500
HVAC Taylor Building	7,500	-	-	7,500
Alterations to Building	9,500	-	-	9,500
Improvements - Historic Structures	10,000	-	-	10,000
Insurance Consultant Fees	10,300	-	-	10,300
Woods House Repairs	20,000	-	-	20,000
Exterior painting of Rockville Branch Library	20,000	-	-	20,000
Public Works Operations	76,170	-	-	76,170
Roll Off Containers	29,470	-	-	29,470
Compactor systems	46,700	-	-	46,700

## FY14 Service Level Plan

Service Level Projects	FY14	Personnel	Recurring Operating	Operating/ Capital
<b>Public Utilities Fund</b>	<b>447,590</b>	-	-	<b>447,590</b>
<b>Department of Public Utilities</b>	<b>447,590</b>	-	-	<b>447,590</b>
DPU - Ashland Wastewater Treatment Plant	34,500	-	-	34,500
Maintenance Bldg Repairs	9,500	-	-	9,500
Orbal Drive Motors	25,000	-	-	25,000
DPU - Customer Service	112,690	-	-	112,690
Meter Purchases	112,690	-	-	112,690
DPU - Doswell Wastewater Treatment Plant	58,700	-	-	58,700
Purchase Composite Sampler - CHSTP	6,200	-	-	6,200
New Influent meter w/hydraulics analysis	8,000	-	-	8,000
Install above ground actuators - EQ Basin influent	44,500	-	-	44,500
DPU - Maintenance	130,000	-	-	130,000
Fluke 810 Vibration Tester	7,500	-	-	7,500
Man Basket for Crane Truck	7,500	-	-	7,500
Sewer Flowmeter (portable ultrasonic style)	10,000	-	-	10,000
Vehicle # 9400 - F150 4WD Crew Cab	25,000	-	-	25,000
Vehicle # 9050 - PU 4WD - Crew Cab - Diesel	35,000	-	-	35,000
Beaverdam PS - Rebuild Grinders	45,000	-	-	45,000
DPU - Operations	56,500	-	-	56,500
Tool Boxes, Bed Liners for New Vehicles	2,500	-	-	2,500
Replace Sinclair Well Pump	10,000	-	-	10,000
Replace Blowoffs	20,000	-	-	20,000
Vehicle #8834 w 1/2 ton XT Cab, 4WD	24,000	-	-	24,000
DPU - Totopotomoy Wastewater Plant	55,200	-	-	55,200
Spare IQ Analyzer (New in BUD14)	7,000	-	-	7,000
Replace 10 yr Defuser	8,200	-	-	8,200
Replace Lab Dishwasher w/distilled wtr rinse cycle	10,000	-	-	10,000
Addison Unit at Bruce Center (AC Unit)	30,000	-	-	30,000
<b>Grand Total</b>	<b>1,635,260</b>	-	-	<b>1,635,260</b>

## FTE Summary Table

Departments	FY12		FY12	FY13		FY13	FY14		FY14	Change from FY13	% Change from FY13
	FT	PT		FT	PT		FT	PT			
<b>General Government</b>	<b>128.0</b>	<b>4.5</b>	<b>132.5</b>	<b>119.0</b>	<b>4.0</b>	<b>123.0</b>	<b>125.0</b>	<b>4.5</b>	<b>129.5</b>	<b>6.5</b>	<b>5.3%</b>
Assessor	10.0	-	10.0	10.0	-	10.0	10.0	-	10.0	-	0.0%
Board of Supervisors	1.0	3.5	4.5	1.0	3.5	4.5	1.0	3.5	4.5	-	0.0%
Commissioner of the Revenue	18.0	-	18.0	17.0	-	17.0	17.0	-	17.0	-	0.0%
County Administrator	9.0	-	9.0	7.0	-	7.0	7.0	-	7.0	-	0.0%
County Attorney	9.0	-	9.0	7.0	-	7.0	7.0	-	7.0	-	0.0%
Finance & Management Svcs.	17.0	-	17.0	16.0	-	16.0	22.0	-	22.0	6.0	37.5%
Human Resources	9.0	-	9.0	7.0	-	7.0	7.0	-	7.0	-	0.0%
Information Technology	34.0	-	34.0	34.0	-	34.0	34.0	-	34.0	-	0.0%
Internal Audit	3.0	-	3.0	2.0	0.5	2.5	2.0	0.5	2.5	-	0.0%
Registrar	3.0	-	3.0	3.0	-	3.0	3.0	-	3.0	-	0.0%
Treasurer	15.0	1.0	16.0	15.0	-	15.0	15.0	0.5	15.5	0.5	3.3%
<b>Judicial Administration</b>	<b>55.0</b>	<b>1.6</b>	<b>56.6</b>	<b>55.0</b>	<b>-</b>	<b>55.0</b>	<b>55.0</b>	<b>-</b>	<b>55.0</b>	<b>-</b>	<b>0.0%</b>
Clerk of the Court	17.0	1.6	18.6	17.0	-	17.0	17.0	-	17.0	-	0.0%
Commonwealth's Attorney	18.0	-	18.0	18.0	-	18.0	18.0	-	18.0	-	0.0%
Court Services	19.0	-	19.0	19.0	-	19.0	19.0	-	19.0	-	0.0%
Courts	1.0	-	1.0	1.0	-	1.0	1.0	-	1.0	-	0.0%
<b>Public Safety</b>	<b>459.0</b>	<b>2.5</b>	<b>461.5</b>	<b>447.0</b>	<b>1.5</b>	<b>448.5</b>	<b>447.0</b>	<b>1.5</b>	<b>448.5</b>	<b>-</b>	<b>0.0%</b>
Animal Control	15.0	-	15.0	13.0	-	13.0	13.0	-	13.0	-	0.0%
Building Inspections	20.0	-	20.0	15.0	-	15.0	15.0	-	15.0	-	0.0%
Community Corrections	7.0	-	7.0	7.0	-	7.0	7.0	-	7.0	-	0.0%
Emergency Communications	49.0	1.0	50.0	47.0	0.5	47.5	47.0	0.5	47.5	-	0.0%
Fire/EMS	144.0	-	144.0	144.0	-	144.0	144.0	-	144.0	-	0.0%
Juvenile Court Services	4.0	-	4.0	3.0	-	3.0	3.0	-	3.0	-	0.0%
Sheriff	220.0	1.5	221.5	218.0	1.0	219.0	218.0	1.0	219.0	-	0.0%
<b>Public Works</b>	<b>85.0</b>	<b>2.9</b>	<b>87.9</b>	<b>81.0</b>	<b>2.3</b>	<b>83.3</b>	<b>81.0</b>	<b>2.3</b>	<b>83.3</b>	<b>-</b>	<b>0.0%</b>
Airport Fund	1.0	-	1.0	1.0	-	1.0	1.0	-	1.0	-	0.0%
General Services	33.0	-	33.0	32.0	-	32.0	32.0	-	32.0	-	0.0%
Public Works	19.0	1.8	20.8	16.0	1.8	17.8	16.0	1.8	17.8	-	0.0%
Public Works Operations	32.0	1.1	33.1	32.0	0.5	32.5	32.0	0.5	32.5	-	0.0%
<b>Human Services</b>	<b>181.0</b>	<b>7.7</b>	<b>188.7</b>	<b>173.0</b>	<b>9.6</b>	<b>182.6</b>	<b>171.0</b>	<b>9.4</b>	<b>180.4</b>	<b>(2.2)</b>	<b>-1.2%</b>
Community Resources	5.0	-	5.0	5.0	-	5.0	4.0	-	4.0	(1.0)	-20.0%
Community Services Act (CSA)	119.0	7.7	126.7	115.0	8.8	123.8	114.0	8.6	122.6	(1.2)	-1.0%
Comprehensive Services Board (CSB)	2.0	-	2.0	1.0	-	1.0	-	-	-	(1.0)	-100.0%
Social Services	55.0	-	55.0	52.0	0.75	52.8	53.0	0.78	53.78	1.03	2.0%
<b>Parks, Recreation &amp; Cultural</b>	<b>34.0</b>	<b>3.1</b>	<b>37.1</b>	<b>30.0</b>	<b>3.4</b>	<b>33.4</b>	<b>28.0</b>	<b>3.6</b>	<b>31.6</b>	<b>(1.8)</b>	<b>-5.2%</b>
Parks and Recreation	34.0	3.1	37.1	30.0	3.4	33.4	28.0	3.6	31.6	(1.8)	-5.2%
<b>Community Development</b>	<b>29.0</b>	<b>-</b>	<b>29.0</b>	<b>24.0</b>	<b>0.5</b>	<b>24.5</b>	<b>23.0</b>	<b>0.5</b>	<b>23.5</b>	<b>(1.0)</b>	<b>-4.1%</b>
Economic Development	5.0	-	5.0	5.0	-	5.0	5.0	-	5.0	-	0.0%
Planning	24.0	-	24.0	19.0	0.5	19.5	18.0	0.5	18.5	(1.0)	-5.1%
<b>County Subtotal</b>	<b>971.0</b>	<b>22.3</b>	<b>993.3</b>	<b>929.0</b>	<b>21.2</b>	<b>950.2</b>	<b>930.0</b>	<b>21.8</b>	<b>951.8</b>	<b>1.6</b>	<b>0.2%</b>

## FTE Summary Table

Departments	FY12 FT	FY12 PT	FY12 FY12	FY13 FT	FY13 PT	FY13 FY13	FY14 FT	FY14 PT	FY14 FY14	Change from FY13	% Change from FY13
<b>Public Utilities Fund</b>	<b>95.0</b>	<b>-</b>	<b>95.0</b>	<b>93.0</b>	<b>-</b>	<b>93.0</b>	<b>91.0</b>	<b>-</b>	<b>91.0</b>	<b>(2.0)</b>	<b>-2.2%</b>
Public Utilities	95.0	-	95.0	93.0	-	93.0	91.0	-	91.0	(2.0)	-2.2%
<b>Self-Insurance Fund</b>	<b>-</b>	<b>0.5</b>	<b>0.5</b>	<b>-</b>	<b>0.5</b>	<b>0.5</b>	<b>-</b>	<b>0.5</b>	<b>0.5</b>	<b>-</b>	<b>0.0%</b>
Self-Insurance	-	0.5	0.5	-	0.5	0.5	-	0.5	0.5	-	0.0%
<b>Schools</b>			<b>2,532.0</b>			<b>2,461.6</b>			<b>2,433.9</b>	<b>(27.7)</b>	<b>-1.1%</b>
Total Education			2,532.0			2,461.6			2,433.9	(27.7)	-1.1%
<b>Other Funds Subtotal</b>	<b>95.0</b>	<b>0.5</b>	<b>2,627.5</b>	<b>93.0</b>	<b>0.5</b>	<b>2,555.1</b>	<b>91.0</b>	<b>0.5</b>	<b>2,525.4</b>	<b>(29.7)</b>	<b>-1.2%</b>
<b>Grand Total</b>	<b>1,066.0</b>	<b>22.8</b>	<b>3,620.8</b>	<b>1,022.0</b>	<b>21.7</b>	<b>3,505.3</b>	<b>1,021.0</b>	<b>22.3</b>	<b>3,477.2</b>	<b>(28.1)</b>	<b>-0.8%</b>

Notes:

1) In addition to the benefitted full-time equivalent (FTE) positions noted above, there are other authorized positions for non-benefitted employees working less than 50% of a full-time employee. For non-benefitted employees, the Department Head is required to incur only the number of hours that can be afforded within the appropriated dollars.

\* In FY14, there are approximately **600** non-benefitted positions representing **\$995,000** in wages. This represents a **\$45,000** reduction from FY13. Of those positions, the majority are noted below:

- 300 (\$36k) are Officers of Elections brought in to work the polls during an election.
- 100 (\$290k) work as Clinicians, Relief Workers, and Vocational Trainers at the Community Services Board.
- 94 (\$225k) are seasonal Summer Youth Program workers. Fees pay for these staff hours.
- 14 (\$155k) are attendants at the Solid Waste Convenience Centers.
- 14 (\$120k) are Fire/EMS instructors. Fees are collected to offset the cost.

2) Positions that are unfunded:

FY13: Director of Planning, Chief Assessor, 3 Sheriff's Deputies

FY14: None

## General Fund Revenue Detail

<u>Type of Revenue</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Budget</u>	<u>Percent Change</u>	<u>Dollar Change</u>
<b>GENERAL PROPERTY TAXES</b>					
Real Estate Property Tax	\$ 94,232,364	\$ 91,150,000	\$ 90,800,000	(0.4%)	\$ (350,000)
Public Service Corporation Tax	4,306,198	4,050,000	4,500,000	11.1%	450,000
Personal Property Tax	22,514,391	22,580,000	24,000,000	6.3%	1,420,000
Mobile Home Tax	31,611	23,000	24,000	4.3%	1,000
Machinery and Tools Tax	1,682,357	1,663,000	1,670,000	0.4%	7,000
Merchants' Capital Tax	888,573	780,500	930,000	19.2%	149,500
Delinquent Taxes	1,493,498	2,338,000	1,683,000	(28.0%)	(655,000)
Penalties and Interest	961,788	1,101,000	1,040,000	(5.5%)	(61,000)
<b>General Property Taxes</b>	<b>\$ 126,110,780</b>	<b>\$ 123,685,500</b>	<b>\$ 124,647,000</b>	<b>0.8%</b>	<b>\$ 961,500</b>
<b>OTHER LOCAL TAXES</b>					
Local Sales and Use Tax	\$ 16,593,709	\$ 17,090,000	\$ 17,600,000	3.0%	\$ 510,000
Sales Tax on Mobile Homes	13,614	23,000	23,000	-	-
Consumer Utility Tax	1,787,974	1,800,000	1,800,000	-	-
Contractor's Licenses	323,765	400,000	400,000	-	-
Utility Franchise License Tax	680,698	750,000	700,000	(6.7%)	(50,000)
Motor Vehicle Licenses	10	-	-	-	-
Lodging Tax	709,471	711,000	750,000	5.5%	39,000
Bank Stock Tax	476,633	500,000	480,000	(4.0%)	(20,000)
Recordation Tax	1,666,670	1,675,000	2,000,000	19.4%	325,000
Tax on Wills	28,842	24,000	30,000	25.0%	6,000
Communications Tax	5,081,441	5,369,000	5,100,000	(5.0%)	(269,000)
<b>Other Local Taxes</b>	<b>\$ 27,362,827</b>	<b>\$ 28,342,000</b>	<b>\$ 28,883,000</b>	<b>1.9%</b>	<b>\$ 541,000</b>
<b>PERMITS, FEES, AND LICENSES</b>					
Well - Septic Inspection	\$ 2,300	\$ 3,000	\$ 3,000	-	\$ -
Animal Licenses	121,913	114,000	115,000	0.9%	1,000
Planning Permits & Fees	130,626	150,000	180,000	20.0%	30,000
Building Permits	434,195	420,000	430,000	2.4%	10,000
Mechanical Permits	178,836	179,000	185,000	3.4%	6,000
Electrical Permits	143,474	144,000	148,000	2.8%	4,000
Plumbing Permits	70,875	76,000	78,000	2.6%	2,000
Septic Tank Permits	3,809	3,700	3,800	2.7%	100
Fire Inspection Fees	143,800	148,000	148,000	-	-
Stormwater Management	154,000	155,000	160,000	3.2%	5,000
Erosion and Sediment Inspection	172,034	159,000	165,000	3.8%	6,000
<b>Permits, Fees, and Licenses</b>	<b>\$ 1,555,862</b>	<b>\$ 1,551,700</b>	<b>\$ 1,615,800</b>	<b>4.1%</b>	<b>\$ 64,100</b>
<b>FINES AND FORFEITURES</b>					
Court Fines and Forfeitures	\$ 566,270	\$ 750,000	\$ 675,000	(10.0%)	\$ (75,000)
Interest on Fines	21,636	13,000	20,000	53.8%	7,000
Security Alarm Fees	44,670	45,000	45,000	-	-
Clerk: Criminal Justice Fee	101,059	65,000	65,000	-	-
Jail Processing Fee	850	-	-	-	-
Courtroom Security Fee	208,398	245,000	245,000	-	-
Court Appointed Atty Fees	30,727	29,000	30,000	3.4%	1,000
Courthouse Maintenance Fees	123,516	120,000	120,000	-	-
Public Works: E&S Fines	26,022	2,200	2,200	-	-
<b>Fines and Forfeitures</b>	<b>\$ 1,123,148</b>	<b>\$ 1,269,200</b>	<b>\$ 1,202,200</b>	<b>(5.3%)</b>	<b>\$ (67,000)</b>
<b>REVENUE FROM USE OF MONEY &amp; PROPERTY</b>					
Interest on Investments	\$ 391,434	\$ 408,000	\$ 350,000	(14.2%)	\$ (58,000)
Rental Income	368,304	305,000	310,000	1.6%	5,000
Community Services Board	37,770	41,000	-	(100.0%)	(41,000)
Non-Taxable Sales	3,973	4,000	4,000	-	-
Taxable Sales	74	1,000	300	(70.0%)	(700)
<b>Revenue From Use of Money &amp; Property</b>	<b>\$ 801,555</b>	<b>\$ 759,000</b>	<b>\$ 664,300</b>	<b>(12.5%)</b>	<b>\$ (94,700)</b>

## General Fund Revenue Detail

<u>Type of Revenue</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Budget</u>	<u>Percent Change</u>	<u>Dollar Change</u>
<b>CHARGES FOR SERVICES</b>					
Circuit Court: Excess Fees	\$ 75,877	\$ 125,000	\$ 95,000	(24.0%)	\$ (30,000)
Circuit Court: Law Library Fees	22,701	24,000	24,000	-	-
Clerk of Court: Sheriff Fees	5,788	5,788	5,788	-	-
Transfer Fees	2,457	3,000	2,500	(16.7%)	(500)
Commonwealth's Attorney Fees	15,109	8,000	12,000	50.0%	4,000
Animal Control: Boarding Fees	15,475	18,000	18,000	-	-
Animal Control: Adoption Fees	10,290	15,000	15,000	-	-
Radio Shop Charges	15,835	8,000	8,000	-	-
Radio System Access Charge	-	-	325,000	100.0%	325,000
Landfill: Fees	500,008	530,000	320,000	(39.6%)	(210,000)
Landfill: Penalty	776	1,000	1,000	-	-
Cannery Fees	6,744	4,000	4,000	-	-
Parks & Rec: Recreation Fees	564,130	575,000	575,000	-	-
Planning: Brown Grove	6,800	2,500	2,500	-	-
Community Services Board	2,933,370	3,050,183	2,921,033	(4.2%)	(129,150)
EMS Cost Recovery	2,026,803	2,000,000	2,000,000	-	-
<b>Charges for Services</b>	<b>\$ 6,202,163</b>	<b>\$ 6,369,471</b>	<b>\$ 6,328,821</b>	<b>(0.6%)</b>	<b>\$ (40,650)</b>
<b>RECOVERED COSTS</b>					
Fleet	\$ 56,665	\$ 3,212	\$ 3,212	-	\$ -
General Services	32,315	79,000	45,000	(43.0%)	(34,000)
Pamunkey Regional Jail	404,000	421,200	429,200	1.9%	8,000
Utility Fund Cost Allocation	1,107,250	1,067,500	1,140,468	6.8%	72,968
Utility Service Assessment	397,000	326,013	325,000	(0.3%)	(1,013)
Sheriff Forfeiture State	11,312	-	-	-	-
Sheriff Forfeiture Federal	40,895	-	-	-	-
Comm. Atty-Forfeiture-State	4,537	-	-	-	-
Social Services: Bon Secours	27,917	26,000	26,000	-	-
Contributions: GRCCA	425,889	318,450	317,500	(0.3%)	(950)
CDA: Lewistown	25,462	26,226	27,013	3.0%	787
Treasurer - Delinquent Taxes	25,797	35,000	35,000	-	-
Landfill (Recycling)	371,119	285,000	285,000	-	-
Economic Development	170,790	165,310	194,000	17.4%	28,690
Community Resources	5,000	5,000	5,000	-	-
Fire: Instructor Reimbursement	161,543	45,000	100,000	122.2%	55,000
Fire - Dominion Resources	25,000	25,000	25,000	-	-
Bldg Inspector: Unsafe Bldg	-	5,000	5,000	-	-
General District Crt:Postage	7,765	9,000	9,000	-	-
Clerk: Copier Charges	10,195	10,000	9,300	(7.0%)	(700)
Recycling Service District	65,850	74,397	68,112	(8.4%)	(6,285)
Sheriff - DEA	51,925	42,000	42,000	-	-
Comm. Corr.-Caroline Cty	25,634	33,000	28,300	(14.2%)	(4,700)
Community Services Board	95,192	150,000	150,000	-	-
Comprehensive Services Act	142,052	85,000	85,000	-	-
DMV Select	72,070	50,000	80,000	60.0%	30,000
Comm. Corr.-Supervision Fee	29,373	27,000	28,000	3.7%	1,000
Planning - Sign Violations	-	1,000	1,000	-	-
Health: Recovered Cost	37,263	46,350	46,350	-	-
Recovered Costs: Miscellaneous	4,717	5,000	5,000	-	-
<b>Recovered Costs</b>	<b>\$ 3,834,527</b>	<b>\$ 3,365,658</b>	<b>\$ 3,514,455</b>	<b>4.4%</b>	<b>\$ 148,797</b>

## General Fund Revenue Detail

<u>Type of Revenue</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Budget</u>	<u>Percent Change</u>	<u>Dollar Change</u>
<b>INTERGOVERNMENTAL REVENUE</b>					
<b>NON-CATEGORICAL STATE AID</b>					
Rolling Stock Tax	\$ 64,907	\$ 71,000	\$ 70,000	(1.4%)	\$ (1,000)
Vehicle Rental Tax	170,699	133,000	170,000	27.8%	37,000
Personal Property State Share	15,002,745	15,002,000	15,002,000	-	-
<b>Non-Categorical State Aid</b>	<b>\$ 15,238,351</b>	<b>\$ 15,206,000</b>	<b>\$ 15,242,000</b>	<b>0.2%</b>	<b>\$ 36,000</b>
<b>STATE SHARE OF</b>					
<b>LOCAL OFFICES</b>					
Commonwealth's Attorney	\$ 758,583	\$ 803,742	\$ 848,500	5.6%	\$ 44,758
Sheriff and Court Services	3,223,164	3,184,763	3,291,700	3.4%	106,937
Commissioner of the Revenue	219,573	230,798	240,100	4.0%	9,302
Treasurer	193,774	207,798	216,800	4.3%	9,002
Clerk of Circuit Court	506,153	516,474	531,600	2.9%	15,126
Registrar	51,202	58,359	58,359	-	-
<b>State Share of Local Offices</b>	<b>\$ 4,952,449</b>	<b>\$ 5,001,934</b>	<b>\$ 5,187,059</b>	<b>3.7%</b>	<b>\$ 185,125</b>
<b>CATEGORICAL STATE AID</b>					
Social Services	\$ 1,169,277	\$ 1,228,955	\$ 1,416,637	15.3%	\$ 187,682
Juv. Ct. Serv:Youth & Family	81,243	80,000	80,000	-	-
Planning: COLG	22,509	-	-	-	-
Clerk: Comp Board Technology	55,694	27,200	45,150	66.0%	17,950
Emer. Comm.: State Cellular Tax	357,555	300,000	350,000	16.7%	50,000
Registrar's Office	52,477	-	2,400	100.0%	2,400
Comm. Atty: Victim Witness	88,550	80,000	85,000	6.3%	5,000
Sheriff: Hwy Safety Traffic Board	-	45,000	45,000	-	-
Fire: Dept of Emergency Mgmt	38,786	-	-	-	-
Fire: Fire Programs	257,788	240,000	240,000	-	\$ -
EMS: Four For Life	103,208	108,000	108,000	-	-
Juror Reimbursement	2,760	9,700	3,600	(62.9%)	(6,100)
Landfill : Environmental Quality	14,771	18,000	18,000	-	-
Community Resources: CASA	31,700	30,000	30,000	-	-
Spay & Neuter Contributions	530	-	-	-	-
Community Corrections	327,646	328,000	328,000	-	-
Sheriff: DCJS	13,829	10,000	10,000	-	-
Community Services Board	2,228,932	2,255,906	2,267,906	0.5%	12,000
Comprehensive Services Act	3,089,368	2,780,929	2,967,348	6.7%	186,419
State Reversion Clearing Account	(492,201)	(500,000)	-	-	500,000
<b>Categorical State Aid</b>	<b>\$ 7,444,422</b>	<b>\$ 7,041,690</b>	<b>\$ 7,997,041</b>	<b>13.6%</b>	<b>\$ 955,351</b>
<b>CATEGORICAL FEDERAL AID</b>					
Sheriff's Office Grants	\$ 215,861	\$ 10,000	\$ 10,000	-	\$ -
ARRA-EEC Block Grant DOE	55,141	-	-	-	-
FEMA Reimbursements	29,087	-	-	-	-
PILT - US Dept of Interior	2,221	2,000	2,000	-	-
Fire Department Grants	432,807	-	-	-	-
Social Services:Health	2,304,216	2,200,761	2,209,602	0.4%	8,841
Community Services Board	460,652	456,831	462,831	1.3%	6,000
Community Resources: Justice	27,890	26,000	26,000	-	-
BAB Debt Service Revenue	272,459	272,459	-	(100.0%)	(272,459)
<b>Categorical Federal Aid</b>	<b>\$ 3,800,334</b>	<b>\$ 2,968,051</b>	<b>\$ 2,710,433</b>	<b>(8.7%)</b>	<b>\$ (257,618)</b>
<b>TOTAL INTERGOVERNMENTAL</b>	<b>\$ 31,435,556</b>	<b>\$ 30,217,675</b>	<b>\$ 31,136,533</b>	<b>3.0%</b>	<b>\$ 918,858</b>

## General Fund Revenue Detail

<u>Type of Revenue</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Budget</u>	<u>Percent Change</u>	<u>Dollar Change</u>
<b>MISCELLANEOUS</b>					
Sheriff: Project Lifesaver	\$ 12,012	\$ 1,000	\$ 1,000	-	\$ -
Miscellaneous Refunds	307,346	261,000	265,000	1.5%	4,000
Worker's Compensation Refunds	3,485	9,000	9,000	-	-
Insurance Recoveries	107,593	31,000	32,000	3.2%	1,000
Sale of Assets	119,456	107,000	110,000	2.8%	3,000
Gifts and Donations	16,652	50,000	40,000	(20.0%)	(10,000)
Reserve for Revenue Transfers	-	350,000	500,000	42.9%	150,000
Comm. Res: Winterization Project	135	-	-	-	-
Extension Office - Misc Revenue	796	11,500	11,500	-	-
Risk Management Safety Grant	3,214	-	-	-	-
Tomato Festival	80,809	53,250	53,250	-	-
Senior Travel Commission	-	-	48,000	100.0%	48,000
Community Services Board	51,393	119,000	31,000	(73.9%)	(88,000)
<b>Miscellaneous</b>	<b>\$ 702,891</b>	<b>\$ 992,750</b>	<b>\$ 1,100,750</b>	<b>10.9%</b>	<b>\$ 108,000</b>
<b>Subtotal</b>	<b>\$ 199,129,309</b>	<b>\$ 196,552,954</b>	<b>\$ 199,092,859</b>	<b>1.3%</b>	<b>\$ 2,539,905</b>
Prior Year Balance	\$ 9,100,195	\$ 11,912,562	\$ 8,730,386	<b>(26.7%)</b>	\$ (3,182,176)
<b>TOTAL</b>	<b>\$ 208,229,504</b>	<b>\$ 208,465,516</b>	<b>\$ 207,823,245</b>	<b>(0.3%)</b>	<b>\$ (642,271)</b>



**Real Property Tax Rate is \$0.81 per \$100 of assessed value**

**Real Property Assessable Base = \$13.3 billion**

**Real Property Tax Generated = \$90,800,000**

**One Penny Generates \$1.1 million**

## General Fund Revenue Information

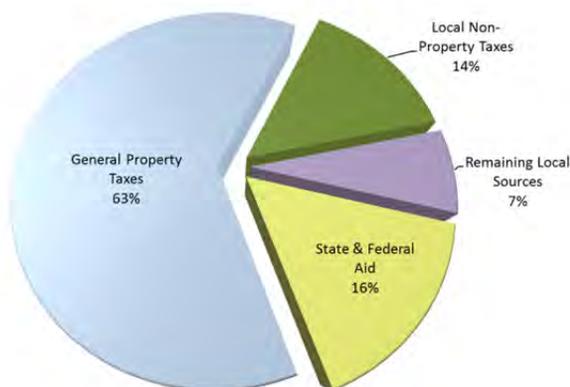
In order to support the County's mission of delivering quality services to the citizens of Hanover County, a great deal of time and resources are expended to make sure that supporting revenues are monitored and projected in a manner that allows for the most efficient, consistent, and cost effective delivery of those services.

The very factors that lend themselves to revenue strength and stability in Hanover have further translated to savings for taxpayers. Confidence in the County's diverse tax base and revenue stability are reflected in the AAA bond rating assigned to Hanover by all three of the major ratings agencies. These results have allowed the County access to some of the most attractive financing rates available while maintaining the low tax burden citizens have come to expect in Hanover County.

The General Fund is the general operating fund of the County. Ongoing revenue for the General Fund is divided into four major categories:

1. General Property Taxes;
2. Local Non-Property Taxes;
3. Remaining Local Sources; and
4. State & Federal Aid.

**FY14 General Fund Ongoing Revenue**

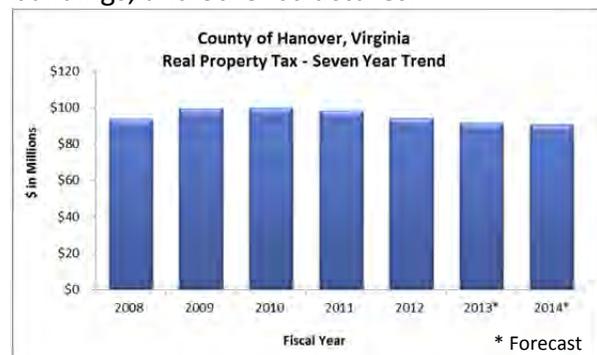


### General Property Taxes

The majority of the County's General Fund revenue is generated through general property taxes, which refers to real property and personal property. The general property tax category refers to tax revenues received directly from taxpayers. In FY14, Hanover expects to receive \$124,647,000 in general property taxes.

### Real Property Tax

The *Code of Virginia* §§ 58.1-3200 through 58.1-3389, authorizes localities to levy taxes on the assessed value of real estate property owned by businesses, individuals and public service corporations. Real property is defined as land and improvements, including buildings, and other structures.



Section §58.1-3201 provides that all general reassessments or annual assessments shall be at 100% of fair market value. The projection of real property tax revenue is contingent upon the accuracy of estimates of the real property tax base. In developing these estimates, the County Assessor incorporates a combination of factors, including historical trends, the current year's tax base, the cumulative effect of parcel reassessments, the value of land in the County's land use program, and an estimate of new construction during the upcoming year. The Assessor's Office appraises all real property annually.

## General Fund Revenue Information

The Board of Supervisors adopted an ordinance allowing property tax relief for elderly and disabled persons. The applicant for tax relief must be either disabled or not less than 65 years of age and must be the owner of the property for which relief is sought. The property must be the sole dwelling of the applicant. The maximum income level is \$50,000 and maximum net worth is \$200,000, with no maximum discount.

Real property taxes are levied in April and are collected semiannually on June 5<sup>th</sup> and October 5<sup>th</sup>. Supplemental prorated levies are performed throughout the year for construction occurring during the year. The budget includes a county-wide real property tax rate of \$0.81 per \$100 of assessed value. This rate has remained unchanged since 2007. The County expects to generate \$90.8M, a \$350,000 or 0.4% decrease from FY13. This total includes \$165,000 of incremental revenue generated by the Lewistown CDA, which will be transferred to the Lewistown CDA Fund upon receipt. The decrease for the 2013 taxable year is a 2.44% decrease in reassessments and a 0.93% growth in new construction. Assumptions for the 2014 taxable year are a 1.0% decrease in reassessments and 1.5% growth in new construction.

### Public Service Corporation Taxes

Public service corporation taxes are the real estate and personal property tax due from companies whose purpose is to provide utilities for the public. An example is a railroad line or telephone company. The County receives annual assessments from the State Corporation Commission (SCC) and Department of Taxation. The County's real and personal property tax rates are applied to

these assessments and from this the County expects to generate \$4.5M, a \$450,000 or 11.1% increase due to increasing the generating equipment tax rate from \$0.55 to the real property tax rate of \$0.81.

### Personal Property Tax

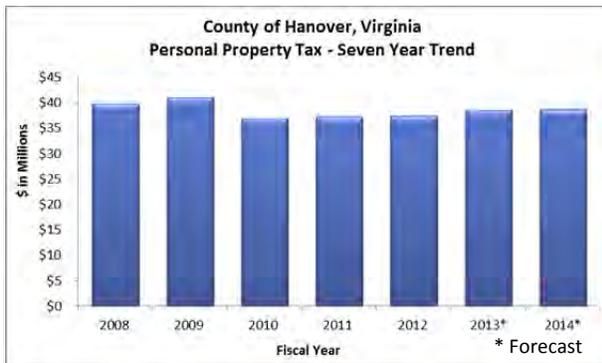
Pursuant to the *Code of Virginia* §§ 58.1-3500 through 58.1-3536, counties may levy a tax on tangible personal property. Included in this category are such items as motor vehicles, farming equipment, and a variety of motorized vehicles, including boats, aircraft, recreational vehicles, campers, and trailers. Taxes are levied on 100% of trade-in assessed value, which are based on published market guides. Personal property projections incorporate historical analysis, estimates of future growth, and information regarding tangible property market values.

In 1999, the State began a phased reduction of personal property taxes on the first \$20,000 in value of private vehicles. In 2004, the reduction was held to 70% of the tax eliminated, with the foregone revenue reimbursed to localities from the State. In FY07, the State's reimbursement to localities was capped at \$950 million. Thus, Hanover's payments from the State are a fixed sum that represents Hanover's pro rata share of the total State reimbursement. The actual percent relief to be applied to the taxpayer's bill is quantified in September of each year. The 64% State relief for 2011 was reduced to 60% for 2012.

Personal property taxes are estimated to generate \$39.0M, a \$1.4M or 3.8% increase. This includes \$15.0M of personal property tax paid to the County from the State. The State's portion is classified as non-categorical State aid. The current tax rate is \$3.57 per

## General Fund Revenue Information

\$100 of value and is collected annually on February 5<sup>th</sup> of the subsequent year. The rate for airplanes is \$0.50 per \$100 assessed value. Assumptions for FY14 are a 4% increase in tax valuations, which includes prorations. Hanover County prorates the personal property tax on vehicles (not including boats). The County also has an incentive program to recognize the contributions of fire and rescue squad volunteers, providing a tax relief of 50% on the primary vehicles used by volunteers. In November 2006, the Board of Supervisors established a separate classification for disabled veterans, providing 50% tax relief. Finally, in an effort to determine accurately the value of vehicles, Hanover County offers a discount for vehicles with high mileage.



### Machinery and Tools Tax

Pursuant to the *Code of Virginia* § 58.1-3507, certain machinery and tools, such as those used for manufacturing, mining, processing, radio/television broadcasting, dairy, and laundry or dry cleaning are segregated for local taxation. The original cost of the machinery and tools plus installation is reported to the Commissioner of the Revenue whereby an assessment ratio of 10% is applied to determine the assessed value for the tax levy. Machinery and tools taxes are expected to generate \$1.7M, a \$7,000 or 0.4% increase.

### Merchants' Capital Tax

The *Code of Virginia* §§ 58.1-3509 and 58.1-3510, provides that localities may impose a local tax on merchants' capital, which is defined as the inventory of stock on hand, daily rental of passenger cars, daily rental property, and all other tangible personal property. An assessment ratio of 10% is applied to determine the assessed value for the tax levy. The County expects to generate \$930,000 in revenue from this source, a \$149,500 or 19.2% increase.

### Delinquent Taxes

The County considers taxes to be delinquent as of August 1<sup>st</sup> of the next fiscal year after the assessment of the property.

### Penalties and Interest

Penalties and interest are charges assessed for paying a bill after the due date. In FY09, penalties were lowered from 10% to 2% if the tax amount is paid in full by the first day of the month immediately following the due date, and if not paid in full 10% on the total tax amount thereafter. Interest accumulates at a 10% annual rate.

### Other Local Taxes

Hanover County also collects substantial revenue from local sales tax, which includes a variety of local tax revenues independent of general property taxes such as sales tax. These other local taxes are projected to contribute \$28.9M in FY14 and are the General Fund's third largest revenue source.

## General Fund Revenue Information

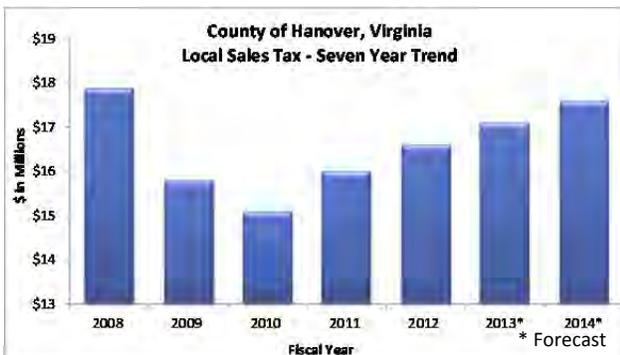
### Local Sales Tax

The largest single item in this category is the local sales tax. The County receives 1% of the Commonwealth's 5% sales tax on all local sales, which is collected by merchants and remitted through the Commonwealth to Hanover. Pursuant to Virginia Code § 58.1-605, the County then remits 2.27% of that amount to the town of Ashland.

Local sales tax revenue is budgeted at \$17.6M in FY14, a \$510,000 or 3.0% increase over the FY13 budget. This includes \$250,000 of incremental revenue generated by the Lewistown CDA.

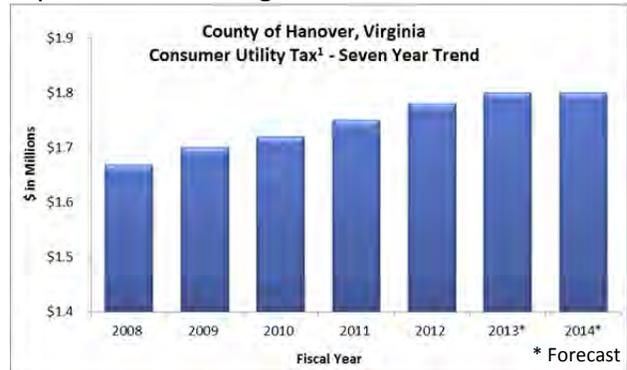
The following is the fiscal year 2012, taxable sales, as a percentage of total taxable sales, in the County:

Retail Trade	55.70%
Wholesale Trade	12.87%
Recreation/Food Services	10.99%
Non-classified	5.03%
Professional Services	4.93%
Manufacturing	4.79%
Construction	2.95%
Other Nonprofessional Services	2.20%
Agriculture	0.53%



### Consumer Utility Tax

The *Code of Virginia* § 58.1-3814 authorizes localities to impose a tax on the consumers of public utilities. This tax is applied to all gas and electric service recipients residing within the County, excluding the Town of Ashland, which has a separate utility tax for Ashland residents. The County collects 20% of the first \$15 on utility purchases. Consumers pay these taxes on a monthly basis to their utility companies. Prior to January 2007, this tax also applied to all landline and wireless telephone service. Revenue from this utility tax is expected to generate \$1.8M; this represents no change from FY13.



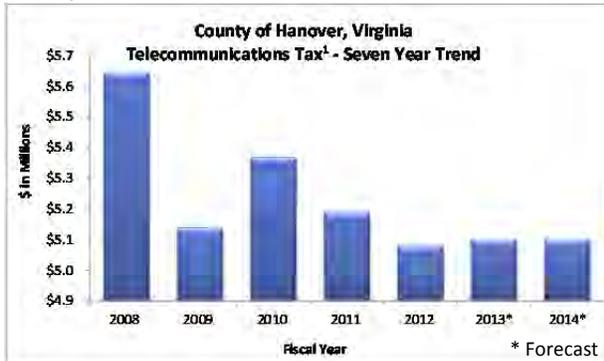
<sup>1</sup> Excluding Telephone Service

### Communications Sales and Use Tax

Legislation enacted during the 2006 General Assembly session considerably changed the manner in which taxes are levied on communications services. This new tax, effective January 1, 2007, replaced local communications taxes and fees with a uniform 5% tax per month on all telecommunications services as well as a uniform 911 fee of \$0.75 per line per month. Satellite television and voice over internet telephone service are also subject to the 5% tax. The County's cable company, Comcast/AT&T Broadband, continues to pay a 5% franchise fee. Revenues are collected by the

## General Fund Revenue Information

Virginia Department of Taxation and distributed to localities on a monthly basis. Hanover County is scheduled to receive approximately 1.19% of statewide collections. Projected revenue in FY14 is \$5.1M, a \$269,000 or 5.0% decrease.



<sup>1</sup>Combined Telephone tax, E-911 and Cable Franchise fee

### Contractor's Licenses

The contractor's licenses tax is based on prior year gross receipts of every contractor having in excess of \$100,000 in gross receipts and having a definite place of business in the County, or having no definite place of business but residing in the County or defined as a contractor by the *Code of Virginia*. The tax rate is \$0.10 per \$100 of gross receipts. Payment is due on or before March 1 of the license tax year. This tax is projected to generate \$400,000 in revenue for FY14, generating no additional revenue over FY13.

### Utility Franchise License Tax

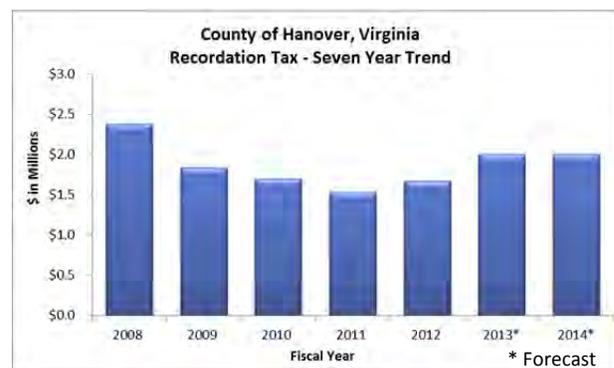
The *Code of Virginia* § 58.1-3731 authorizes localities to impose a license tax on telephone and water companies not to exceed one-half of 1% of the gross receipts of the previous year. This tax is due by January 31 of the license tax year. This tax is projected to generate \$700,000 in revenue, a \$50,000 or 6.7% decrease.

### Lodging Tax

The lodging tax is a tax levied on limited-stay facilities, such as any hotel, motel, or travel campground occupied for a period of less than thirty (30) consecutive days. The tax is 8% of the charge and includes charges for all services provided for the space or room as a unit price. The lodging tax is projected to generate \$750,000, a \$39,000 or 5.5% increase from FY13. This entire revenue source is transmitted to the Greater Richmond Convention Center Authority and forms the basis for a 25% refund for Hanover's contribution to the Richmond Convention Center. The refund is recorded under recovered costs.

### Recordation Tax

Section 58.1-3800 of the *Code of Virginia* authorizes localities to impose a recordation tax on transactions involving the recording of estates, deeds of trusts, mortgages, leases, contracts and agreements that are required to be admitted as matters of record to the Clerk of the Circuit Court. Amounts are collected by the Clerk of the Circuit Court's Office and are equal to one-third of the amount of the State recordation tax. The tax is projected to generate \$2.0M in revenue, a \$325,000 or 19.4% increase from the FY13 budget.



## General Fund Revenue Information

### Bank Stock Tax

The bank stock tax is a tax on the net capital of a bank. The tax rate is \$0.80 per \$100 of net capital and is apportioned to the locality based on the number of branches located in the locality. The tax is projected to generate \$480,000, a \$20,000 or 4.0% decrease.

### Other Local Sources of Revenue

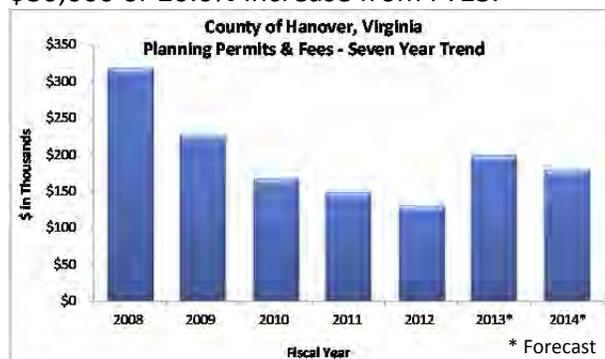
This category includes six (6) types of revenue received by the General Fund that are not considered general-purpose forms of taxation:

1. Permits, privilege fees and regulatory licenses;
2. Fines and forfeitures;
3. Use of money and property;
4. Charges for services;
5. Recovered costs; and
6. Miscellaneous revenue.

Only major sources of revenue are discussed.

### **Permits, Privilege Fees & Regulatory Licenses**

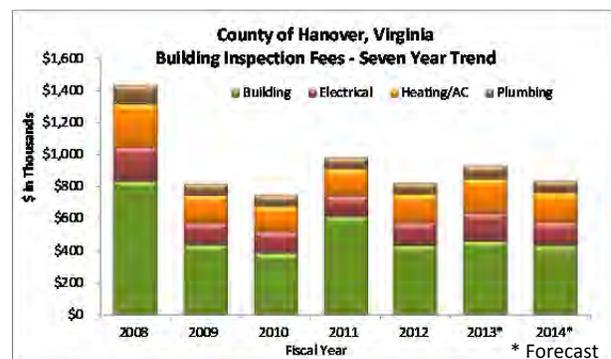
Planning Permits and Fees include all land use application fees and charges for service and materials such as documents for sale. These fees are used to recover a percentage of the costs associated with the processing, review and advertising of applications as well as the inspection of their respective projects. Projected revenue for FY14 is \$180,000, a \$30,000 or 20.0% increase from FY13.



Building Inspection Fees include building, mechanical, electrical and plumbing permits. All of the four permit fees are collected to defray the costs of conducting code compliance plan reviews and field inspections of the following:

1. Construction of buildings and structures;
2. Mechanical installations such as HVAC, gas installations and fire protection systems;
3. Electrical installations and alarm systems; and
4. Plumbing installations.

These costs also include the associated administrative costs. Projected revenue in FY14 is \$844,800, a \$22,100 or 2.7% increase.



The Virginia Erosion and Sediment (E&S) Control Regulations require all new development to obtain a land disturbance permit prior to land disturbance activities, such as land clearing or grading. Fees are charged to help recover the cost of the County's adherence to State guidelines for inspecting and monitoring construction projects along with providing funds for designing, acquiring and building drainage basins. Fees for projects, such as single-family housing projects that are eligible for an "agreement in lieu of a plan," pay the fees at the time of building permit application. All other projects pay a fee at the time of plan

## General Fund Revenue Information

approval, which is based on the type of project, such as commercial, residential subdivision, general/early land-disturbance, etc., and the amount of area disturbed. Projected revenue in FY14 is \$165,000, a \$6,000 or 3.8% increase.

The County's regional Stormwater Program provides for the collection of a one-time pro-rata share fee from development based on the amount of impervious surface constructed. Fees collected are used to construct regional stormwater management facilities to meet water quality requirements. Participation in this program is voluntary and property owners have the option of constructing their own facilities rather than participating in the County's regional program. Fees are set based on the capital, personnel, and overhead costs incurred in designing, acquiring and constructing regional stormwater treatment facilities. Revenue is remitted to the County Capital Improvements Fund. A portion of revenue is transferred to the General Fund to reimburse costs associated with positions that manage this program. General Fund revenue support is projected to increase slightly in FY14 to \$160,000, a \$5,000 or 3.2% increase.

At this time it is uncertain how long the County's regional program will be able to continue as the State is proposing new stormwater regulations. Once adopted, Hanover's regional stormwater program will no longer be approved and will cease to be a viable option for new development in Hanover.

Fire Inspections Fees are charged to businesses that are required to obtain fire permits. Fees are based on occupancy, size and frequency of inspections. The fee was established in FY95 to provide adequate

personnel to inspect all "High Hazard" businesses annually. Projected revenue in FY14 is projected to remain unchanged at \$148,000.

### **Fines and Forfeitures**

Fines and forfeitures include revenue received primarily as a result of violations of County criminal ordinances. The Clerk of the Circuit Court assesses fines and forfeitures for violations of County criminal ordinances. The Circuit Court transmits money collected in the General District Courts in addition to money collected in the Circuit Courts. Interest is collected on fines that are past due.

Localities are authorized by the Code of Virginia to assess a fee for the maintenance, renovation and construction of the courthouse. Hanover County Ordinance § 2-71 allows for the collection of this fee. In 2009, the State allowed an additional fee to be assessed by localities whose courthouses did not meet minimum guidelines established by the Department of General Services (VA Code §17.1-281; Hanover County Ordinance § 2-75). Hanover County's Courthouses were deemed non-compliant allowing us to begin assessing this additional fee January 1, 2010.

Security alarm fees are collected as a result of the Security Alarm Ordinance that went into effect April 1, 2002. The fees collected are for excessive false alarms during a calendar year, failure to respond to an alarm activation, failure to apply for a permit once notified that it is required and other civil penalties.

Projected revenue in FY14 for fines and forfeitures is anticipated to be \$1.2M, a \$67,000 or 5.3% decrease.

## General Fund Revenue Information

### **Use of Money and Property**

Revenues from Investments are expected to decline from FY13 to \$350,000, a \$58,000 or 14.2% decrease. This revenue source is affected by two variables: 1) the amount of cash available for investing (cash flow) and 2) the interest rate at the time of investment.

### **Charges for Services**

The Community Services Board charges clients and insurance (including Medicaid) for certain eligible services such as case management, out-patient therapy, crisis, day support, transportation, and intensive community treatment. Revenues are projected to be \$2.9M, a \$129,000 or 4.2% decrease.

In March 2005, the County established an EMS Fee Recovery Program that leverages funding from Medicare/Medicaid and insurance companies for ambulance transports. Projections are based on the average number of transports and collection rates. Projected revenue for FY14 is unchanged at \$2.0M.

Hanover County Parks and Recreation offers a variety of educational, active and entertaining programs for both adults and children. Fees vary depending on the type of class. The budget for FY14 is flat from the prior year at \$575,000.

Landfill Fees are those fees charged at the transfer station per ton for disposal of solid wastes. The rate is \$50 per ton. Projected revenue for FY14 is down significantly due to the loss of a large contract. FY14 anticipated revenue is \$320,000, a \$210,000 or 39.6% decrease.

The Clerk of the Circuit Court's Office collects clerk's fees for every transaction. The expenses authorized by the State Compensation Board are subtracted monthly from the collected Clerk's fees. Historically, two-thirds of the Clerk's fees collected in excess of authorized expenditures are then remitted to the County. The remaining one-third is paid to the State. In the Governor's 2008-2010 biennium budget this calculation was reversed and only one-third of the fees collected are remitted to the County. Excess Fees are expected to generate \$95,000, a \$30,000 or 24% decrease.

### **Recovered Costs**

Revenues are received from the Pamunkey Regional Jail and Public Utilities Fund in exchange for services from County departments such as information technology, finance, human resources, etc. Projected General Fund revenue for FY14 is \$429,200, an \$8,000 or 1.9% increase and \$1,140,468, a \$72,968 or 6.8% increase for the Jail and Utilities Funds, respectively. In addition, a service assessment charge is imposed on Public Utilities for law enforcement, fire protection and emergency medical services. Projected revenue is \$325,000, a \$1,000 or 0.3% decrease.

Due to the Sheriff's Office participation in local narcotics investigations and state and federal task forces, it is eligible to receive funds seized from narcotics enterprises and applicable criminal endeavors. Asset Forfeiture Funds received from these programs are maintained in an interest bearing escrow account and can only be expended on non-budgeted items with a direct correlation to law enforcement.

## General Fund Revenue Information

Landfill Recycling recovered costs include proceeds from scrap metal recovery and recycling. The revenue projection for FY14 is unchanged at \$285,000.

Fees are paid to the General Fund from the Economic Development Authority (EDA) to offset the County's economic development costs. Fees are based upon debt issuances of the EDA. Projected recovered costs for FY14 increased due to the issuance of additional bonds in FY13. The anticipated revenue for FY14 is \$194,000, a \$28,690 or 17.4% increase.

The County receives an annual refund for its contribution to the Greater Richmond Convention Center Authority. Revenue assumption is based on 25% of the lodging tax plus anticipated rebates for any revenues exceeding costs. Projected recovered revenue is \$317,500, a \$950 or 0.3% decrease.

### **Miscellaneous**

Miscellaneous revenue represents refunds received by departments for administrative charges, such as documents sold or copying charges and sale of assets and reserve for revenue transfers. Total projected revenue for FY14 is \$1.1M, a \$108,000 or 10.9% increase.

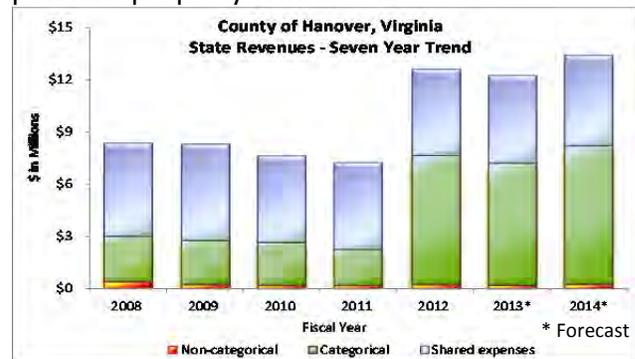
### **Intergovernmental**

Intergovernmental revenues provide 15% of the General Fund budget. State revenue is divided into three categories: 1) State funding for programs that benefit both the County and the State, such as the Sheriff, Treasurer, Commonwealth's Attorney, Commissioner of the Revenue, Clerk of the Circuit Court and Registrar; 2) Non-categorical State Aid which includes vehicle rental tax and rolling stock;

and 3) Categorical State Aid for various County programs, primarily the human services agencies.

In 2008, the General Assembly adopted a biennium budget which included a \$50 million reduction in aid to localities. The reduction continued through FY13 at an annual cost to Hanover of approximately \$500,000. The elimination of the reduction in aid to localities accounts for \$500,000, and the remaining increases are in the areas of Social Services and the Comprehensive Services Act. General Fund revenue received from the State in FY14 should reach \$13,424,000 (excluding "Car Tax" funds). This represents an increase of \$1.2M, or 9.6% from FY13.

**NOTE:** Not shown in this graph is the non-categorical State aid that is part of the "No Car Tax" program mentioned above in the personal property tax section.



### **Non-Categorical State Aid**

Non-Categorical State Aid and State Share of Local Offices are types of shared revenue and tend to be reasonably predictable. In FY14 the Rolling Stock tax is projected to remain relatively stable at \$70,000, a \$1,000 or 1.4% decrease.

Vehicle Rental Taxes are levied on the gross proceeds from the rental of motor vehicles in

## General Fund Revenue Information

Virginia. The additional taxes (4-8%) are collected by the Department of Motor Vehicles and distributed to the County where the daily rental vehicle was delivered to the customer. Projected revenue for FY14 is \$170,000, a \$37,000 or 27.8% increase.

As mandated by the State in FY01, the State's portion of the personal property tax relief program, mentioned above, is classified as reimbursement from the State as non-categorical state aid. Beginning in FY07, the County receives a pro-rata share of \$950 million of relief to be distributed statewide. This tax relief amount is \$15.0M, and this funding is expected to remain constant in future years.

### State Share of Local Offices

The State Compensation Board provides funding for the various departments with constitutional officers to provide for the cost of salaries and benefits and office expenses. The County supplements these funds. These departments include Commonwealth's Attorney, Sheriff and Court Services, Commissioner of the Revenue, Treasurer and Clerk of the Circuit Court. The State Board of Elections provides funding for the Registrar. Total projected revenue is \$5.2M, a \$185,000 or 3.7% increase.

### Categorical State Aid

Federal and State categorical grants are earmarked for specific uses and are tightly restricted. Funding is generally granted on a project-by-project basis.

The Social Services Department receives state funding for a variety of purposes, including assistance for needy families. Projected State

funding is \$1.4M, a \$188,000 or 15.3% increase.

The Community Services Board receives state categorical funding for many programs, to include: crisis, case management, out-patient therapy, medication supports, intensive community treatment, and substance abuse treatment. Projected State funding is \$2.3M, a \$12,000 or 0.5% increase.

The Comprehensive Services Act receives state categorical funding for providing services mandated by State Code. Projected State funding is \$3.0M, a \$186,000 or 6.7% increase.

The General Assembly created the Information Technology Trust Fund consisting of revenues obtained from an additional \$5 recordation and filing fee collected by each circuit court clerk. The fund is to be used to help circuit court clerks obtain office and information technology, preserve and maintain court records, improve public access to court records and to study the design of a Statewide system of remote access to the clerks' land records. Projected State funding is \$45,150, a \$17,950 or 66.0% increase.

The emergency communications State Cellular Tax is collected by the State and is applied for annually through the State Wireless 911 Board. Funding is used to supplement local salaries as well as the cost of training and equipment used for wireless 911. Projected State funding is \$350,000, a \$50,000 or 16.7% increase.

The County receives funding from the Virginia Department of Fire Programs as "Aid to Localities." These funds are derived from one percent of fire-related insurance coverage. The funding provides the County with the

## **General Fund Revenue Information**

funds to pay for training of volunteer and career firefighters, construction of training centers, firefighting equipment and protective clothing. Projected State revenue is projected to remain at \$240,000.

Community Corrections is required to provide community corrections and pre-trial services to those deemed necessary by the judges. Projected State funding is \$328,000 which is level funding from the prior year.

### **Categorical Federal Aid**

The Social Services Department has multiple programs from which it receives federal funding, including Virginia's Temporary

Assistance for Needy Families (TANF) Program. The purpose of TANF is to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives and end the dependence of needy parents on government benefits by promoting job preparation. Projected Federal revenue is \$2.2M, a \$9,000 or 0.4% increase.

The Community Services Board receives federal grants for certain programs such as out-patient therapy and alcohol/drug treatment. Revenues from these grants are projected to be \$463,000, a \$6,000 or 1.3% increase.