

FINANCE

DESCRIPTION

The Director of Finance is charged by State law with all duties mandated for the constitutional offices of the Treasurer and Commissioner of Revenue as prescribed by the Code of Virginia §15.2-617, along with the preparation and administration of the county budget and the Annual Comprehensive Financial Report (ACFR). To accomplish these tasks, the Department is comprised of administration and seven divisions: Real Estate Assessment, Revenue (split into Business and Vehicle sections), Accounting, Treasury, the Office of Management and Budget, Purchasing, and Risk Management, which is budgeted within the Internal Service Fund section of this budget book. The mission of the Finance Department is to deliver customer focused financial stewardship for a better community.

OBJECTIVES

- To demonstrate exemplary customer service to all customers both internal and external.
- To provide accurate and accessible tax information for the citizens of Henrico County.
- To accurately and equitably assess all real estate and certain personal property located in the county.
- To review, assess, bill, and collect taxes, licenses, and fees in conformance with all local, state, and federal regulations.
- To maintain complete, accurate, and accessible accounting records for the county.
- To maintain the county’s AAA bond ratings through sound financial management, the accurate recording of financial activity, and the timely preparation of the Annual Comprehensive Financial Report (ACFR).
- To prepare, administer, and monitor the operating and capital budgets of the county.

FISCAL YEAR 2024 SUMMARY

Annual Fiscal Plan

Description	FY22	FY23	FY24	Change
	Actual	Original	Approved	23 to 24
Personnel	\$ 12,705,019	\$ 14,771,747	\$ 16,086,884	8.9%
Operation	1,553,722	1,546,131	2,031,131	31.4%
Capital	13,779	2,575	2,575	0.0%
Total	<u>\$ 14,272,520</u>	<u>\$ 16,320,453</u>	<u>\$ 18,120,590</u>	<u>11.0%</u>
Personnel Complement	165	163*	166**	3

* In FY23 a position previously budgeted within Finance was transferred to Risk Management. Also in FY23 a vacant position was transferred to Police as part of an effort to increase the number of School Resource Officers.

** The FY24 complement includes the addition of a Debt manager, Accounting Senior Management Assistant, and Treasury Collection Officer II.

PERFORMANCE MEASURES

	FY22	FY23	FY24	Change 23 to 24
Workload Measures				
Parcels of Land Reviewed	120,550	120,800	121,050	250
Vehicles Assessed	403,824	396,252	400,000	3,748
Business License Payments	4,131	4,440	4,500	60
Cashier Transactions Per Teller/Day	80	80	80	0
Accounts Payable Transactions	274,361*	208,246	177,404	(30,842)
Credit and Debit Card Transactions	440,559	450,000	450,000	0
REAP Applicants	6,112	6,207	6,250	43
Citizen Calls Fielded	133,008	119,850	127,100	7,250
Electronic Check Payments Received	365,692	370,000	500,000	130,000
Tax Bills Generated	806,991	810,000	860,000	50,000
Effectiveness Measures				
G.O. Bond Ratings				
Standard & Poor's	AAA	AAA	AAA	N/A
Moody's	Aaa	Aaa	Aaa	N/A
Fitch	AAA	AAA	AAA	N/A
Number of Years - GFOA Award for Budget	32	33	34	1
Number of Years - GFOA Award for ACFR	42	43	44	1
Number of Years - GFOA Award for PAFR	3	4	5	1

* Includes Real Estate Tax Relief Rebates

OBJECTIVES (CONTINUED)

- To procure goods and services required by county departments and schools at the lowest price, in a legally responsible manner.
- To protect the County's financial resources from losses through the management of risks and administration of claims.
- To continue the commitment for the education and career development of all Department employees.
- To promote the most innovative technologies available to enhance financial service delivery, information management, and customer service.
- To administer the Real Estate Tax Advantage Program (REAP) for elderly and/or disabled residents.

BUDGET HIGHLIGHTS

The Department of Finance's budget for FY24 totals \$18,120,590 representing an overall increase of \$1,800,137 or 11.0%, compared to FY23. This increase is attributed to a \$1,315,137 increase to personnel costs as an effect of rising employee salary, healthcare, and benefit costs as well as the addition of 3 new employees to the department's personnel complement: a Debt Manager, an Accounting Senior Management Assistant and a Treasury Collection Officer II.

The newly added Debt Manager will consolidate debt issuance and perform administrative functions across the department. Consolidating debt & bond functions across Finance will centralize processes and provide better visibility over debt issuance, cash flow, compliance, and reporting processes. The Accounting Senior Management Assistant will administer an expanded virtual payment program allowing the County to capitalize off a 1.92% discount from the County's vendor for virtual card payments. The Treasury Collection Officer II will expand the department's delinquent personal property tax recovery program. Prior to this initiative, these delinquencies were written off and aging to their 5-year statute of limitations date. This additional staff add will increase the program's capacity, conservatively recovering an incremental \$200,000 in collections from backlogged accounts.

The budget also includes a \$485,000 operating increase, which absorbs the costs of the County's external financial audit previously budgeted by the Board of Supervisors, as well as rising software licensing costs.

During FY23, the Department of Finance again received recognition from the Government Finance Officers Association (GFOA) for the Annual Fiscal Plan and the Annual Comprehensive Financial Report. The Department of Finance also received its third award for its Popular Annual Financial Report (PAFR).

In addition to sound fiscal planning, Henrico County also makes every effort to operate in a fiscally conservative fashion by maximizing efficiencies, prudently managing resources, and planning for ever changing economic conditions. Economic conditions in FY22 resulted in extraordinary increases in the values of homes and vehicles, two major components of the County's taxbase. In response to those increases in assessed value, the County implemented tax relief programs that reduced the Real Estate tax rate 2 cents, provided a refund worth \$0.02/\$100 of assessed value on real estate by check, and provided a credit worth \$0.52/\$100 assessed value on the personal property bills for qualifying vehicles. Real Estate assessments continued their growth into FY24, however economic signals at the national level through calendar year 2023 indicate overall economic weakening on a global, national, and regional scale. Henrico County has approved an additional 2-cent rebate for real estate tax relief in 2023 with checks to be mailed in September 2023.

Furthermore, the County has proposed a new Tax Freeze program. The Tax Freeze program will hold Real Estate taxes at their then current amount as of the qualifying applicant approval date. Qualified applicants will be individuals over the age of 65 or totally and permanently disabled individuals who meet the income and net worth criteria. Those eligible for the Real Estate Tax Advantage Program (REAP) would continue to be eligible for that program; the tax freeze would apply to individuals who otherwise don't qualify for REAP but meet the income and net worth criteria for the freeze. Details of the plan are expected to be finalized by November 2023.

The county continues to conservatively estimate revenues and minimize expenditures without compromising service delivery. In any economic environment, fiscal prudence, combined with proactive and pragmatic fiscal management, is of absolute necessity. Henrico County continues to examine the processes by which it conducts business to more

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cost effectively provide valuable services to citizens. This examination has led to the county's departments and agencies, including Finance, to streamline operations, identify cost savings, and implement efficiency measures to maximize the value of taxpayer dollars.

ADMINISTRATION

The Administration function oversees all activities of the Finance Department with the Director of Finance establishing the policies and procedures under which the Department operates. The administrative staff is responsible for the issuance of all county debt and maintains all debt issuance records as well as handling all subsequent reviews or filings related to that debt. The Administration staff also monitors the county's investments and administers the county's Investment and Cash Management Guidelines.

REAL ESTATE ASSESSMENT

The Real Estate Assessment Division is responsible for the review and reassessment of all real property in Henrico County, in conformance with the standards of Market Value and Uniformity as mandated by Article X of the Constitution of Virginia, Title 58.1 of the Code of Virginia, and the County Manager Act within Title 15.2 of the Code of Virginia. Henrico County reassesses real property annually using a Computer Assisted Mass Appraisal (CAMA) system. Changes in assessed value are based on actions of buyers and sellers in the local real estate market. The Real Estate Assessment Division maintains accurate and up-to-date records on each parcel of real estate in the county. These records reflect uniform, comprehensive, and descriptive data relative to location, improvements, ownership, sales information, and assessed value.

The Real Estate Assessment Division is responsible for tracking all changes in assessed value including reassessment and new construction. Staff also provides valuation recommendations and administrative support to the Board of Real Estate Review and Equalization. New subdivisions, parcel splits, parcel combinations, deeds, wills, and other transactions recorded in the Clerk's Office of the Circuit Court of Henrico County are received and processed by the Real Estate Assessment Division. Also, the Real Estate Assessment Division administers a countywide Partial Real Estate Tax Credit program for qualifying rehabilitated properties. The Division manages a countywide Land Use program for the assessment of qualifying land based on agricultural, horticultural, forestry, or open-space use value rather than market value. The Real Estate Division is responsible for administering the Disabled Veteran Tax Exemption Program which exempts disabled veterans who are 100% totally and permanently disabled due to their service-connected disability from real estate taxes. The Division also administers the real estate tax exemption for the surviving spouses of the Armed Forces killed in action and certain persons killed in the line of duty up to the average assessed value.

REVENUE

The Revenue Division consists of two sections: Business and Vehicle. The Business section administers business license and personal property taxes within the County along with a variety of other taxes, including the collection and monitoring of the Meals Tax and the portion of the Virginia Sales and Use Tax attributable to Henrico County. The Vehicle section administers vehicle license and personal property taxes within the county, as well as a variety of other taxes. The Revenue Division assesses approximately 25,000 businesses for either license and/or business personal property taxes and roughly 400,000 vehicles for personal property taxes. The Division updates depreciation

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schedules for computer, furniture and fixtures, and machinery and tools as well as tax code and forms on the Internet.

The Revenue Division also ensures compliance with the Personal Property Tax Relief Act, offers State Income Tax assistance to citizens, and offers assistance to citizens through the Real Estate Tax Advantage Program (REAP), which provides real estate tax relief for persons 65 years of age and older, or permanently and totally disabled persons, so long as they own and occupy their home. Eligibility for REAP is limited to a maximum net worth of \$500,000 and annual income of \$75,000. Those that meet these requirements may receive 100% relief up to a cap of \$3,200. There are over 6,000 REAP participants who were provided tax relief totaling \$10,983,299 in FY22.

ACCOUNTING

The Accounting Division has three operating sections: General Accounting, Payroll, and Accounts Payable. The General Accounting Section assigns and establishes all account coding, exercises internal controls over receipts and disbursements, records accounting transactions, prepares the county's Annual Comprehensive Financial Report, maintains inventory records of county property, maintains and supervises fixed assets, grants accounting, and complies with IRS arbitrage and rebate requirements. The Accounting Division completes cash management reporting including bank reconciliations and the county's investment portfolio. The Payroll Section audits and approves payrolls, and processes approximately 25,000 payroll direct deposits/checks per month. Payroll is responsible for recording payroll deductions, depositing taxes and deductions withheld, and completing required reporting of such activity.

The Accounts Payable Section reviews documentation submitted with batches of invoices that have been entered into Oracle and received secondary approval. Accounts payable approves those batches for payment and processes check runs. Check runs include checks and ACH payments. Accounts Payable is also responsible for monitoring and administrating the County purchasing card program. The Accounting Division provides financial information for the county's annual external audit. The County consistently receives an unmodified, or clean, audit opinion, further illustrating the soundness and conservative nature of Henrico County's fiscal management.

TREASURY

The Treasury Division serves as the county's cashier and provides tellers, at both the Western Government Center (WGC) and the Eastern Government Center (EGC), to collect taxes, fees, utility payments, and parking ticket payments. Treasury is also responsible for billing approximately 800,000 real estate and personal property tax accounts and dog license fees. Additional functions include billing and collection of delinquent taxes and fees, taxpayer assistance, and account maintenance. Treasury is divided into three distinct areas: Cash Operations, Receivables and Account Maintenance, and Delinquent Accounts Collections.

Treasury continues to expand billing and payment options for taxpayers and county customers. A Business Tax Filing and Payment Portal was launched May 2021. Payment methods at the government centers include cash, checks, pin-based debit cards, and credit and pin-less debit cards. Treasury offers several offsite payment methods to customers paying for county services, fees and taxes by offering lockbox services, e-box services that take ACH payments, credit/debit cards, by phone or the internet, electronic checks by phone or over the internet, off site cash payment locations, monthly ACH withdrawals, 24/7 drop boxes located conveniently at each government center, and in-person payments at the cashier windows at the government centers. A remote lockbox process is used to

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quickly deposit drop box payments for personal property and real estate taxes. Real estate and personal property tax bills are mailed in two installments, with due dates of June 5th and December 5th.

OFFICE OF MANAGEMENT AND BUDGET

The Office of Management and Budget (OMB) prepares and monitors the operating and capital budgets. This Division works closely with the County Manager's Office in monitoring current revenue collections and projecting future resources as a means of preparing a realistic but conservative budget for future fiscal years. Throughout the year, OMB maintains close contact with all operating departments to avoid deficit spending and to ensure the prudent use of county funds. In addition to preparing the budget, OMB conducts a comprehensive analysis of historic and current economic conditions in the county, culminating in the Financial Trends Monitoring System. This document, which is completed every fiscal year, considers multiple economic factors and financial information to identify past trends that aid in the derivation of statistical models to accurately forecast the future county economic health.

It is also the responsibility of the OMB to engage in special studies as they are deemed necessary, as well as conduct a thorough fiscal impact analysis of legislation proposed by the General Assembly. While Henrico County is clearly not immune to changes in the economy, it can mitigate the effects of adverse economic conditions through prudent and conservative fiscal policies. One of the many such proactive measures that the Board of Supervisors has implemented is to plan on a multi-year basis. This allows budgetary and fiscal planning to be conducted more accurately, based on exhaustive analyses of current and anticipated revenues and expenditures, in a thoroughly prepared fashion.

PURCHASING

The mission of the Purchasing Division is to professionally procure all goods and services essential to Henrico County and Henrico County Public Schools (HCPS), and to ensure the integrity and efficiency of the procurement process in an environment that is fair to all qualified suppliers. The goal of the Division is to provide overall direction, management, and oversight of the county's centralized procurement functions and the surplus property program. Operation of the Division is accomplished in accordance with the Code of Virginia (Chapter 43, Title 2.2 Virginia Public Procurement Act) and the Code of the County of Henrico, Chapter 16.

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

RISK MANAGEMENT

Risk Management, which is included in the Internal Service Fund section of the budget, and described further in a separate narrative, provides protection from accidental losses arising out of the County's General Government and Public Schools operations. Protection is provided through a combination of self-insurance, purchased insurance, and risk transfer mechanisms. The division is responsible for the management of the self-insurance fund, excess

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insurance coverages, certificates of insurance for proof of insurance, and provides oversight of workers' compensation claim administration and the administration of auto, property, and liability claims. The Risk Management staff provides training and guidance to all county agencies and Henrico County Public Schools to help identify and manage operational risks to minimize potential loss and liabilities. Additionally, Risk Management works in collaboration with Workplace Safety and Emergency Management regarding loss prevention, safety training, and environmental concerns.