

FY24 Proposed Budget
Supplemental Financial Information

Shelly Wright, Budget Division Director
February 22, 2023

1

Striking a Balance


Workforce & Service Levels

Residents

Infrastructure

FY24 Proposed Budget Supplemental Information

2




Residents

- ❑ A market driven increase in property values has increased the tax bill for many residents.
- ❑ While the Board has no influence on the assessment, the applied tax rate is within the Board's purview.

FY24 Proposed Budget Supplemental Information 3

3




Workforce

- ❑ County Administrator's Proposed Budget included a 5% merit for the County and Schools workforce
- ❑ State budget may include an additional 2% merit and/or an additional bonus
- ❑ The additional state funding only covers a portion of the cost
- ❑ Unfunded cost to Hanover = \$2M for every 1%

FY24 Proposed Budget Supplemental Information 4

4

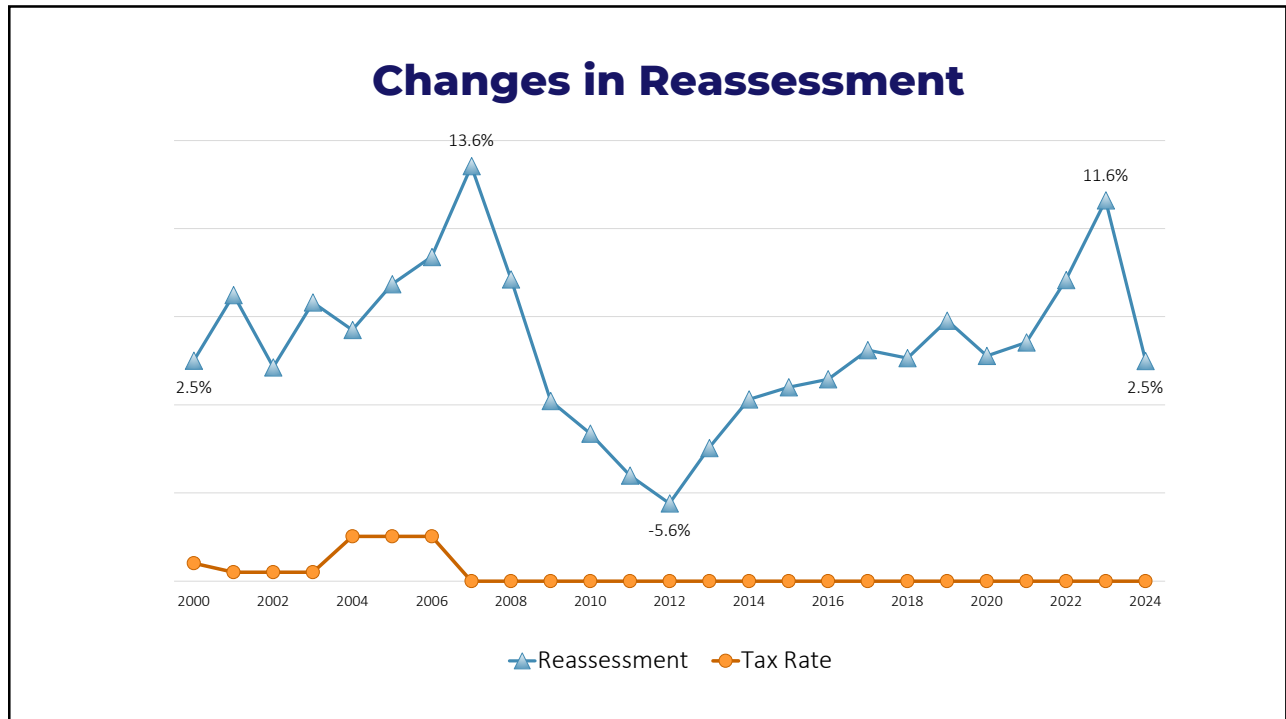
Infrastructure



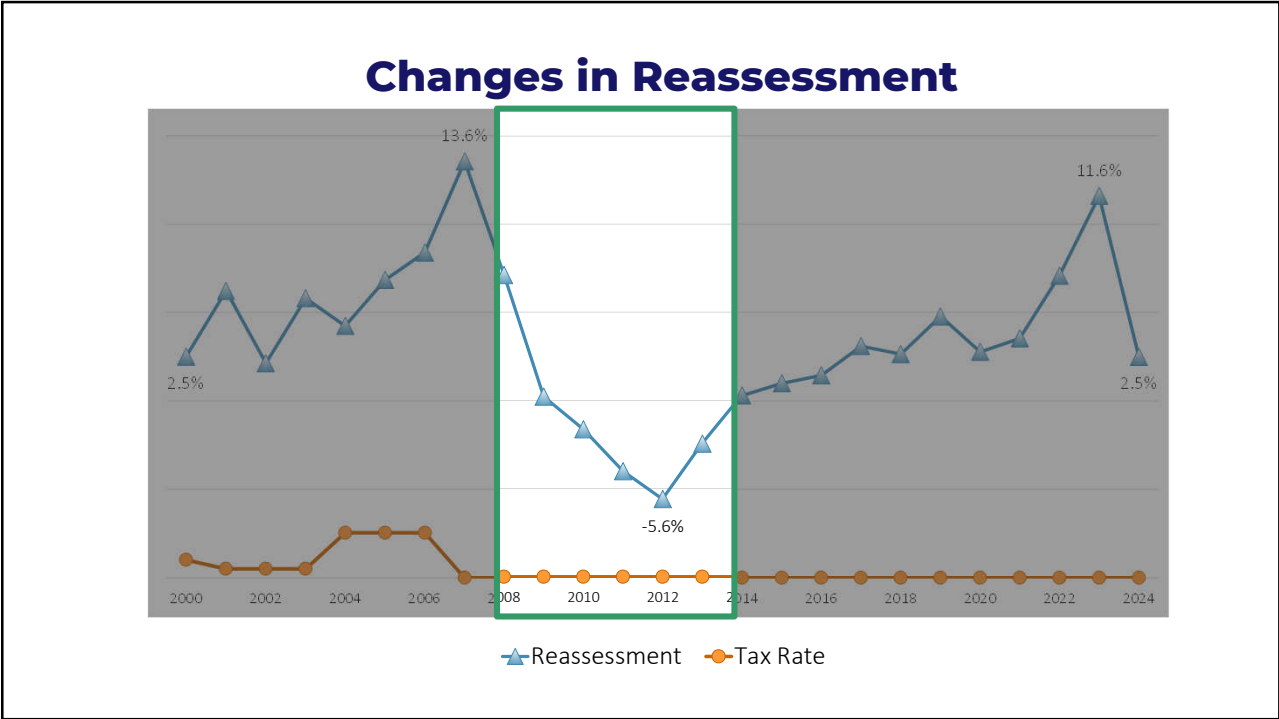
- 25-Year Capital Outlook
- Challenges
 - Deferred capital facilities needs
 - Market driven increases in construction costs
- Opportunities
 - Schools:
 - 3 replacement schools and 1 major renovation in the first 5 years
 - 2 replacement schools in years 6-10
 - New High School and New Middle School in later years of the Plan
 - Fire Stations: 3 replacement stations in the first 5 years
 - Public Safety Training Facilities
 - Eastern Community Center

FY24 Proposed Budget Supplemental Information 5

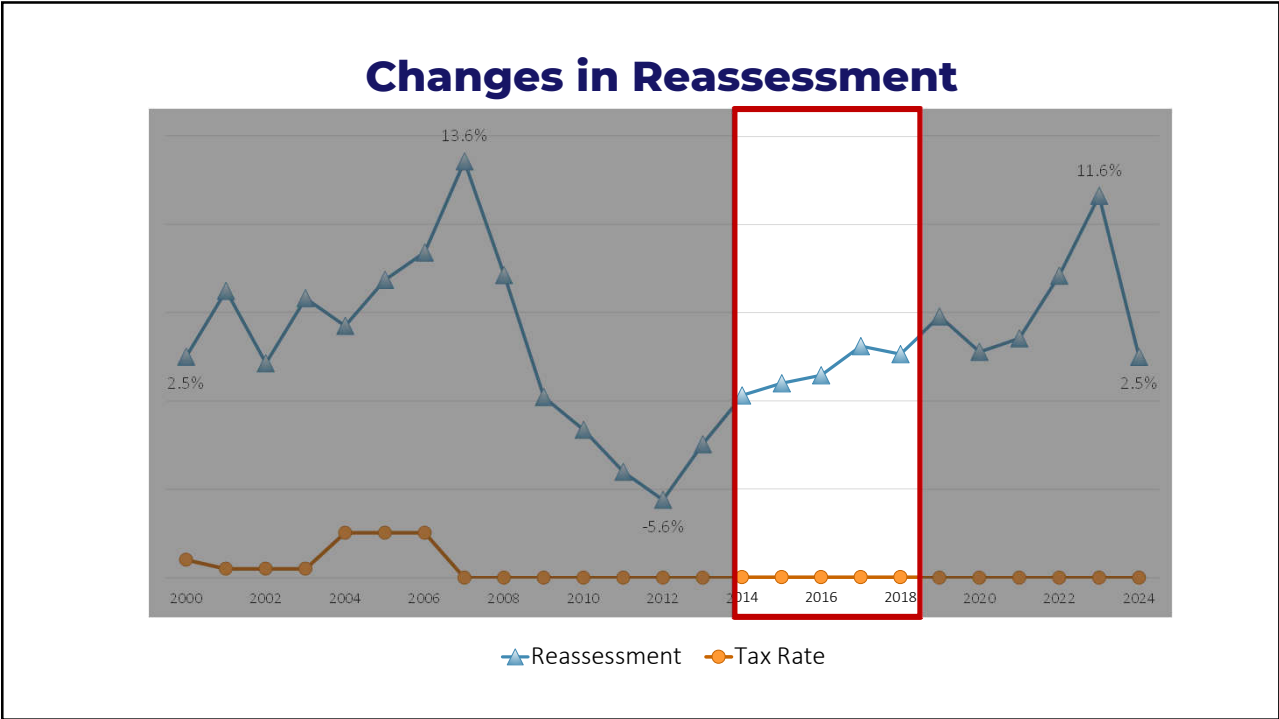
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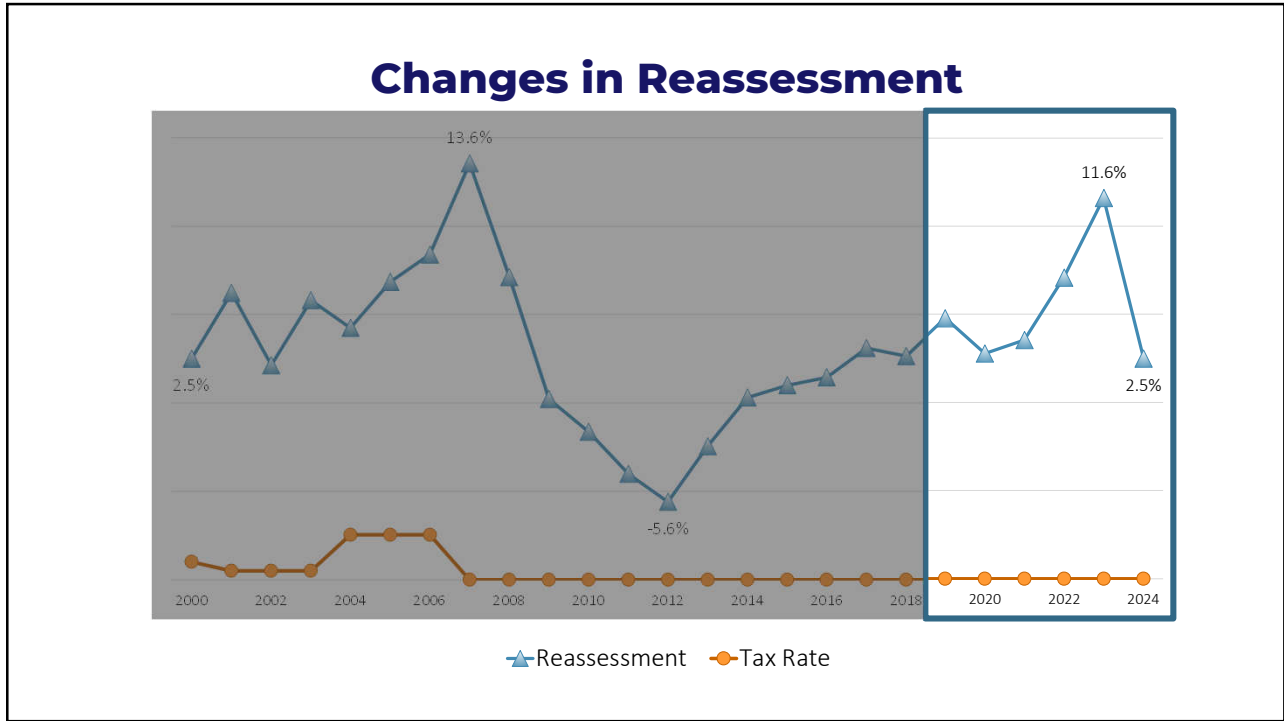
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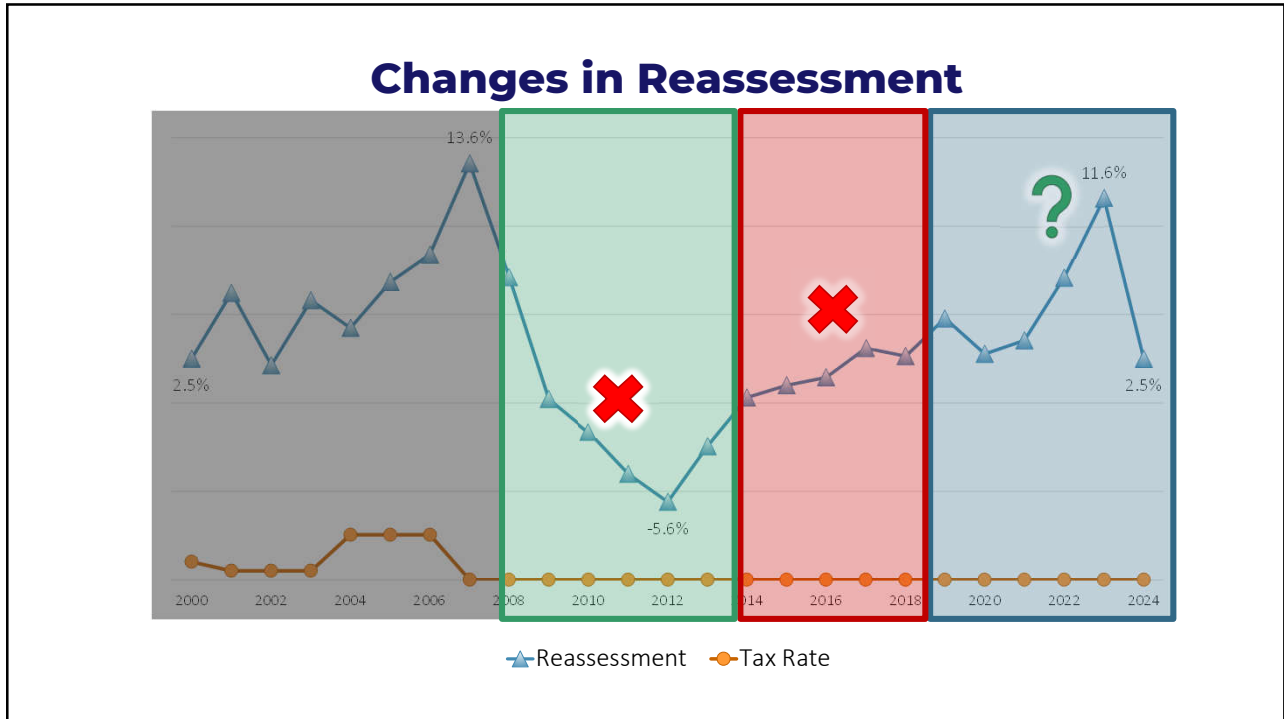
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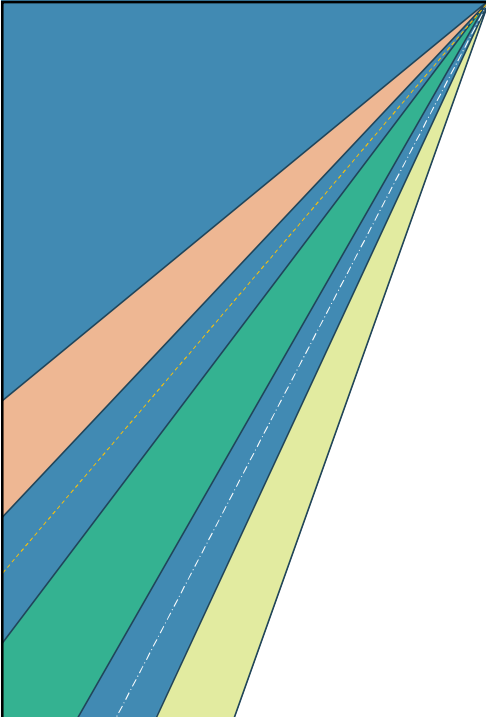
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10



Capital Planning

FY24 Proposed Budget Supplemental Information 11

11

Capital Improvements Program Roadway Improvements

Roadway Improvements (Years 1-5)	Budget
Atlee Station Widening	43,548,745
Rural Safety & Paving Projects	17,500,000
Reserve for Roadway Improvements	15,714,503
Pole Green Widening	14,785,715
Sliding Hill/Peaks Roundabout	7,502,000
Greenwood/Blanton & Ashland Rd Roundabout	7,334,583
Reserve for Economic Develop	6,000,000
Creighton/Walnut Gr Roundabout	5,632,173
Rt 54 Goddins Hill Road Left Turn Lane	5,424,000
Lewistown/Ashcake Roundabout	4,962,619
Rt 360 (Bus)/Cold Harbor Rd Roundabout	4,873,530
Route 301/Route 54 Roundabout	4,514,642
Rt 1/Rt 30 Intersection	4,088,549
East Patrick Henry Road	3,020,000
W. Vaughan Road Extension	2,500,000
Bike & Pedestrian Improvements	1,453,200
Rt 301 Southbound Widening	1,033,922
Vaughan Road Overpass and Extension	1,000,000
I-95/East Patrick Henry Road	618,000
Paper Street Paving	283,460
RR Crossing Safety Improvements	100,000
Grand Total— Years 1-5	151,889,641

Funding Source	Years 1-5	Years 6-10	Years 11-25	25-Year Total
CVTA	\$ 104.3M	\$ 71.2M	\$ 495.1M	\$ 670.6M
Intergovernmental	43.0M	39.0M	88.9M	170.9M
Proffers	4.6M	-	-	4.6M
Total	\$ 151.9M	\$ 110.2M	\$ 584.0M	\$ 846.1M

- No local funding needed for roadway improvements.

FY24 Proposed Budget Supplemental Information 12

12

Capital Improvements Program Park Improvements

Park Improvements (Years 1-5)	Budget
Paving of Gravel Lots	\$ 2,000,000
Poor Farm Park Maintenance Bldg	750,000
Pole Green Park Maintenance Bldg Replacement	741,000
Pole Green Park Enhancements	650,000
Poor Farm Park Enhancements	500,000
Courthouse Park Enhancements	400,000
Grand Total – Years 1-5	\$ 5,166,000

- Additional investment: \$1.1M of ARPA funding allocated for Sports Tourism
- Montpelier Community Center & Library
- Future identified need for:
 - Eastern Community Center
 - Taylor Park Community Center & Office Building

FY24 Proposed Budget Supplemental Information 13

13

Capital Improvements Program Public Safety Projects

Public Safety Projects (Years 1-5)	Budget
Public Safety Building	58,130,000
Fire-EMS Station Replacement	39,900,000
Public Safety Vehicles	16,947,000
Specialized Equipment	1,845,000
Public Safety Microwave Radio Repl	1,000,000
Firing Range Improvements	800,000
Traffic Preemption	700,000
Grand Total – Years 1-5	\$ 119,322,000

Funding Source	Years 1-5	Years 6-10	Years 11-25	25-Year Total
Debt	\$ 84.1M	\$ 15.7M	\$ 86.8M	\$ 186.6M
Local	35.2M	16.0M	48.0M	99.2M
Total	\$ 119.3M	\$ 31.7M	\$ 134.8M	\$ 285.8M

Fire Stations:

- 3 replacements in the first 5 years
- 1 replacement & 3 new stations after year 10

FY24 Proposed Budget Supplemental Information 14

14

Capital Improvements Program School Projects

School Projects (Years 1-5)	Budget
School Replacement/Renovation	151,000,000
School Facility Repairs & Upgrades	19,454,560
Technology Enhancements	13,744,440
School Buses	8,300,000
Safety & Security	3,080,000
School Grounds Upgrades	2,790,000
Grand Total – Years 1-5	\$ 198,369,000

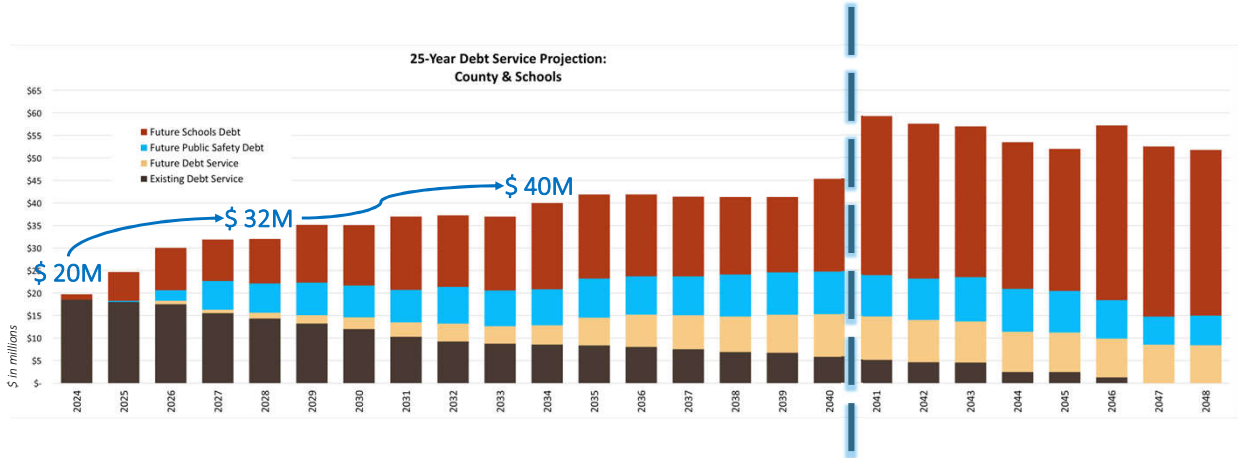
Funding Source	Years 1-5	Years 6-10	Years 11-25	25-Year Total
Debt	\$ 169.5M	\$ 107.5M	\$ 422.4M	\$ 699.4M
Local	28.9M	26.0M	78.0M	132.9M
Total	\$ 198.4M	\$ 133.5M	\$ 500.4M	\$ 832.3M

Planned School Replacements:

- Years 1-5: 3 new construction + 1 renovation
- Years 6-10: 2 new construction
- Years 11-15: No construction
- Years 16-25: new high school & middle school

15

25-Year Debt Service Outlook



16

Menu of Tax Relief Options

<div style="background-color: #4F81BD; color: white; padding: 5px; text-align: center; font-weight: bold; margin-bottom: 10px;">Reduction</div> <ul style="list-style-type: none"> <input type="checkbox"/> Ongoing <input type="checkbox"/> Offered to real property owners <input type="checkbox"/> Cost: \$2M per penny annually 	<div style="background-color: #E67E22; color: white; padding: 5px; text-align: center; font-weight: bold; margin-bottom: 10px;">Rebate</div> <ul style="list-style-type: none"> <input type="checkbox"/> One-Time <input type="checkbox"/> Offered to real property owners <input type="checkbox"/> Cost: \$2M per penny for 1 year 	<div style="background-color: #92D050; color: white; padding: 5px; text-align: center; font-weight: bold; margin-bottom: 10px;">Relief</div> <ul style="list-style-type: none"> <input type="checkbox"/> Ongoing <input type="checkbox"/> Offered to specific groups of people <i>(elderly, disabled, veterans, agricultural landowners, religious institutions, etc.)</i> <input type="checkbox"/> Cost: varies according to program
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FY24 Proposed Budget Supplemental Information 17

17

Menu of Tax Relief Options

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FY24 Proposed Budget Supplemental Information 18





18

Real Estate Tax Reduction Option


- A **reduction** would reduce the tax rate applied to real property assessments.
- Example of a 2¢ tax rate reduction:
 - Taxpayer would receive a 2.4% bill reduction.
 - County would need to cover a \$4M cost:
 - ✓ Use surplus funds from the end of this fiscal year (FY23) to cover the June bill rate reduction (\$2M)
 - ✓ Reduce spending in each year of the FY24-FY28 Plan by \$4M

Pros	Cons
Reduced Real Property Tax Rate	Cuts would need to be applied to all 5 years of the General Fund Budget
Taxpayer will save 1.2% of the tax bill per penny. (\$35 per penny on median assessed value)	Reduce \$2M per penny from each year of the budget

Real Estate Tax Reduction Impact

					
Tax Rate Reduction*	\$ 0.80 \$ 35	\$ 0.79 \$ 70	\$ 0.78 \$ 105	\$ 0.77 \$ 140	* Based on median assessment
Revenue Impact	\$ 2.0M	\$ 4.0M	\$ 6.0M	\$ 8.0M	
Use of FY23 Surplus	\$ 1.0M	\$ 2.0M	\$ 3.0M	\$ 4.0M	
Change to Annual Budgets Beginning with FY24	\$ 2.0M	\$ 4.0M	\$ 6.0M	\$ 8.0M	

Value of 1 Penny of Real Property Tax


→
\$2M





↓

\$20M of debt issued

FY24 Proposed Budget Supplemental Information 21

21

Real Estate Tax Reduction Impact

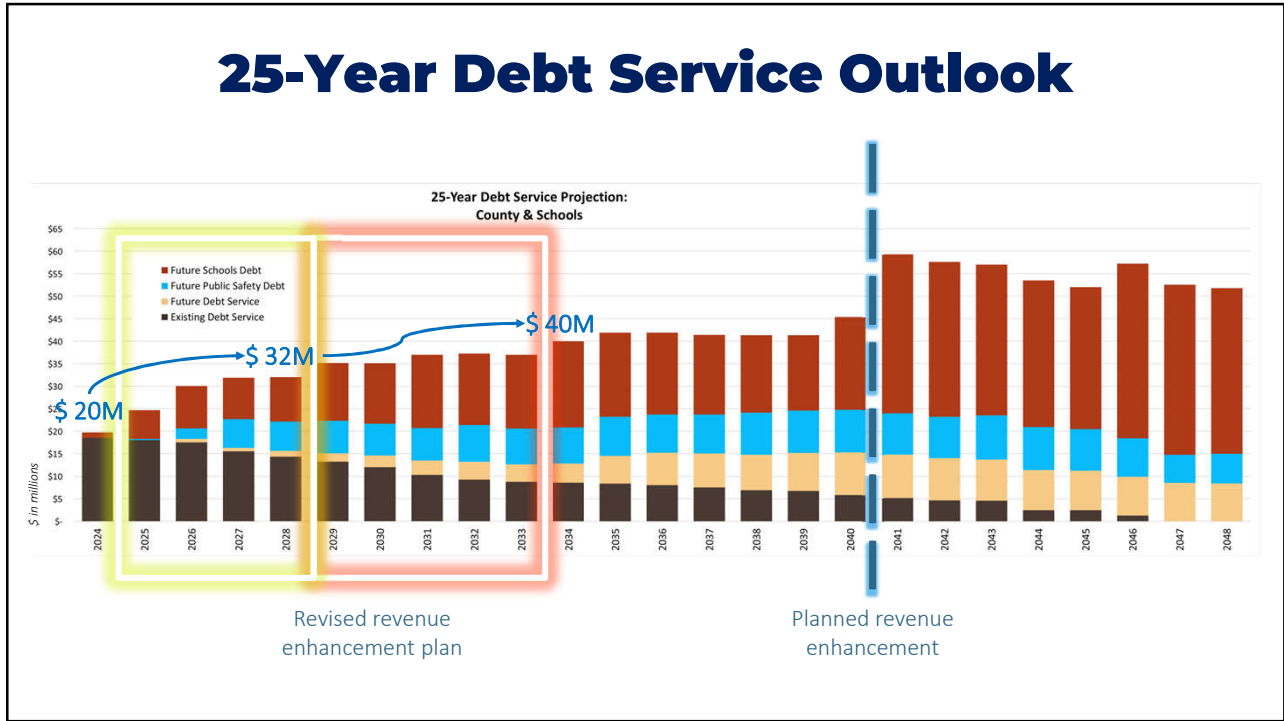
				
Tax Rate	\$ 0.80	\$ 0.79	\$ 0.78	\$ 0.77
Change to Annual Budgets Beginning with FY24	\$ 2.0M	\$ 4.0M	\$ 6.0M	\$ 8.0M

Options will include:

- 1) Delay Battlefield Park and Beaverdam Elem. construction projects.
- 2) Campus Style School moved out of 5-year window.
- 3) Public Safety Building moved out of 5-year window.
- 4) Financing of portion of Doswell Fire Station (versus current plan to pay with local \$).
- 5) Third fire station replacement moved out of 5-year window.
- 6) Reduction or removal of one-time projects including: additional fire truck, Bell Creek Renovation, software and paving.
- 7) Reduction of merit assumption in out years.

FY24 Proposed Budget Supplemental Information 22

22



23

Menu of Tax Relief Options

Relief

Rebate

- Offered to real property owners
- One-Time
- Cost: \$2M per penny for 1 year

Reduction

FY24 Proposed Budget Supplemental Information 24

24

Real Estate Tax Rebate Options

➤ A **rebate** would help to offset the cost of the increased assessment for 1 year.

Pros	Cons
Reduced bill for 2023 Real Property Taxes	Tax relief is for 1 year only
Taxpayer will save 1.2% of the tax bill per penny. (\$35 per penny on median assessed value)	Reduce \$2M per penny from the first year of the budget





➤ Example of a 3¢ rebate:

- Taxpayer would receive a 3.6% bill reduction.
- County would need to cover a \$6M cost:
 - ✓ Use surplus funds from the end of this fiscal year (FY23) to fund the first half of the rebate (\$4M)
 - ✓ Reduce spending in FY24 by \$2M

FY24 Proposed Budget Supplemental Information 25

25

Real Estate Tax Rebate Impact

					
Rebate*	\$ 35	\$ 70	\$ 105	\$ 140	* Based on median assessment
Revenue Impact	\$ 2.0M	\$ 4.0M	\$ 6.0M	\$ 8.0M	
Use of FY23 Surplus	\$ 2.0M	\$ 4.0M	\$ 4.0M	\$ 4.0M	
Change to FY24 Budget	\$ -	\$ -	\$ 2.0M	\$ 4.0M	
		Unfund the additional fire truck.	Unfund the Bell Creek Renovation.	Fire truck & Bell Creek projects. Delay Battlefield Park and Beaverdam Elem. Unfund Citizen Management Work Order software system. Reduce funding for Wickham renovation.	

Funding of an additional 2% merit would be in addition to any of these scenarios.

FY24 Proposed Budget Supplemental Information 26

26

Tax Relief

Relief

- Offered to specific groups of people
- Ongoing
- Cost: varies by program

Discount for citizens who meet the income and net worth requirements. The discount applies to the taxes for the house and up to 10 acres of land.

- Applicant must be 65 years old or totally and permanently disabled
- Gross combined net income limit = \$55,000.
- The net worth limit = \$300,000; does not include the value of the house and up to 10 acres

FY24 Proposed Budget Supplemental Information 27

27

Impact of Last Tax Relief Change

- Changes to program for 2022
 - Increase in Net Worth from \$200k to \$300k
 - Increase in each income level of \$2,500
 - Change in % of relief by 5%
- Impact of Changes to the Program
 - 29 more total participants
 - 69 more participants eligible for 100% relief
 - \$300,000 cost of the changes

FY24 Proposed Budget Supplemental Information 28

28

Tax Relief Option for the Elderly & Disabled

1) Recommendation:

Increase income thresholds in each relief category by \$5k.

% Relief	Current Income Level	Proposed Income Level
100%	\$ 0 - \$ 25,000	\$ 0 - \$ 30,000
80%	\$ 25,001 - \$ 35,000	\$ 30,001 - \$ 40,000
55%	\$ 35,001 - \$ 45,000	\$ 40,001 - \$ 50,000
30%	\$ 45,001 - \$ 55,000	\$ 50,001 - \$ 60,000

2) Outcome:

- A. Provide more relief to already eligible participants; and,
- B. Expand the criteria to allow for greater participation

3) Community Outreach & Education

The Community Engagement division will develop an outreach program to increase program participation among eligible populations.

Recap of Upcoming Decisions



Workforce
\$ 4.0M

To stay competitive within the region, we may need to increase merit from 5% to 7%.



Residents
\$ 0.5M, \$ 2M, \$ 4M, \$ 6M or \$8M

- Relief and/or Rebate or Reduction
- How much?



Infrastructure

Buildings that can or cannot be deferred or removed from the planning process entirely.

Recommendation

Goals:

1) Provide tax abatement to all taxpayers and protect vulnerable populations.



- Provide a Rebate of 2 cents
- Enhance Tax Relief for the Elderly & Disabled

2) Remain competitive in the regional workforce.



- Increase merit from 5% to 7%

3) Preserve as much of the infrastructure plan as possible while deferring a tax increase for as long as possible.



- Minimal possible project delays.


31

Goals for Today's Meeting

Provide guidance to staff on whether to pursue the following options:

- Additional 2% Merit for County & Schools Workforce
- Reduction or Rebate
 - 1 cent
 - 2 cents
 - 3 cents
 - 4 cents
- Targeted Tax Relief

32



Next Steps -
Budget
Schedule

- ☐ Today Presentations: Schools, Public Utilities, Workforce & Supplemental Financial Information
Request to Authorize Public Hearing on the Tax Rate
- ☐ 03/01/23 Finance Committee Meeting
- ☐ 03/08/23 Budget Work Session
Request to Authorize Public Hearing on: Budget, CIP and associated ordinances
- ☐ 03/22/23 Presentation: State Impacts & Potential Amendments
- ☐ **04/05/23 Public Hearings**
- ☐ 04/12/23 Budget Adoption

FY24 Proposed Budget Supplemental Information

33