

Jefferson County, West Virginia

Fiscal Year 2015

Budget Summary

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Overview

Jefferson County was founded in 1801 and is the easternmost county in the state of West Virginia. Jefferson County is part of the Washington Metropolitan Area. Jefferson County has a total area of 212 square miles of land. As of 2010 the census was 53,498. Charles Town is the county seat.

The executive and legislative functions of the County are the responsibility of an elected five member Board of County Commissioners.

State law mandates that by the end of March each year, the county commission must prepare a budget for the upcoming fiscal year (fiscal years run from July 1 – June 30). On March 20, 2014, the Jefferson County Commission approved the budget for FY15, a period covering July 1, 2014 to June 30, 2015.

This document explains the key elements of the budget and also compares it to the FY14 budget. Please note there are two versions of the FY14 budget, referred to as the Original Budget and Revised Budget. The original FY14 budget is the budget that was submitted to the state in March 2013 for FY14. This budget needed revisions in the second quarter of the fiscal year because of its overreliance on savings to fund day to day operations of the government. A revised budget was prepared that included reductions. For purposes of comparison, therefore, the FY15 budget is compared to both the original FY14 budget and the subsequent revised budget.

Key Source of Revenue: Property taxes

Property taxes are the single most important source of revenue for the budget.

Both real property and personal property are taxable in the State of West Virginia. Real property includes land and structures. Personal property includes such items as vehicles, equipment, and inventory. In addition the natural resources of West Virginia such as coal, timber, oil, and natural gas are subject to taxation.

Since 1932 property in West Virginia has been divided into four classifications for tax purposes.

Class 1 Personal property used in agriculture.

Class 2 Owner occupied residencies and farms.

Class 3 All other property located outside of a municipality. Property includes land, rental property, vehicles, commercial real estate, inventory, and equipment.

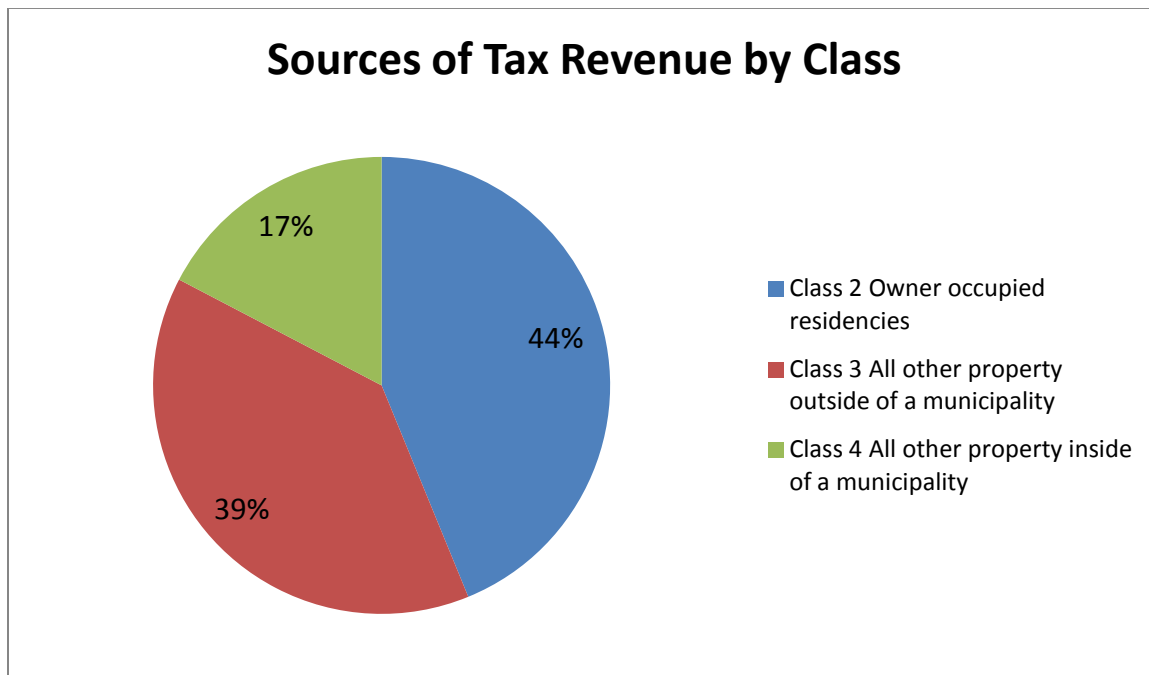
Class 4 All other property located inside a municipality. Property includes all property included in class 3.

Class 1 property is now exempt from taxation in West Virginia.

Class 2 property qualifies for the Homestead Exemption. Residents who are 65 and older or disabled residents can receive a credit against a portion of their assessed property value.

Class 3 and 4 property includes personal vehicles with the remainder of the property being commercial property.

As you can see from the chart below that the majority of tax revenue received by Jefferson County is from class 2 property.

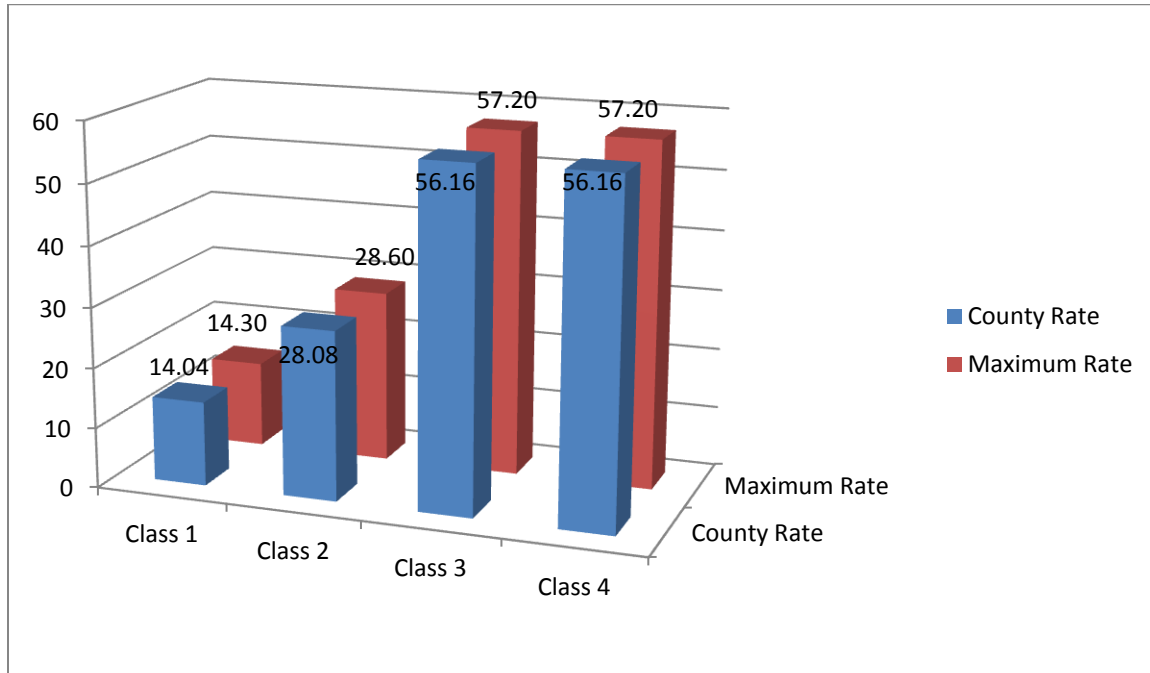


In the State of West Virginia there are four government entities that tax which are the state, counties, municipalities, and schools.

The tax rates of counties are determined by a formula that is established by the West Virginia State Legislature and reviewed by the West Virginia State Auditor’s Office. The actual tax rates depend on the assessed value of the property. Counties can’t exceed the maximum rates as established by the State of West Virginia unless an excess levy is approved. The excess levy is an additional property tax used to provide supplemental funding for essential county services. Jefferson County has not requested an excess levy. The tax formula that is used allows counties to increase tax revenue by one percent each year. This percentage can only increase by holding public hearings. Jefferson County has not requested to increase the tax revenue beyond the one percent. Additional revenue can be realized by new construction and improvements to property.

Tax levy rates are always stated in a 1:2:4 ratios. Class 2 rates are twice the rate of class 1, and class 3 and 4 rates are four times the class 1 rate.

The chart listed below reflects that Jefferson County is near the maximum allowable rates. The rates listed below are cents per \$100 of the assessed value. In West Virginia all property is assessed at 60% of its fair market value, with some exceptions as provided by statute.



Rates are cents per \$100

As an example a house classified as class 2 property having a market value of \$190,000 would be assessed at \$114,000 ($\$190,000 \times 60\% = \$114,000$). County taxes would be assessed 28.08 cents per \$100 of assessed value or $\$114,000/100 = \$1,140$
 $\$1,140 \times .2808 = \320.11

In the above example the county tax bill would be \$320.11.

The above example reflects the calculation of county taxes only. Property owners receive a consolidated tax bill which includes other taxes with can include taxes such as school, municipal, and state.

THE GENERAL FUND BUDGET

One of the key issues when preparing the budget for FY15 was how to address increasing reliance on savings to cover day to day operating costs of county government. The approach, which uses prior year fund balance or savings to fund reoccurring expenditures, continually erodes savings.

Budget Overview

Best practices are that fund balances should only be used to fund non-reoccurring expenditures such as capital improvements. The method that is used in West Virginia for budget preparation that is mandated by the State of West Virginia is that counties are required to roll their entire fund balance forward each year and reflect it as incoming revenue. The State of West Virginia also requires all counties to have a budget where revenue and expenditures must equal zero with no surplus being shown. This method could cause counties to spend their fund balance during the year which may cause cash flow issues in future years and in the worst case insolvency. As a result counties must maintain their fund balance on the expenditure side of the budget, this process inflates the expenditure side of the budget. The above process makes it very difficult for any member of the public to determine if a county truly has a balanced budget where reoccurring revenue equals reoccurring expenditures. In the data that listed in this report none of the data reflects the fund balance carry forward in the revenue and none of the data shows the fund balance being maintained on the expenditure side of the budget. As a result the data presented in this report provides for transparency to the public where the public can see that the FY15 budget is not a budget of deficit spending.

The differences between this data and the budget report filed with the State of West Virginia is the revenue is \$2,400,000 less in this report which reflects the elimination of the fund balance carry forward, and the expenditures are decreased by \$2,832,020 in the General Government section where the fund balance and other contingencies were reserved under the contingency line expense and transfer to the financial stabilization fund.

During FY14 Jefferson County needed to take action to reduce expenditures in order to maintain their fund balance. In accordance with recommendations of the Government Officers Finance Association counties need to maintain a minimum level fund balance of 16.67% of expenditures to maintain liquidity. During FY14 Jefferson County was below the recommended guidelines. As a result during FY14 Jefferson County reduced their budget by \$1,450,299. When the FY15 budget was finalized the FY15 budget reflected an expenditure decrease of \$2,762,433 from the original budget of FY14. In order to accomplish the above reduction it was clear that an incremental budgeting model would not work. A budget model was needed to align limited resources with the mission and function of County government. As a result all county managers were requested to participate in target based budgeting for FY15. Target based budgeting is a budgeting reform model that brings rationality and comprehensive decision making to reductions in spending. All department managers were asked to decrease their budgets by 25% and then attempt to restore the funding by justification of five budget decision packages which on average restored their funding by 5% for each package. The County Commissioners then had budget workshops to prioritize which packages they would fund in FY15. While it was difficult to reduce costs the above method caused greater rationality to cost reductions compared to other budget processes by way of decision package creation, ranking, and selecting. In this way funds were re-allocated from lower to higher priority areas.

As stated earlier, this is why comparisons of the FY15 budget to FY14 include the original and revised FY14 budget.

Revenue

Historically the most significant problem within the budget is the reduction that Jefferson County has seen in Gaming and Lottery revenue. During a two year period from FY12 to FY14 the reduction in this revenue amounted to \$1,296,203 with a reduction that is expected to continue in FY15. The County had become dependent on these funds to fund reoccurring expenditures in the General Fund. This revenue stream was the second highest revenue source of Jefferson County which represented 20.42% of all revenue collected for FY14.

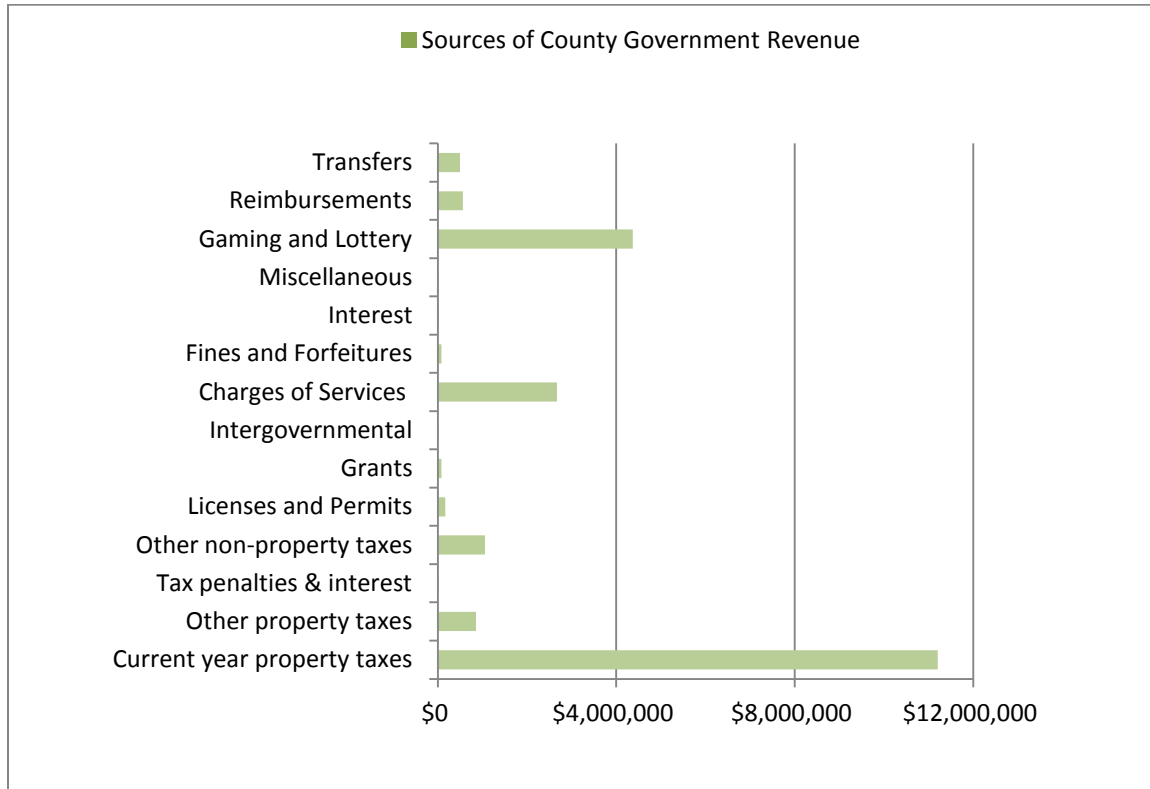
Property tax is the single largest revenue source that is received by the county which comprises 55.09% of the revenue budget. The chart listed below shows the sources of revenue for County government.

Overall the revenue is flat from FY14 to FY15 with only an increase of \$12,568. Non-property taxes were higher in FY14 as a result of a one property tax transfer that occurred which generated a large property transfer tax fee revenue. Charges for Services are expected to be higher in FY15 as a result of changing the 911 landline fee from \$2.90 per landline to \$5.00.

Listed below is a summary of revenues, with a comparison to the prior year.

	FY14 Budget (Revised)	FY15 Budget	\$ Change	% Change
Current year property taxes	\$ 10,832,146	\$ 11,203,812	371,666	3.43
Other property taxes	905,013	855,754	(49,259)	(5.44)
Tax penalties & interest	306,500	301,220	(5,280)	(1.72)
Other non-property taxes	1,824,305	1,057,652	(766,653)	(42.02)
Licenses and Permits	164,182	170,225	6,043	3.68
Grants	146,196	80,000	(66,196)	(45.28)
Intergovernmental	9,949	9,949	0	-
Charges of Services	1,944,326	2,671,681	727,355	37.41
Fines and Forfeitures	100,594	85,650	(14,944)	(14.86)
Interest	17,052	17,273	221	1.30
Miscellaneous	11,953	12,050	97	0.81
Gaming and Lottery	4,466,840	4,368,293	(98,547)	(2.21)
Reimbursements	654,026	563,000	(91,026)	(13.92)
Transfers	495,858	494,949	(909)	(0.18)
Total Revenue	\$21,878,940	\$ 21,891,508	12,568	0.06

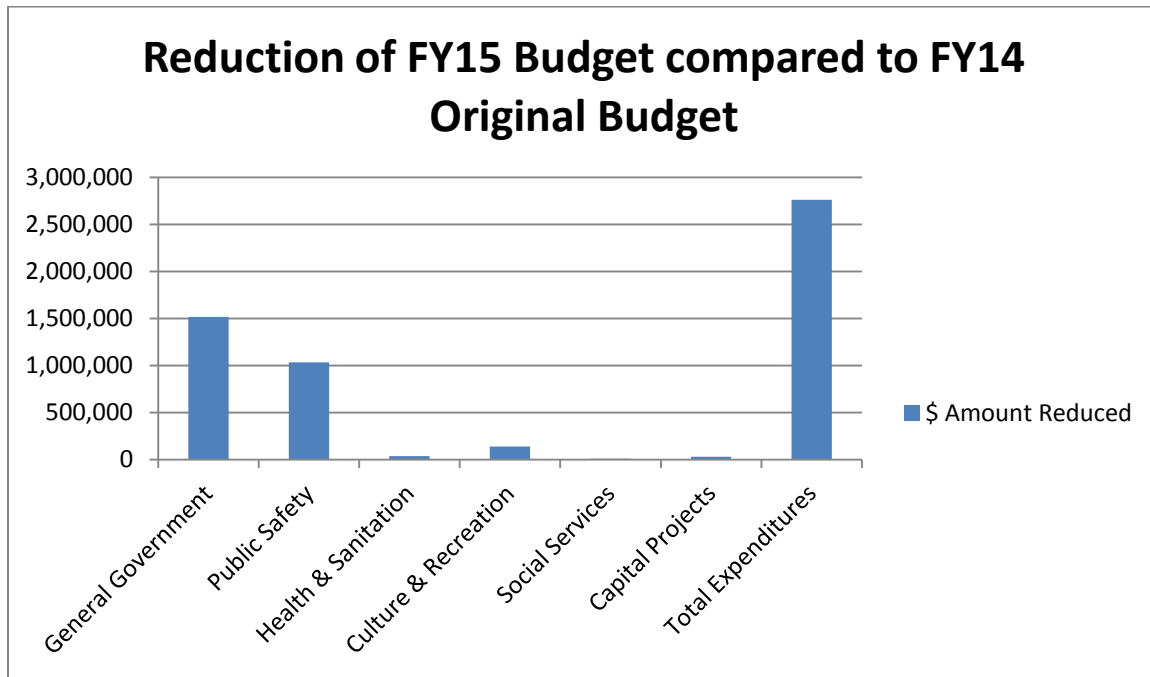
The chart listed below shows the sources of revenue for Jefferson County.



Expenditures

A summary of expenditures, with a comparison to the prior year is shown below. The first chart and graph reflects the FY15 budget compared to the original FY14 budget.

	FY14 Budget (Original)	FY15 Budget	\$ Change	% Change
General government	12,715,453	11,200,035	(1,515,418)	(11.92)
Public Safety	10,267,778	9,235,849	(1,031,929)	(10.05)
Health & Sanitation	36,750	-	(36,750)	(100.00)
Culture & Recreation	1,152,640	1,013,329	(139,311)	(12.09)
Social Services	20,000	10,275	(9,725)	(48.63)
Capital Projects	29,300	-	(29,300)	(100.00)
Total Expenditures	24,221,921	21,459,488	(2,762,433)	(11.40)



The chart listed below compares the FY15 budget to the revised FY14 budget.

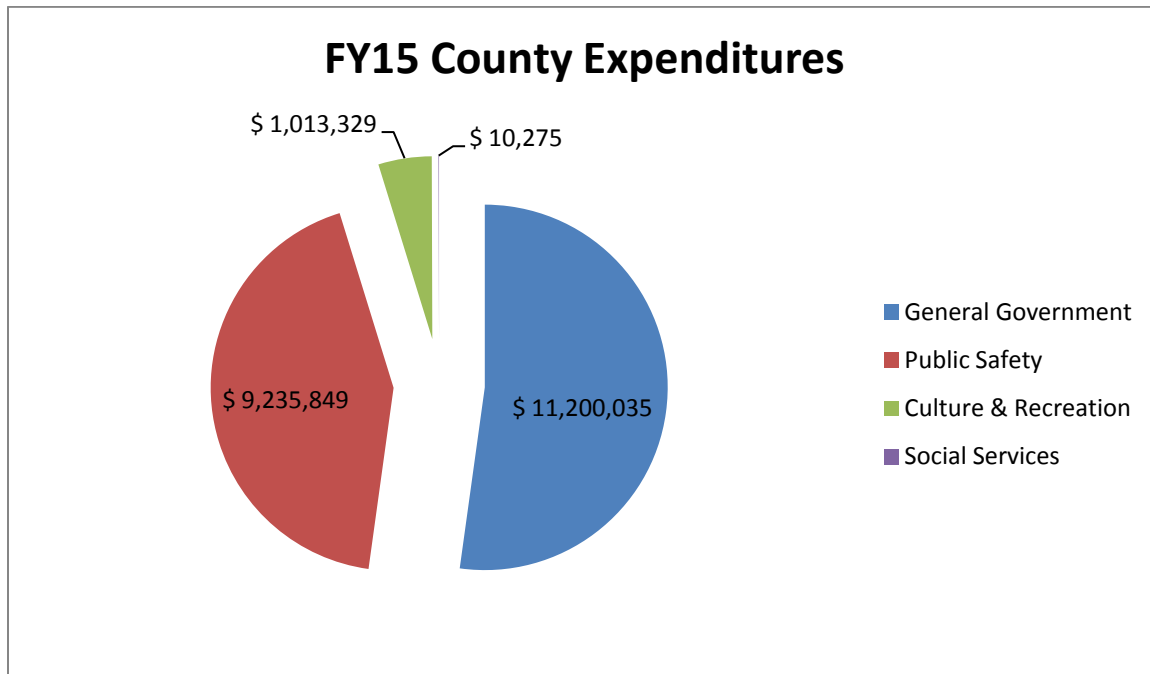
	FY14 Budget (Revised)	FY15 Budget	\$ Change	% Change
General government	12,022,480	11,200,035	(822,445)	(6.84)
Public Safety	9,572,661	9,235,849	(336,812)	(3.52)
Health & Sanitation	21,438	-	(21,438)	(100.00)
Culture & Recreation	1,118,893	1,013,329	(105,564)	(9.43)
Social Services	6,850	10,275	3,425	50.00
Capital Projects	29,300	-	(29,300)	(100.00)
Total Expenditures	22,771,622	21,459,488	(1,312,134)	(5.76)

Listed below is a summary of total revenue and expenditures for FY14 and FY15 with the net change to fund balance. While the current FY14 budget reflects a reduction to the fund balance it is expected over the remaining months of the fiscal year that corrective action will occur resulting in no net change to the fund balance. In FY15 it is expected that the fund balance will increase.

Net Change in Fund Balance

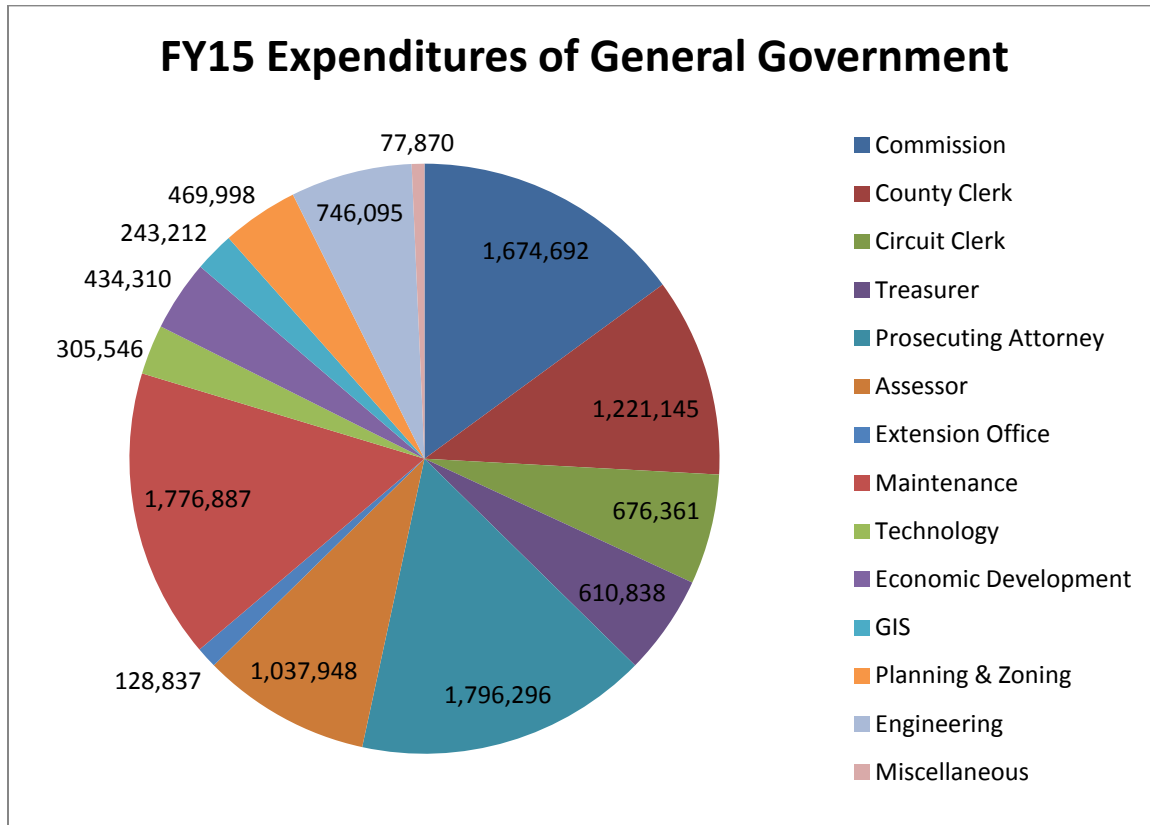
	FY14 Original Budget	FY14 Revised Budget	FY15 Budget
Revenue	21,771,128	21,878,940	21,891,508
Expenditures	24,221,921	22,771,622	21,459,488
Net Change in Fund Balance	(2,450,793)	(892,682)	432,020

The chart listed below shows the breakout of total expenditures.

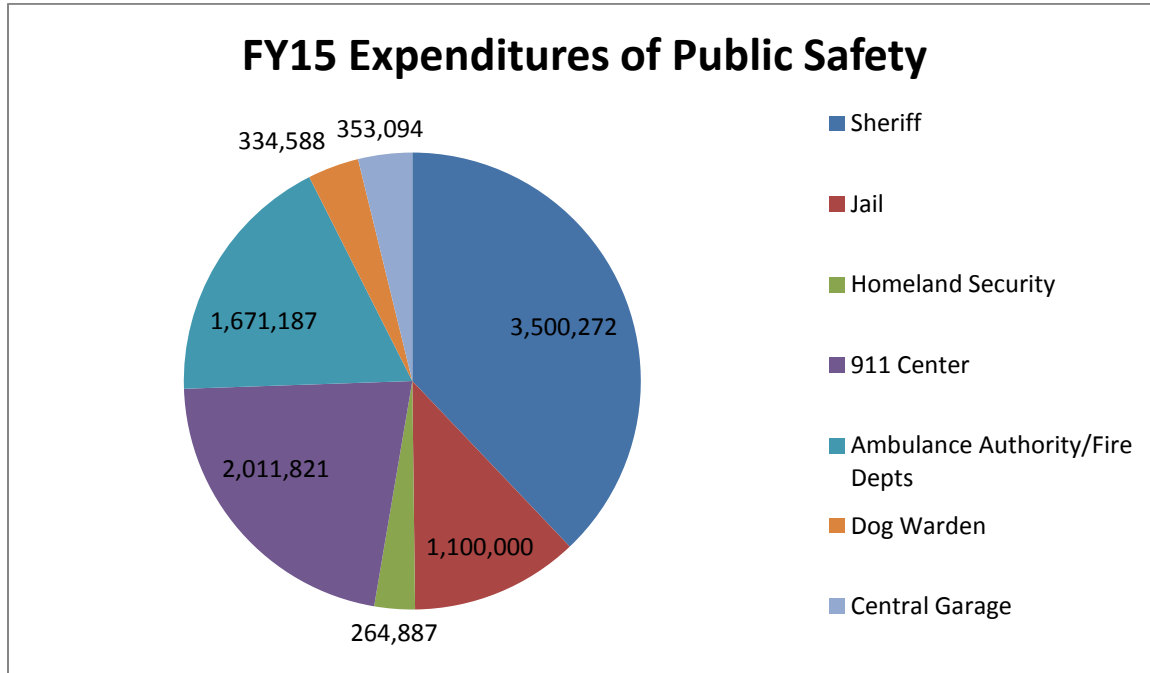


The charts listed below are broken out into specific graphs which disclose the departments which make up the totals of General Government, Public Safety, Culture and Recreation, and Social Services.

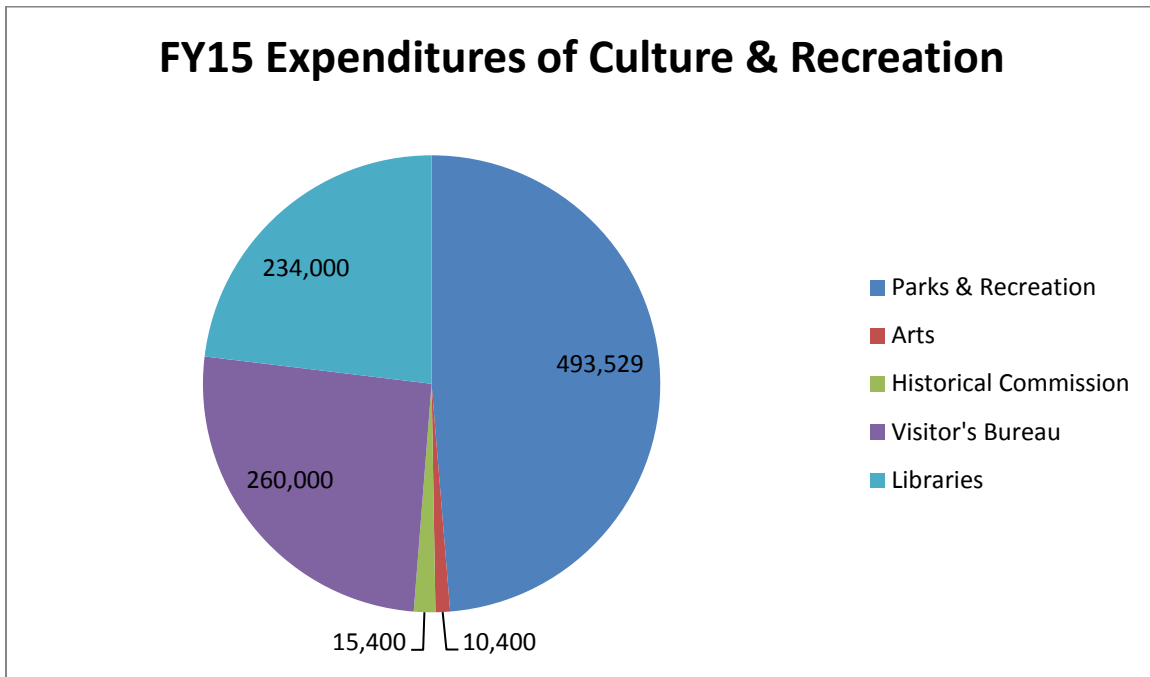
On the first chart below the Commission department is at one o'clock, you can then following the pie chart clockwise and refer to the legend.



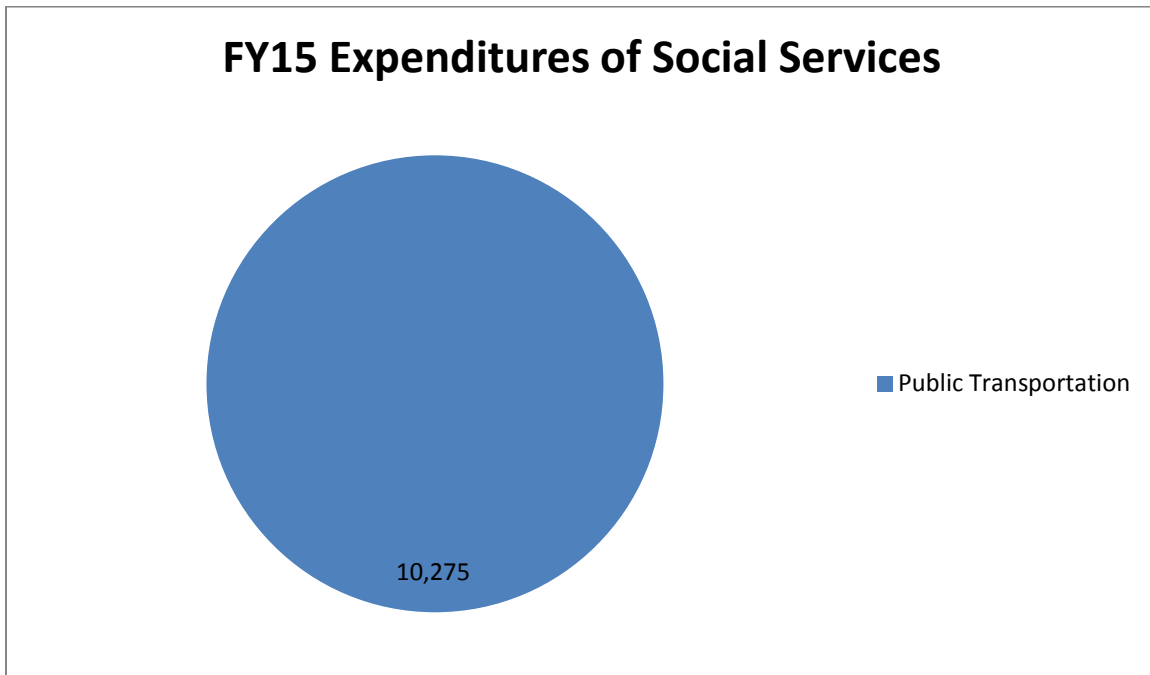
Listed below is the department detail of expenditures of Public Safety.



Listed below is the department detail of expenditures of Culture & Recreation.



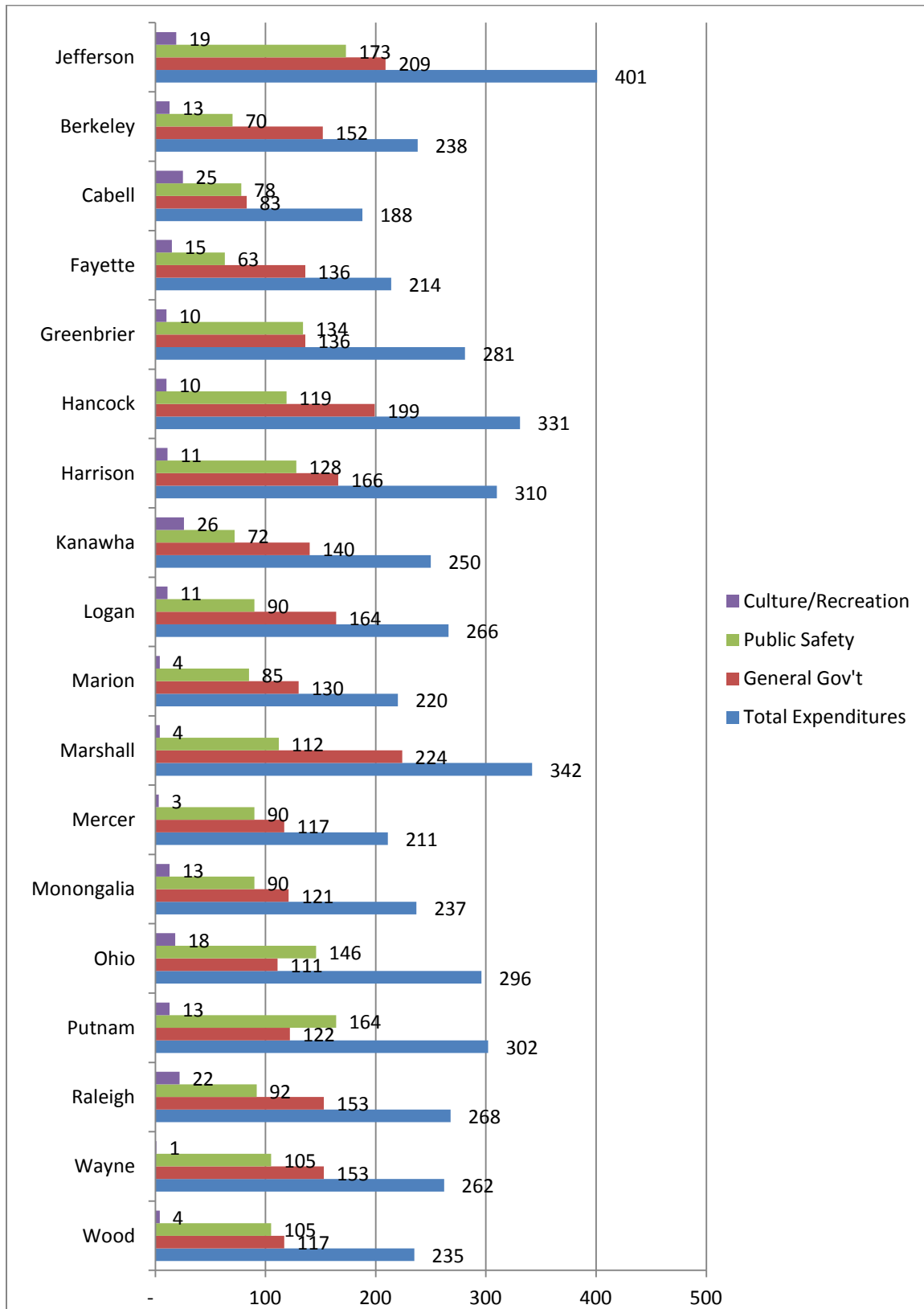
Listed below is the department detail of expenditures of Social Services, all expenditures of Social Services is used for public transportation.



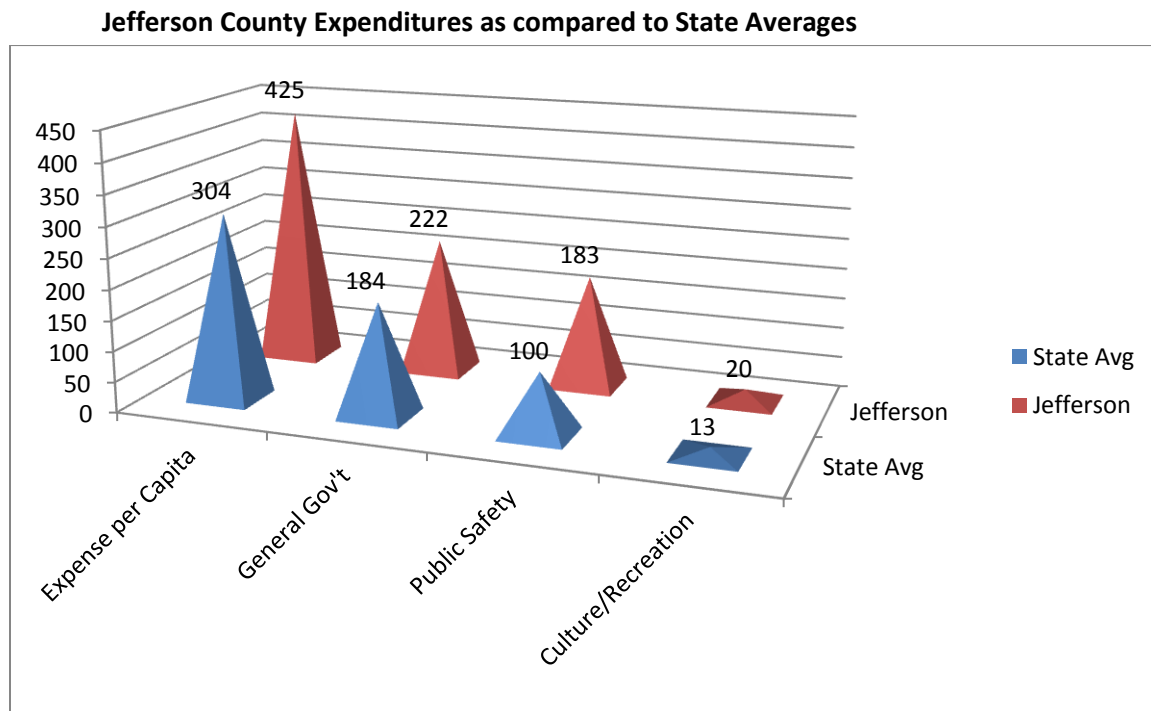
The chart listed on the next page shows expenditures per capita of counties with populations over 30,000. Data for the other counties listed in the chart were obtained from their most recent audited financial statements. The data for Jefferson County is from the FY15 budget.

Of the 18 counties with populations over 30,000 Jefferson County ranked highest in total expenditures per capita, and Public Safety. 2nd highest in expenditures for General Government. Jefferson County ranked 4th highest in spending per capita in Culture and Recreation.

Chart showing Expenditures per Capita of counties over 30,000 in population



In comparison to all counties in West Virginia Jefferson County exceeded the state average in spending per capita in total expenditures, General Government, Public Safety, and Culture and Recreation.



While Jefferson County has made process in achieving a balanced budget in FY15, has stopped its dependency on using fund balance, and has reduced spending by \$2,762,433 from the prior year, the County will continue to look for opportunities to reduce costs to lower the per capita expenditures where appropriate.

Debt Service

The County does not have any long term debt.

Capital Fund

The County has a fund separate from the General Fund to purchase capital assets. The balance within the Capital Fund as of the preparation of the FY15 budget was 5 million.

Budget Reconciliation

As stated earlier the State of West Virginia requires counties to roll their entire fund balance forward and reflect it as revenue in the next year. When the public reviews these documents total revenue as well as expenditures are inflated by the amount of the fund balance. The data referenced in this report does not include the fund balance being rolled forward.

Listed below is a reconciliation between data in this report and FY15 budget report filed with West Virginia State Auditors.

Revenue	\$21,891,508
Fund Balance Rolled Forward	\$ 2,400,000 (1)
Revenue on WV report	\$24,291,508
Expenditures	\$21,459,488
Contingencies	\$ 2,189,000 (1)
Transfer to Financial Stabilization Fund	\$ 643,020 (1)
Total Expenditures on WV report	\$24,291,508

- (1) Listed on the WV budget report to comply with budgeting regulations of WV. For purposes of public transparency the County has removed these items from this presentation. The County does not plan to spend the funds listed under Contingencies or spend funds in the Financial Stabilization fund.