Local Roots, Global Reach

ISLE OF WIGHT COUNTY, VIRGINIA

3 Year Financial Plan

What is it?

The 3 Year Financial Plan is a Plan to balance the budget annually with current revenues used to pay current expenses (no use of savings) to meet operational needs. The County ended Fiscal Year 2012-2013 **$4.5M** in the hole. The adoption of the Fiscal Year 2015-2016 budget marks the fourth consecutive year of a deficit.

Entering Fiscal Year 2014-2015, the County faced a budget deficit of **$7.9M**.
The budget deficit included:

$3.9M to address the projected shortfall in Fiscal Year 2013-2014
$3.2M to cover annual water reservation fees
$0.7M or **$700K** in additional funding for Schools to address operating needs
$7.9M

To address the budget deficit and balance the budget in **1 year** would have required a **20 cent increase** in the **Real Estate Tax Rate**.

Instead of raising the tax rate by **20 cents**, the County established a **3 Year Financial Plan** to a **balanced budget** incrementally. This means that by Fiscal Year 2016-2017, the County's operating budget will not rely on draws from the Fund Balance (i.e. Savings).

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How are we going to do it?

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YEAR 1: FISCAL YEAR 2014-2015

STATUS

To reduce reliance on the Fund Balance (Savings Account) from **$7.9M** to **$3.2M for operational expenses.** This would be accomplished by:

- Increasing the real estate tax rate by **12 cents** to $.85 per $100 of assessed value. ✓
  - 10 cents to cover $3.9M FY 14 deficit ✓
  - 2 cents to provide an additional $700,000 for School needs
- Restructuring existing debt to lower and level future payments. ✓

Fiscal Year	Draw from Fund Balance
FY 14	$7.9M
FY 15	$3.2M
FY 16	$1.6M
FY 17	$0

YEAR 2: FISCAL YEAR 2015-2016

Decrease the County's reliance on the Fund Balance (i.e. Savings) by half from **$3.2M** to **$1.6M** for operating expenses either through efficiencies to be identified and new revenues and/or tax rate/fee adjustments. ✓

Accomplished without Real Estate Tax increase by numerous efficiencies and other sources.

YEAR 3: FISCAL YEAR 2016-2017

Balance the budget without using the Fund Balance (i.e. Savings). **TBD**

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Why is it important?

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The County cannot continue to rely on its Fund Balance (Savings) to operate or it will deplete its savings and ruin its credit with the bond rating agencies who evaluate the County annually.

Without adequate savings in the Fund Balance:

- The County cannot address urgent or unforeseen emergency response needs (such as a hurricane or other disasters).
- The County cannot manage its cash flow needs of approximately $9.1M per month to run operations as the majority of revenues are collected twice a year.
- The County will pay higher interest rates on bonds potentially costing millions of dollars into the future.

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Where are we now?

- The County has successfully achieved **Years 1 and 2** of the **3 Year Financial Plan** with the adoption of the Fiscal Year 2015-2016 budget.
- We have **reduced the operating deficit from $7.9M to $1.6M meeting our Year 2 goal.**
- We **maintained our bond rating of AA** in the most recent review by the major bond rating agencies allowing us to **refund debt at lower interest rates** resulting in **$2M in additional savings over the next 16 years.**
- County Staff has generated over **$750,000 in annual operating savings over the last 2 years** through numerous efficiencies and continues to search for more.

What is next & what does this mean for my taxes?

- We will stay the course with the **3 Year Financial Plan,** continuing to identify cost savings where possible, and encourage growth of the local economy to achieve stability and financial health.
- Growth of the local economy and expenses associated with State/Federal mandates and contractual commitments will play a major role in determining if the County can achieve a balanced budget in the future without increases in the real estate tax rate.