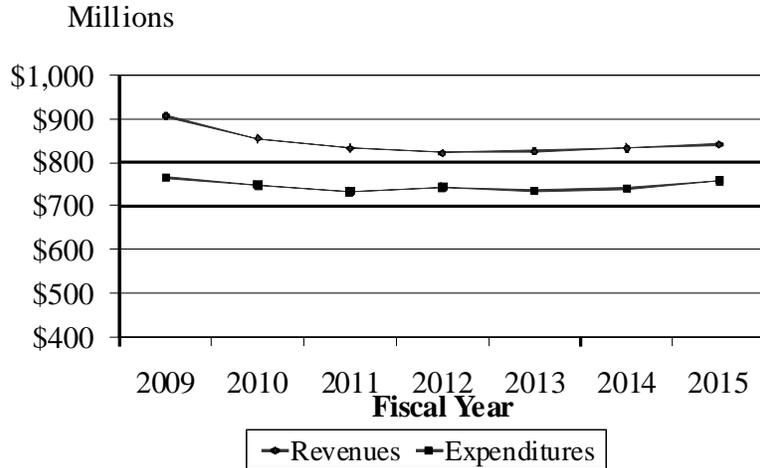


Three Year Forecast Revenues and Expenditures General Fund



Fiscal Years 2012 through 2015 are estimated. Revenues depicted are prior to transfers to other funds.

GENERAL FUND

(Fund 01)

The General Fund reflects all revenues and expenditures of the County not required to be accounted for in another fund. Local revenues are primarily derived from Real and Personal Property Taxes, Business License Taxes, Local Sales Tax, Charges for Services, and Use of Money and Property. Revenues are received from the State for educational purposes, public safety, constitutional officers, and road maintenance. Revenues from the Federal Government are largely for social services and education.

Major expenditures include the cost of general government services such as education, public safety, streets and roadways, health and social services, recreation and libraries, and transfers to other funds, primarily to fund the County's debt service requirements and capital projects.

Revenues

Assumptions

Total estimated General Fund revenue for FY2013, prior to transfers to other funds, is \$824,966,705. This is an increase of \$3,189,535, or 0.39 percent above FY2012 estimates. General Fund revenues for the County of Henrico are categorized into three broad categories: Local Tax Revenue, Other Local Revenue, and State and Federal Revenue. The table below summarizes General Fund revenue by category. Following is a brief discussion of the revenue components in each of these categories, including graphs depicting the historical trends of these revenue sources as compared with future projections.

Local Tax Revenue:

<u>Description</u>	<u>FY 2011</u> <u>Actual</u>	<u>FY 2012</u> <u>Original</u>	<u>FY 2013</u> <u>Approved</u>	<u>Increase</u> <u>(Decrease)</u>
Local Tax Revenue	\$ 476,270,663	\$ 503,415,000	\$ 496,210,000	\$ (7,205,000)
Other Local Revenue	23,959,873	26,404,970	24,746,870	(1,658,100)
State and Federal Revenue	332,460,679	291,957,200	304,009,835	12,052,635
Total General Fund Revenue	<u>\$ 832,691,215</u>	<u>\$ 821,777,170</u>	<u>\$ 824,966,705</u>	<u>\$ 3,189,535</u>

Local Tax Revenue represents Henrico County’s principal source of revenue. County tax revenue is projected to total \$496.2 million or 60.1 percent of total General Fund revenue for FY2013. This is a decrease of 1.4 percent, or \$7.2 million below the current fiscal year. Local Tax Revenue includes:

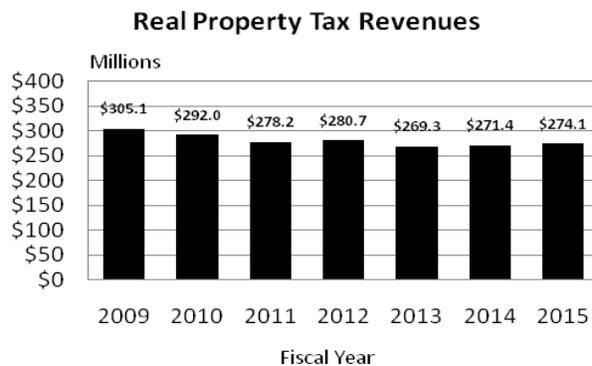
Local Tax Revenue	FY 2012 Original	FY 2013 Approved	Increase (Decrease)	Percent Change	Pct. Of Revenue
Real Property Tax	\$ 280,700,000	\$ 269,300,000	\$ (11,400,000)	(4.1%)	54.3%
Personal Property Tax	103,930,000	103,930,000	0	0.0%	20.9%
Other Property Taxes	4,030,000	6,745,000	2,715,000	67.4%	1.4%
Local Sales Tax	56,050,000	58,400,000	2,350,000	4.2%	11.8%
Business License Tax	29,850,000	28,600,000	(1,250,000)	(4.2%)	5.8%
Motor Vehicle License Tax	6,325,000	6,325,000	0	0.0%	1.3%
Consumer Utility Tax (*)	2,600,000	2,600,000	0	0.0%	0.5%
Hotel/Motel Tax	9,200,000	9,660,000	460,000	5.0%	1.9%
Bank Franchise Tax	5,000,000	5,000,000	0	0.0%	1.0%
Other Local Taxes	5,730,000	5,650,000	(80,000)	(1.4%)	1.1%
Total Local Tax Revenue	\$ 503,415,000	\$ 496,210,000	\$ (7,205,000)	(1.4%)	100.0%

*Electric Only

The majority, 75.2 percent, of the \$496.2 million in Local Tax revenues is derived from Real and Personal Property Tax revenues (including delinquent collections), which are estimated to generate approximately \$373.2 million or 45.2 percent of total General Fund revenue. Local Sales Tax revenue increased \$2,350,000, or 4.2 percent in FY2013 and makes up 11.8 percent of Local Tax revenue. Business & Professional License (BPOL) Tax revenue is projected to decrease by \$1,250,000 in FY2013. The County’s BPOL taxpayers are exempt from paying taxes on the first \$100,000 in gross receipts and all payers pay BPOL taxes at the maximum tax rate of \$0.20/\$100 after the first \$100,000 of gross receipts.

The Motor Vehicle License Tax revenue is projected to remain steady at \$6.3 million in FY2013. The Consumer Utility Tax revenue (electric only) estimate of \$2.6 remained flat for FY2013. Revenue from the 8.0 percent Hotel/Motel Tax is anticipated to increase to \$9.6 million in FY2013. These funds will be paid to the Richmond Convention Center during FY2013. The Convention Center will return \$2.4 million (a fourth of the 8.0 percent levy) to the County at the end of FY2013. The assumptions used when preparing the FY2013 – FY2015 revenue estimates for each of these taxes are described in greater detail in the following pages.

Real Property Taxes are estimated to generate \$269.3 million or 32.6 percent of the County’s total General Fund revenue in FY2013. This is a decrease of \$11.4 million or 4.1 percent less than the current fiscal year. Included within this total is revenue derived from current real estate taxes and real estate taxes paid by public service corporations. The FY2013 budget is balanced within the tax rate of \$0.87 per \$100 of assessed value for CY2011.



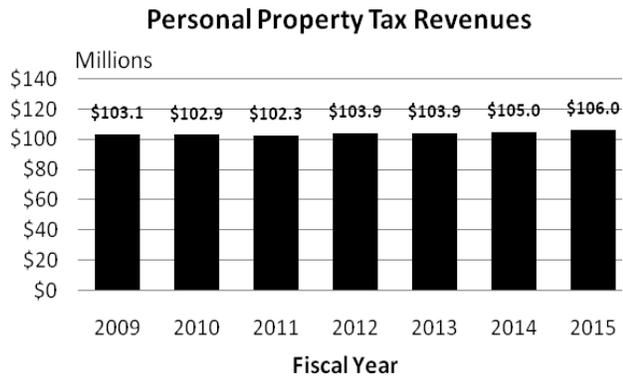
Fiscal Years 2012 through 2015 are estimated.

Assessment information for January 2012 indicates real estate assessments total \$30.6 billion, reflecting a decline of approximately \$1.0 billion, or 3.3 percent from the January 2011 assessed values, and reflects the third consecutive year-over-year decline in real estate valuation. The commercial percentage of the tax base equated to 30.4 percent in January 2012. Following two years of declines, the commercial ratio increased from January 2011, as commercial real estate values increased due to the absorption of previously vacant office space in the County, as well as some new commercial

development. The overall reduction in assessed valuation was attributable entirely to residential real estate valuation, which declined by approx \$1.0 billion or 3.3 percent. Real estate valuations have been impacted by the economic downturn and are indicative of current market conditions.

Out year projections on movements in countywide assessments are based on a forecast model factoring in changes in both residential and commercial values as well as the addition of new residential and commercial construction. The FY2014 and FY2015, projections assume increases to the County’s real property tax collections of 0.81 and 1.0 percent in each year, respectively.

Personal Property Taxes are levied on the tangible property of individuals and businesses. For individuals, this tax is primarily on automobiles and recreational vehicles. Businesses personal property includes motor vehicles, machines, furniture, computers, fixtures and tools. The approved budget maintains the following Personal Property Tax rates: \$3.50 per \$100 of assessed value for tangible personal property; \$1.00 per \$100 of assessed value for machinery and tools; \$1.60 per \$100 of assessed value on airplanes; and \$1.00 per \$100 of assessed value for one vehicle for rescue squad volunteers. Also included are Personal Property Tax rates of \$0.40 per \$100 of assessed value for machinery and tools used in Semiconductor Manufacturing; and \$0.01 per \$100 of assessed value for tangible personal property owned by disabled veterans and vehicles equipped for the physically handicapped.



Fiscal Years 2012 through 2015 are estimated. Includes PPTRA reimbursements.

FY2012 marks the fourteenth year of the Personal Property Tax Relief Act (PPTRA) enacted by the General Assembly in 1998, although actual reimbursements to localities were capped by the State in the 2004 legislative session. Due to the State payment cap the amount of tax relief will vary by year and locality. The amount of funding Henrico will receive on an annual basis is \$37.0 million. For Henrico residents owning qualifying individual vehicles assessed at or below \$1,000, the State’s reimbursement is intended to pay 100.0 percent of the CY2012 tax levy. For qualifying individual vehicles assessed between \$1,001 and \$20,000, the State will pay Henrico County 68.0 percent of the CY2012 tax levy. With qualifying individual vehicles valued at \$20,001 or more, the State will pay Henrico County 68.0 percent of the CY2012 tax levy for the first \$20,000 of value only.

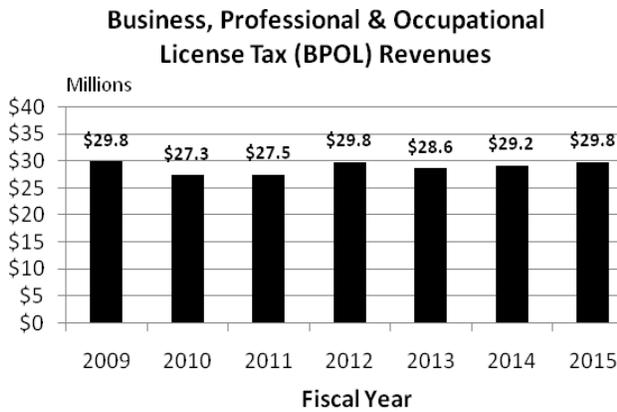
The PPTRA payments from the State are included in the projections for FY2013 through FY2015. Henrico’s payment from the State will remain constant at \$37.0 million, so as personal property values increase over time, the actual percentage of State reimbursement will decrease.

Personal Property Tax revenue is estimated at \$103.9 million for FY2013. This represents 12.6 percent of total General Fund revenue. This revenue includes taxes from current personal property and taxes on personal property owned by public service corporations. It is projected that Personal Property Tax receipts will increase by 1.0 percent in both FY2014 and FY2015, respectively.

Other General Property Tax revenue includes delinquent real estate and personal property taxes, land redemptions and interest and penalties on delinquent taxes.

Local Sales Tax revenue is considered an elastic revenue source because it is responsive to changes in the economy. Virginia’s Sales Tax rate was increased to 5.0 percent during FY2005. The Virginia General Assembly approved the increase in May 2004 and dedicated the proceeds to local education. With the increase the State will retain 4.0 percent and return 1.0 percent as unrestricted revenue to the locality where the funds were collected (localities also receive a blended 1.25 percent back from the State for local education – see the discussion on State Revenues). Local Sales Tax revenue is projected to generate \$58.4 million in FY2013, an increase of \$2,350,000, or 4.2 percent from the current fiscal year budget. Local Sales Tax revenues are projected to increase by 3.0 percent in both FY2014 and FY2015, respectively.

Henrico County’s retailers continue to lead the Richmond Metropolitan Area in the generation of Local Sales Tax revenue. As of May 2012, Henrico County is recording 39.8 percent of the Local Sales Tax dollars redistributed to localities in the Richmond Metropolitan Area by the State.



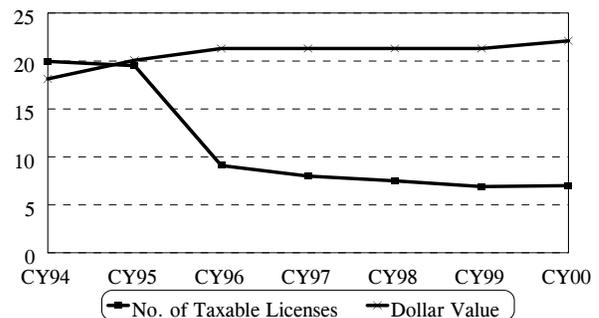
Fiscal Years 2012 through 2015 are estimated.

gross receipts below the \$100,000 threshold. In addition, the FY2013 budget maintains a maximum uniform BPOL tax rate of \$0.20/\$100 of gross receipts for all business categories.

The graph to the right depicts the success of Henrico’s BPOL tax reduction program. The success is apparent by comparing the change in the number of *taxable* business licenses issued in calendar year 2000 and those issued in calendar year 1995 (the year before the tax reduction was implemented). All County businesses must hold a valid business license, but that license may or may not be taxable. The BPOL tax reduction was implemented in phases and was initiated in January 1996, when the Board of Supervisors implemented a standard exemption for the first \$25,000 of gross receipts earned by County businesses. In January 1997, the earnings exemption was increased to the first \$50,000 of gross receipts. The FY1998 budget continued the rate rollback and the gross receipts exemption was increased to the first \$75,000 earned by County businesses. The FY1999 budget raised the gross receipts exemption amount to \$100,000 and continued the rate rollback. The FY2000 budget completed the rate rollback at the maximum uniform rate of \$.20/\$100 of gross receipts for all business categories. A category change was implemented in FY2002, when utility companies discontinued paying BPOL taxes, and began paying a Local Consumption Tax, which is based on actual usage of electricity. This change was initiated by the State due to the forthcoming deregulation of the utility industry in Virginia. The FY2013 forecast assumes BPOL tax receipts will decrease to a level of \$28.6 million. It is projected that receipts will increase by 2.0 percent in both FY2014 and FY2015, respectively.

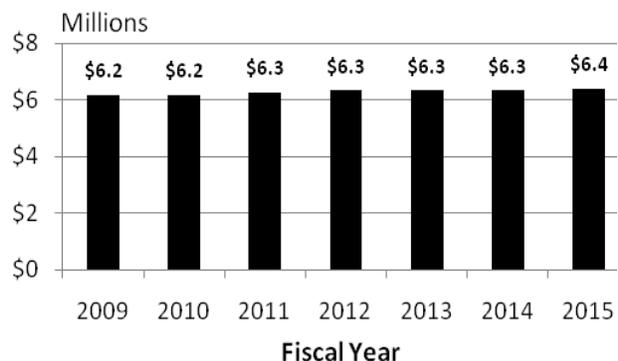
Business & Professional License (BPOL) Taxes are levied on businesses operating in the County. In January 1996, Henrico County embarked on the most ambitious BPOL tax reduction strategy in Virginia in an effort to continue to attract economic development to the County. This strategy, completed with the FY2000 Annual Fiscal Plan, resulted in the exemption of the first \$100,000 of gross receipts for County businesses. This exemption is different from the “threshold” tax reduction in other Virginia localities. For Henrico County businesses, the first \$100,000 of gross receipts is exempt from the BPOL tax – regardless of total gross receipts. In a “threshold” locality, if a business exceeds \$100,000 in gross receipts, all gross receipts are taxable as the tax reduction only applies to businesses with total

BPOL Tax
No. of Taxable Licenses v. Dollar Value



Motor Vehicle License Taxes are collected for every motor vehicle or trailer normally garaged, stored or parked in the County. The FY2013 and FY2014 revenue estimates remained the same as the FY2012 estimate at \$6.3 million. The projection for FY2015 is \$6.4 million.

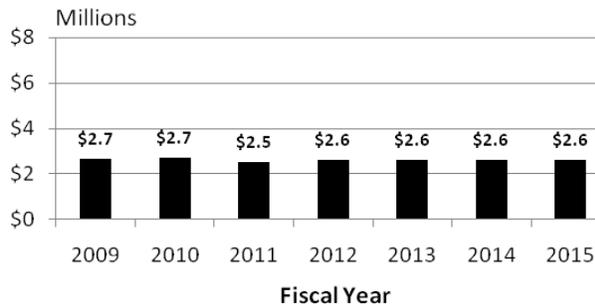
Motor Vehicle Licence Tax Revenue



Fiscal Years 2012 through 2015 are estimated.

Consumer Utility Taxes are estimated at \$2.6 million in FY2013. This is a result of legislation approved by the General Assembly in the 2006 Legislative Session, which was the passage of the Virginia Communications Sales & Use Tax (HB568). This bill changed the way certain communication mediums are taxed in Virginia by

Consumer Utility Tax Revenue



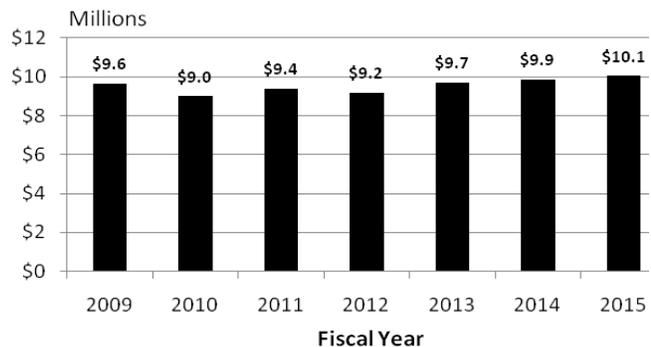
Fiscal Years 2012 through 2015 are estimated.

State distributes the revenues from the Virginia Communications Sales and Use Tax to localities based upon FY2006 actual receipts for the taxes and fees that were eliminated, after administrative costs for the tax are covered along with funding for the telephone relay service center for the deaf and payment of any local cable franchise fees that will now be collected by the State Department of Taxation. In total, the Communications Sales & Use Tax, which went into effect January 1, 2007, is projected to total \$14.5 million in FY2013.

removing the taxing authority from localities and placing a statewide tax on certain services. Included in the statewide 5.0 percent sales and use tax are landline telephones, cellular telephones, Voice Over Internet Protocol (VOIP), paging services, cable television services, satellite television services, and satellite radio. With the passage of HB568, localities no longer administer several local taxes and fees such as the Consumer Utility taxes on landline telephones, the mobile phone utility tax, local E-911 and cable franchise fees. This does not affect the Consumer Utility Tax as it applies to electric and gas companies, as well as Wireless E-911 fees received by the County from the State. The

Hotel/Motel Taxes under the Code of Virginia are defined as “transient occupancy taxes”. These taxes are similar to the Sales Tax in that they are based on the value of a purchase, which in this case is a motel or hotel room. The Hotel/Motel Tax rate in the Richmond Metropolitan Area is 8.0 percent. Historically, Henrico County levied a 2.0 percent Hotel/Motel Tax, with proceeds utilized to offset local tourism expenditures. However, in FY1997, the Virginia General Assembly authorized an additional 4.0 percent levy of the Hotel/Motel Tax. The additional 4.0 percent levy represents a regional effort by the Counties of Chesterfield, Hanover, Henrico and the City of Richmond to finance the expansion of the Richmond Convention Center.

Hotel/Motel Tax Revenue



Fiscal Years 2012 through 2015 are estimated.

In the 1998 Legislative Session, the Virginia General Assembly authorized an additional 2.0 percent levy in the Hotel/Motel Tax (bringing the entire levy to 8.0 percent) and earmarked the additional 2.0 percent levy for the Richmond Convention Center. FY2013 revenue estimates for the Hotel/Motel Tax total \$9.7 million. In FY2013, the entire 8.0 percent levy will be transferred to the Richmond Convention Center Authority. At the end of the fiscal year, Henrico County’s local 2.0 percent component for tourism expenses will be returned from the Authority. It is anticipated that revenues will increase in FY2014 and FY2015 by 2.0 percent in each year, respectively.

Bank Franchise Taxes are derived from the taxation of net capital on banks located in the County. In FY2013, Bank Franchise Taxes are estimated at \$5.0 million. Bank Franchise tax revenue is projected to remain constant in FY2014 and FY2015 at \$5,000,000.

Other Local Taxes includes funds received for grantor’s taxes, recordation taxes, daily rental tax, and the consumption tax. In total \$5.7 million is budgeted in FY2013, and it is projected that revenues will remain level for FY2014 and FY2015.

Other Local Revenue:

Other Local Revenue is estimated to generate \$24.7 million in FY2013. This is a \$1.7 million, or a 6.3 percent decrease from FY2012. More detailed information on each of these categories of local revenue is included in the pages that follow.

Permits, Fees and Licenses include such items as structure and equipment permits, municipal library fees, zoning application fees, fees for the rental of school facilities and dog licenses. This revenue category is estimated to generate \$3.4 million in FY2013, which is a \$98,700, or 2.9 percent increase when compared to the current fiscal year.

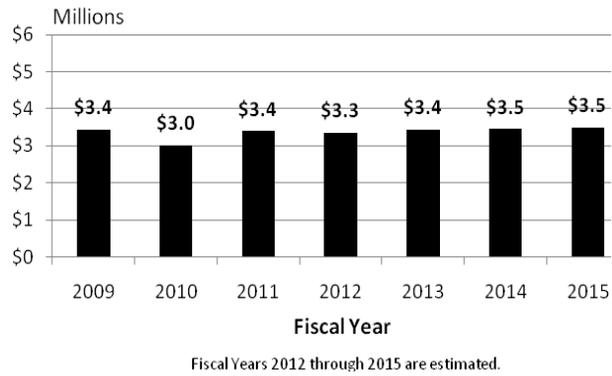
Building Permit Fees, which are an elastic revenue source, account for more than 58.0 percent of this revenue category. In FY2013, Building Permit Fees are estimated to remain constant at \$2.0 million. The projection for this revenue continues the assumption that this revenue source will be below the historical highs that were seen in FY2005, FY2006, and FY2007 due to the continuing lack of new construction because of economic conditions.

Information through the third quarter of FY2012 indicates a substantial increase in the total value of permits issued as compared to the first three quarters of FY2011. Residential permit values increased \$7.3 million and non-residential permit values increased \$104.4 million, while additions/alterations, both residential and non-residential, decreased \$17.9 million.

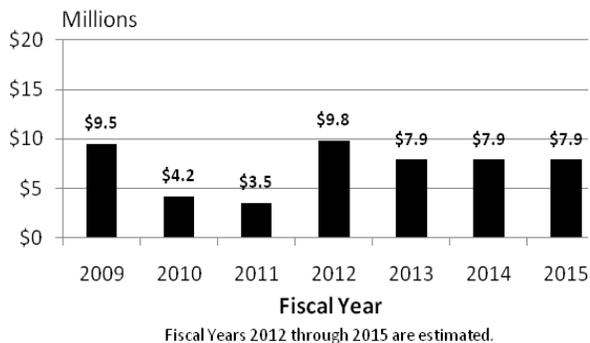
Looking back, residential building permit values in FY2011 totaled \$115.6 million, while FY2010 and FY2009 totaled \$96.3 million, and \$116.6, respectively. The number of new single-family residential building permits issued in FY2011 was 639, while in FY2010 and FY2009, there were 630 and 622 issued, respectively. In FY2011, the total value of these permits increased \$17.9 million. This represents a significant improvement from the prior, year-over year reduction in total single-family permit value of \$20.4 million or 17.5 percent. In the two years preceding 2011, the total value of these permits had decreased markedly due to the slowdown in the construction industry. The increase in FY2010 to FY2011 YTD permit volume and values indicates an improving local economy, housing market and construction sector. The forecast for Permits, Fees and License revenues is \$3.4 million in FY2014 and \$3.5 million in FY2015.

Fines and Forfeitures include revenue for such items as traffic and parking violations, false alarm fees and courthouse maintenance fees. This category is estimated at \$2.4 million in FY2013. Total projections in Fines and Forfeitures revenue category is \$2.5 million for FY2014 and FY2015.

Permits, Fees and Licenses Revenue



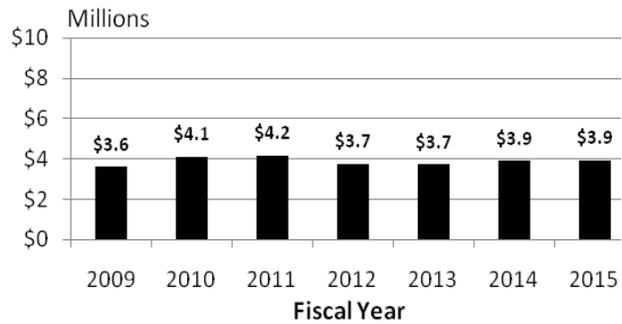
Use of Money and Property



Use of Money and Property is estimated to generate \$7.9 million in FY2013. This category of revenue includes receipts from the sale of County property and interest on County investments. The County generates revenue from the prudent and timely investment of cash reserves. The County invests cash reserves in Banker's Acceptances, Certificates of Deposit, Commercial Paper and Treasury Notes. Adherence to stringent cash management principles requires investing public funds in instruments that are safe, liquid, and generate adequate yields (See "Financial Guidelines"). Revenue from use of money and property is projected to remain constant at \$7.9 million in FY2014 and FY2015.

Charges for Services are revenues paid by users of various County services including participation fees for Recreation and Parks special interest classes and sports leagues; charges for overdue and lost books; cafeteria receipts; and charges for data processing services. Revenue from Charges for Services is estimated at \$3.73 million in FY2013. This revenue category is projected to increase to \$3.90 million in FY2014 and to \$3.94 million in FY2015.

Charges for Services

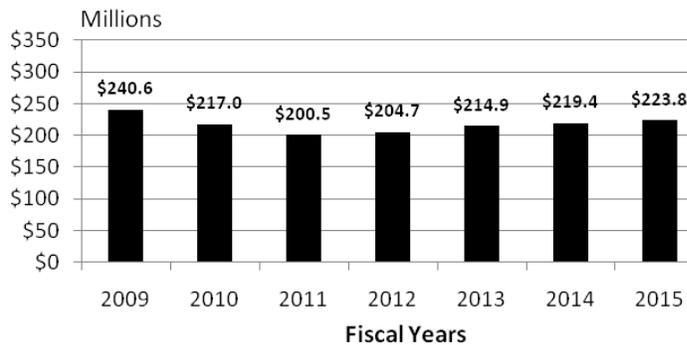


Fiscal Years 2012 through 2015 are estimated.

State and Federal Revenue:

State and Federal revenue is estimated at \$304.0 million in FY2013, which represents 36.9 percent of total General Fund revenue. This is a projected increase of approximately 4.1 percent over the current fiscal year. This category is comprised of revenue for General Government programs totaling \$89.1 million and Education funding in the amount of almost \$214.8 million. Following is a look at the components.

State and Federal Aid to Education



Fiscal Years 2012 through 2015 are estimated.

State and Federal Aid to Education is estimated to increase from \$204.7 million in FY2012 to \$214.9 million in FY2013. This is an increase of \$10.2 million or 4.9 percent. This projection assumes an increase of 2.1 percent in FY2014 and an increase of 2.0 percent in FY2015.

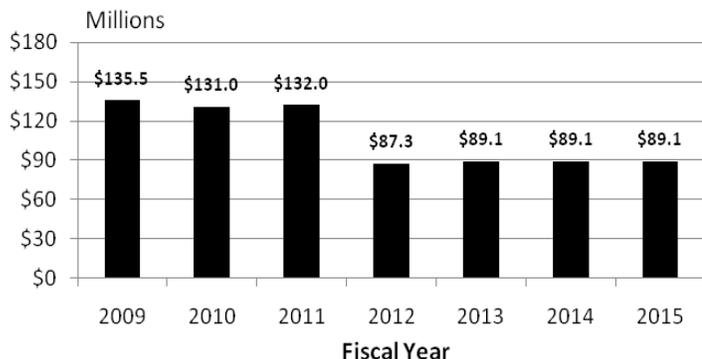
Beginning in FY1999, The State began allocating the State Lottery proceeds for local Education as a source of revenue for Education Capital Projects or for the payment of debt service. Henrico chose to allocate the State Lottery funds for pay-as-you-go capital

projects. Due to the significant shortfalls in State revenue collections, beginning with FY2010, the allocation of State Lottery proceeds for capital was eliminated as these lottery proceeds have been reallocated by the State to the operating portion of the budget.

Federal reimbursements for Education comprise 0.14 percent of this revenue category. As such, they have a minimal impact on the level of total appropriations. In FY2013, Federal funding for Education totals \$300,000. The FY2014 and FY2015 projections are based on Federal revenue remaining at \$300,000.

State and Federal Aid to General Government is estimated at \$89.1 million in FY2013. This represents an increase of approximately \$1.8 million or 2.1 percent when compared to the FY2012 budget. General Government programs for which Henrico County receives State and Federal funding include police, street and highway maintenance, social services, and partial payments for the salaries and benefits of constitutional officers and their employees. The budget estimate for the car tax payment from the State is included in the local Personal Property Tax projections for FY2012 through FY2015, due to the State

State and Federal Aid to General Govt.



Fiscal Years 2012 through 2015 are estimated. PPTRA payments are reflected in the FY2009-FY2011 totals. Current and future year projections include the estimate for personal property in one central location (local revenue).

not fully implementing the PPTRA (see Personal Property Taxes section). As such the budget for personal property tax is in one central location. It must be noted that the budget adopted by the Virginia General Assembly in May 2004 froze the PPTRA reimbursement to localities. The future payment to localities will equal the actual FY2005 payment. Henrico's payment under the State cap is \$37.0 million. As such, over time, the reimbursement from the State will remain flat, while the local component (paid by the County taxpayers) will increase. The projected decrease in State Aid to General Government programs is based on state revenue shortfalls and assumes the elimination of the construction component of the State Gas Tax allocation that Henrico receives for street and highway construction. Henrico is projected to receive \$28.7 million for road maintenance in FY2013. State and Federal Aid to General Government is estimated to remain level at \$89.1 million in FY2014 and FY2015.

Expenditures

Assumptions

In the course of developing the FY2013 Annual Fiscal Plan, difficult decisions were required to bring the budget into balance and maintain the real estate tax rate at \$0.87 per \$100 of assessed value in CY2011. These decisions were reached after careful review and planning by the Board of Supervisors. This planning reaches beyond FY2013 and is intended to establish a balance between the County's recurring revenues and expenditures in future years. The FY2013 General Fund Budget of \$735.3 million represents a decrease of \$8.4 million or 1.1 percent, which is discussed below and in greater detail in the County Manager's Budget Message and respective department narratives.

Education is the top priority of the Board of Supervisors. In FY2013, the Education budget represents 55.0 percent of General Fund expenditures. General Fund Education expenditures total \$404.1 million in the Annual Fiscal Plan, which represents an increase of \$300,000, or 0.07 percent. Of the total expenditures in Education, 46.8 percent are funded with locally generated revenues and 53.2 percent are funded with State and Federal funding. It must be noted that the totals above do not include Debt Service costs for Education, which are entirely a local responsibility (see the Debt Service Fund forecast).

For General Government, the total for the FY2013 Annual Fiscal Plan is \$331.2 million, a decrease of \$8.7 million, or 2.6 percent. Balancing the budget required further reductions to expenditures including 27 positions being unfunded and removed them from their respective departments, utilizing a 3.0 percent turnover rate and making operating reductions across all General Government areas.

General Fund expenditures, *prior to transfers*, are forecasted to grow by 1.1 percent in FY2014 and 2.9 percent in FY2015. The proposed levels of operational funding allows for the continuation of existing service levels as well as new operating costs associated with projects approved in the March 2005 Bond Referendum. Due to current economic conditions, the growth in expenditures is not anticipated to achieve the five percent maximum during the projection period. The total anticipated increase of 1.1 percent in FY2014 includes \$3.6 million for estimated operating expenditures associated with projects approved in the March 2005 Bond Referendum for Education and \$264,446 for General Government projects. The total anticipated increase of 2.9 percent in FY2015 includes \$12.3 million for estimated operating expenditures associated with General Government projects approved in the March 2005 Bond Referendum.

The FY2013 Capital Budget totals \$147.4 million. The five-year Capital Improvement Program for FY2013 through FY2017 includes requests that exceed \$1.8 billion. The County of Henrico will continue to ensure necessary Capital Projects are funded in a manner that maintains the County's AAA/AAA/Aaa bond ratings (See "Financial Guidelines"). Of the \$147.4 million FY2013 Capital Budget, \$89.8 million is for Water and Sewer projects. Water and Sewer projects are funded by revenues from water and sewer user and connection fees. The remaining balance of \$57.6 million within the FY2013 Capital Budget has been approved for Education and County General Fund supported departments. General Obligation Bonds will fund \$40.2 million in projects with \$18,792 designated for projects approved on the March 2005 Bond Referendum for Education and \$40.2 million designated for the following General Government department projects: Varina Area Library; Dumbarton Area

Library Replacement; Short Pump Park; and the completion, as needed, of existing Fire and Library projects approved on the 2005 Bond Referendum, utilizing funding from both Fire and Library Bond Project Reserves.

As a means of ensuring the County does not rely too heavily on debt financing for required infrastructure improvements, the FY2013 Annual Fiscal Plan includes \$10.0 million in pay-as-you-go funding. In the area of Education, \$2.5 million is included for roof replacements and mechanical improvements. The remaining \$7.5 million has been allocated for General Government projects in a variety of ways: \$1,400,000 for General Services mechanical improvement, facility rehabilitation and pavement projects; \$5.0 million to initiate renovations to the Best Plaza Building; \$750,000 for technology upgrade projects, including network VOIP; \$150,000 to continue implementing and updating the Geographic Information System; and \$200,000 will go towards a variety of Recreation and Parks projects, such as improvements and rehabilitations of park facilities, pavement rehabilitation and building maintenance, landscape upgrades and safety improvements. Also General Fund revenue from a portion of the Motor Vehicle License Fees totaling \$850,000 is designated for various road improvement projects.

(To) From General Fund Balance is the amount added to or taken from the General Fund Balance based on budgetary needs. This forecast assumes expenditures for FY2013 will use \$5.0 million from ending FY2012 undesignated fund balance. The use of undesignated fund balance is for capital projects including \$2.5 million for Education capital improvements including roof replacements and HVAC improvements as well as various General Government capital improvements totaling \$2.5 million. The General Government projects include pavement rehabilitation, building maintenance area safety improvements, recreation facility rehabilitation, and continued funding for the Geographic Information System.

To (From) Debt Service Fund represents the forecast of General Fund support to the Debt Service Fund. The debt service levels through FY2013 are calculated on existing and projected debt service requirements. The forecast period is based on projected debt service costs arising from the \$237.0 million General Obligation (GO) Bond Referendum approved by the voters in November 2000 and projected debt service on the \$349.3 million General Obligation (GO) Bond Referendum approved by the voters in March 2005. The debt from the November 2000 Referendum was issued over a seven-year period from FY2001 to FY2007. The debt from the March 2005 Referendum was also planned to be issued over a seven-year period from FY2006 to FY2012. However due to the recession, the planned GO Bond issue for FY2010 was delayed one year to FY2011. In FY2012, there was a \$69.0 million GO Bond issue (\$73.5 million, net of premiums), of which, \$33.3 million was appropriated in FY2012. The remaining \$35.7 million balance is projected to be appropriated in FY2013.

To (From) Capital Projects is projected at \$17.4 million in FY2013, of which, \$5.0 million is targeted for General Fund (pay-as-you-go) support for capital improvement projects – as mentioned above. In addition, \$6.6 million is for a Vehicle Replacement Reserve, comprised of \$2.5 million for Education vehicle replacement, and approximately \$4.1 million for General Government (Public Safety) vehicle replacement. Also included is \$5.0 million in funding to support the initial phase of renovations for the Best Plaza building. Projections for FY2014 and FY2015 are for transfers of \$16.4 million and \$15.4 million in each year, respectively. In each of these years, the County anticipates allocating \$5.0 million for funding of routine capital projects such as roof repairs, pavement rehabilitation and mechanical improvements. Also included in FY2014 and FY2015 projections is funding for the continuation of the Best Plaza renovation, as well as the Vehicle Replacement Reserve.

In the FY2013 Approved Budget the ceiling for the County's undesignated fund balance was reduced from 18.0 percent, to 15.0 percent of general fund expenditures. This was done in order to accommodate the funding of replacement Education and General Government vehicles. Once this 15.0 percent balance is reached, additional reserves will be allocated to a Capital Reserve and used for pay-as-you-go capital projects. Undesignated fund balance is projected at 15.0 percent of general fund expenditures in both FY2014 and FY2015. FY2013, FY2014 and FY2015 project an allocation from the Capital Reserve to support the continuation of the Best Plaza renovation. Also included for road projects is \$850,000 of Motor Vehicle License Fees in each fiscal year of the projection period.

To (From) Internal Services Fund is a transfer to purchase new vehicles. There is no transfer recommended for FY2013. Also, the forecast for FY2014 and FY2015 does not anticipate transfers to Central Automotive Maintenance (CAM) to purchase new vehicles for the County's fleet.

To (From) Technology Replacement Fund is a transfer to purchase new equipment that will be added to the Technology Replacement Fund. There is no transfer recommended for FY2013 and none anticipated for FY2014 and FY2015. Once new equipment is added to the technology replacement program, the cost to replace the equipment in the future comes from Technology Replacement Fund reserves.

To (From) Risk Management Fund is the transfer of funds to support risk management operations. The fund was established in FY2005. The FY2013 transfer is for \$4.5 million to support the County's Risk Management operations, which includes the cost of the County's self-insurance program (excluding healthcare which is a separate Internal Service Fund) and the cost to purchase insurance policies as well as funding the administrative costs of the operation. The anticipated transfer to fund the cost of the County's Risk Management operation for FY2014 and FY2015 is estimated at \$4.6 million and \$4.7 million in each year, respectively.

To (From) Special Revenue Fund is the anticipated local requirement from the General Fund to support a variety of State and Federal grant programs including the Capital Region Workforce Partnership (CRWP – formerly CATC), the Community Corrections Services Program, the Comprehensive Services Act (CSA), and the Virginia Juvenile Community Crime Control Act (VJCCCA). Also included in the transfer is the County's funding for the curbside-recycling program in the Solid Waste Division and the County's funding for the Department of Mental Health and Developmental Services. The transfer to the Special Revenue Fund is estimated at \$22.1 million in FY2013. The projections over the forecast period are \$22.6 million in FY2014 and \$23.0 million in FY2015, and were determined after analyzing all of the individual components of the Special Revenue Fund.

To (From) Water and Sewer Enterprise Fund represents the annual transfer to pay for the debt service costs associated with \$32.0 million in debt for infrastructure improvements made at the Elko Industrial Tract for current and future economic development prospects. The FY2013 estimate of these costs is \$757,000. The estimated costs for FY2014 and FY2015 are \$1.9 million in each year, respectively.

To (From) Agency Fund represents the transfer to pay for Henrico County's share of the operating costs and debt service requirements associated with the James River Juvenile Detention Center (JRJDC). The JRJDC Agency Fund accounts for the James River Juvenile Detention Center budget. Henrico County, as the majority partner serves as the fiscal agent for the James River Juvenile Detention Center Commission. Henrico's role as fiscal agent eliminates the need for the Commission to duplicate various administrative functions related to personnel matters, procurement and accounting activities and budget responsibilities. The JRJDC Agency Fund accounts for the Commission's revenues from participating localities, operating and debt service expenditures. As the forecast indicates, the transfer to the JRJDC Agency Fund is anticipated at \$3.3 million for FY2013; \$3.3 million in FY2014 and \$3.4 million in FY2015.

(To) Designated Fund Balance – State Revenues represents the allocation of State revenues designated to cover cost increases in voter approved Education projects. \$5.0 million was budgeted in FY2009, which was a one time allocation.

Use of Fund Balance – General Fund represents the use of fund balance for targeted costs. In FY2013, \$6.6 million is being allocated to the General Fund for the replacement of Education and General Government vehicles - \$2.5 million for Education vehicle replacement, and approximately \$4.1 million for General Government (Public Safety) vehicle replacement. FY2014 and FY2015 forecasts project the use of \$5.6 and \$4.6 million in each year, respectively, for Education and General Government vehicle replacement.

(To) From OPEB - GASB 45 represents the anticipated funding for the costs associated with the accounting requirement issued by the Government Accounting Standards Board (GASB) known as GASB 45. A new fiduciary fund was created in FY2006 with an allocation of \$6.7 million. The transfer will allow the County to budget for the annual cost of public employee non-pension benefits, all outstanding obligations and commitments related to Other Post Employment Benefits (OPEB) in the same manner as reporting financial information for

pensions. Projections for FY2013, FY2014, and FY2015 are \$3.0 million each year, which is anticipated to fully fund the County's obligation in this area.

(To) From Revenue Stabilization are funds held in reserve to offset increases in future operating costs associated with schools, parks, fire facilities, and libraries that will be constructed with General Obligation Bond funds authorized by the voters in the March 2005 referendum. This funding source was first used in FY2003. The use of the designated fund balance is an allocation from the Revenue Stabilization reserve, which was created by the Board of Supervisors in FY2002 to pay for Bond Referendum operating costs. The fund uses current revenues as a financing source and not one-time sources. Once the large one-time incremental increases, which arise from these projects, dissipate, then the reserve will no longer be required. In FY2013, a forecasted use of \$3.9 million is anticipated, \$3.9 million is anticipated to be allocated from this reserve in FY2014, and \$12.3 million is anticipated for FY2015.

Ending General Fund Balance represents reserves not appropriated for expenditure, including the designated and undesignated balances. The undesignated portion of fund balance in FY2013 was reduced to 15.0 percent, from 18.0 percent of general fund expenditures in order to accommodate the funding of replacement Education and General Government vehicles. Undesignated fund balance is projected at 15.0 percent of general fund expenditures in both FY2014 and FY2015.

General Fund Forecast

	FY10-11 Actual	FY11-12 Original	FY12-13 Approved	FY13-14 Forecast	FY14-15 Forecast
Revenues:					
Current Real Estate Tax	\$ 269,376,350	\$ 273,200,000	\$ 261,800,000	\$ 263,912,013	\$ 266,551,133
P.S. Real Estate Tax	8,774,710	7,500,000	7,500,000	7,500,000	7,575,000
Current Personal Prop. Tax ⁽¹⁾	65,208,189	103,800,000	103,800,000	104,838,000	105,886,380
P.S. Personal Property Tax	68,636	130,000	130,000	130,000	130,000
Other General Property Tax	7,955,986	4,030,000	6,745,000	6,812,450	6,880,575
Local Sales Tax	55,458,592	56,050,000	58,400,000	60,152,000	61,956,560
Business License Tax	27,525,601	29,850,000	28,600,000	29,172,000	29,755,440
Motor Vehicle License Tax	6,253,599	6,325,000	6,325,000	6,325,000	6,390,000
Consumer Utility Tax	2,495,016	2,600,000	2,600,000	2,600,000	2,600,000
Bank Franchise Tax	18,906,021	5,000,000	5,000,000	5,000,000	5,000,000
Hotel/Motel Tax	9,389,088	9,200,000	9,660,000	9,853,200	10,050,264
Other Local Taxes	4,858,875	5,730,000	5,650,000	5,650,000	5,650,000
Local Taxes Sub-Total	476,270,663	503,415,000	496,210,000	501,944,663	508,425,352
Permits, Fees, & Licenses	3,391,948	3,345,200	3,443,900	3,450,000	3,500,000
Fines & Forfeitures	3,186,609	2,390,000	2,390,000	2,510,000	2,535,000
Use of Money & Property	3,515,202	9,784,400	7,872,500	7,872,500	7,872,500
Charges for Services	4,150,393	3,748,700	3,725,700	3,900,000	3,940,000
Miscellaneous Revenue	9,715,721	7,136,670	7,314,770	8,000,000	8,080,000
Total Local Revenue	500,230,536	529,819,970	520,956,870	527,677,163	534,352,852
State & Federal-Schools	200,474,630	204,679,000	214,883,000	219,383,000	223,770,660
State & Federal-General Government ⁽¹⁾	131,986,049	87,278,200	89,126,835	89,126,835	89,126,835
Total State & Fed. Revenue	332,460,679	291,957,200	304,009,835	308,509,835	312,897,495
Total Revenue	832,691,215	821,777,170	824,966,705	836,186,998	847,250,347
Transfers:					
(To) From Fund Balance - Capital Projects	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
(To) From Debt Service Fund	(49,832,472)	(52,854,043)	(58,982,785)	(60,219,999)	(57,895,575)
(To) From Capital Projects Fund	(27,829,203)	(5,850,000)	(17,424,800)	(16,424,800)	(15,424,800)
(To) From CAM Fund	-	-	-	-	-
(To) From Technology Replacement Fund	-	-	-	-	-
(To) From Risk Management Fund	(8,715,889)	(4,369,790)	(4,543,437)	(4,634,306)	(4,726,992)
(To) From Special Revenue Fund	(18,710,178)	(23,252,945)	(22,140,214)	(22,583,018)	(23,034,679)
(To) From Enterprise Fund	(756,608)	(756,608)	(756,608)	(1,931,608)	(1,928,108)
(To) From JRJDC Agency Fund	(3,281,789)	(3,281,089)	(3,271,174)	(3,319,342)	(3,372,069)
(To) From Capital Reserve	3,565,242	-	5,000,000	5,000,000	5,000,000
(To) From Fund Balance - General Fund	(7,349,666)	-	-	-	-
Use of Fund Balance - General Fund	-	-	6,574,800	5,574,800	4,574,800
(To) From OPEB - GASB 45	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
(To) From Revenue Stabilization	11,548,345	10,248,671	3,869,432	3,907,654	12,294,345
Total Transfers	(99,362,218)	(78,115,804)	(89,674,786)	(92,630,619)	(82,513,078)
Total Resources	\$ 733,328,997	\$ 743,661,366	\$ 735,291,919	\$ 743,556,379	\$ 764,737,269
Expenditures:					
General Government Administration	\$ 53,125,431	\$ 55,759,533	\$ 55,380,634	\$ 55,380,634	\$ 55,934,440
Judicial Administration	7,964,106	8,049,983	7,761,951	7,761,951	7,839,571
Public Safety	156,839,228	155,821,049	152,642,617	153,728,637	157,705,360
Public Works	34,734,540	35,765,565	35,504,297	35,504,297	35,859,340
Health & Social Services	25,059,600	20,180,869	16,250,691	16,250,691	16,413,198
Education	394,470,407	403,750,000	404,050,000	410,793,208	416,352,121
Recreation & Culture	29,852,565	33,257,069	32,432,295	32,866,754	43,050,330
Community Development	18,986,393	19,058,975	19,762,124	19,762,897	19,960,526
Miscellaneous	12,296,727	12,018,323	11,507,310	11,507,310	11,622,383
Total Expenditures	\$ 733,328,997	\$ 743,661,366	\$ 735,291,919	\$ 743,556,379	\$ 764,737,269
Fund Balance:					
Reserved (*)	9,624,158	12,500,000	12,500,000	12,500,000	12,500,000
Designated (**)	87,717,531	77,468,860	73,599,428	69,691,774	57,397,429
Undesignated Fund Balance	133,726,576	133,859,046	110,293,788 ⁽²⁾	111,533,457	114,710,590
Total Fund Balance	231,068,265	223,827,906	196,393,216	193,725,231	184,608,019

* Represents reserves (largely comprised of encumbrances).

** Changes to designated fund balance are the results of the use of or addition to the Revenue Stabilization Fund and Designated State Revenues.

*** With the establishment in the FY2006 approved Annual Fiscal Plan of an undesignated fund balance ceiling at 18%, the changes to undesignated fund balance in the projections reflect necessary addition to maintain the 18% ceiling.

⁽²⁾ Undesignated fund balance reduced from 18% to 15% of General Fund expenditures in FY2013.