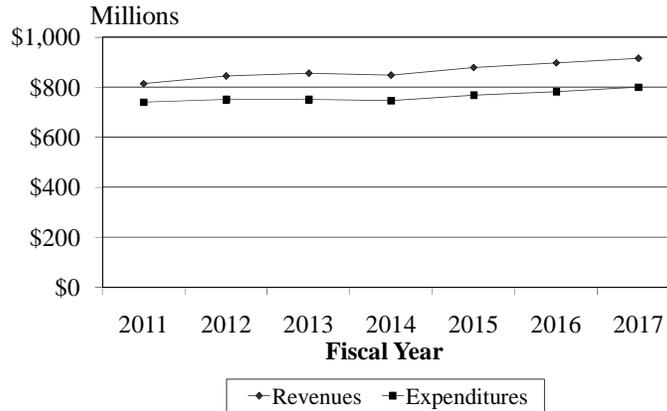


**Three Year Forecast  
Revenues and Expenditures  
General Fund**



Fiscal Years 2014 through 2017 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 FY2015, prior to transfers to other funds, is \$879,309,695. This, excluding the \$9,000,000 local source to Education reserve, reflects an increase of \$40,799,992, or 4.9 percent above FY2014 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.

<b>Description</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Original</b>	<b>FY 2015 Approved</b>	<b>Increase (Decrease)</b>
Local Tax Revenue	\$ 472,913,223	\$ 499,309,000	\$ 529,510,000	\$ 30,201,000
Other Local Revenue	24,064,542	26,319,670	26,990,320	670,650
State and Federal Revenue	358,554,420	312,881,033	322,809,375	9,928,342
<b>Total General Fund Revenue</b>	<b>\$ 855,532,185</b>	<b>\$ 838,509,703</b>	<b>\$ 879,309,695</b>	<b>\$ 40,799,992</b>

**Local Tax Revenue:**

Local Tax Revenue represents Henrico County’s principal source of local revenue. County tax revenue is projected to total \$529.5 million or 60.2 percent of total General Fund revenue for FY2015. This represents an increase of 6.0 percent, or \$30.2 million above the current fiscal year. Local Tax Revenue includes:

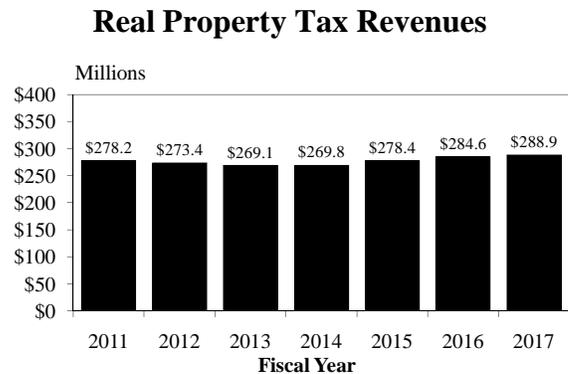
<b>Local Tax Revenue</b>	<b>FY 2014 Original</b>	<b>FY 2015 Approved</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>	<b>Pct. Of Revenue</b>
Real Property Tax	\$ 269,800,000	\$ 278,385,000	\$ 8,585,000	3.2%	52.6%
Personal Property Tax	107,230,000	110,815,000	3,585,000	3.3%	20.9%
Other Property Taxes	5,530,000	5,475,000	(55,000)	(1.0%)	1.0%
Local Sales Tax	58,056,000	57,000,000	(1,056,000)	(1.8%)	10.8%
Business License Tax	29,458,000	30,000,000	542,000	1.8%	5.7%
Motor Vehicle License Tax	6,325,000	6,325,000	0	0.0%	1.2%
Consumer Utility Tax	2,600,000	2,600,000	0	0.0%	0.5%
Hotel/Motel Tax	9,660,000	10,400,000	740,000	7.7%	2.0%
Bank Franchise Tax	5,000,000	5,000,000	0	0.0%	0.9%
Food & Beverage (Meals) Tax	0	18,000,000	18,000,000	100.0%	3.4%
Other Local Taxes	5,650,000	5,510,000	(140,000)	(2.5%)	1.0%
<b>Total Local Tax Revenue</b>	<b>\$ 499,309,000</b>	<b>\$ 529,510,000</b>	<b>\$ 30,201,000</b>	<b>6.0%</b>	<b>100.0%</b>

The majority, 73.5 percent, of the \$529.5 million in Local Tax revenues is derived from Real and Personal Property Tax (including delinquent collections) which are estimated to generate approximately \$389.2 million or 44.3 percent of total General Fund revenue. Local Sales Tax revenue decreased \$1,056,000, or 1.8 percent in FY2015 and makes up 10.8 percent of Local Tax revenue. Business & Professional License (BPOL) Tax revenue is projected to increase by \$542,000 in FY2015. 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 FY2015. The Consumer Utility Tax revenue (electric only) estimate of \$2.6 million remained flat for FY2015. Revenue from the 8.0 percent Hotel/Motel Tax, estimate to total \$10.4 million, increased by \$740,000 or 7.7 percent in FY2015. These funds will be paid to the Richmond Convention Center during FY2015. The Convention Center will return \$2.6 million (a fourth of the 8.0 percent levy) to the County at the end of FY2015. The assumptions used when preparing the FY2015 – FY2017 revenue estimates for each of these taxes are described in greater detail in the following pages.

**Real Property Taxes** are estimated to generate \$278.4 million or 31.7 percent of the County’s total General Fund revenue in FY2015. This revenue estimate increased by \$8,585,000 in FY2015. Included within this total is revenue derived from current real estate taxes and real estate taxes paid by public service corporations. The FY2015 budget is balanced within the tax rate of \$0.87 per \$100 of assessed value for CY2014.

Assessment information for January 2014 indicates real estate assessments total \$31.9 billion, reflecting an increase of approximately \$1.13 billion, or 3.7 percent from the January 2013 assessed values. Overall, the County’s taxable assessed value increased 2.8 percent. The increase was driven by increased residential reassessments of 3.2 percent – the first increase in six years. The commercial percentage of the tax base equated to 31.6 percent in January 2014. The commercial ratio increased from January 2013, as commercial real estate assessments increased by 2.0 percent.

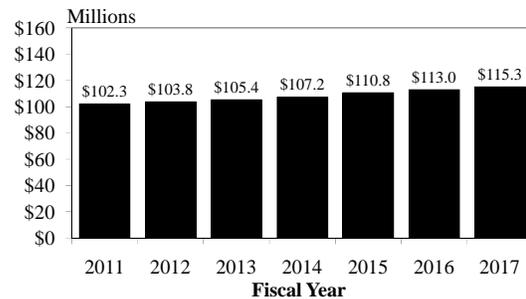


Fiscal Years 2014 through 2017 are estimated.

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 FY2016 and FY2017 projections assume increases to the County's real property tax collections of 2.3 percent and 1.5 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. Business 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.

### Personal Property Tax Revenues



Fiscal Years 2014 through 2017 are estimated. Actuals and projections include PPTRA.

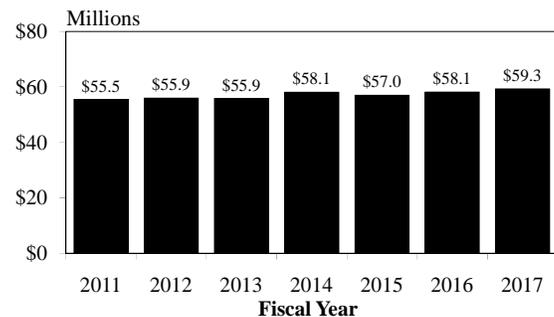
FY2013 marks the fifteenth year of the Personal Property Tax Relief Act (PPTRA) enacted by the General Assembly in 1998, although actual reimbursements to localities were capped by the State in the 2004 legislative session. Due to the State payment cap the amount of tax relief will vary by year and locality. 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 CY2014 tax levy. For qualifying individual vehicles assessed between \$1,001 and \$20,000, the State will pay Henrico County 55.0 percent of the CY2014 tax levy. With qualifying individual vehicles valued at \$20,001 or more, the State will pay Henrico County 55.0 percent of the CY2014 tax levy for the first \$20,000 of value only. The PPTRA payments from the State are included in the actual and projections. 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 \$110.8 million for FY2015. This represents 12.6 percent of total General Fund revenue. This revenue includes taxes from current personal property, taxes on personal property owned by public service corporations, and PPTRA. It is projected that Personal Property Tax receipts will increase by 2.0 percent in both FY2016 and FY2017, 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. Effective July 1, 2013, Virginia's Sales Tax rate was increased to 5.3 percent with the State retaining 4.3 percent and the return to the locality will remain flat at 1.0 percent. Local Sales Tax revenue is projected to generate \$57.0 million in FY2015, a decrease of \$1,056,000, or 1.8 percent from the current fiscal year budget. Local Sales Tax revenues are projected to increase by 2.0 percent in both FY2016 and FY2017, respectively. Henrico County's retailers continue to lead the Richmond Metropolitan Area in the generation of Local Sales Tax revenue. As of May 2014, Henrico County is recording 38.41 percent of the Local Sales

### Local Sales Tax

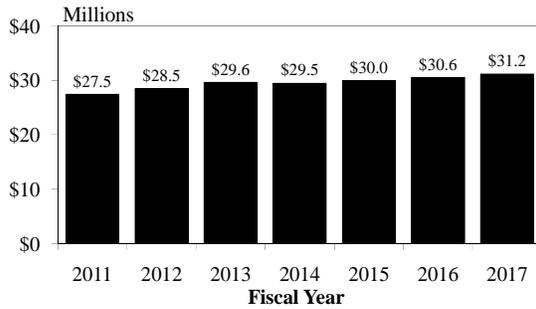


Fiscal Years 2014 through 2017 are estimated.

Tax dollars redistributed to localities in the Richmond Metropolitan Area by the State.

**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

### Business, Professional & Occupational License Tax (BPOL) Revenues

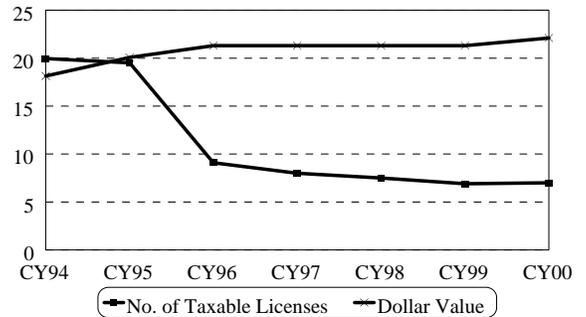


Fiscal Years 2014 through 2017 are estimated.

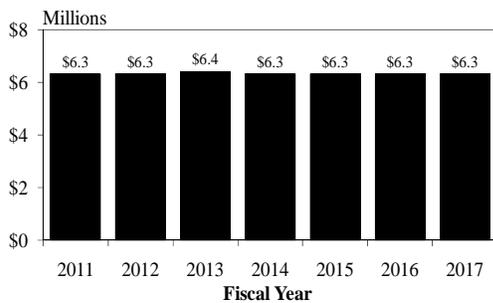
Plan, resulted in the exemption of the first \$100,000 of gross receipts for County businesses. This exemption is different from the “threshold” tax reduction in other Virginia localities. For Henrico County businesses, the first \$100,000 of gross receipts is exempt from the BPOL tax – regardless of 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 gross receipts below the \$100,000 threshold. In addition, the FY2015 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 FY2015 forecast assumes BPOL tax receipts will increase to a level of \$30.0 million. It is projected that receipts will increase by 2.0 percent in both FY2016 and FY2017, respectively.

### BPOL Tax No. of Taxable Licenses v. Dollar Value



### Motor Vehicle License Tax



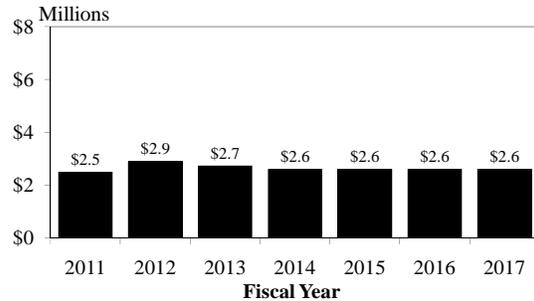
Fiscal Years 2014 through 2017 are estimated.

This change was initiated by the State due to the forthcoming deregulation of the utility industry in Virginia. The FY2015 forecast assumes BPOL tax receipts will increase to a level of \$30.0 million. It is projected that receipts will increase by 2.0 percent in both FY2016 and FY2017, respectively.

**Motor Vehicle License Taxes** are collected for every motor vehicle or trailer normally garaged, stored or parked in the County. The projection remains constant at \$6.3 million during the forecast period.

**Consumer Utility Taxes** are estimated to remain flat at \$2.6 million for FY2015, FY2016, and FY2017. 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 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 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 \$14.0 million in FY2015.

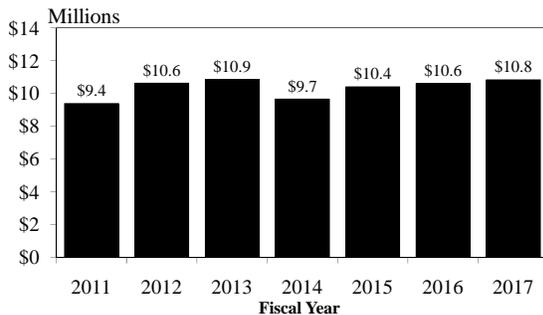
### Consumer Utility Tax



Fiscal Years 2014 through 2017 are estimated.

**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 2014 through 2017 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. In FY2014, the entire 8.0 percent levy was 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. FY2015 revenue estimates for the Hotel/Motel Tax

total \$10.4 million. It is anticipated that revenues will increase by 2.0 percent in FY2016 and FY2017, respectively.

**Food & Beverage (Meals) Tax** represents revenue forecasted to be generated by the passage of the Meals Tax in November, 2013. The voters in Henrico voted to designate all revenue collected from the Meals Tax to be earmarked for School’s operating and capital budget needs. The FY2015 forecast is \$18.0 million, and it is projected this revenue will increase by 2.0 percent in FY2016 and FY2017, respectively.

**Bank Franchise Taxes** are derived from the taxation of net capital on banks located in the County. In FY2015, Bank Franchise Taxes are estimated at \$5.0 million and is projected to remain constant in FY2016 and FY2017.

**Other Local Taxes** includes funds received for grantor’s taxes, recordation taxes, daily rental tax, and the consumption tax. In total \$5.5 million is budgeted in FY2015, which is a decrease from the current fiscal year by \$140,000 or 2.5 percent. It is projected that revenues will remain at the FY2015 level for FY2016 and FY2017.

**Other Local Revenue:**

Other Local Revenue is estimated to generate nearly \$27.0 million in FY2015. This represents a \$670,650, or a 2.5 percent increase from FY2014. More detailed information on each of these categories of local revenue is included in the pages that follow.

<b>Other Local Revenue</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>Increase</b>	<b>Percent</b>
	<b>Original</b>	<b>Approved</b>	<b>(Decrease)</b>	<b>Change</b>
Permits, Fees and Licenses	\$ 4,104,900	\$ 4,263,100	\$ 158,200	3.9%
Fines and Forfeitures	2,390,000	2,590,000	200,000	8.4%
Use of Money and Property	7,951,400	7,915,600	(35,800)	(0.5%)
Charges for Services	3,580,700	3,566,250	(14,450)	(0.4%)
Miscellaneous	8,292,670	8,655,370	362,700	4.4%
<b>Total Other Local Revenue</b>	<b>\$ 26,319,670</b>	<b>\$ 26,990,320</b>	<b>\$ 670,650</b>	<b>2.5%</b>

**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 \$4.3 million in FY2015, which represents a \$158,200, or 3.9 percent increase when compared to FY2014.

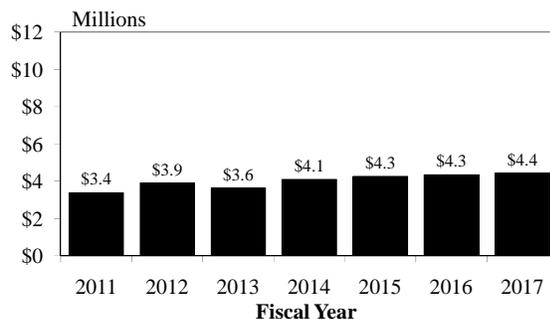
Building Permit Fees, which are an elastic revenue source, account for more than 62.2 percent of this revenue category in the current budget year. In FY2015, Building Permit Fees are estimated to stay at the same level. The projection for this revenue is based on restructuring the fee structure and staying conservative with development growth.

Information through the third quarter of FY2014 indicates there is an increase in permit collections of 23.2 percent or \$353,004 in the third quarter of the fiscal year as compared to the same time period last fiscal year. This increase is also reflected in the total value of all permits issued this fiscal year to date. Compared to FY2013 year-to-date, the value of all permits issued in FY2014 thus far increased by 4.5 percent or \$13,306,760.

Looking back, residential building permit values in FY2012 totaled \$118.3 million, while FY2011 and FY2010 totaled \$115.6 million, and \$96.3, respectively. The number of new single-family residential building permits issued in FY2012 was 675, while in FY2011 and FY2010, there were 639 and 641 issued, respectively. In FY2012, the total value of these permits increased \$68.1 million. The increase in FY2011 to FY2012 YTD permit volume and values indicates an improving local economy, housing market, and construction sector. The forecast for Permits, Fees and License revenues is \$4.3 million in FY2016 and \$4.4 million in FY2017, each of which represents a 2.0 percent increase per year in other permits, fees, and licenses.

**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 \$2.6 million in FY2015 and is projected to remain constant for FY2016 and FY2017.

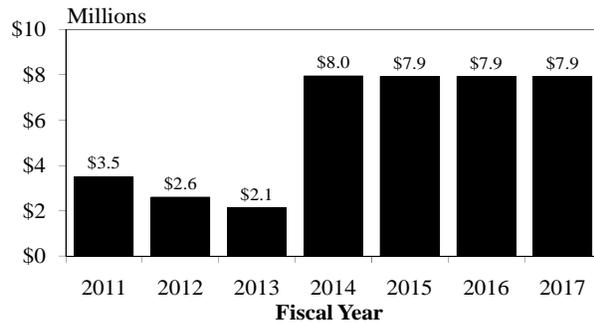
**Permits, Fees, and Licenses**



Fiscal Years 2014 through 2017 are estimated.

**Use of Money and Property** is estimated to generate \$7.9 million in FY2015. 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 FY2016 and FY2017.

### Use of Money and Property



Fiscal Years 2014 through 2017 are estimated.

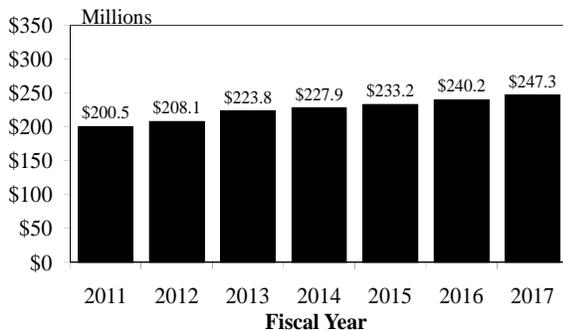
**Charges for Services** are revenues paid by users of various County services including participation fees for Recreation and Parks special interest classes and sports leagues; charges for overdue and lost books; cafeteria receipts; and charges for data processing services. Revenue from Charges for Services is estimated at \$3.6 million in FY2015 and is projected to remain constant in FY2016 and FY2017.

### State and Federal Revenue:

State and Federal revenue is estimated at \$322.8 million in FY2015, which represents 36.7 percent of total General Fund revenue. This is a projected increase of approximately 3.2 percent over the current fiscal year. This category is comprised of revenue for General Government programs totaling \$89.6 million and Education funding of \$233.2 million. The following is a look at the components.

**State and Federal Aid to Education** is estimated to increase from \$227.9 million in FY2014 to \$233.2 million in FY2015. This represents an increase of \$5.3 million or 2.3 percent. The projection assumes an increase of 3.0 percent in FY2016 and FY2017, respectively.

### State and Federal Aid to Education



Fiscal Years 2014 through 2017 are estimated.

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 have a minimal impact on the level of total appropriations. In FY2015, Federal funding for Education totals \$350,000 and is forecasted to remain constant in FY2016 and FY2017.

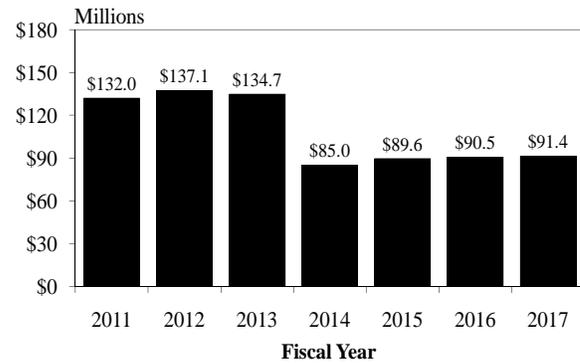
**State and Federal Aid to General Government** is estimated at \$89.6 million in FY2015. This represents an increase of approximately \$4.6 million or 5.4 percent when compared to the FY2014 budget. General Government programs for which Henrico County receives State and Federal funding include police, 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 FY2016 through FY2017, due to the State 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.

Henrico is projected to receive \$43.1 million for road maintenance in FY2015. This includes the recalibration of the lane mile rate for which Henrico's gasoline tax allocation is calculated. This recalibration was part of the 2013 Omnibus Transportation package passed by the General Assembly. This forecast projects these funds to grow at a rate of 2.0 percent per year, with the remainder of State and Federal Aid remaining flat.

Federal Aid to General Government is estimated at \$30,000 in FY2016 and \$30,000 in FY2017. The majority of federal revenues are designated for education.

## State and Federal Aid to General Gov't.



Fiscal Years 2014 through 2017 are estimated. PPTRA payments are reflected in the FY2011-FY2013 totals. Current and future year projections include the estimate for personal property in one central location (local revenue).

## Expenditures

### Assumptions

In the course of developing the FY2015 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 CY2014. These decisions were reached after careful review and planning by the Board of Supervisors. This planning reaches beyond FY2015 and is intended to establish a balance between the County's recurring revenues and expenditures in future years. The FY2015 General Fund Budget of \$767.4 million represents an increase of \$20.2 million or 2.7 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 FY2015, the Education budget represents 56.1 percent of General Fund expenditures. General Fund Education expenditures total \$430.8 million in the Annual Fiscal Plan, which represents an increase of \$20.5 million, or 5.0 percent. It should be noted the entire \$20.2 million spending increase in the General Fund is being allocated to Education. Of the total expenditures in Education, 45.9 percent are funded with locally generated revenues and 54.1 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 FY2015 Annual Fiscal Plan is \$336.6 million, which represents a net decrease of \$287,714, or 0.08 percent. The focus continues to remain on Public Safety as the budget includes the addition of ten new Police Officers and funding police and fire vehicles with current revenues.

General Fund expenditures, *prior to transfers*, are forecasted to grow by 1.8 percent in FY2016 and 2.4 percent in FY2017. 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. In addition, funding has been dedicated for much need operating and capital projects for Schools, various road maintenance and construction projects. The total anticipated increase in FY2015 also includes \$14.0 million to cover the expected VRS adjustment and the forecasted increase in FY2016 includes an additional \$4.9 million for estimated operating expenditures associated with two Library projects approved in the March 2005 Bond Referendum.

The FY2015 Capital Budget totals \$103.1 million. The five-year Capital Improvement Program for FY2015 through FY2019 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 \$103.1 million FY2015 Capital Budget, \$29.0 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 \$74.1 million within the FY2015 Capital Budget has been approved for Education and County General Fund supported departments.

As a means of ensuring the County does not rely too heavily on debt financing for required infrastructure improvements, the FY2015 Annual Fiscal Plan includes \$5.0 million in pay-as-you-go funding. This funding has been allocated for the following General Government projects: \$900,000 for technology upgrade projects, including network VOIP; \$150,000 to continue implementing and updating the Geographic Information System; \$500,000 will go towards various facility rehabilitation projects for Recreation and Parks; \$950,000 to General Government facility and pavement rehabilitation projects; and \$2,500,000 to Education mechanical improvements and roof replacements. Also, General Fund revenue from a portion of the Motor Vehicle License Fees totaling \$850,000 is designated for various road improvement projects.

New in the FY2015 Annual Fiscal Plan is \$9,000,000 for capital infrastructure improvements funded with half of the projected revenues from the food and beverage tax. Also referred to as the meals tax, this revenue source was approved by the voters in November, 2013 to fund the capital and operational needs. The remaining \$9,000,000 is allocated to the operating budget for Education and the projected 2.0 percent growth per year is included in the estimates for FY2016 and FY2017.

**To (From) Debt Service Fund** represents the forecast of General Fund support to the Debt Service Fund. The debt service levels through FY2017 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 was appropriated in FY2013.

**To (From) Capital Projects** is projected at \$30.9 million in FY2015, of which, \$5.0 million is targeted for General Fund (pay-as-you-go) support for capital improvement projects – as mentioned above. Motor Vehicle License revenue totaling \$850,000 is designated for various road improvement projects. Also, with the approval of the Meals Tax in November 2013, \$9.0 million of the revenue generated will be placed in an Education Meals Tax Project Reserve. In addition, \$3.8 million is allocated for a Vehicle Replacement Reserve, comprised of \$1.5 million for police vehicles and \$2.3 million for the fire apparatus replace program. Projections for FY2016 and FY2017 include transfers of \$33.3 million and \$18.7 million in each year, respectively.

**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 FY2015 estimate of these costs is \$1.9 million and the estimated costs for FY2016 and FY2017 remain flat.

**To (From) Risk Management Fund** is the transfer of funds to support risk management operations. The fund was established in FY2005. The FY2015 transfer is for \$9.4 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 FY2016 and FY2017 is estimated at \$12.4 million and \$12.7 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 \$26.3 million in FY2015. The projections over the forecast period are \$26.6 million in FY2016 and \$26.9 million in FY2017, and were determined after analyzing all of the individual components of the Special Revenue Fund.

**To (From) JRJDC 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 FY2015; \$3.3 million in FY2016 and \$2.7 million in FY2017.

**(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 FY2015, FY2016, and FY2017 total \$2.5 million each year, which is anticipated to fully fund the County's obligation in this area.

**(To) From Line of Duty** represents the anticipated funding needed for expenses associated with the Line of Duty payments. The Line of Duty Fiduciary Fund was created in the FY2012-13 Annual Fiscal Plan because of a mandate from the Commonwealth of Virginia that requires localities to pay the cost of this State approved benefit. Projections for FY2015, FY2016, and FY2017 remain flat at \$500,000 each year, which will fund the County's obligation in this area.

**(To) From Fund Balance – Capital Projects** represents the allocation of funding for pay-as-you-go construction from General Fund balance for Education and General Government to support various ongoing projects. In FY2015, \$5.0 million is being allocated for General Government and Education projects. FY2016 and FY2017 forecasts project the use of \$5.0 million each year, respectively, for Education and General Government projects.

**(To) From Fund Balance – Capital Reserve** represents the allocation of designated funding for specific projects. In FY2015, \$2,600,000 is being allocated for two projects: \$1,600,000 for the construction of a Police Central Station and \$1,000,000 for Greenwood Park. The FY2016 forecast of \$14,580,000 has been dedicated to the County radio communications system replacement.

**(To) From Vehicle Replacement Reserve** represents the transfer of resources from the Designated Vehicle Replacement Reserve within the Designated General Fund balance. In FY2014, \$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. As current resources are being utilized to fund this purpose, no use of this reserve is projected for FY2015, FY2016, or FY2017.

**Use of Fund Balance – Public Works Revenues** represents the transfer of resources for Public Works designated within the County's fund balance for bridge rehabilitation. These are a product of the recalibration of the County's lane mile rate, which provided additional gasoline tax resources. The FY2015 amount is projected to be \$8.8 million.

**Use of Fund Balance – Real Estate Tax for TMDL** represents the amount of real estate tax generated from new construction as of January 1, 2014. This amount will be placed in a reserve to accumulate funds for the implementation of the County's Chesapeake Bay Total Maximum Daily Load (TMDL) reduction program. No funds will be appropriated from this fund until the requirements are fully known for this federal mandate. For FY2015 through FY2017, the transfer amount is projected at \$2.3 million.

**(To) From Fund Balance – Building Permit Fees** represents revenues generated from the building permit fee restructuring dedicated to the replacement of the Tidemark system. This amount will be set aside, then appropriated when needed for the project.

**(To) From Fund Balance – VRS Reserve** was created in the FY2013-14 Annual Fiscal Plan in an effort to save funds for appropriation in FY2014-15. This reserve represents State Aid funding for Education that has been forecasted to be received in excess of budget for FY2012-13 and FY2013-14 to address future State-imposed costs

for VRS. The FY2014 forecast of \$1.0 million represents an addition to the reserve and the FY2015 forecast represents an anticipated use of \$4.5 million.

**(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 FY2014, a forecasted use of \$4.1 million is anticipated and \$339,124 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 FY2014, FY2015, FY2016, and FY2017.

**General Fund Forecast**

	<b>FY12-13 Actual</b>	<b>FY13-14 Original</b>	<b>FY14-15 Approved</b>	<b>FY15-16 Forecast</b>	<b>FY16-17 Forecast</b>
<b>Revenues:</b>					
Current Real Estate Tax	\$ 260,600,372	\$ 261,800,000	\$ 270,100,000	\$ 276,345,656	\$ 280,610,638
P.S. Real Estate Tax	8,547,342	8,000,000	8,285,000	8,285,000	8,285,000
2014 Real Estate Revenue	-	-	-	-	-
Current Personal Prop. Tax <sup>(1)</sup>	68,261,314	107,100,000	110,700,000	112,914,000	115,172,280
P.S. Personal Property Tax	120,111	130,000	115,000	115,000	115,000
Other General Property Tax	11,894,594	5,530,000	5,475,000	5,475,000	5,475,000
Local Sales Tax	55,852,004	58,056,000	57,000,000	58,140,000	59,302,800
Business License Tax	29,640,707	29,458,000	30,000,000	30,600,000	31,212,000
Motor Vehicle License Tax	6,472,365	6,325,000	6,325,000	6,325,000	6,325,000
Consumer Utility Tax	2,724,604	2,600,000	2,600,000	2,600,000	2,600,000
Bank Franchise Tax	11,740,111	5,000,000	5,000,000	5,000,000	5,000,000
Hotel/Motel Tax	10,850,617	9,660,000	10,400,000	10,608,000	10,820,160
Food & Beverage (Meals) Tax	-	-	18,000,000	18,360,000	18,727,200
Other Local Taxes	6,209,082	5,650,000	5,510,000	5,510,000	5,510,000
<b>Local Taxes Sub-Total</b>	<b>472,913,223</b>	<b>499,309,000</b>	<b>529,510,000</b>	<b>540,277,656</b>	<b>549,155,078</b>
Permits, Fees, & Licenses	3,636,461	4,104,900	4,263,100	4,348,362	4,435,329
Fines & Forfeitures	3,414,841	2,390,000	2,590,000	2,590,000	2,590,000
Use of Money & Property	2,118,870	7,951,400	7,915,600	7,915,600	7,915,600
Charges for Services	4,212,985	3,580,700	3,566,250	3,566,250	3,566,250
Miscellaneous Revenue	10,681,385	8,292,670	8,655,370	8,726,395	8,856,716
<b>Total Local Revenue</b>	<b>496,977,765</b>	<b>525,628,670</b>	<b>556,500,320</b>	<b>567,424,263</b>	<b>576,518,973</b>
State & Federal-Schools	223,810,222	227,890,000	233,228,000	240,150,000	247,344,000
State & Federal-General Government <sup>(1)</sup>	134,744,198	84,991,033	89,581,375	90,477,189	91,381,961
<b>Total State &amp; Fed. Revenue</b>	<b>358,554,420</b>	<b>312,881,033</b>	<b>322,809,375</b>	<b>330,627,189</b>	<b>338,725,961</b>
<b>Local Source to Education Reserve</b>	<b>-</b>	<b>9,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenue</b>	<b>\$ 855,532,185</b>	<b>\$ 847,509,703</b>	<b>\$ 879,309,695</b>	<b>\$ 898,051,452</b>	<b>\$ 915,244,933</b>

<sup>(1)</sup> Actual PPTRA Car Tax Reimbursements are reflected as State Aid, although budget estimates do not break out PPTRA Reimbursements from Current Personal Property Tax estimates. FY13 actual = \$37,001,783. Forecast period FY14 thru FY17 equal \$37,000,000.

**Transfers:**

(To) From Debt Service Fund	\$ (58,644,890)	\$ (58,988,994)	\$ (58,694,837)	\$ (62,160,728)	\$ (60,355,721)
(To) From Capital Projects Fund	(31,010,477)	(10,136,300)	(30,901,267)	(33,254,800)	(18,674,800)
(To) From Enterprise Fund	(756,608)	(1,931,608)	(1,928,108)	(1,930,308)	(1,928,621)
(To) From Enterprise Fund - Belmont	-	-	-	-	-
(To) From Risk Management Fund	(11,830,587)	(4,407,836)	(9,411,454)	(12,411,454)	(12,659,683)
(To) From Special Revenue Fund	(20,964,914)	(22,176,460)	(26,345,732)	(26,609,189)	(26,875,281)
(To) From JRJDC Agency Fund	(3,271,174)	(3,267,402)	(3,297,020)	(3,347,864)	(2,730,068)
(To) From OPEB - GASB 45 Fiduciary Fund	(2,100,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
(To) From Line of Duty	(840,747)	(500,000)	(500,000)	(500,000)	(500,000)
(To) From Fund Balance - Capital Projects	5,000,000	1,500,000	5,000,000	5,000,000	5,000,000
(To) From Fund Balance - Capital Reserve	5,000,000	1,420,000	2,600,000	14,580,000	-
(To) From Vehicle Replacement Reserve	6,574,800	6,574,800	-	-	-
Use of Fund Balance - Public Works Revenues	-	-	8,751,467	-	-
Use of Fund Balance - RE Tax for TMDL	-	-	2,348,000	2,348,000	2,348,000
(To) From Fund Balance - Chesapeake Bay - TMDL	-	-	(2,348,000)	(2,348,000)	(2,348,000)
Use of Fund Balance - Building Permit Fees	-	-	500,000	500,000	500,000
(To) From Fund Balance Education Reserve	-	(9,000,000)	-	-	-
(To) From Fund Balance-VRS Reserve	-	(1,000,000)	4,497,376	-	-
Use of Fund Balance General Fund	4,827,834	-	-	-	-
From Sinking Fun - Bond Ops	3,869,432	4,097,452	339,124	6,109,834	6,109,834
Oper. Transfer- LTD	(468,000)	-	-	-	-
<b>Total Transfers</b>	<b>\$ (104,615,331)</b>	<b>\$ (100,316,348)</b>	<b>\$ (111,890,451)</b>	<b>\$ (116,524,509)</b>	<b>\$ (114,614,340)</b>
<b>Total Resources</b>	<b>\$ 750,916,853</b>	<b>\$ 747,193,355</b>	<b>\$ 767,419,244</b>	<b>\$ 781,526,943</b>	<b>\$ 800,630,593</b>

**Expenditures:**

General Government Administration	\$ 52,186,534	\$ 54,267,190	\$ 53,867,120	53,867,120	54,405,791
Judicial Administration	7,791,524	7,931,484	7,882,214	7,961,036	8,040,647
Public Safety	161,173,093	158,307,419	160,485,690	162,590,547	164,716,452
Public Works	37,877,468	36,672,020	47,732,102	48,209,423	48,691,517
Health & Social Services	19,104,166	16,455,413	1,771,094	1,788,805	1,806,693
Education	410,955,483	410,272,057	430,785,660	435,455,861	444,876,519
Recreation & Culture	30,498,090	32,013,145	32,322,305	38,755,362	44,865,196
Community Development	20,561,428	19,677,747	20,821,796	21,030,014	21,240,314
Miscellaneous	10,769,067	11,596,880	11,751,263	11,868,776	11,987,463
<b>Total Expenditures</b>	<b>\$ 750,916,853</b>	<b>\$ 747,193,355</b>	<b>\$ 767,419,244</b>	<b>\$ 781,526,943</b>	<b>\$ 800,630,593</b>

**Fund Balance:**

Reserved (*)	\$ 8,058,961	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Assigned (**)	75,305,258	71,207,806	66,371,306	60,261,472	54,151,638
Unassigned Fund Balance	114,175,303	112,079,003	115,112,887	117,229,041	120,094,589
<b>Total Fund Balance</b>	<b>\$ 197,539,522</b>	<b>\$ 193,286,809</b>	<b>\$ 191,484,193</b>	<b>187,490,513</b>	<b>\$ 184,246,227</b>

\* 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.