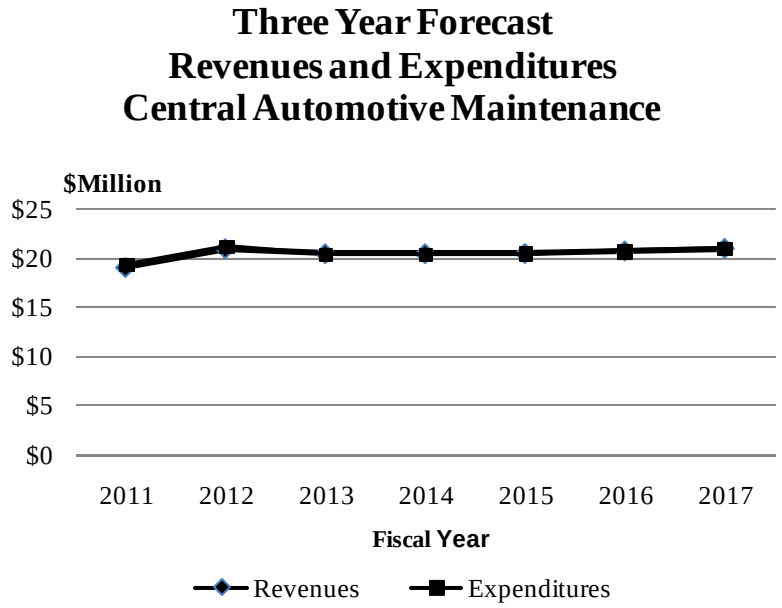



Fiscal Years 2014 through 2017 are estimated. Revenues exclude transfers from other funds.

## CENTRAL AUTOMOTIVE MAINTENANCE

**(Fund 6102)**
Central Automotive Maintenance, which operates as an Internal Service Fund, accounts for the County's Central Automotive Maintenance operation. Resources for this fund are primarily from interdepartmental charges.

**Revenues**

**Assumptions**

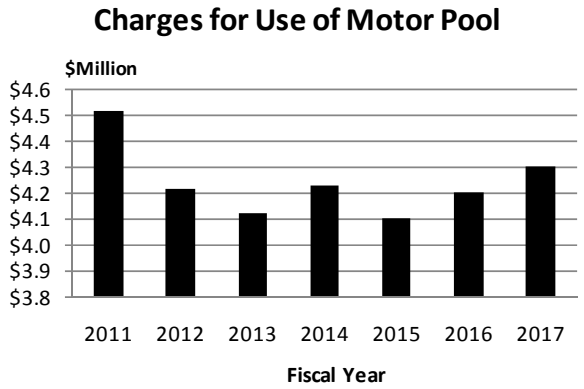
**Charges for Automotive Maintenance - West** are billings by Central Automotive Maintenance (CAM) for work performed at the maintenance facility on Woodman Road, in the western part of the County. Projected billing for FY2014-15 is $6,436,000. Projected billings for FY2015-16 and FY2016-17 are forecasted at $6,564,720 and $6,696,014, respectively, representing a 2.0 percent annual increase. Increases are based on the anticipated actual billings for the maintenance facility during this period.

**Charges for Automotive Maintenance – East** are billings by CAM for work performed at the maintenance facility on Dabbs House Road, in the eastern portion of the County. Projected billing for FY2014-15 is $2,001,000. Projected billings for FY2015-16 and FY2016-17 are $2,041,020 and $2,081,840, respectively, representing a 2.0 percent annual increase.

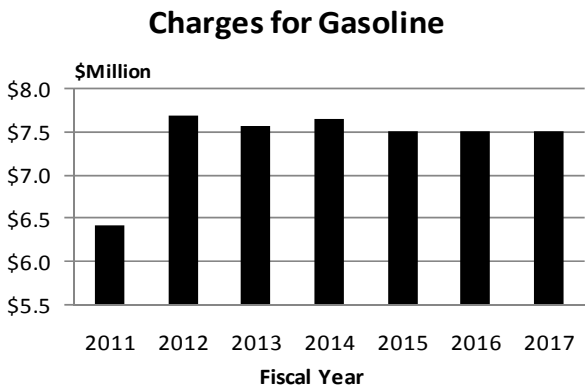
**Charges for Use of Motor Pool** are collected from departments using County motor pool vehicles. These charges offset maintenance and operational expenses as well as accumulating a reserve for replacement of motor pool vehicles. The vehicle replacement reserve is based on replacing the vehicles after 80,000 miles. Projected billing for the use of vehicles in FY2014-15 is $4,134,000. Projected billings for FY2015-16 and FY2016-17 are $4,216,680 and $4,301,014, respectively, assuming an annual 2.0 percent increase due to projected vehicle replacements and the rising cost of repairs.

**Charges for Gasoline** represents the charge for gasoline and diesel fuel used by County departments. A nominal mark-up on top of the wholesale price is used to offset CAM's maintenance and operational expenses in this area. The

recent increases in the wholesale cost of gasoline reflect the volatility of this commodity and therefore the projections for gasoline at this moment remain flat.




Fiscal years 2014 through 2017 are estimated




Fiscal years 2014 through 2017 are estimated

**(To) From Capital Projects** is the transfer from CAM's retained earnings to the Capital Projects Fund for purchase of a one-time Capital need. In FY2014-15, $1,575,725 is being transferred to the Capital Projects Fund toward the construction of a large vehicle wash facility at the Woodman Road complex.

**(To) From Internal Service Fund Retained Earnings** is used to accumulate a reserve for replacement of motor pool vehicles when the vehicles reach the end of their useful life. Occasionally, increases in the cost of CAM operations, such as in gasoline and diesel fuel, requires Internal Service Fund Retained Earnings to be utilized to offset a portion of the additional expenses. In FY2012-13, $65,174 was added to Retained Earnings, reflecting positive revenues net of total expenditures. It should be noted that a portion of the motor pool charge is also set aside for the replacement of vehicles. In FY2014-15, $1,575,725 of retained earnings is being utilized toward the construction of the large vehicle wash facility at the Woodman Road complex.

**<u>Expenditures</u>**

**Assumptions**

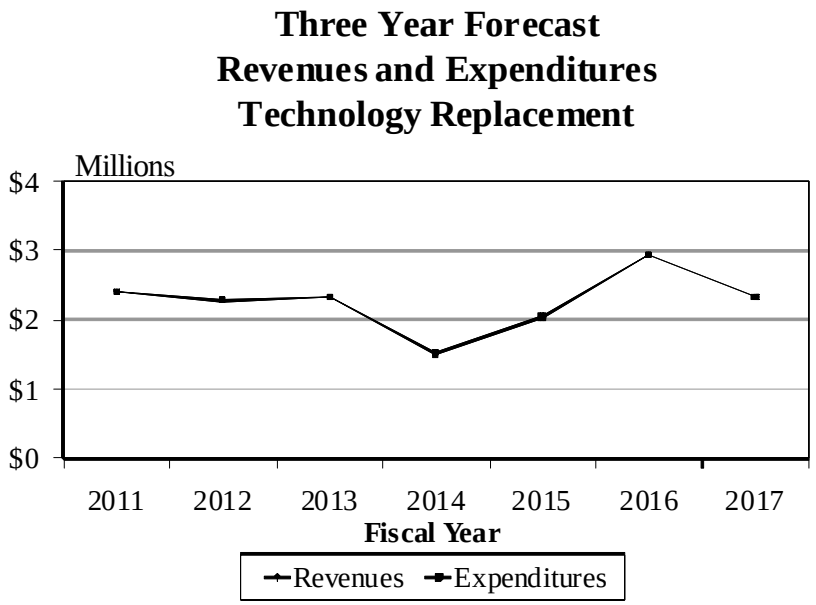
The development of the Central Automotive Maintenance Internal Service Fund budget assumes revenues and transfers will support expenditures in future years. For FY2015-16 and FY2016-17, Internal Service Fund expenses are projected to grow at an annual rate of 1.2 percent.

The proposed level of operational funding allows for increases in personnel costs such as changes in the cost of benefits and provides adequate operational adjustments necessary to accommodate increases in vehicle repairs.

**Retained Earnings, June 30, 2013,** is $7,616,896. The impact of anticipated resources and expenditures on the ending balance is projected for each fiscal year of the forecast period.

**Central Automotive Maintenance Internal Service Fund Forecast**

| | FY12-13 Actual | FY13-14 Original | FY14-15 Forecast | FY15-16 Forecast | FY16-17 Forecast |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Charges for Auto Maint West | $ 6,436,028 | $ 6,370,000 | $ 6,436,000 | $ 6,564,720 | $ 6,696,014 |
| Charges for Auto Maint East | 2,001,017 | 1,890,000 | 2,001,000 | 2,041,020 | 2,081,840 |
| Charges for Use of Motor Pool | 4,134,491 | 4,225,000 | 4,134,000 | 4,216,680 | 4,301,014 |
| Charges for Gasoline | 7,568,847 | 7,658,542 | 7,526,323 | 7,526,323 | 7,526,323 |
| Miscellaneous Revenues | 368,887 | 272,100 | 345,100 | 345,100 | 345,100 |
| Gain/Loss on Sale of Property | (94,020) | 0 | 0 | 0 | 0 |
| Total Revenues | $ 20,415,250 | $ 20,415,642 | $ 20,442,423 | $ 20,693,843 | $ 20,950,291 |
| (To) From General Fund | 0 | 0 | 0 | 0 | 0 |
| (To) From Contributions in Aid | 0 | 0 | 0 | 0 | 0 |
| (To) From Capital Projects | 0 | 0 | (1,575,725) | 0 | 0 |
| (To) From Retained Earnings | (65,174) | 0 | 1,575,725 | 0 | 0 |
| Total Resources | $ 20,350,076 | $ 20,415,642 | $ 20,442,423 | $ 20,693,843 | $ 20,950,291 |
| **Expenditures:** | | | | | |
| Central Automotive Maintenance | $ 20,350,076 | $ 20,415,642 | $ 20,442,423 | $ 20,693,843 | $ 20,950,291 |
| Total Expenditures | $ 20,350,076 | $ 20,415,642 | $ 20,442,423 | $ 20,693,843 | $ 20,950,291 |
| **Retained Earnings June 30** | $ 7,616,896 | $ 7,616,896 | $ 6,041,171 | $ 6,041,171 | $ 6,041,171 |




Fiscal Years 2014 through 2017 are estimated.

## TECHNOLOGY REPLACEMENT FUND

**(Fund 6101)**
The Technology Replacement Fund, established in FY2001 as an Internal Service Fund, was created to develop a method of replacing computer equipment on a regular schedule. The goal of the fund is to establish a means to pay for computer equipment and reduce the impact of large one-time computer purchases in a given year. Resources for this fund come from interdepartmental charges and the General Fund. In FY2004, the Technology Replacement Fund approach obtained a National Association of Counties award for Financial Innovation. Prior to that, American City and County magazine cited this funding mechanism as an example of how to minimize incremental expenditure increases for technology related items.

**Revenues**
**Assumptions**
**Accumulated Technology Replacement** represents the funds collected from the departments participating in the technology replacement program. Charges are collected to pay for replacement of computer equipment in the future. By FY2017, it is believed that funding should be reinstated to the various departments so that they will be able to once again absorb this annual charge. The FY2017 forecast of $2.0 million represents an estimate of the equipment that is currently located in all of the participating departments. As a side note, an inventory of all departmental equipment is planned to re-evaluate current value.

**(To) From General Fund** is the transfer from the General Fund for the initial purchase of computer equipment. The FY2015 and FY2016 forecasts reflect a transfer of $1.0 million and $2.0 million, respectively. These transfers are necessary in order to revitalize the program as the Technology Replacement Fund's fund balance has been depleted as a result of the removal of funding in FY2013 from the departments that participate in the program. The FY2015 forecast marks the first year since FY2007 that the Fund has utilized a transfer from the General Fund.

**(To) From Technology Replacement Fund Retained Earnings** is used to accumulate a reserve for the purchase of replacement computer equipment, when the original equipment has reached the end of its useful life.

**Expenses**

**Assumptions**

The development of the Technology Replacement Fund budget assumes revenues and transfers will support expenditures in future years. For FY2015, the Technology Replacement Fund expenses are projected to be $2,043,083. For FY2016, forecasted expenses are projected to be $2,943,740. In FY2017, expenses are projected to be $2,330,423. The FY2016 and FY2017 forecasts assume that all items in the Fund, which qualify for replacement, will be purchased on a pre-determined schedule.

**Retained Earnings, June 30, 2013,** is $6,521,189. The impact of anticipated resources, including operating transfers and expenditures on the ending balance, is projected for each fiscal year of the forecast period.

**Technology Replacement Internal Service Fund Forecast**

| | FY 12-13 Actual | FY 13-14 Original | FY 14-15 Forecast | FY 15-16 Forecast | FY 16-17 Forecast |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Accumulated Technology Replacement - General Fund | $ - | $ - | $ - | $ - | $ 1,947,600 |
| Accumulated Technology Replacement - Special Revenue | - | - | - | - | 45,000 |
| Accumulated Technology Replacement - Belmont | - | - | - | - | 3,000 |
| Accumulated Technology Replacement - JRJDC | - | - | - | - | 2,100 |
| Accumulated Technology Replacement - Risk Mgmt | - | - | - | - | 2,300 |
| Transfer from General Fund | | - | 1,000,000 | 2,000,000 | - |
| (To) From Retained Earnings - Technology Replacement | 2,331,850 | 1,514,113 | 1,043,083 | 943,740 | 330,423 |
| Total Revenues | $ 2,331,850 | $ 1,514,113 | $ 2,043,083 | $ 2,943,740 | $ 2,330,423 |
| **Expenditures:** | | | | | |
| Technology Equipment | $ 2,331,850 | $ 1,514,113 | $ 2,043,083 | $ 2,943,740 | $ 2,330,423 |
| Total Expenditures | $ 2,331,850 | $ 1,514,113 | $ 2,043,083 | $ 2,943,740 | $ 2,330,423 |
| Retained Earnings June 30* | $ 6,521,189 | $ 5,007,076 | $ 3,963,993 | $ 3,020,253 | $ 2,689,830 |

*Retained Earnings are designated for future technology replacement costs. There is no undesignated balance within the Technology Replacement Fund.


Fiscal years 2014 through 2017 are estimated

## RISK MANAGEMENT

**(Fund 6301)**
The Risk Management Fund was established in FY2004-05 as an Internal Service Fund. Prior to this date, costs associated with this function were expended in the General Fund. Because Risk Management provides services to all agencies, including education, across all funds, the budget is more properly captured within the Internal Service Fund Series. Resources for this fund are provided by a transfer from the General Fund and interdepartmental charges from Public Utilities. Risk Management provides protection from accidental losses arising out of the County and Public School operations, including workers' compensation, automobile, property, and liability claims.

**Revenues**

**Assumptions**

**Public Utilities Charges** forecast is based on actual claims cost and a pro rata share of the insurance costs expended by the Department of Public Utilities in the Water and Sewer Enterprise Fund (Fund 5101). Each fiscal year, the Risk Management Internal Service Fund receives a reimbursement from expenses associated with the Public Utilities' Water and Sewer Enterprise Fund in the prior fiscal year. Projected billings for FY2015-16 and FY2016-17 remain level with the FY2014-15 projection at $629,403 due to the uncertainty of the number of claims annually.

**(To) From General Fund** represents the transfer from the General Fund for approximately 93 percent of the forecasted revenues associated with this fund. A transfer from the General Fund totaling $8,411,454 is anticipated for FY2014-15, while FY2015-16 is projected to increase to $12,411,454 in an attempt to fully fund the department's budget. FY2016-17 is projected to increase by 2.0 percent.

**Expenditures**

**Assumptions**

The development of the Risk Management Fund budget assumes revenues and transfers will support expenditures in future years. Historically, the budget has been amended annually on a case-by-case basis with funding provided by

the Self-Insurance Reserve, which is a designated reserve within the County's General Fund Balance. Therefore, the budget in prior years was kept relatively flat, with small incremental increases built into the forecast. Beginning with the FY2014-15 budget, $3,992,159 has been added, reflecting an increase in the General Fund transfer and representing a larger portion of the department's total estimated expenditure requirement. For FY2015-16, the budget is projected to increase by $4,000,000, further reflecting the effort to fully fund the department's estimated expenditure requirement. In FY2016-17, expenditures are estimated to increase 1.9 percent.

**Self-Insurance Reserve, June 30, 2013**, totals $10,000,000. The County has designated this amount in the General Fund's fund balance specifically for self-insurance. In FY2015-16 and FY2016-17, the Self-Insurance Reserve is being reduced by $2,500,000 in each year, respectively, to reflect the reduced reserve requirement due to the budgeted increase in General Fund resources.

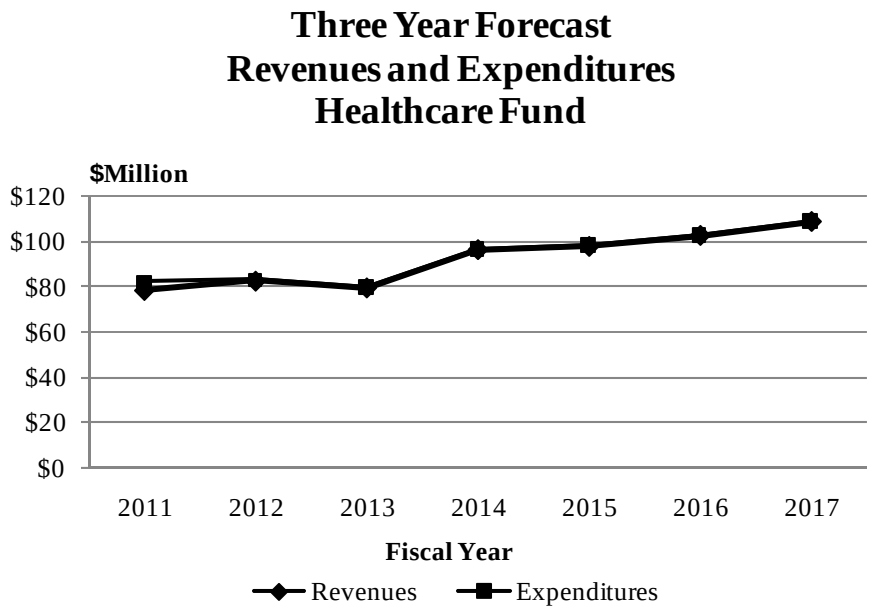
**Risk Management Internal Service Fund Forecast**

| | FY12-13 Actual | FY13-14 Original | FY14-15 Forecast | FY15-16 Forecast | FY16-17 Forecast |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Public Utilities Charges | $ 430,367 | $ 629,403 | $ 629,403 | $ 629,403 | $ 629,403 |
| Total Revenues | $ 430,367 | $ 629,403 | $ 629,403 | $ 629,403 | $ 629,403 |
| (To) From General Fund | $ 12,742,219 | $ 4,407,836 | $ 8,411,454 (1) | $ 12,411,454 (2) | $ 12,659,683 |
| Total Resources | $ 13,172,586 | $ 5,037,239 | $ 9,040,857 | $ 13,040,857 | $ 13,289,086 |
| **Expenditures:** | | | | | |
| Risk Management | $ 13,172,586 | $ 5,037,239 | $ 9,040,857 | $ 13,040,857 | $ 13,289,086 |
| Total Expenditures | $ 13,172,586 | $ 5,037,239 | $ 9,040,857 | $ 13,040,857 | $ 13,289,086 |
| **Self-Insurance Reserve** | $ 10,000,000 | $ 10,000,000 | $ 7,500,000 (3) | $ 5,000,000 (3) | $ 5,000,000 |

(1) $3,992,159 of transfer increase represents a portion of the total estimated funding requirement, based upon prior year actual expenditures. Funding for a portion of the Division's cost is typically provided in the December amendment via a transfer from the Self-Insurance Reserve.

(2) $4,000,000 increase from prior year represents attempt to fully fund the department's budget, based upon prior year actual expenditures.

(3) Reduction in Self-Insurance Reserve due to increase in budgeted General Fund resources.




Fiscal years 2014 through 2017 are estimated

## HEALTHCARE FUND

**(Fund 6401)**
Effective January 1, 2008, Henrico County's healthcare program transitioned to a self-insurance program. Prior to this transition, the County's healthcare program operated as a fully insured program, which, in exchange for the payment of a premium, an insurance company assumed the risk, administered the program, and paid all claims. With the transition to a self-insured program, the County pays claims and third party administrative fees. Self-insurance allows the County to more fully control all aspects of the plan, including setting rates to smooth out the impact of cost increases on employees and the County, while maintaining adequate funding to cover claims, expenses, and reserves. The cost to fund healthcare expenses is covered by payments from active employees, the County and the School Board, retirees, and retention of interest earnings. The County and Schools contributions are budgeted in departmental budgets, and the Healthcare Fund charges departments based upon actual participants in the program. Revenues to the Healthcare Fund in excess of expenditures accumulate in a premium stabilization reserve, which allows the County to maintain rate increases at manageable levels.

**Revenues**

**Assumptions**

**County Contribution – Active** reflects the County's contributions for active General Government and Schools employees budgeted within each respective department. For General Government employees, the County calculates a blended rate for each County employee for healthcare calculation purposes. Schools, on the other hand, estimates healthcare costs for each individual eligible employee based on the plan in which they participate. The forecast for FY2014-15 reflects an increase in the County's contribution for active employees of 2.0 percent. The forecasts for FY2015-16 and FY2016-17 assume rate increases of 6.0 percent annually, as well as 2.0 percent annual enrollment growth.

**Employee Contribution** represents contributions from active General Government and Schools employees toward their respective individual healthcare plans. The forecast for FY2014-15 reflects an overall increase of 3.0 percent, which assumes a rate increase of 1.7 percent in calendar year 2014 (which will impact the first half of FY2014-15). The forecasts for FY2015-16 and FY2016-17 assume rate increases of 6.0 percent annually, as well as 2.0 percent annual enrollment growth.

**Retiree Contribution** reflects rate payments by County retirees under 65 years of age that continue to participate in the County's healthcare program. The forecast for FY2014-15 reflects an increase of 3.0 percent, assuming a rate increase of 1.7 percent in calendar year 2014 (which will impact the first half of FY2014-15). The forecasts for FY2015-16 and FY2016-17 assume rate increases of 8.0 percent, respectively.

**Retiree Subsidy** and **Disabled Subsidy** represent County contributions to retiree healthcare plans. The Disabled Subsidy reflects the healthcare subsidy provided to disabled retirees prior to January 1, 2003. The Disabled Subsidy forecast for FY2015-16 through FY2016-17 remains flat. For retirees after January 1, 2003, the healthcare supplement is referred to as a Retiree Subsidy, and is provided to County retirees with a minimum of 20 years in the Virginia Retirement System (VRS) of which 10 years must be with Henrico County. The total subsidy is calculated based on each full year of VRS service. The forecast for the Retiree Subsidy reflects a 0.6 percent increase in FY2014-15. In addition, 5.0 percent annual increases are projected for FY2015-16 and FY2016-17 based upon the anticipated rate of employee retirement for which the Retiree Subsidy is applicable.

**COBRA** reflects rate payments from eligible COBRA participants. Under the Consolidated Omnibus Reconciliation Act of 1985 (COBRA), extended coverage for healthcare may be purchased (at the participant's expense) for former participants of the County's healthcare program and their qualified beneficiaries, if coverage is lost under a group plan due to termination of employment or a reduction of work hours. The cost to COBRA participants is the full plan rate for that calendar year.

**Recoveries and Rebates** represent small, one-time miscellaneous recovered cost and rebate revenues related to the Healthcare Fund.

**Federal Reimbursements (ERRP)** reflects the anticipated utilization of reimbursements from the federal government through the Early Retiree Reinsurance Program, authorized in the Affordable Care Act. ERRP provides reimbursements to participating employment-based plans for a portion of the costs of health benefits for pre-65 retirees and their spouses, surviving spouses, and dependents. The County utilized the last of these funds to lower healthcare rate increases in calendar year 2013.

**Interest Income** reflects interest earned throughout the fiscal year on bank balances relating to the Healthcare Fund. The annual forecast for this revenue remains flat at $75,000.

**(To) From Premium Stabilization Reserve** reflects the amount of funding either added to or utilized from the Premium Stabilization Reserve in each respective fiscal year. The FY2014-15 Approved Budget assumes the use of $1,126,710 from the Premium Stabilization Reserve to help offset the healthcare cost increase to the County. The FY2014-15 budgeted amount represents an estimation of costs associated with the Transitional Reinsurance fee and Patient Centered Outcomes Research fee, which are mandatory costs imposed under the Affordable Care Act. The forecast for FY2015-16 and FY2016-17 assumes that no funds from the Premium Stabilization Reserve will be utilized. To forecast the amount of funding to be added to or utilized from the Premium Stabilization Reserve is a difficult task, as the amount of claims paid by the Healthcare Fund fluctuates each fiscal year. It must be noted that consideration of funding additions to or subtractions from the Premium Stabilization Reserve must be recognized when calendar year plan rates are established. As such, <u>unless there is a planned utilization of funds from the reserve any given year, the intent of the Healthcare Fund is to generate a positive revenue variance as compared to expenditures, yielding an addition to the Premium Stabilization Reserve</u>.

## <u>Expenditures</u>

### Assumptions

**Claims** expenditures reflect the County's cost of service for each participant in the program. In other words, these expenditures reflect the cost of healthcare services and pharmaceutical requirements for enrolled participants outside of any co-pay the program participant is responsible for per the defined benefit structure. The forecast for FY2014-15 assumes an increase in claims expenditures by 1.7 percent, and the forecasts for FY2015-16 and FY2016-17 assume increases of 7.1 percent and 8.3 percent, respectively.

**Other Administrative Fees** represent the cost of third party administrative fees, the costs of an annual actuarial study and claims audit, and the premium payment for excess risk insurance. The County's excess risk insurance protects the County from any individual claim greater than $500,000 and total annual payments that exceed 125.0 percent of actuarially projected annual claims. The FY2014-15 budget also includes funding for costs related to the County's healthcare consultant, as well as costs associated with the Affordable Care Act (ACA), which include $1,100,000 for a Transitional Reinsurance Fee and $35,000 for a Patient Centered Outcomes Research Institute (PCORI) fee. The FY2014-15 budget also reflects the payment from the County's healthcare administrator in the amount of $150,000 to support the Wellness Program initiative.

The forecast for FY2014-15 projects a decrease in other administrative fee costs of 1.6 percent, attributable to the elimination of the Sr. Management Specialist position that was previously budgeted in the healthcare fund. The forecasts for FY2015-16 and FY2016-17 assume an annual 3.0 percent increase in other administrative fee costs.

**Premium Stabilization Reserve (PSR)**

The Healthcare Fund's **Premium Stabilization Reserve (PSR)** reflects the accumulation of annual revenues collected in excess of expenditures. This reserve allows the County to maintain annual rate increases at manageable levels. For example, in FY2014-15, approximately $1.1 million from the PSR is designated for use in the Annual Fiscal Plan to minimize rate increases to the County. As of June 30, 2013, the PSR has a balance of $12,540,620, prior to consideration of the County's "Incurred But Not Reported" liability referenced below.

**Incurred But Not Reported (IBNR)** represents an actuarially estimated dollar amount of claims that have been incurred by program participants but have not yet been reported by the healthcare provider as of June 30, 2013. Because these claims have not yet been reported, IBNR must be included as an offset to the Premium Stabilization Reserve to accurately calculate the **"Uncommitted PSR,"** which reflects the true available balance that can be utilized. IBNR also reflects the total cost to the County if the decision were made to revert back to a fully insured healthcare program. Because IBNR will fluctuate annually, and is difficult to predict, this forecast reflects no change from the IBNR estimate as of June 30, 2013 in future years.

**Healthcare Internal Service Fund Forecast**

| | FY12-13 Actual | FY13-14 Original | FY14-15 Forecast | FY15-16 Forecast | FY16-17 Forecast |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| County Contribution - Active | $ 59,452,047 | $ 69,460,436 | $ 70,847,430 | $ 76,515,224 | $ 82,636,442 |
| Employee Contribution | $ 15,905,632 | $ 17,308,904 | $ 17,828,171 | $ 19,254,425 | $ 20,794,779 |
| Retiree Contribution | $ 3,173,624 | $ 6,497,853 | $ 6,692,789 | $ 7,228,212 | $ 7,806,469 |
| Retiree Subsidy | $ 665,205 | $ 767,506 | $ 771,994 | $ 810,594 | $ 851,123 |
| Disabled Subsidy | $ 100,852 | $ 150,242 | $ 133,582 | $ 270,000 | $ 270,000 |
| COBRA | $ 178,642 | $ 317,172 | $ 326,687 | $ 352,822 | $ 381,048 |
| Recoveries and Rebates | $ - | $ - | $ - | $ - | $ - |
| Federal Reimbursements (ERRP) | $ - | $ 823,487 | $ - | $ - | $ - |
| Healthcare - Wellness Payment | $ 282,382 | $ 150,000 | $ 150,000 | $ 150,000 | $ 150,000 |
| Interest Income | $ 73,859 | $ 75,000 | $ 75,000 | $ 75,000 | $ 75,000 |
| Total Revenues | $ 79,832,243 | $ 95,550,600 | $ 96,825,653 | $ 104,656,277 | $ 112,964,861 |
| | | | | | |
| (To) From Premium Stabilization Fund | $ (151,793) | $ 1,000,000 | $ 1,126,710 | $ - | $ - |
| Total Resources | $ 79,680,450 | $ 96,550,600 | $ 97,952,363 | $ 104,656,277 | $ 112,964,861 |
| | | | | | |
| **Expenditures:** | | | | | |
| Claims | $ 74,802,125 | $ 89,808,376 | $ 91,315,363 | $ 97,820,167 | $ 105,923,668 |
| Other Administrative Fees | $ 4,878,325 | $ 6,742,224 | $ 6,637,000 | $ 6,836,110 | $ 7,041,193 |
| Total Expenditures | $ 79,680,450 | $ 96,550,600 | $ 97,952,363 | $ 104,656,277 | $ 112,964,861 |
| | | | | | |
| **Premium Stabilization Reserve (PSR):** | | | | | |
| Premium Stabilization Reserve (PSR) | $ 12,540,620 | $ 10,717,133 | $ 9,590,423 | $ 9,590,423 | $ 9,590,423 |
| Incurred But Not Reported (IBNR) | $ (7,713,000) | $ (7,713,000) | $ (7,713,000) | $ (7,713,000) | $ (7,713,000) |
| Uncommitted PSR | $ 4,827,620 | $ 3,004,133 | $ 1,877,423 | $ 1,877,423 | $ 1,877,423 |