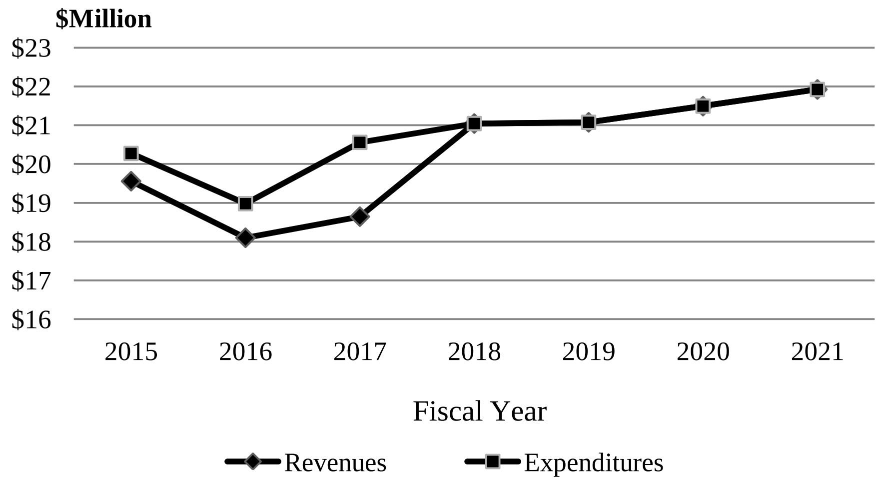
Three Year Forecast
Revenues and Expenditures
Central Automotive Maintenance



Fiscal Years 2018 through 2021 are estimated. Revenues exclude transfers from other funds.

CENTRAL AUTOMOTIVE MAINTENANCE

(Fund 61)
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.

<u>Revenues</u>
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 FY2018-19 is $9,291,690. Projected billings for FY2019-20 and FY2020-21 are forecasted at $9,570,441 and $9,857,554, respectively. Projected increases of 3.0 percent 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 FY2018-19 is $2,250,000. Projected billings for FY2019-20 and FY2020-21 are $2,317,500 and $2,387,025, respectively, representing a 3.0 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 for smaller cars and 100,000 miles for pickup trucks and larger vehicles. Projected billing for the use of vehicles in FY2018-19 is $3,910,500. Projected billings for FY2019-20 and FY2020-21 are $3,988,710 and $4,068,484, respectively, assuming an annual 2.0 percent increase due to projected vehicle replacements and the rising cost of repairs.

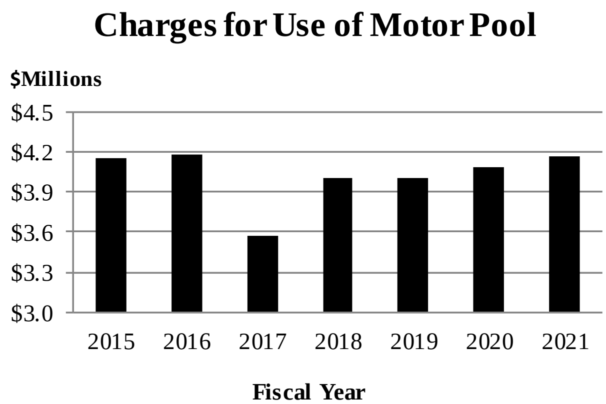
Charges for Gasoline represents the charge for gasoline and diesel fuel used by County departments. A nominal mark-up on top of the wholesale price is used to offset CAM's maintenance and operational expenses in this area. The recent decreases in the wholesale cost of gasoline reflect the volatility of this commodity, therefore the projections for gasoline at this moment remain flat at $5,828,801.

Charges for Wash Facility represents charges for use of a large vehicle wash facility, which became operational in March 2017. It is estimated that use of this facility will generate $136,000 of revenue each year, from FY2018-19 through FY2020-21.

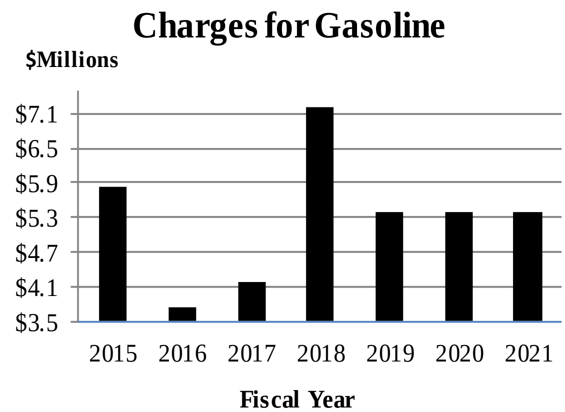
(To) From General Fund is the transfer from General Fund for the initial purchase of new motor pool vehicles. No transfers are anticipated during the forecasted period as the purchase of new motor vehicles will be funded with generated revenues and retained earnings.

(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. There is no current or future planned use of retained earnings.

(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. It should be noted that a portion of the motor pool charge is also set aside for the replacement of vehicles.



Fiscal years 2018 through 2021 are estimated.



Fiscal years 2018 through 2021 are estimated.

Expenditures

Assumptions

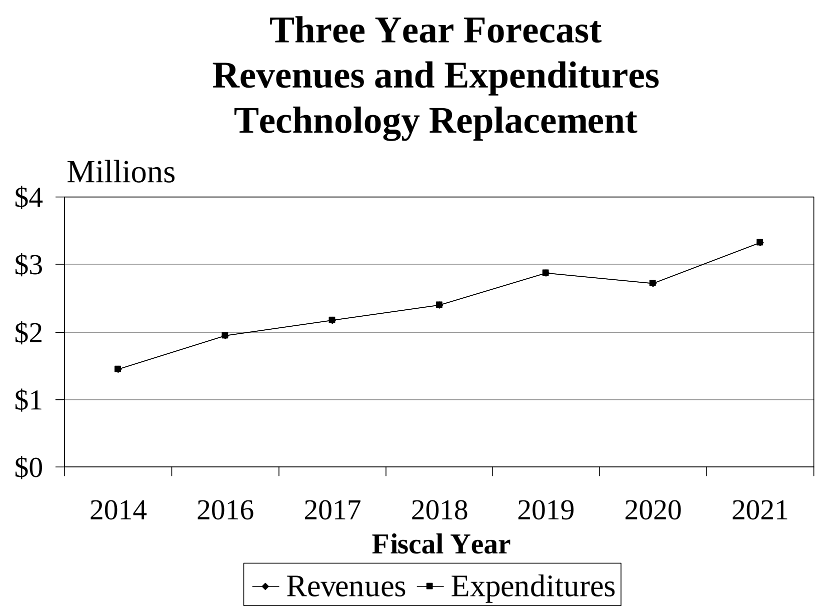
The development of the Central Automotive Maintenance Internal Service Fund budget assumes revenues and transfers will support expenditures in future years. For FY2019-20 and FY2020-21, Central Automotive Expenses expenses are projected to grow at 2.0 percent annually.

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 overcome increases of vehicle repairs.

Retained Earnings, June 30, 2017, is $2,026,849. The impact of anticipated resources and expenditures on the ending balance is projected for each fiscal year of the forecast period, and anticipates no change.

Central Automotive Maintenance Internal Service Fund Forecast

	FY16-17 Actual	FY17-18 Original	FY18-19 Forecast	FY19-20 Forecast	FY20-21 Forecast
Revenues:					
Charges for Auto Maint West	$ 8,545,707	$ 7,149,379	$ 9,291,690	$ 9,570,441	$ 9,857,554
Charges for Auto Maint East	2,145,008	2,179,072	2,250,000	2,317,500	2,387,025
Charges for Use of Motor Pool	3,565,993	4,010,000	3,910,500	3,988,710	4,068,484
Charges for Gasoline	4,173,353	7,200,000	5,828,801	5,828,801	5,828,801
Charges for Wash Facility	0	136,000	136,000	136,000	136,000
Miscellaneous Revenues	284,338	369,100	300,000	300,000	300,000
Gain/Loss on Sale of Property	(71,101)	0	0	0	0
Total Revenues	$ 18,643,298	$ 21,043,551	$ 21,716,991	$ 22,141,452	$ 22,577,864
(To) From General Fund	0	0	99,500	0	0
(To) From Contributions in Aid	0	0	0	0	0
(To) From Capital Projects	0	0	0	0	0
(To) From Retained Earnings	1,915,209	0	0	0	0
Total Resources	$ 20,558,507	$ 21,043,551	$ 21,816,491	$ 22,141,452	$ 22,577,864
Expenditures:					
Central Automotive Maintenance	$ 20,558,507	$ 21,043,551	$ 21,816,491	$ 22,141,452	$ 22,577,864
Total Expenditures	$ 20,558,507	$ 21,043,551	$ 21,816,491	$ 22,141,452	$ 22,577,864
Retained Earnings June 30	$ 2,026,849	$ 2,026,849	$ 2,026,849	$ 2,026,849	$ 2,026,849



Fiscal Years 2018 through 2021 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 originated from interdepartmental charges and continue with funding from 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
(To) From General Fund is the transfer from the General Fund for the initial purchase of computer equipment. The FY2019 forecasted budget reflects a transfer of $2.5 million. The FY2020 and FY2021 forecasts reflect a transfer of $2.75 million and $3.0 million, respectively. These transfers are necessary in order to maintain the stability of the Technology Replacement Fund as it's fund balance has been depleted as a result of the removal of funding in FY2013 from the departments that participate in the program.

(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 FY2019, the Technology Replacement Fund expenses are projected to be $2,878,100. For FY2020, forecasted expenses are projected to be $2,716,334 and in FY2021, expenses are projected to be $3,323,451. The FY2020 and FY2021 forecasts assume that all items in the Fund, which qualify for replacement, will be purchased on a pre-determined schedule.

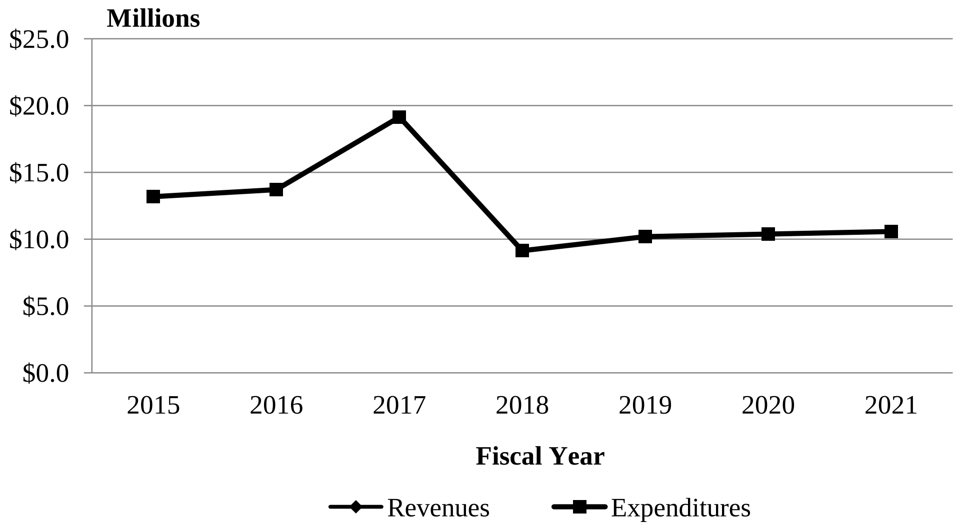
Retained Earnings, June 30, 2017, is $2,786,830. The impact of anticipated resources, including operating transfers and expenditures on the ending balance, is projected for each fiscal year of the forecast period.

Technology Replacement Internal Service Fund Forecast

	FY 16-17 Actual	FY 17-18 Original	FY 18-19 Forecast	FY 19-20 Forecast	FY 20-21 Forecast
Revenues:					
Transfer from General Fund	$2,000,000	$2,250,000	$2,500,000	$2,750,000	$3,000,000
(To) From Retained Earnings - Technology Replacement	171,792	152,765	378,100	(33,666)	323,451
Total Revenues	$2,171,792	$2,402,765	$2,878,100	$2,716,334	$3,323,451
Expenditures:					
Technology Equipment	$2,171,792	$2,402,765	$2,878,100	$2,716,334	$3,323,451
Total Expenditures	$2,171,792	$2,402,765	$2,878,100	$2,716,334	$3,323,451
Retained Earnings June 30*	$2,786,830	$2,634,065	$2,255,965	$2,289,631	$1,966,180

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

Three Year Forecast
Revenues and Expenditures
Risk Management



Fiscal years 2018 through 2021 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 primarily provided by a transfer from the General Fund as well as 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 are 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 FY2018-19 through FY2020-21 are $750,000 per year, which is below the actual amount received during FY2015-17.

Recovered Costs - Miscellaneous includes recovered costs associated with property and liability as well as workers' compensation. While revenues of $1,860,458 were received during FY2016-17, there are no revenues anticipated in this area throughout the forecast period.

Use of Money and Property represents interest on the certificate of deposit for self-insurance. While revenues of $17,853 were received during FY2016-17, there are no revenues anticipated in this area throughout the forecast period.

(To) From General Fund represents the transfer from the General Fund for approximately 92 percent of the forecasted revenues associated with this fund. A transfer from the General Fund totaling $8,965,327 is anticipated for FY2018-19, with a increases projected for FY2019-20 and FY2020-21 to minimize midyear budget amendments.

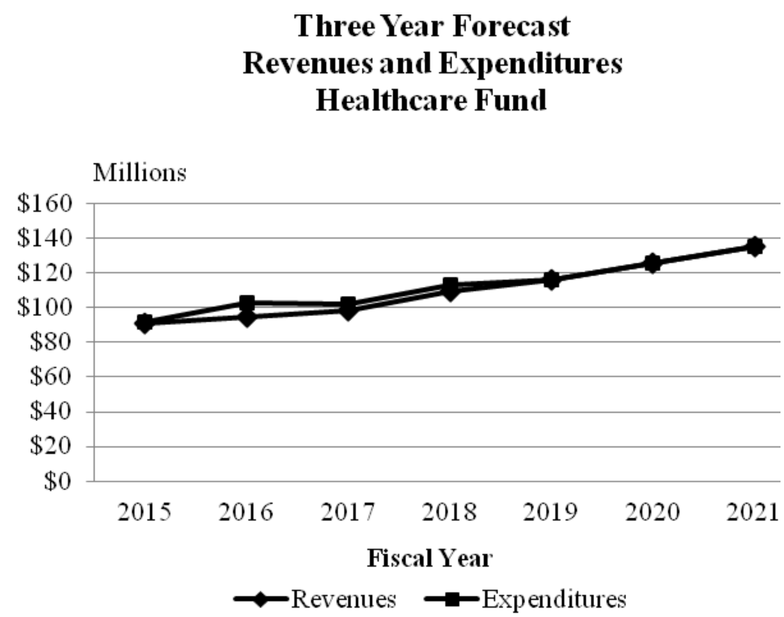
Expenditures
Assumptions

The development of the Risk Management Fund budget assumes revenues and transfers will support expenditures in future years. For FY2018-19 and FY2019-20, Internal Service Fund expenses are projected to grow at an annual rate of approximately 2.0 percent. Due to the unpredictable nature of expenditures, the budget is kept relatively flat with only a small incremental increase built into the forecast. In FY2018-19 a multi-year effort to reduce the midyear budget amendments was put in place. The budget is 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.

Self-Insurance Reserve, June 30, 2017, totals $7,500,000. The County has assigned this amount in the General Fund's fund balance specifically for self-insurance.

Risk Management Internal Service Fund Forecast

	FY16-17 Actual	FY17-18 Original	FY18-19 Forecast	FY19-20 Forecast	FY20-21 Forecast
Revenues:					
Public Utilities Charges	$ 1,240,817	$ 750,000	$ 750,000	$ 750,000	$ 750,000
Recovered Costs - Misc	1,860,458	-	-	-	-
Use of Money and Property	17,853	-	-	-	-
Total Revenues	$ 3,119,128	$ 750,000	$ 750,000	$ 750,000	$ 750,000
(To) From General Fund	$ 16,814,470	$ 8,392,479	$ 8,965,327	$ 9,985,327	$ 11,005,327
Total Resources	$ 19,933,598	$ 9,142,479	$ 9,715,327	$ 10,735,327	$ 11,755,327
Expenditures:					
Risk Management	$ 19,933,598	$ 9,142,479	$ 9,715,327	$ 10,735,327	$ 11,755,327
Total Expenditures	$ 19,933,598	$ 9,142,479	$ 9,715,327	$ 10,735,327	$ 11,755,327
Self-Insurance Reserve	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000



Fiscal years 2018 through 2021 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 FY2018-19 reflects an increase in the County's contribution for active employees of 6.0 percent. The forecasts for FY2019-20 and FY2020-21 assume 8.0 percent increases when combining rate increases and annual enrollment growth.

Employee Contribution represents contributions from active General Government and Schools employees toward their respective individual healthcare plans. The forecast for FY2018-19 reflects an overall increase of 6.0 percent. The forecasts for FY2019-20 and FY2020-21 assume 8.0 percent increases when combining rate increases and 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 FY2018-19 reflects an increase of 6.0 percent. The forecasts for FY2019-20 and FY2020-21 assume 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 FY2019-20 through FY2020-21 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 an increase of 6.0 percent in FY2018-19. In addition, 5.0 percent annual increases are projected for FY2019-20 and FY2020-21 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.

Healthcare Wellness Payments in the FY2018-19 budget reflects the payment from the County's healthcare administrator in the amount of $150,000 to support the Wellness Program initiative.

Interest Income reflects interest earned throughout the fiscal year on bank balances relating to the Healthcare Fund. The annual forecast for this revenue is projected to be $100,000 in FY2018-19 and remain at that level in FY2019-20 and FY2020-21.

(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. Whereas the FY2017-18 Approved Budget assumed the use of $3,832,444 from the Premium Stabilization Reserve as a needed budget balancing tool to help offset healthcare cost increases, the FY2018-19 Approved Budget assumes no use of reserve funds. This was made possible by anticipated savings for the Healthcare fund stemming from the new contract for pharmacy services. The forecast for FY2019-20 and FY2020-21 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 FY2018-19 assumes an increase in claims expenditures by 2.4 percent. This low level of projected claims growth is due to the savings on pharmaceutical services noted above. The forecasts for FY2019-20 and FY2020-21 assume annual increases of 8.4 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 FY2018-19 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 includes funding for a Patient Centered Outcomes Research Institute (PCORI) fee.

The forecast for FY2018-19 projects an increase in other administrative fee costs of 1.3 percent. The increase is attributable to projected growth in the cost of excess risk insurance. The forecasts for FY2019-20 and FY2020-21 assume no change in other administrative fee costs. It is noted that 2016 was the last year of the ACA's Transitional Reinsurance Fee

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 has allowed the County to maintain annual rate increases at manageable levels. While approximately $3.8 million from the PSR was designated for use in the FY2017-18 Annual Fiscal Plan, no use of reserves is forecast for FY2018-19. As of June 30, 2017, the PSR has a balance of $15,600,545. However, as of that same date, it was calculated that the County has claims that were Incurred But Not Reported (IBNR) amounting to $7,646,000. When the value of this estimate is deducted from the PSR, it leaves an uncommitted balance of $7,954,545.

Healthcare Internal Service Fund Forecast

	FY16-17 Actual	FY17-18 Original	FY18-19 Forecast	FY19-20 Forecast	FY20-21 Forecast
Revenues:					
County Contribution - Active	$ 72,641,123	$ 80,751,847	$ 85,596,958	$ 92,444,715	$ 99,840,292
Employee Contribution	19,382,622	19,861,439	21,053,125	22,737,375	24,556,365
Retiree Contribution	5,497,515	7,456,088	7,903,453	8,535,729	9,218,588
Retiree Subsidy	757,181	893,094	946,680	994,014	1,043,715
Disabled Subsidy	46,140	116,292	123,270	123,270	123,270
COBRA	224,623	363,944	385,780	416,642	449,974
Recoveries and Rebates	2,733	-	-	-	0
Healthcare - Wellness Payment	165,695	150,000	150,000	150,000	150,000
Interest Income	83,532	100,000	100,000	100,000	100,000
Total Revenues	$ 98,801,164	$ 109,692,704	$ 116,259,266	$ 125,501,745	$ 135,482,203
(To) From Premium Stabilization Fund	$ 3,654,394	$ 3,832,444	$ -	$ -	$ -
Total Resources	$ 102,455,558	$ 113,525,148	$ 116,259,266	$ 125,501,745	$ 135,482,203
Expenditures:					
Claims	$ 96,498,563	$ 107,343,588	$ 109,922,766	$ 119,165,245	$ 129,145,703
Other Administrative Fees	5,956,995	6,181,560	6,336,500	6,336,500	6,336,500
Total Expenditures	$ 102,455,558	$ 113,525,148	$ 116,259,266	$ 125,501,745	$ 135,482,203
Premium Stabilization Reserve (PSR):					
Premium Stabilization Reserve (PSR)	$ 15,600,545	$ 11,768,101	$ 11,768,101	$ 11,768,101	$ 11,768,101
Incurred But Not Reported (IBNR)	(7,646,000)	(7,646,000)	(7,646,000)	(7,646,000)	(7,646,000)
Uncommitted PSR	$ 7,954,545	$ 4,122,101	$ 4,122,101	$ 4,122,101	$ 4,122,101