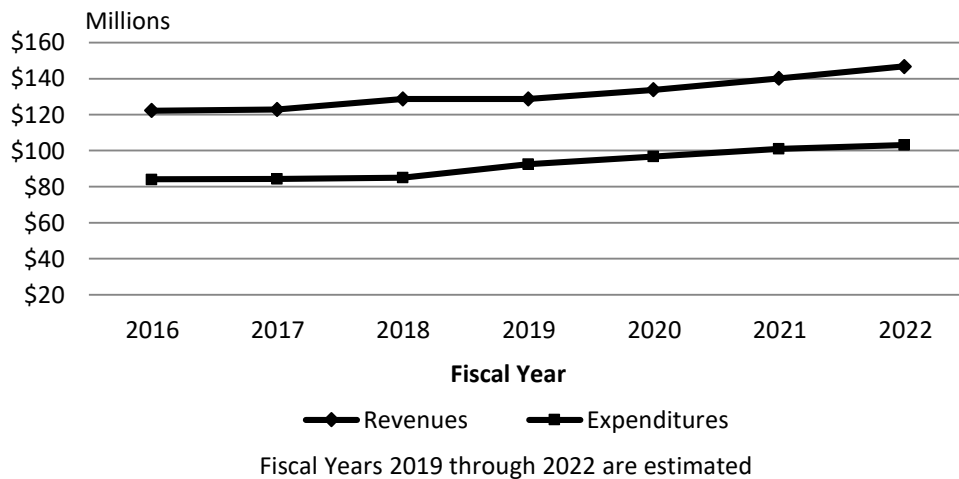


Three Year Forecast Revenues and Expenditures Enterprise Fund – Water & Sewer



ENTERPRISE FUNDS

(Funds 51 and 52)

Enterprise Funds account for operations funded and operated in a manner similar to private business enterprises, where the intent of the County is to recover, through user charges, the cost of providing services to users of the service.

The Water and Sewer Enterprise Fund (Fund 51) accounts for the provision of water and sewer services to residents of Henrico County, and wholesale service to Hanover and Goochland Counties. The Belmont Park Golf Course Enterprise Fund (Fund 52) accounts for the operations of Belmont Park Golf Course. All activities necessary to provide such services are accounted for in the respective funds, including operations, maintenance, construction, financing, and related debt service.

The three-year forecast narrative of revenues and expenditures has been prepared for each of these operations separately, using the same basic framework as the General Fund.

Water and Sewer Operations (Fund 5101)

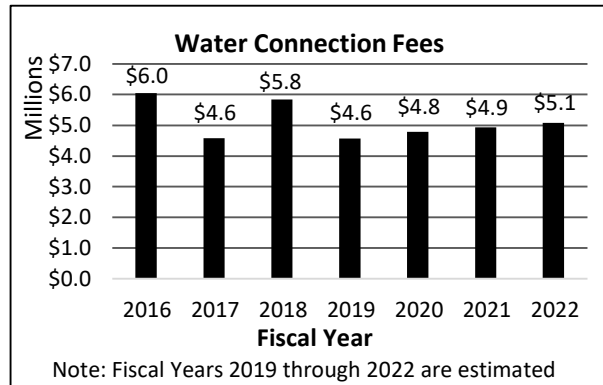
Revenues

Assumptions

Water and Sewer Enterprise Fund revenues are forecasted with increases in customer growth necessary to keep pace with routine operating costs, expansion and rehabilitation of infrastructure and the debt service payments on outstanding debt. Forecasted revenues also satisfy the requirements of the County's revenue bond covenants for current and future debt issues.

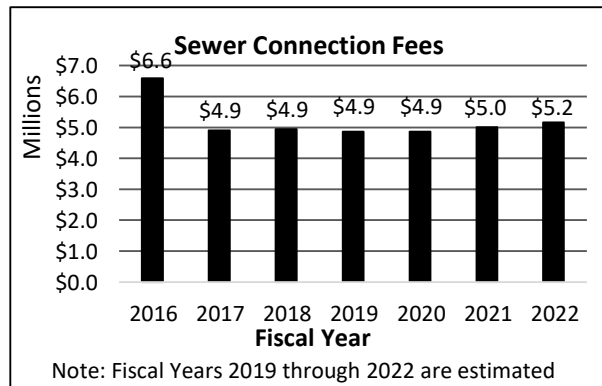
Sale of Water for FY2019-20 is based on a \$2.88 increase in water and sewer rates for the median residential customer. Forecasts for FY2020-21 and FY2021-22 were prepared using 5.0 percent rate increases in each year. These increases will support inflationary growth in expenditures and planned rehabilitation projects, as well as future new capital infrastructure needs, including the Cobbs Creek Reservoir.

Water Connection Fees are those fees collected for initial connection to the County's water distribution system. This revenue category mirrors economic development activity and all collections are used to fund the cost of expanding the County's water system. Forecasted revenue collections in FY2019-20 reflect no change to the water connection fees. The forecast for water connection fees reflects 3.0 percent growth in FY2020-21 and FY2021-22, which reflects a conservative estimate of growth in the commercial and residential real estate.



Sale of Sewer Services for FY2019-20 is based on a \$2.88 increase in water and sewer rates for the median residential customer. Like Sale of Water Service revenues, noted above, forecasts for FY2020-21 and FY2021-22 were prepared using 5.0 percent rate increases in each year. Most of this increase will be used to support growth in expenditures and capital infrastructure projects and rehabilitation.

Sewer Connection Fees are those fees collected for initial connection to the County's sewage system. This revenue category mirrors economic development activity and all collections are used to fund the cost of expanding the County's sewer system. Like water connections fees, as noted above, the forecast for FY2019-20 reflects no change in sewer connection fees. A 3.0 percent increase in collections has been projected for both FY2020-21 and FY2021-22 which reflects a conservative estimate of commercial and residential real estate growth.



(To) From General Fund includes the General Fund payment to support debt service on the portion of the \$32,000,000 subordinate Water and Sewer Revenue bonds sold in FY1997-98 to fund the infrastructure improvements of the Elko Tract in eastern Henrico County (these bonds were refunded in FY2009-10). The payment in FY2019-20 totals \$1,928,921. With the refunding of the \$32,000,000 subordinate Water and Sewer Revenue bonds in FY2009-10, the structure of these payments from the General Fund is solely reflected in the General Fund transfer amount.

Budget for Capital Use projections represent non-bond resources, available from Water and Sewer Operations to supplement utility infrastructure rehabilitation, expansion and other capital improvement activities. The transfer amounts for the forecast period reflect the planned appropriations for capital improvement projects to be supported by non-bond resources.

Expenditures

Assumptions

Expenditures developed for the forecast period represent total operating costs for providing water and sewer service to County residents. Operating costs include infrastructure maintenance, operation of the water and sewer systems and debt service on bond issues.

Results of Operations (Prior to Capital Expenses) reflect the anticipated variance of revenues less expenditures.

Water and Sewer Construction Fund (Fund 5102)

Capital Budget Expenditures

Assumptions

Approved/Proposed Capital Projects are expected to total \$69.7 million in FY2019-20, \$26.7 million in FY2020-21, and \$87.9 million in FY2021-22. These projections represent expenditures for projects planned in future years listed in the Capital Projects Fund section of this budget document.

Continuing Capital Projects represent the expenditures in construction appropriations based on projected resources and corresponding expenditures throughout the forecast period.

Capital Budget Resources

Assumptions

Water and Sewer Revenue projections represent non-bond resources transferred from the Operations sub-fund to the Construction sub-fund to support costs related to system rehabilitation, expansion and improvements. This transfer includes the connection fees paid by real-estate developers and new customers for initial connection to the County's water and sewer systems.

Revenue Bonds represents the proceeds from the sale of revenue bonds for new and rehabilitation capital projects.

Water & Sewer Enterprise Fund Forecast

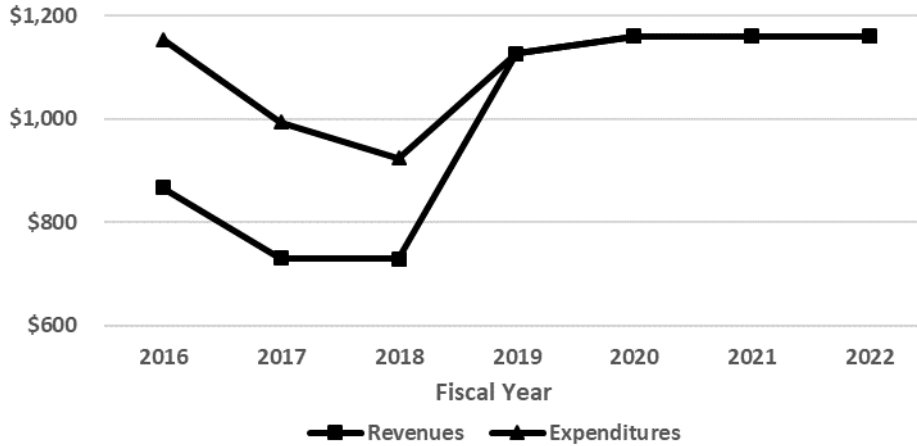
| | FY17-18 Actual | FY18-19 Original | FY19-20 Forecast | FY20-21 Forecast | FY21-22 Forecast |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Water & Sewer Operations Subfund | | | | | |
| Revenues: | | | | | |
| Sale of Water | \$ 56,903,934 | \$ 56,587,528 | \$ 59,531,001 | \$ 62,507,551 | \$ 65,632,929 |
| Water Connection Fees | 5,838,094 | 4,567,875 | 4,785,606 | 4,929,174 | 5,077,049 |
| Sale of Sewer Services | 54,036,269 | 56,648,416 | 58,909,374 | 61,854,843 | 64,947,585 |
| Sewer Connection Fees | 4,946,009 | 4,863,316 | 4,863,316 | 5,009,215 | 5,159,492 |
| Miscellaneous Revenue | 4,904,868 | 3,967,612 | 3,686,889 | 3,797,496 | 3,987,370 |
| Transfer from General Fund | <u>1,930,021</u> | <u>1,930,021</u> | <u>1,928,921</u> | <u>1,929,858</u> | <u>1,932,921</u> |
| Total Revenue | <u>\$ 128,559,195</u> | <u>\$ 128,564,768</u> | <u>\$ 133,705,107</u> | <u>\$ 140,028,137</u> | <u>\$ 146,737,346</u> |
| Expenditures: | | | | | |
| Personnel | \$ 20,970,915 | \$ 21,924,590 | \$ 22,966,323 | \$ 23,425,649 | \$ 23,894,162 |
| Operating | 42,926,645 | 42,305,712 | 43,638,992 | 44,511,772 | 45,402,007 |
| Capital Outlay | <u>871,891</u> | <u>785,527</u> | <u>781,922</u> | <u>797,560</u> | <u>813,512</u> |
| Sub-Total | 64,769,451 | 65,015,829 | 67,387,237 | 68,734,982 | 70,109,681 |
| Debt Service | <u>20,170,115</u> | <u>27,402,027</u> | <u>29,298,024</u> | <u>31,359,034</u> | <u>33,011,390</u> |
| Total Expenditures | <u>\$ 84,939,566</u> | <u>\$ 92,417,856</u> | <u>\$ 96,685,261</u> | <u>\$ 100,094,016</u> | <u>\$ 103,121,071</u> |
| Results of Operations (Prior to Capital Expenses) | 43,619,629 | 36,146,912 | 37,019,846 | 39,934,121 | 43,616,275 |
| Budget For Capital Use (Below) | 74,631,612 | (62,400,000) | (69,650,000) | (26,650,000) | (87,850,000) |
| Capital Budget Expenditures | | | | | |
| | FY17-18 Actual | FY18-19 Original | FY19-20 Forecast | FY20-21 Forecast | FY21-22 Forecast |
| Approved/Requested Capital Projects | \$ - | \$ 62,400,000 | \$ 69,650,000 | \$ 26,650,000 | \$ 87,850,000 |
| Continuing Capital Projects (Previously Approved) ⁽¹⁾ | 74,631,612 | - | - | - | - |
| Total Capital | \$ 74,631,612 | \$ 62,400,000 | \$ 69,650,000 | \$ 26,650,000 | \$ 87,850,000 |
| Capital Budget Resources | | | | | |
| Water and Sewer Revenues | \$ 11,432,872 | \$ 42,100,000 | \$ 61,150,000 | \$ 17,150,000 | \$ 61,850,000 |
| Revenue Bonds | 63,198,740 | 20,300,000 | 8,500,000 | 9,500,000 | 26,000,000 |
| Total Capital Budget Resources | \$ 74,631,612 | \$ 62,400,000 | \$ 69,650,000 | \$ 26,650,000 | \$ 87,850,000 |

Notes:

⁽¹⁾ This number plus the budget figure reflects Utilities estimate of capital spending from previously Board approved capital projects. FY2017-18 represents actual spending, as per the 2018 audit.

Note: Fund Equity as of June 30, 2018 was \$140,813,367.

Three Year Forecast Revenues and Expenditures Enterprise Fund – Belmont Golf Course



Fiscal Years 2019 through 2022 are estimated.

Belmont Park Golf Course Operations (Fund 5201)

Revenues

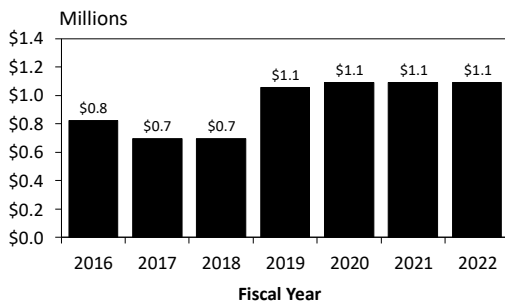
Assumptions

Golf Course Fees revenue for FY2019-20 is estimated to total \$1,160,388, which reflects an increase of \$33,650 or 3.0 percent. There are no scheduled changes in the golf course fees for FY2019-20. Revenue projections for FY2020-2021 and FY2021-22 remain flat.

Snack Bar Revenues prior to January 1, 2000 were a percentage of gross receipts from the vendor operating the snack bar. Since January 1, 2000, the County operates the Snack Bar with departmental employees and collects all revenues from snack bar sales. Revenues are projected at \$70,000 for FY2019-20, FY2020-21, and FY2021-22.

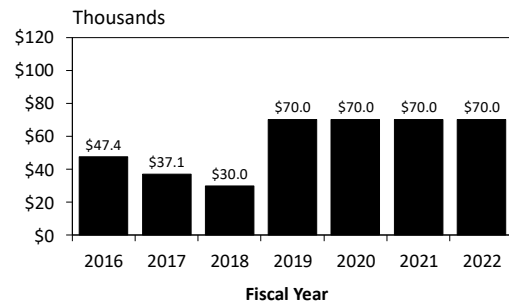
(To) From Golf Course Retained Earnings is Retained Earnings from golf course operations to be used for future golf course operations, maintenance or improvements. During the forecast period there is no scheduled use of Retained Earnings.

Golf Course Fees



Fiscal Years 2019 through 2022 are estimated.

Snack Bar Revenues



Fiscal Years 2019 through 2022 are estimated.

Expenditures

Assumptions

Operational Expenses in FY2019-20 are estimated to increase by \$33,650 or 3.0 percent. Expenditure estimates in FY2020-21 and FY2021-22 are forecasted to remain flat with salary and benefit increases being offset with operational efficiencies.

| | Belmont Golf Course Enterprise Fund Forecast | | | | |
|---------------------------------------|---|---------------------|---------------------|---------------------|---------------------|
| | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 | FY 21-22 |
| | Actual | Original | Forecast | Forecast | Forecast |
| Belmont Golf Course Operations | | | | | |
| Revenues: | | | | | |
| Golf Course Fees | \$ 696,841 | \$ 1,056,738 | \$ 1,090,388 | \$ 1,090,388 | \$ 1,090,388 |
| Snack Bar Revenues | 29,959 | 70,000 | 70,000 | 70,000 | 70,000 |
| Recoveries & Rebates | 2,775 | - | - | - | - |
| Total Revenues | <u>\$ 729,575</u> | <u>\$ 1,126,738</u> | <u>\$ 1,160,388</u> | <u>\$ 1,160,388</u> | <u>\$ 1,160,388</u> |
| Plus: | | | | | |
| (To)From Golf Course | | | | | |
| Retained Earnings | 194,888 | - | - | - | - |
| Total Resources | <u>\$ 924,463</u> | <u>\$ 1,126,738</u> | <u>\$ 1,160,388</u> | <u>\$ 1,160,388</u> | <u>\$ 1,160,388</u> |
| Expenditures: | | | | | |
| Operational Expenses | <u>\$ 924,463</u> | <u>\$ 1,126,738</u> | <u>\$ 1,160,388</u> | <u>\$ 1,160,388</u> | <u>\$ 1,160,388</u> |