

THREE YEAR FORECAST OF REVENUES AND EXPENDITURES

Background

The Henrico County budget is organized on the basis of funds. Each fund is considered a separate accounting entity. Accounting for the operation of each fund is performed using a separate set of self-balancing accounts comprising each fund's assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate.

Funds are grouped into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds. Governmental Funds include most governmental functions of the County and include the General, Special Revenue, Debt Service and Capital Projects Funds. Proprietary Funds, on the other hand, account for functions financed and operated in a manner similar to a private business enterprise. The intent of Proprietary Funds is to finance or recover, through charges to users, the cost of providing these services. Proprietary Funds used by Henrico County include both the Enterprise (Public Utilities and Belmont Golf Course) and Internal Service Funds such as Central Automotive Maintenance (CAM). Other Internal Service funds are the Technology Replacement Fund established in 2001 for the purpose of funding a computer replacement program. In FY2005, the Risk Management function was moved to the Internal Service Fund series for more appropriate classification. In FY2008, the County's health care program transitioned to a self-insurance program and the Healthcare Internal Service Fund was created to account for these costs. Fiduciary Funds budgeted by Henrico County are for the James River Juvenile Detention Center (JRJDC) Agency Fund. As the fiscal agent for JRJDC, Henrico eliminates the need for the Commission to duplicate various administrative functions related to personnel, procurement, accounting, and budget responsibilities.

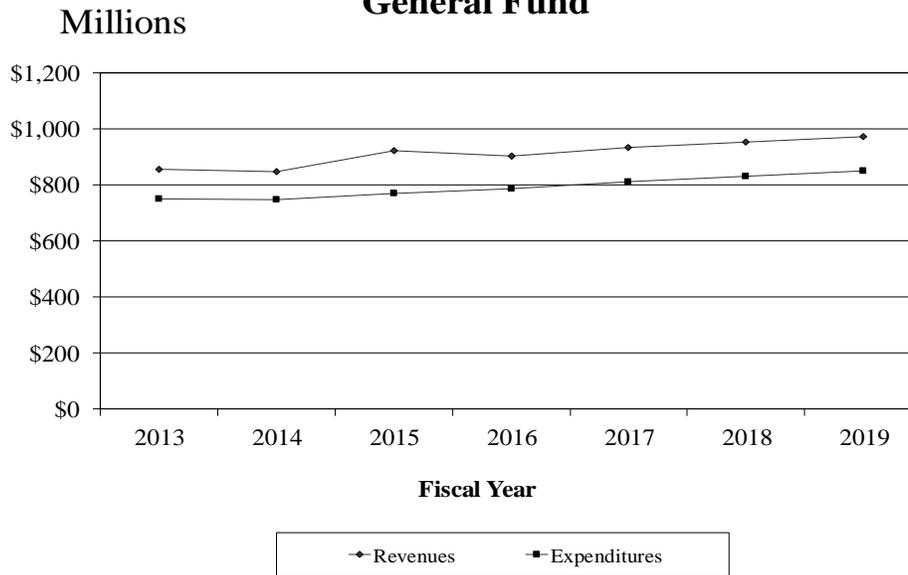
The information that follows constitutes the forecast of the County's cost of operations for FY2017 through FY2019. The FY2017 data represents the budget adopted by the Board of Supervisors, while FY2018 and FY2019 are included for projective purposes. This data is presented by fund and includes a description of major revenue and expenditure assumptions used to develop each forecast. Henrico County has opted to project revenues and expenses of each fund, as opposed to simply projecting the County's General Fund requirements. The actual forecasts, showing the relationship between revenues and expenditures and the predicted effects on fund balance, are presented in a schedule at the end of the narrative.

The revenue and expenditure forecasts for each fund are formulated using a combination of statistical forecasting techniques, regional economic data, and local government operating experience. Preliminary estimates for the subsequent fiscal year are initiated in August of each year, using a variety of forecasting models.

In the late fall, the County's annual financial audit is finalized. The previous year's revenue and expenditure forecasts are compared against audited financial statements to determine if revenue model refinements are necessary. At that point, refined forecasts are prepared for the upcoming fiscal year.

Revised estimates are analyzed against a variety of forecasted economic data with special emphasis on: consumer and wholesale prices, local population, retail sales, building and construction activity, employment, wages, interest rates, and Federal/State funding to ensure the forecast is consistent with future economic expectations. Continuing refinements are made until the budget is adopted by the Board of Supervisors annually.

Three Year Forecast Revenues and Expenditures General Fund



Fiscal Years 2016 through 2019 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 FY2017, prior to transfers to other funds, is \$934,153,495. This, reflects an increase of \$31,917,550, or 3.5 percent above FY2016 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.

<u>Description</u>	<u>FY2015</u> <u>Actual</u>	<u>FY2016</u> <u>Original</u>	<u>FY2017</u> <u>Approved</u>	<u>Increase</u> <u>(Decrease)</u>
Local Tax Revenue	\$ 528,730,774	\$ 547,405,000	\$ 565,245,000	\$ 17,840,000
Other Local Revenue	27,313,504	26,387,170	27,087,520	700,350
State and Federal Revenue	365,013,513	328,443,775	341,820,975	13,377,200
Total General Fund Revenue	<u>\$ 921,057,791</u>	<u>\$ 902,235,945</u>	<u>\$ 934,153,495</u>	<u>\$ 31,917,550</u>

Local Tax Revenue:

Local Tax Revenue represents Henrico County’s principal source of local revenue. County tax revenue is projected to total \$565.25 million or 60.5 percent of total General Fund revenue for FY2017. This represents an increase of 3.3 percent, or \$17.9 million above the current fiscal year. Local Tax Revenue includes:

Local Tax Revenue	FY2016 Original	FY2017 Approved	Increase (Decrease)	Percent Change	Pct. Of Revenue
Real Property Tax	\$ 290,285,000	\$ 300,285,000	\$ 10,000,000	3.4%	53.1%
Personal Property Tax	113,190,000	116,000,000	2,810,000	2.5%	20.5%
Other Property Taxes	5,475,000	5,475,000	0	0.0%	1.0%
Local Sales Tax	58,120,000	61,000,000	2,880,000	5.0%	10.8%
Business License Tax	30,600,000	32,000,000	1,400,000	4.6%	5.7%
Motor Vehicle License Tax	6,325,000	6,325,000	0	0.0%	1.1%
Consumer Utility Tax	2,600,000	2,600,000	0	0.0%	0.5%
Hotel/Motel Tax	10,400,000	11,200,000	800,000	7.7%	2.0%
Bank Franchise Tax	5,000,000	5,000,000	0	0.0%	0.9%
Food & Beverage (Meals) Tax	20,000,000	20,000,000	0	0.0%	3.5%
Other Local Taxes	5,410,000	5,360,000	(50,000)	(0.9%)	0.9%
Total Local Tax Revenue	\$ 547,405,000	\$ 565,245,000	\$ 17,840,000	3.3%	100.0%

The majority, 73.6 percent, of the \$565.25 million in Local Tax revenues is derived from Real and Personal Property Tax (including delinquent collections), which are estimated to generate approximately \$416.29 million or 44.6 percent of total General Fund revenue. Local Sales Tax revenue increased \$2,880,000, or 5.0 percent in FY2017 and makes up 10.8 percent of Local Tax revenue. Business & Professional License (BPOL) Tax revenue is projected to increase by \$1,400,000 in FY2017.

The Motor Vehicle License Tax revenue is projected to remain steady at \$6.3 million in FY2017. The Consumer Utility Tax revenue (electric only) estimate of \$2.6 million remained flat for FY2017. Revenue from the 8.0 percent Hotel/Motel Tax, estimated to total \$11.2 million, increased 7.7% in FY2017. These funds will be paid to the Richmond Convention Center during FY2017. The Convention Center will return \$2.8 million (a fourth of the 8.0 percent levy) to the County at the end of FY2017. The assumptions used when preparing the FY2017 – FY2019 revenue estimates for each of these taxes are described in greater detail in the following pages.

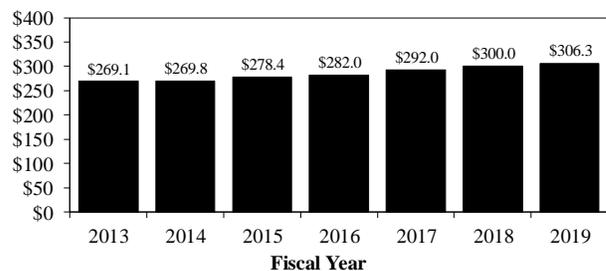
Real Property Taxes are estimated to generate \$300.3 million or 33.3 percent of the County’s total General Fund revenue in FY2017. This revenue estimate increased by \$10,000,000 in FY2017. Included within this total is revenue derived from current real estate taxes and real estate taxes paid by public service corporations. The FY2017 budget is balanced within the tax rate of \$0.87 per \$100 of assessed value for CY2016.

Assessment information for January 2016 indicates real estate assessments total \$34.2 billion, reflecting an increase of approximately \$1.1 billion, or 3.2 percent from the January 2014 assessed values. The increase was driven by increased residential reassessments of 1.9 percent – the third increase in seven years. The commercial percentage of the tax base equated to 31.2 percent in January 2016, equal to the ratio in January 2015, as commercial real estate reassessments increased 3.1 percent.

Year projections for countywide assessments are based on a forecast model factoring in changes in

Real Property Tax Revenues

Millions

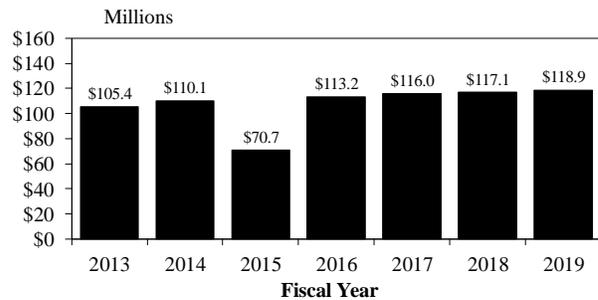


Fiscal Years 2016 through 2019 are estimated.

both residential and commercial values as well as the addition of new residential and commercial construction. The FY2018 and FY2019 projections assume increases to the County's real property tax collections of 2.7 percent and 2.1 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; \$0.30 per \$100 of assessed value for machinery and tools; \$0.50 per \$100 of assessed value on airplanes; and \$1.00 per \$100 of assessed value for one vehicle for rescue squad volunteers. Also included is the Personal Property Tax rate of \$0.01 per \$100 of assessed value for tangible personal property owned by disabled veterans and vehicles equipped for the physically handicapped. The FY2017 Approved Budget reduced the tax rate aircraft from \$1.60 per \$100 assessed value to \$0.50 per \$100 in an effort to enhance the County's economic development efforts.

Personal Property Tax Revenues



Fiscal Years 2016 through 2019 are estimated.
Actuals and projections include PPTRA.

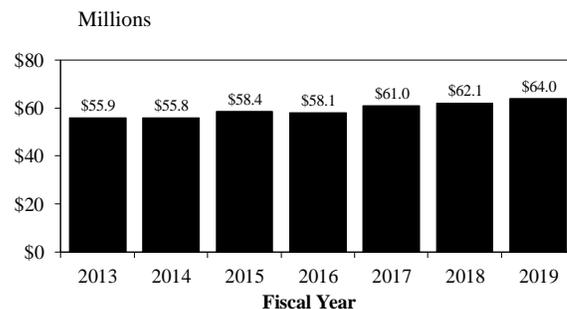
FY2017 marks the nineteenth year of the Personal Property Tax Relief Act (PPTRA) enacted by the General Assembly in 1998, although actual reimbursements to localities were capped by the State in the 2004 legislative session. Due to the State payment cap the amount of tax relief will vary by year and 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 CY2016 tax levy. For qualifying individual vehicles assessed between \$1,001 and \$20,000, the State will pay Henrico County 55.0 percent of the CY2015 tax levy. With qualifying individual vehicles valued at \$20,001 or more, the State will pay Henrico County 55.0 percent of the CY2016 tax levy for the first \$20,000 of value only. The PPTRA payments from the State are included in the actual and projected revenues. 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 \$116.0 million for FY2017. This represents 12.4 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 0.9 percent in FY2018 and 1.4 percent in FY2019.

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. Effective July 1, 2013, Virginia's Sales Tax rate was increased from 5.0 percent 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 \$61.0 million in FY2017, an increase of \$2.9 million, or 5.0 percent from the current fiscal year budget. Local Sales Tax revenues are projected to increase by 1.8 percent in FY2018 and 3.1 percent FY2019. Henrico County's retailers continue to lead the Richmond Metropolitan Area in the generation of Local Sales Tax revenue. As of April 2016, Henrico County is recording 38.4 percent of the Local Sales Tax dollars redistributed to localities in the Richmond Metropolitan Area by the State.

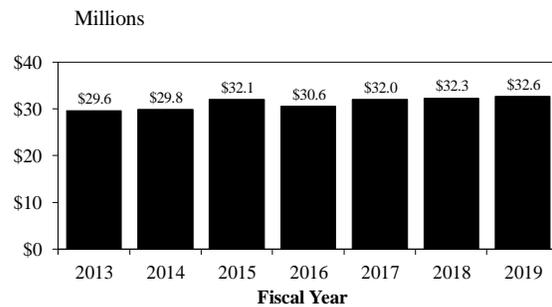
Local Sales Tax



Fiscal Years 2016 through 2019 are estimated.

Business & Professional License (BPOL) Taxes are levied on businesses operating in the County. All County businesses must hold a valid business license, but that license may or may not be taxable. In January 1996, Henrico County embarked on the most ambitious BPOL tax reduction strategy in Virginia in an effort to continue to attract economic development to the County. This strategy, completed with the FY2000 Annual Fiscal Plan, resulted in the exemption of the first \$100,000 of gross receipts for County businesses. This exemption is different from the “threshold” tax reduction in other Virginia localities. For Henrico County businesses, the first \$100,000 of gross receipts is exempt from the BPOL tax – regardless of total gross receipts. In a “threshold” locality, if a business exceeds \$100,000 in gross receipts, all gross receipts are taxable as the tax reduction only applies to businesses with total gross receipts below the \$100,000 threshold. In addition, the FY2017 budget maintains a maximum uniform BPOL tax rate of \$0.20/\$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 FY2017 forecast assumes BPOL tax receipts will increase to a level of \$32.0 million. It is projected that receipts will increase by 1.0 percent in both FY2018 and FY2019, respectively.

Business, Professional & Occupational License Tax (BPOL) Revenues

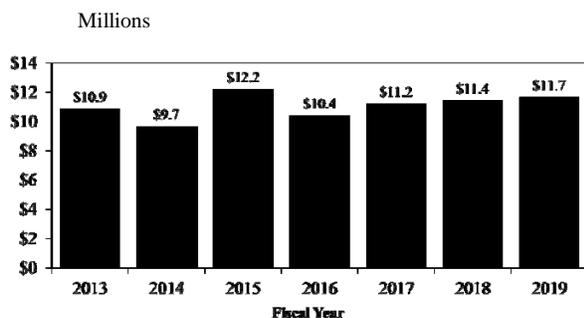


Fiscal Years 2016 through 2019 are estimated.

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 FY2017, FY2018, and FY2019. The Code of Virginia authorizes localities to impose a tax on the consumers of public utilities (not the same as a tax on utility providers). Residential consumers of public utilities are taxed \$0.70 plus the rate of \$0.007537 per kilowatt hour not to exceed \$1.00 per month. Commercial consumers of public utilities are taxed \$1.15 plus the rate of \$0.00713 per kilowatt hour not to exceed \$10.00 per month.

Hotel/Motel Tax Revenue



Fiscal Years 2016 through 2019 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, all of which is transferred to the Richmond Convention Center. At the end of the fiscal year, Henrico County’s local 2.0 percent component for tourism expenses will be returned from the Authority. FY2017 revenue estimates for the Hotel/Motel Tax total \$11.2 million. It is anticipated that revenues will increase by 2.0 percent in FY2018 and FY2019, respectively.

Food & Beverage (Meals) Tax represents revenue forecasted to be generated by the passage of the Meals Tax in November, 2013. As pledged to the voters in Henrico, the ordinance passed by the Board of Supervisors in February, 2014 states the Meals Tax will be earmarked for School’s operating and capital budget needs. The FY2017 forecast is \$20.0 million, and it is projected this revenue will remain flat in the projected years of FY2018 and FY2019.

Bank Franchise Taxes are derived from the taxation of net capital on banks located in the County. In FY2017, Bank Franchise Taxes are estimated at \$5.0 million and is projected to remain constant in FY2018 and FY2019.

Other Local Taxes includes funds received for grantor’s taxes, recordation taxes, daily rental tax, and the consumption tax. In total \$5.36 million is budgeted in FY2017, which is a decrease from the current fiscal year by \$50,000 or 0.92 percent. It is projected that revenues will remain at the FY2017 level for FY2018 and FY2019.

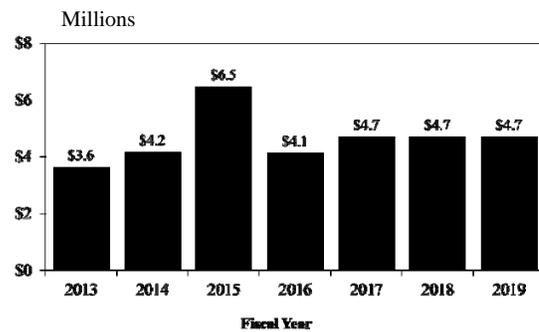
Other Local Revenue:

Other Local Revenue is estimated to generate nearly \$27.1 million in FY2017. This represents a \$713,000, or a 2.7 percent increase from FY2016. More detailed information on each of these categories of local revenue is included in the pages that follow.

Other Local Revenue	FY2016	FY2017	Increase	Percent
	Original	Approved	(Decrease)	Change
Permits, Fees and Licenses	\$ 4,126,100	\$ 4,701,100	\$ 575,000	13.9%
Fines and Forfeitures	2,590,000	2,590,000	0	0.0%
Use of Money and Property	7,915,600	7,925,600	10,000	0.1%
Charges for Services	3,585,100	3,700,450	115,350	3.2%
Miscellaneous	8,170,370	8,170,370	0	0.0%
Total Other Local Revenue	\$ 26,387,170	\$ 27,087,520	\$ 700,350	2.7%

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 \$4.7 million in FY2017, which represents a \$574,900, or 13.9 percent increase when compared to FY2016.

Permits, Fees, and Licenses

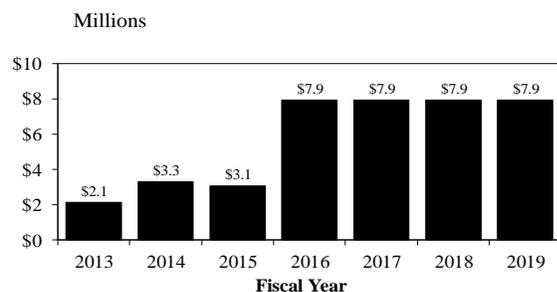


Fiscal Years 2016 through 2019 are estimated.

Building Permit Fees, which are an elastic revenue source, account for more than 69.1 percent of this revenue category in the current budget year. In FY2017, Building Permit Fees are estimated to increase by 600,000 or 22.6%. The projection for this revenue is based on restructuring the fee structure.

Information through April 2016 indicates an increase of 6.8 percent in the number of permits issued but a decrease in permit value of 6.2 percent or \$20,133,454 year-to-date in FY2016. The forecast for Permits, Fees and License revenues is projected to remain flat at \$4.7 million in FY2018 and FY2019.

Use of Money and Property



Fiscal Years 2016 through 2019 are estimated.

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 FY2017 and is projected to remain constant for FY2018 and FY2019.

Use of Money and Property is estimated to generate \$7.9 million in FY2017. 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 FY2018 and FY2019.

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 \$3.7 million in FY2017 and is projected to remain constant in FY2018 and FY2019.

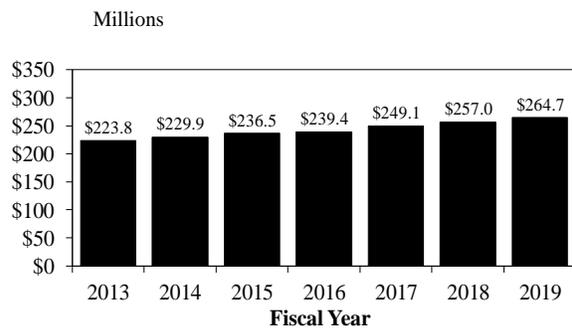
State and Federal Revenue:

State and Federal revenue is estimated at \$341.8 million in FY2017, which represents 36.6 percent of total General Fund revenue. This is a projected increase of approximately 4.1 percent over the current fiscal year. This category is comprised of revenue for General Government programs totaling \$92.7 million and Education funding of \$249.1 million. The following is a look at the components.

State and Federal Aid to Education is estimated to increase from \$239.4 million in FY2016 to \$249.1 million in FY2017. This represents an increase of \$9.7 million or 4 percent. The projection assumes an increase of 3.15 percent in FY2018 and 3.0 percent in FY2019.

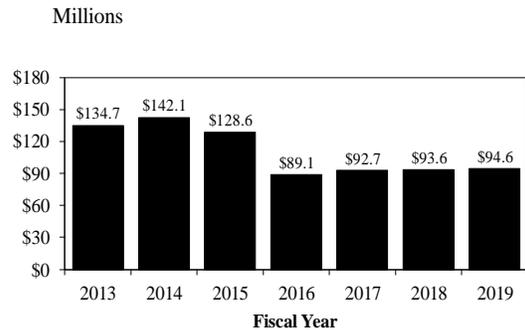
Federal reimbursements for Education have a minimal impact on the level of total appropriations in the General Fund as all of the Federal grants awarded to HCPS is recognized in the County’s Special Revenue Fund. In FY2017, Federal funding in the General Fund for Education totals \$350,000 and is forecasted to remain constant in FY2018 and FY2019.

State and Federal Aid to Education



Fiscal Years 2016 through 2019 are estimated.

State and Federal Aid to General Gov’t.



Fiscal Years 2016 through 2019 are estimated. PPTRA payments are reflected in the FY2013-FY2015 totals. Current and future year projections include the estimate for personal property in one central location (local revenue).

State and Federal Aid to General Government is estimated at \$92.7 million in FY2017. This represents an increase of \$3,628,128 or 4.1 percent when compared to the FY2016 budget. General Government programs for which Henrico County receives State and Federal funding include police, street and highway maintenance, 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 FY2019, 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 has and continues to remain flat, while the local component (paid by the County taxpayers) has and will continue to increase.

Henrico is projected to receive \$44.0 million for road maintenance in FY2017. 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.

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 \$13.1 million in FY2017.

Federal Aid to General Government is estimated at \$15,000 in FY2017. The majority of federal revenues are designated for education.

Expenditures **Assumptions**

In the course of developing the FY2017 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 CY2016. These decisions were reached after careful review and planning by the Board of Supervisors. This planning reaches beyond FY2017 and is intended to establish a balance between the County's recurring revenues and expenditures in future years. The FY2017 General Fund Budget of \$810.9 million represents an increase of \$25.1 million or 3.2 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 FY2017, the Education budget represents 56.1 percent of General Fund expenditures. General Fund Education expenditures total \$455.1 million in the Annual Fiscal Plan, which represents an increase of \$13.9 million, or 3.2 percent. Of the total expenditures in Education, 45.3 percent are funded with locally generated revenues and 54.7 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 FY2017 Annual Fiscal Plan is \$355.8 million, which represents an increase of \$11.2 million, or 3.3 percent. The focus continues to remain on Public Safety as the budget includes the addition of ten new Police Officers as the fourth year of a five-year commitment, three new positions associated with the radio communication system, and one for the PALs program. In addition to the new Police Officers, nine new Firefighters and one new Captain will be assigned to the new Fire Station #19, one new Management Support Specialist II position for administrative support, and three new Firefighter positions needed for the Division, which is the start of a three-year plan to add a total of nine new Firefighters to help alleviate some of the staffing pressures within the Division. The FY2017 Annual Fiscal Plan also provides operating costs for Libbie Mill and Varina Area Libraries (both of which were projects approved in the 2005 G.O. Bond Referendum), as well as 9 positions needed to support Varina Library. One more IT position will be added to the Courts for support services.

General Fund expenditures are forecasted to grow by 2.6 percent in FY2018 and 2.3 percent in FY2019. The proposed levels of operational funding allow for the continuation of existing service levels as well as new operating costs associated with capital projects approved by the Board of Supervisors. In addition, funding has been dedicated for much need operating and capital projects for Schools, various road maintenance and construction projects.

The FY2017 Capital Budget totals \$244.4 million. The five-year Capital Improvement Program for FY2017 through FY2021 includes requests that exceed \$1.5 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 \$244.4 million FY2017 Capital Budget, \$200.1 million is for Water and Sewer projects. Water and Sewer projects are funded by revenues from water and sewer user and connection fees and

revenue bonds. The remaining balance of \$44.3 million within the FY2017 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 FY2017 Annual Fiscal Plan includes \$43.2 million in pay-as-you-go funding from a variety of sources. The FY2017 transfer of \$43,155,447 includes an allocation of \$8,450,000 from General Fund balance. This allocation includes \$5.0 million for pay-as-you-go construction, which is to be divided equally between General Government and Education to support various ongoing projects. The remaining \$3,450,000 associated with the General Fund balance transfer will support the Fire SCBA replacement and an Energy Management project and provide partial funding for the Greenwood Park project and the Data Center upgrade project.

The forecast also includes a \$4,899,400 allocation from the Designated Capital Reserve Fund balance, which will provide the remaining funding for the Fire Alerting System and the Dumbarton Library Repurpose project as well as partial funding for the Parham Road Complex Improvements, the Courts Building Refresh, and the Data Center upgrade project. Building Inspections' Permit Fee revenue of \$1.0 million is forecasted for the remaining allocation needed for the Information Technology's Tidemark replacement project. The FY2017 transfer also includes the Motor Vehicle License Fee revenue of \$850,000, which supports various Public Works' ongoing projects. Dedicated General Fund resources of \$2,348,000 are included for an ongoing storm water project which has been submitted to meet the County's Chesapeake Bay Total Maximum Daily Load (TMDL) permit requirement. The General Fund revenues transfer for FY2017 totals \$5,824,800 and will fund the School Bus Replacement Program, the Fire Apparatus Replacement Program, and the Police Vehicle Replacement Program.

Finally, the projected revenues from the food and beverage tax will once again be allocated to Schools as prescribed in the ordinance the Board of Supervisors passed. A total of \$19,783,247 is allocated to various Education capital projects. Of the \$19.8 million, \$9.0 million represents ongoing revenues and \$10.8 million represents fund balance associated with prior year additional Meals Tax receipts which will provide funding for the planning phase of the renovation of six elementary schools and one middle school. This revenue source was approved by the voters in November, 2013 to fund capital and operational needs of the County's school system

To (From) Debt Service Fund represents the forecast of General Fund support to the Debt Service Fund. The debt service levels through FY2019 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.

To (From) Capital Projects is projected at \$43.2 million in FY2017, of which, \$8.5 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, \$19.8 million of the revenue generated will be placed in an Education Meals Tax Project Reserve. In addition, \$5.8 million is allocated for a vehicle replacement, comprised of \$1.5 million for the fire apparatus replace program, \$2.3 million for police vehicles, and \$2.0 million for school bus replacement. Projections for FY2018 and FY2019 include transfers of \$30.5 million and \$31.0 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 FY2017 estimate of these costs is \$1.9 million and the estimated costs for FY2018 and FY2019 remain flat.

To (From) Risk Management Fund is the transfer of funds to support risk management operations. The fund was established in FY2005. The FY2017 transfer is for \$8.4 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 FY2018 and FY2019 is estimated at \$8.6 million and \$8.7 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 (CCP), the Department of Social Services including the Comprehensive Services Act (CSA) program, 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 \$28.0 million in FY2017. The projections over the forecast period are \$28.3 million in FY2018 and \$28.5 million in FY2019, 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. 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 \$2.98 million for FY2017, as the debt associated with the construction of the facility has been paid. The transfer for the JRJDC Agency fund is projected to increase in FY2018 to \$3.04 million and in FY2019 is projected to total \$3.1 million.

(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 FY2017, FY2018, and FY2019 total \$2.8 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 FY2017, FY2018, and FY2019 remain flat at \$575,000 each year, which will fund the County's obligation in this area.

(To) From Fund Balance – General encompasses any money used to fund specific capital projects and decreased from 15,930,000 in FY16 to 14,349,400 for FY17 or 9.9%. The 2017 figure incorporates 5 areas: Capital Projects, Capital Reserve, Assigned, Unassigned, and Building Permit Fees. **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 FY2017, \$5.0 million is being allocated for General Government and Education projects. FY2018 and FY2019 forecasts project the use of \$5.0 million each year, respectively, for Education and General Government projects. **Capital Reserve** represents the allocation of designated funding for specific projects. In FY2017, \$4.9 million is being allocated for three projects: \$1,008,000 for the fire alerting system, \$691,400 for Parham Road Complex Improvements, 600,000 for Courts Building Refresh, 600,000 for Data Center Upgrade, and \$2,000,000 for the repurposing of Dumbarton Library. The FY2018 and FY2019 forecasted expenditures are budgeted at \$5.0 million per year to cover future capital projects. **Assigned Fund Balance** totals \$3.1 million and includes three separate projects: \$1.7 million for Fire SCBA Replacement, \$0.6 million for School's data center upgrade, and \$0.8 million for Greenwood park turn light. **Unassigned** totals \$350,000 and is reflective of energy savings from prior energy efficiency initiatives such as installing more energy efficient lighting. **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 Revenue Stabilization Reserve represents the start of a reserve used for the anticipation of an economic downturn and totals \$1.0 million

From Sinking Fund – Bond Ops 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 Sinking Fund 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 FY2017, a forecasted use of \$1.8 million is anticipated and \$1.3 million is anticipated for FY2018.

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 FY2016, FY2017, FY2018, and FY2019.

General Fund Forecast

	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
	Actual	Original	Approved	Forecast	Forecast
Revenues:					
Current Real Estate Tax	\$ 278,427,802	\$ 282,000,000	292,000,000	\$ 300,000,000	\$ 306,300,000
P.S. Real Estate Tax	7,726,555	8,285,000	8,285,000	8,285,000	8,285,000
Current Personal Prop. Tax ⁽¹⁾	70,621,408	113,075,000	115,885,000	117,000,000	118,750,000
P.S. Personal Property Tax	115,511	115,000	115,000	115,000	115,000
Other General Property Tax	15,555,539	5,475,000	5,475,000	5,475,000	5,475,000
Local Sales Tax	58,428,037	58,120,000	61,000,000	62,102,849	64,000,000
Business License Tax	32,086,401	30,600,000	32,000,000	32,320,000	32,635,706
Motor Vehicle License Tax	6,573,762	6,325,000	6,325,000	6,325,000	6,325,000
Consumer Utility Tax	2,700,716	2,600,000	2,600,000	2,600,000	2,600,000
Bank Franchise Tax	11,481,542	5,000,000	5,000,000	5,000,000	5,000,000
Hotel/Motel Tax	12,193,553	10,400,000	11,200,000	11,424,000	11,652,480
Food & Beverage (Meals) Tax	26,783,430	20,000,000	20,000,000	20,000,000	20,000,000
Other Local Taxes	6,036,518	5,410,000	5,360,000	5,360,000	5,360,000
Local Taxes Sub-Total	528,730,774	547,405,000	565,245,000	576,006,849	586,498,186
Permits, Fees, & Licenses	6,465,649	4,126,100	4,701,100	4,701,100	4,701,100
Fines & Forfeitures	2,596,069	2,590,000	2,590,000	2,590,000	2,590,000
Use of Money & Property	3,062,693	7,915,600	7,925,600	7,925,600	7,925,600
Charges for Services	4,095,705	3,585,100	3,700,450	3,700,450	3,700,450
Miscellaneous Revenue	11,093,388	8,170,370	8,170,370	8,170,370	8,170,370
Total Local Revenue	556,044,278	573,792,170	592,332,520	603,094,369	613,585,706
State & Federal-Schools	236,454,076	239,359,800	249,108,872	256,955,801	264,664,475
State & Federal-General Government ⁽¹⁾	128,559,437	89,083,975	92,712,103	93,639,224	94,575,616
Total State & Fed. Revenue	365,013,513	328,443,775	341,820,975	350,595,025	359,240,092
Total Revenue	\$ 921,057,791	\$ 902,235,945	\$ 934,153,495	\$ 953,689,394	\$ 972,825,798
Transfers:					
(To) From Debt Service Fund	\$ (57,350,014)	\$ (54,805,548)	(57,507,646)	\$ (54,324,935)	\$ (51,912,224)
(To) From Capital Projects Fund	(33,185,101)	(43,474,772)	(43,155,447)	(30,522,800)	(31,022,800)
(To) From Enterprise Fund	(1,928,108)	(1,930,308)	(1,928,621)	(1,928,621)	(1,929,921)
(To) From Risk Management Fund	(11,778,543)	(8,397,952)	(8,393,421)	(8,565,289)	(8,732,515)
(To) From Technology Replacement	(1,000,000)	(1,000,000)	(2,000,000)	(2,250,000)	(2,500,000)
(To) From Special Revenue Fund	(24,326,570)	(26,610,991)	(27,985,219)	(28,265,071)	(28,547,722)
(To) From JRJDC Agency Fund	(3,314,227)	(3,426,586)	(2,979,622)	(3,039,214)	(3,099,999)
(To) From OPEB - GASB 45 Fiduciary Fund	(2,500,000)	(2,750,000)	(2,750,000)	(2,750,000)	(2,750,000)
(To) From Line of Duty	(497,352)	(550,000)	(575,000)	(575,000)	(575,000)
Oper. Transfer- LTD	(486,000)	-	-	-	-
(To) From Fund Balance - General	8,100,000	15,930,000	14,349,400	10,000,000	10,000,000
Use of Fund Balance - Public Works Revenues	8,751,467	6,531,502	-	-	-
Use of Fund Balance - RE Tax for TMDL	2,348,000	-	-	-	-
(To) From Fund Balance - Chesapeake Bay - TMDL	(2,348,000)	-	-	-	-
Use of Fund Balance - Capital Initiatives	-	1,000,000	-	-	-
From Fund Balance - Voting Machine Reserve	-	1,000,000	-	-	-
(To) From Fund Balance - Voting Machine Reserve	-	(1,000,000)	-	-	-
(To) From Fund Balance-VRS Reserve	4,497,376	-	-	-	-
Use of Fund Balance General Fund	(36,920,829)	-	-	-	-
(To) From Fund Balance - Meals Tax Reserve	-	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
(To) From Fund Balance - Meals Tax FY14	-	1,990,470	-	-	-
(To) From Fund Balance - Meals Tax FY15	-	-	8,783,247	-	-
(To) From Fund Balance - Meals Tax FY16, FY17, & FY18	-	-	2,000,000	2,000,000	2,000,000
From Fund Balance - State Revenue Stabilization	-	1,000,000	-	-	-
(To) From Revenue Stabilization Reserve	-	-	(1,000,000)	(1,000,000)	(1,000,000)
From Sinking Fund - Bond Ops	339,124	2,074,331	1,864,067	1,245,694	-
Total Transfers	\$ (151,598,777)	\$ (116,419,854)	\$ (123,278,262)	\$ (121,975,236)	\$ (122,070,181)
Total Resources	\$ 769,459,014	\$ 785,816,091	\$ 810,875,233	\$ 831,714,158	\$ 850,755,617
Expenditures:					
General Government Administration	\$ 52,006,454	\$ 54,416,121	55,811,883	56,928,121	58,066,683
Judicial Administration	8,001,807	7,913,112	8,102,908	8,264,966	8,430,265
Public Safety	166,460,672	164,623,084	170,483,485	175,829,824	179,596,420
Public Works	49,462,235	48,045,077	48,965,254	49,944,559	50,943,450
Health & Social Services	1,902,174	1,779,094	1,950,729	1,989,744	2,029,538
Education	428,631,448	441,171,628	455,071,628	466,857,812.59	478,584,527
Recreation & Culture	30,512,840	34,596,408	36,116,814	36,839,150	37,575,933
Community Development	22,025,197	21,120,304	22,782,633	23,238,286	23,470,669
Miscellaneous	10,456,187	12,151,263	11,589,899	11,821,697	12,058,131
Total Expenditures	\$ 769,459,014	\$ 785,816,091	\$ 810,875,233	\$ 831,714,159	\$ 850,755,617
Fund Balance:					
Restricted (*)	\$ 7,321,539	\$ 10,000,000	10,000,000	\$ 10,000,000	\$ 10,000,000
Assigned (**)	96,937,522	70,411,219	46,414,505	36,168,811	27,168,811
Unassigned Fund Balance	119,945,764	117,872,414	121,631,285	124,757,124	127,613,343
Total Fund Balance	\$ 224,204,825	\$ 198,283,633	\$ 178,045,790	\$ 170,925,935	\$ 164,782,154

* 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.