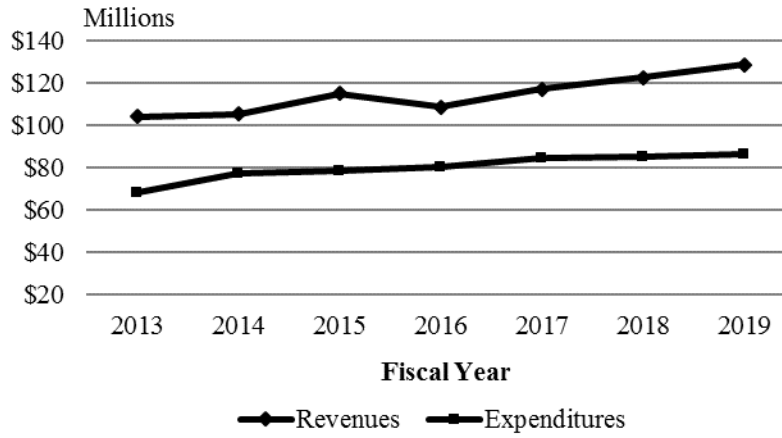


## Three Year Forecast Revenues and Expenditures Enterprise Fund – Water & Sewer



### 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 FY2016-17 is based on a 5.0 percent increase in water rates. Forecasts for FY2017-18 and FY2018-19 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 FY2016-17 reflect a decrease of 8.2 percent in water connection fees. This decrease is due to an adjustment in several water connection fees based on a rate study. The forecast for Water Basic Fees reflects 3.0 percent growth in FY2017-18 and FY2018-19, which reflects a conservative estimate of growth in the commercial and residential real estate.

**Sale of Sewer Services** for FY2016-17 is based on a 5.0 percent increase in sewer rates. Like Sale of Water Service revenues, noted above, forecasts for FY2017-18 and FY2018-19 were prepared using 5.0 percent rate increases in each year. The majority of these increases 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. The forecasted revenue collections in FY2016-17 reflect an increase of \$3.0 million in connection fees compared to the budgeted amount last fiscal year. The forecasted amount in FY2016-17 was increased to more accurately reflect actual collections. A 3.0 percent increase in fees has been projected for both FY2017-18 and FY2018-19.

**(To) From General Fund** includes the General Fund payment to support debt service on the portion of the \$32.0 million 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 FY2016-17 totals \$1,928,621.

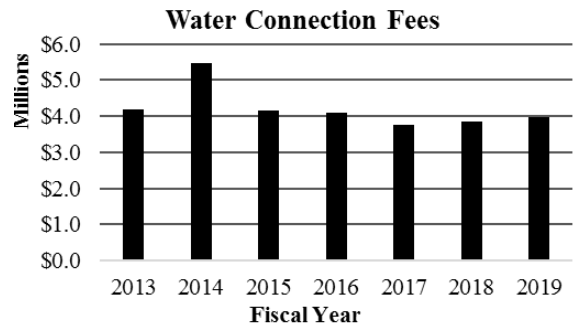
In addition to payment of the debt service, the General Fund is also responsible for the annual repayment of the \$9.6 million loan made in FY1996-97 to the Capital Projects Fund for additional infrastructure built at the Elko Tract site. The County's year-end financial statements disclose this loan as an asset in the Water and Sewer Enterprise Fund and a liability in the Capital Projects Fund; however, the General Fund is responsible for repaying the debt. The annual repayment of this loan was included in the General Fund transfer amount in FY1998-99. However, from FY1999-00 through FY2009-10, this amount was reflected as an expenditure in the General Fund for budget purposes, therefore, was not reflected in the General Fund transfer amount. With the refunding of the \$32.0 million 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.

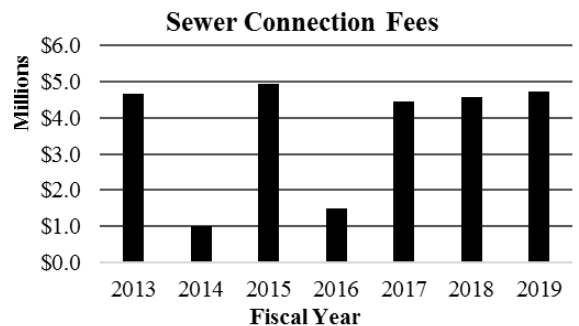
**Expenditures**

**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.



Note: Fiscal Years 2016 through 2019 are estimated



Note: Fiscal Years 2016 through 2019 are estimated

**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 \$200.1 million in FY2016-17, \$90.6 million in FY2017-18, and \$38.8 million in FY2018-19. 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**

	<b>FY14-15 Actual</b>	<b>FY 15-16 Original</b>	<b>FY 16-17 Forecast</b>	<b>FY 17-18 Forecast</b>	<b>FY 18-19 Forecast</b>
<b>Water &amp; Sewer Operations Subfund</b>					
<b>Revenues:</b>					
Sale of Water	\$ 50,523,832	\$ 48,000,000	\$ 51,550,971	\$ 54,128,520	\$ 56,834,946
Water Connection Fees	4,156,712	4,079,695	3,745,544	3,857,910	3,973,648
Sale of Sewer Services	47,558,353	48,740,000	50,739,661	53,276,644	55,940,476
Sewer Connection Fees	4,939,381	1,500,000	4,455,203	4,588,859	4,726,525
Miscellaneous Revenue	6,083,489	4,372,073	4,700,360	4,935,378	5,182,147
Transfer from General Fund	1,928,108	1,930,308	1,928,621	1,928,621	1,928,621
<b>Total Revenue</b>	<b>\$ 115,189,875</b>	<b>\$ 108,622,076</b>	<b>\$ 117,120,360</b>	<b>\$ 122,715,932</b>	<b>\$ 128,586,362</b>
<b>Expenditures:</b>					
Personnel	\$ 19,424,041	\$ 20,508,294	\$ 20,817,368	\$ 21,233,715	\$ 21,658,390
Operating	41,314,229	40,422,511	40,797,511	41,613,461	42,445,730
Capital Outlay	1,150,951	785,527	785,527	801,238	817,262
<b>Sub-Total</b>	<b>61,889,221</b>	<b>61,716,332</b>	<b>62,400,406</b>	<b>63,648,414</b>	<b>64,921,382</b>
Debt Service	16,645,662	18,707,306	22,280,470	21,283,583	21,286,583
<b>Total Expenditures</b>	<b>\$ 78,534,883</b>	<b>\$ 80,423,638</b>	<b>\$ 84,680,876</b>	<b>\$ 84,931,997</b>	<b>\$ 86,207,965</b>
<b>Results of Operations (Prior to Capital Expenses)</b>	<b>36,654,992</b>	<b>28,198,438</b>	<b>32,439,484</b>	<b>37,783,935</b>	<b>42,378,397</b>
<b>Budget For Capital Use (Below)</b>	n/a	(65,500,000)	(200,050,000)	(90,625,000)	(38,775,000)

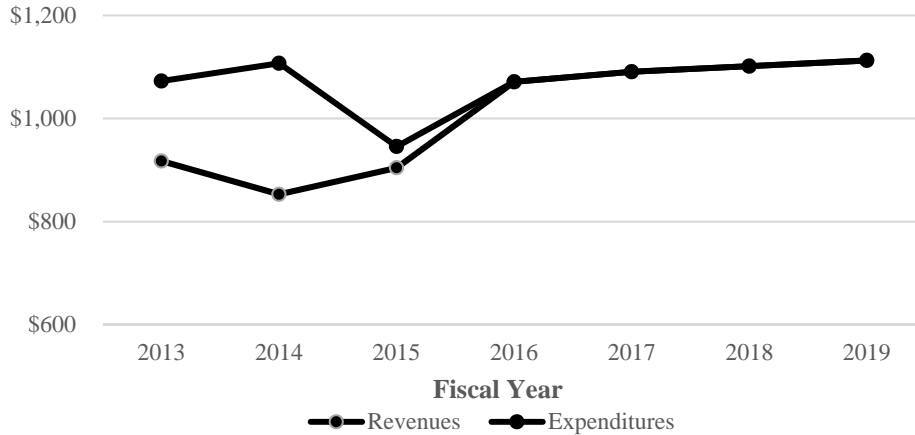
<b>Capital Budget Expenditures</b>	<b>FY 14-15 Actual</b>	<b>FY 15-16 Original</b>	<b>FY 16-17 Forecast</b>	<b>FY 17-18 Forecast</b>	<b>FY 18-19 Forecast</b>
Approved/Requested Capital Projects	-	65,500,000	200,050,000	90,625,000	38,775,000
Continuing Capital Projects (Previously Approved) <sup>(1)</sup>	51,814,281	-	-	-	-
<b>Total Capital</b>	<b>51,814,281</b>	<b>65,500,000</b>	<b>200,050,000</b>	<b>90,625,000</b>	<b>38,775,000</b>
<b>Capital Budget Resources</b>					
Water and Sewer Revenues	7,895,045	36,200,000	59,200,000	77,625,000	20,525,000
Revenue Bonds	43,919,236	29,300,000	140,850,000	13,000,000	18,250,000
<b>Total Capital Budget Resources</b>	<b>51,814,281</b>	<b>65,500,000</b>	<b>200,050,000</b>	<b>90,625,000</b>	<b>38,775,000</b>

Notes:

<sup>(1)</sup> This number plus the budget figure reflects Utilities estimate of capital spending from previously Board approved capital projects. FY2014-15 represents actual spending, as per the 2015 audit.

Note: Fund Equity as of June 30, 2015 was \$55,689,150.

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



Fiscal Years 2017 through 2020 are estimated.

### Belmont Park Golf Course Operations (Fund 5201)

#### Revenues

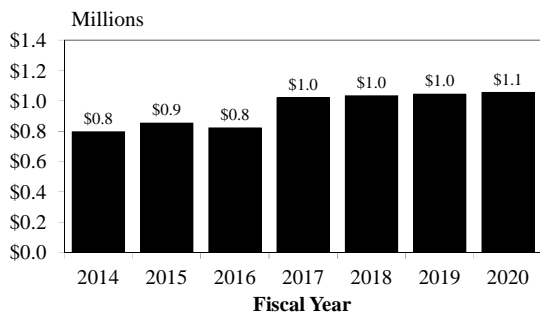
#### Assumptions

**Golf Course Fees** revenue for FY2017-18 is estimated to total \$1,033,854, which reflects an increase of \$13,261 or 1.30 percent. There are no scheduled changes in the golf course fees for FY2017-18. Revenue projections for FY2018-19 and FY2019-20 are based upon modest one percent growth.

**Snack Bar Revenues** prior to January 1, 2000, there revenues 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 FY2017-18, FY2018-19, and FY2019-20.

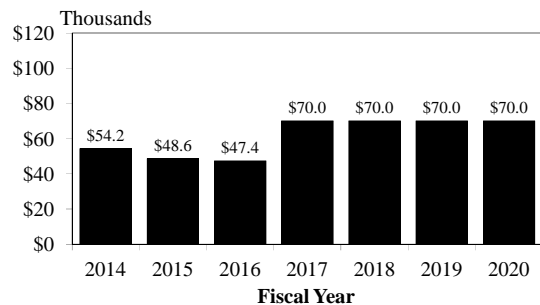
**(To) From Golf Course Retained Earnings** is Retained Earnings from golf course operations to be used for future golf course operations, maintenance or improvements. During the forecast period there is no scheduled use of Retained Earnings.

### Golf Course Fees



Fiscal Years 2017 through 2020 are estimated.

### Snack Bar Revenues



Fiscal Years 2017 through 2020 are estimated.

**Expenditures****Assumptions**

**Operational Expenses** in FY2017-18 are estimated to increase by \$13,261 or 1.30 percent. Expenditure reductions were made in FY2014-15 through a number of targeted efforts, realizing greater efficiencies, and reducing personnel expenses at the Golf Course, including eliminating one position from the Golf Course's complement. Expenditure estimates in FY2018-19 and FY2019-20 reflect modest 1.0 percent growth per year.

	<b>Belmont Golf Course</b>				
	<b>Enterprise Fund Forecast</b>				
	<b>FY 15-16</b>	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>
	<b>Actual</b>	<b>Original</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>Belmont Golf Course Operations</b>					
<b>Revenues:</b>					
Golf Course Fees	\$ 822,874	\$ 1,020,593	\$ 1,033,854	\$ 1,044,893	\$ 1,056,041
Snack Bar Revenues	47,384	70,000	70,000	70,000	70,000
Gain/Loss on Sale of Property	(5,082)	-	-	-	-
Recoveries & Rebates	1,960	-	-	-	-
Transfer fom General Fund	40,000	0	0	0	
Total Revenues	<u>\$ 907,136</u>	<u>\$ 1,090,593</u>	<u>\$ 1,103,854</u>	<u>\$ 1,114,893</u>	<u>\$ 1,126,041</u>
Plus:					
(To)From Golf Course					
Retained Earnings	38,162	-	-	-	-
Total Resources	<u>\$ 945,298</u>	<u>\$ 1,090,593</u>	<u>\$ 1,103,854</u>	<u>\$ 1,114,893</u>	<u>\$ 1,126,041</u>
<b>Expenditures:</b>					
Operational Expenses	<u>\$ 945,298</u>	<u>\$ 1,090,593</u>	<u>\$ 1,103,854</u>	<u>\$ 1,114,893</u>	<u>\$ 1,126,041</u>
Total Net Assets	<u>\$ 23,858</u>	<u>\$ 23,858</u>	<u>\$ 23,858</u>	<u>\$ 23,858</u>	<u>\$ 23,858</u>