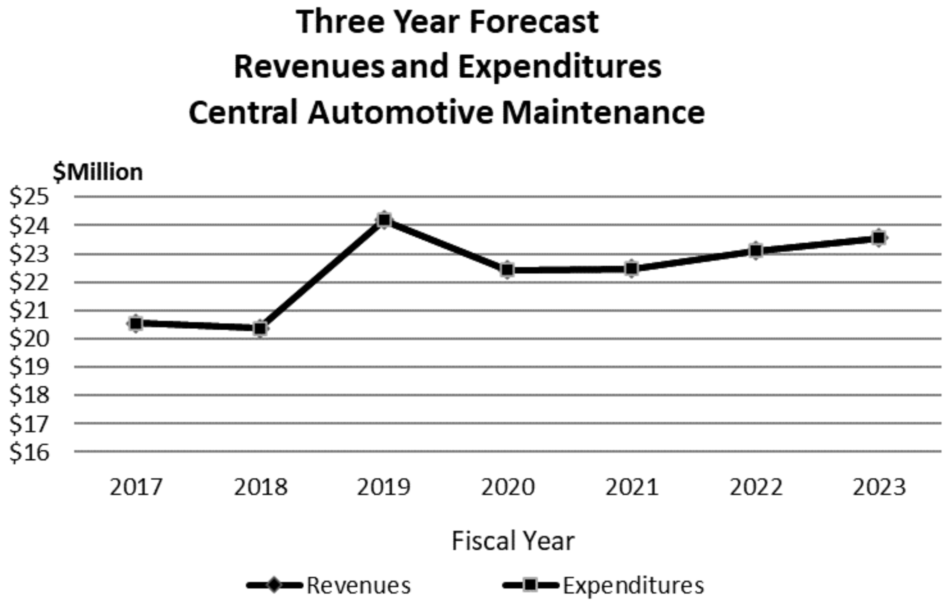


Fiscal Years 2020 through 2023 are estimated. Revenues exclude transfers from other funds.

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.

Revenues
Assumptions

Charges for Automotive Maintenance - West are billings by Central Automotive Maintenance (CAM) for work performed at the maintenance facility on Woodman Road, in the western part of the County. Projected billing for FY2020-21 is $9,400,000. Projected billings for FY2021-22 and FY2022-23 are forecasted at $9,682,000 and $9,972,460, 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 FY2019-20 is $2,500,000. Projected billings for FY2021-22 and FY2022-23 are $2,575,000 and $2,652,250, 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 FY2020-21 is $4,014,323. Projected billings for FY2021-22 and FY2022-23 are $4,094,609 and $4,176,502, respectively, assuming an annual 2.0 percent increase due to projected vehicle replacements and the rising cost of repairs.

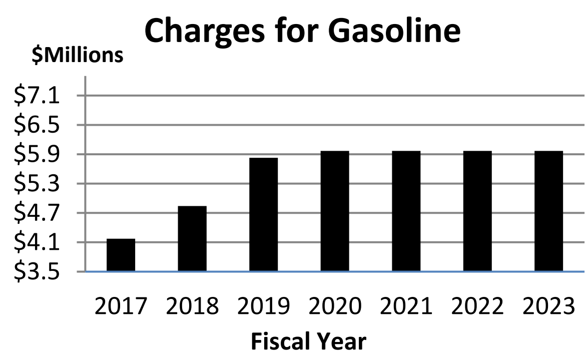
Charges for Gasoline represents the charge for gasoline and diesel fuel used by County departments. A nominal mark-up on top of the wholesale price is used to offset CAM's maintenance and operational expenses in this area. The projections for gasoline are $6,050,000.

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 $105,900 for FY2021-22 and FY2022-23.

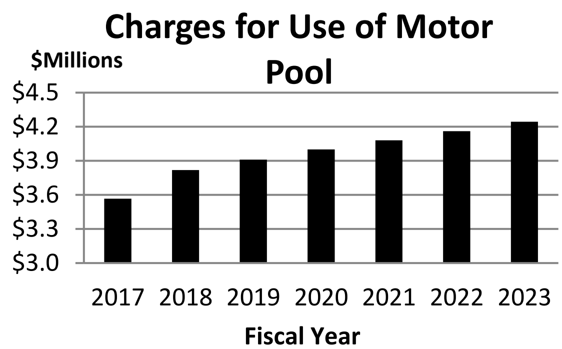
(To) From General Fund is the transfer from General Fund for the initial purchase of new motor pool vehicles. Transfers of $200,000 annually are anticipated during the forecasted period.

(To) From Capital Projects is the transfer from CAM's retained earnings to the Capital Projects Fund. 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 2020 through 2023 are estimated.



Fiscal years 2020 through 2023 are estimated.

__Expenditures__
Assumptions

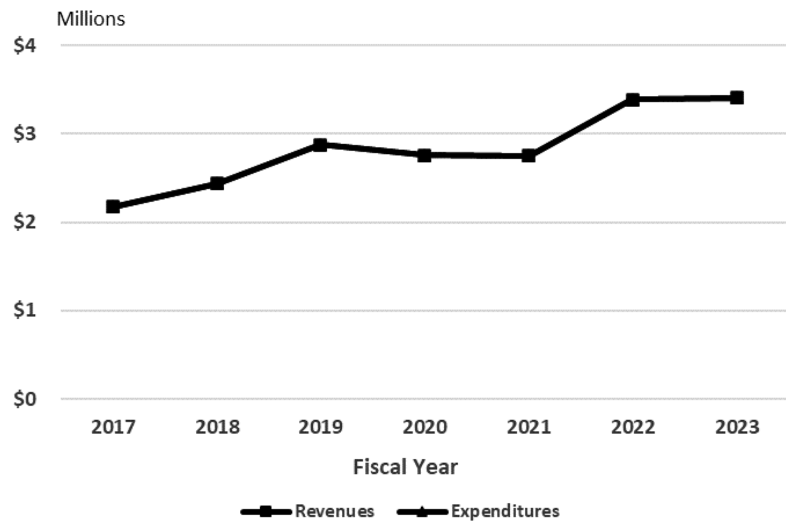
The development of the Central Automotive Maintenance Internal Service Fund budget assumes revenues and transfers will support expenditures in future years. For FY2021-22 and FY2022-23, Central Automotive Expenses are projected to grow at 2.0 percent annually.

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.

Central Automotive Maintenance Internal Service Fund Forecast

	FY18-19 Actual	FY19-20 Original	FY20-21 Forecast	FY21-22 Forecast	FY22-23 Forecast
Revenues:					
Charges for Auto Maint West	$ 9,376,400	$ 9,300,000	$ 9,400,000	$ 9,682,000	$ 9,972,460
Charges for Auto Maint East	2,325,831	2,300,000	2,500,000	$ 2,575,000	2,652,250
Charges for Use of Motor Pool	3,953,194	4,000,000	4,014,323	$ 4,094,609	4,176,502
Charges for Gasoline	5,215,559	5,967,561	6,050,000	6,050,000	6,050,000
Charges for Wash Facility	0	108,000	105,900	105,900	105,900
Miscellaneous Revenues	495,858	300,000	400,000	400,000	400,000
Gain/Loss on Sale of Property	(52,735)	0	0	0	0
Total Revenues	$ 21,314,107	$ 21,975,561	$ 22,470,223	$ 22,907,509	$ 23,357,112
(To) From General Fund	960,544	454,800	0	200,000	200,000
(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	$ 24,189,860	$ 22,430,361	$ 22,470,223	$ 23,107,509	$ 23,557,112
Expenditures:					
Central Automotive Maintenance	$ 24,189,860	$ 22,430,361	$ 22,470,223	$ 23,107,509	$ 23,557,112
Total Expenditures	$ 24,189,860	$ 22,430,361	$ 22,470,223	$ 23,107,509	$ 23,557,112

Three Year Forecast
Revenues and Expenditures
Technology Replacement



Fiscal Years 2020 through 2023 are estimated.

TECHNOLOGY REPLACEMENT FUND

(Fund 6101)
The Technology Replacement Fund, established in FY2000-01 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 FY2003-04, 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 purchase of computer equipment. The FY2020-21 forecasted budget reflects a transfer of $2,750,000. The FY2021-22 and FY2022-23 forecasts reflect a transfer of $3.0 million. These transfers are necessary in order to maintain the stability of the Technology Replacement Fund as the fund balance was depleted as a result of the removal of funding in FY2012-13 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 FY2020-21, the Technology Replacement Fund expenses are projected to be $2,750,000. For FY2021-22, forecasted expenses are projected to be $3,385,676 and in FY2022-23, expenses are

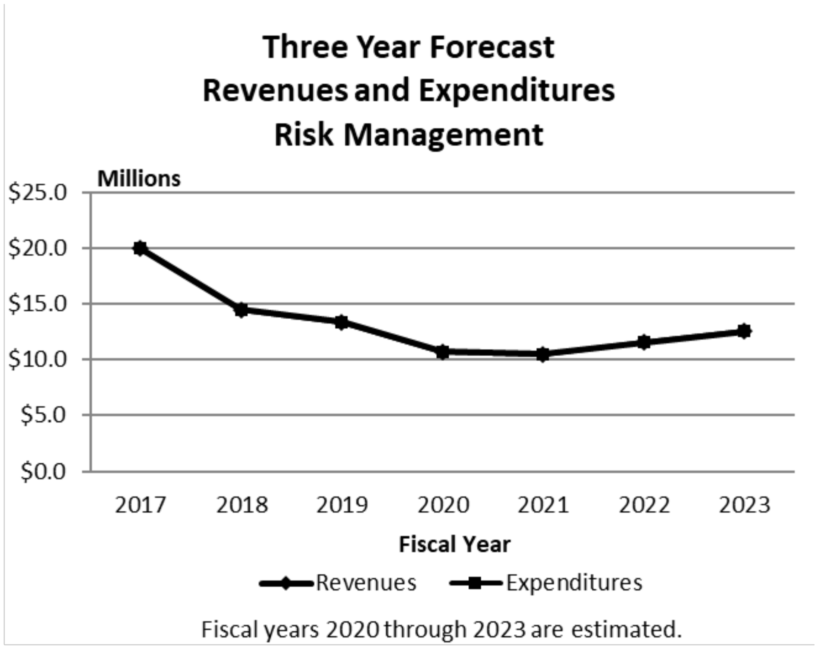
projected to be $3,406,455. The FY2021-22 and FY2022-23 forecasts assume that all items in the Fund, which qualify for replacement, will be purchased on a pre-determined schedule.

Retained Earnings, June 30, 2019, is $2,274,505. 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 Fund Forecast

	FY 18-19 Actual	FY 19-20 Original	FY 20-21 Forecast	FY 21-22 Forecast	FY 22-23 Forecast
Revenues:					
Transfer from General Fund	$ 2,500,000	$ 2,750,000	$ 2,750,000	$ 3,000,000	$ 3,000,000
(To) From Retained Earnings - Technology Replacement	325,150	4,568	0	385,673	406,455
Total Revenues	$ 2,825,150	$ 2,754,568	$ 2,750,000	$ 3,385,673	$ 3,406,455
Expenditures:					
Technology Equipment	$ 2,825,150	$ 2,754,568	$ 2,750,000	$ 3,385,673	$ 3,406,455
Total Expenditures	$ 2,825,150	$ 2,754,568	$ 2,750,000	$ 3,385,673	$ 3,406,455
Retained Earnings June 30*	$ 2,274,505	$ 2,269,937	$ 2,269,937	$ 1,884,264	$ 1,477,809

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



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 FY2020-21 through FY2022-23 are $900,000 per year, which is above the actual amount received during FY2018-19.

Recovered Costs - Miscellaneous includes recovered costs associated with property and liability as well as workers' compensation. While revenues of $727,431 were received during FY2018-19, revenues of $100,000 will be 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 $191,360 were received during FY2018-19, 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 90.4 percent of the forecasted revenues associated with this fund. A transfer from the General Fund totaling $9,499,617 is anticipated for FY2020-21, with an increase of $1,020,000 projected for FY2020-21 and FY2021-22 to minimize mid-year budget amendments.

Expenditures

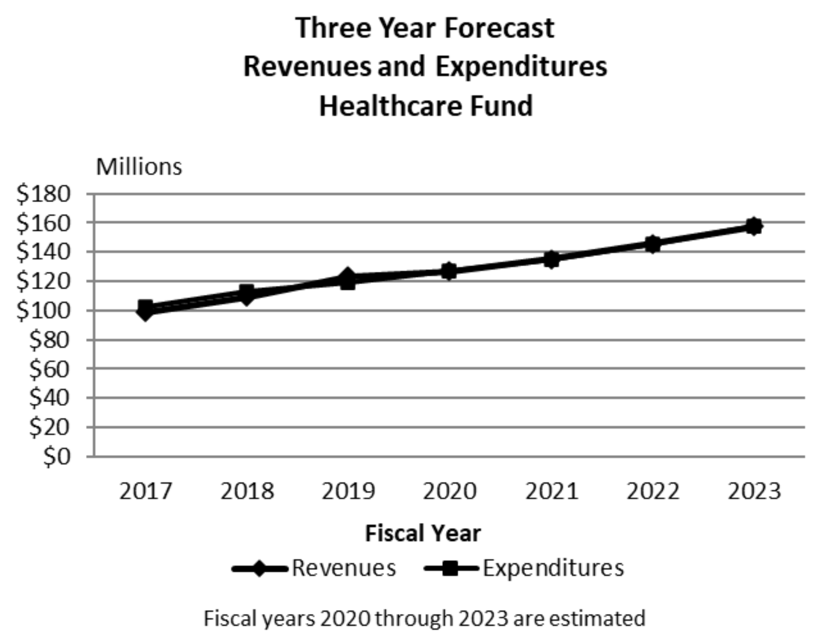
Assumptions

The development of the Risk Management Fund budget assumes revenues and transfers will support expenditures in future years. In FY2018-19, a multi-year effort to reduce the mid-year budget amendments was put in place. In FY2020-21, expenditures are budgeted at $10,499,617, which represents a decrease of $233,682 from the previous fiscal year. For FY2021-22 and FY2022-23, expenses are projected to total $11,519,617 and $12,539,617, respectively. 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, 2019, totals $7,500,000. The County has assigned this amount in the General Fund's fund balance specifically for self-insurance.

Risk Management Fund Forecast

	FY18-19 Actual	FY19-20 Original	FY20-21 Forecast	FY21-22 Forecast	FY22-23 Forecast
Revenues:					
Public Utilities Charges	$ 547,096	$ 750,000	$ 900,000	$ 900,000	$ 900,000
Recovered Costs - Misc	727,431	-	100,000	100,000	100,000
Use of Money and Property	191,360	-	-	-	-
Total Revenues	$ 1,465,887	$ 750,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
(To) From General Fund	$ 11,873,065	$ 9,983,299	$ 9,499,617	$ 10,519,617	$ 11,539,617
Total Resources	$ 13,338,952	$ 10,733,299	$ 10,499,617	$ 11,519,617	$ 12,539,617
Expenditures:					
Risk Management	$ 13,338,952	$ 10,733,299	$ 10,499,617	$ 11,519,617	$ 12,539,617
Total Expenditures	$ 13,338,952	$ 10,733,299	$ 10,499,617	$ 11,519,617	$ 12,539,617
Self-Insurance Reserve	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000



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, 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 premium increases at manageable levels.

<u>Revenues</u>

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 FY2020-21 reflects an increase of 6.0 percent in the County's contribution for active employees. The forecasts for FY2021-22 and FY2022-23 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 FY2020-21 reflects an overall increase of 6.0 percent. The forecasts for FY2021-22 and FY2022-23 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 FY2020-21 reflects an increase of 6.0 percent. The forecasts for FY2021-22 and FY2022-23 assume annual increases of 8.0 percent.

Retiree Subsidy and **Disabled Subsidy** represent County contributions to retiree healthcare plans. The Disabled Subsidy reflects the healthcare subsidy provided to disabled retirees whose retirement occurred prior to January 1, 2003. The Disabled Subsidy forecast for FY2020-21 is $40,000 in FY2020-21. The revenue is projected to remain flat through the remainder of the forecast period. For retirees after January 1, 2003, the healthcare supplement is referred to as a Retiree Subsidy. It 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 for FY2020-21 is $325,000. The revenue is projected to increase by 5.0 percent annually through the remainder of the forecast period, 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.

Prior to January 1, 2018, **Recoveries and Rebates** represented small, one-time miscellaneous recovered cost and rebate revenues related to the Healthcare Fund. In January of 2018, Henrico contracted with Express Scripts to provide pharmacy services. As part of the contract with Express Scripts, Henrico is to receive formulary rebates for a portion of the fund's pharmacy costs on a quarterly basis. The total of those rebates is forecast to be $8,458,027 in FY2020-21, with annual increases of 8.0 percent for the remainder of the forecast period.

Healthcare Wellness Payments in the FY2020-21 budget reflect the annual 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 increase from $100,000 in FY2019-20 to $200,000 in FY2020-21, in recognition of a pattern of stronger interest earnings, and remain at that level in FY2021-22 and FY2022-23.

(To) From Premium Stabilization Reserve reflects the amount of funding either added to or utilized from the Premium Stabilization Reserve in each respective fiscal year. The FY2020-21 approved budget assumes no use of reserve funds as do the forecasts for FY2021-22 and FY2022-23. To forecast the amount of funding to be added to or utilized from the Premium Stabilization Reserve is a difficult task, as the 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, 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.

Expenditures

Assumptions

Claims expenditures reflect the County's cost of service for each participant in the program. 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 FY2020-21 assumes an increase in claims expenditures by 8.0 percent. The forecasts for FY2021-22 and FY2022-23 each assume annual increases of 8.5 percent. As of this writing, there has been no increase in healthcare claims concurrent with the covid-19 pandemic. However, the crisis has created tremendous uncertainty in projections of healthcare claims in the coming years.

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 FY2020-21 budget also includes funding for costs related to the County's healthcare consultant, as well as costs associated with the Affordable Care Act (ACA).

The forecast for FY2020-21 projects an increase in other administrative fee costs of 16.9 percent. The increase is primarily attributable to projected sharp growth in the cost of the County's reinsurance policies that protect it from excessive risk. The forecasts for FY2021-22 and FY2022-23 assume no further change in other administrative fee costs.

Premium Stabilization Reserve (PSR)

The Healthcare Fund's **Premium Stabilization Reserve (PSR)** reflects the accumulation of annual revenues collected in excess of expenditures. This reserve has allowed the County to maintain annual rate increases at manageable levels. No use of reserves is forecast for FY2020-21. As of June 30, 2019, the PSR has a balance of $17,321,145. However, as of that same date, it was calculated that the County has claims that were Incurred But Not Reported (IBNR) amounting to $11,825,000,000. When the value of this estimate is deducted from the PSR, it leaves an uncommitted balance of $5,496,145.

Healthcare Internal Service Fund Forecast

	FY18-19 Actual	FY19-20 Original	FY20-21 Forecast	FY21-22 Forecast	FY22-23 Forecast
Revenues:					
County Contribution - Active	$ 84,587,347	$ 90,732,776	$ 96,226,742	$ 103,924,881	$ 112,238,872
Employee Contribution	21,738,332	22,316,312	23,655,291	25,547,714	27,591,531
Retiree Contribution	5,204,465	5,900,000	5,700,000	6,156,000	6,648,480
Retiree Subsidy	239,256	325,000	325,000	341,250	358,313
Disabled Subsidy	28,540	40,000	40,000	40,000	40,000
COBRA	305,088	385,780	385,780	416,642	449,974
Recoveries and Rebates	7,517,838	6,720,000	8,458,057	9,134,702	9,865,478
Healthcare - Wellness Payment	315,625	150,000	150,000	150,000	150,000
To (From) General Fund	3,000,000	-	-	-	-
Interest Income	302,677	100,000	200,000	200,000	200,000
Total Revenues	$ 123,239,168	$ 126,669,868	$ 135,140,870	$ 145,911,190	$ 157,542,647
(To) From Premium Stabilization Fund	$ (4,458,737)	$ -	$ -	$ -	$ -
Total Resources	$ 118,780,431	$ 126,669,868	$ 135,140,870	$ 145,911,190	$ 157,542,647
Expenditures:					
Claims	110,705,830	118,683,368	125,804,370	136,574,690	148,206,147
Other Administrative Fees	$ 8,074,601	$ 7,986,500	$ 9,336,500	$ 9,336,500	$ 9,336,500
Total Expenditures	$ 118,780,431	$ 126,669,868	$ 135,140,870	$ 145,911,190	$ 157,542,647
Premium Stabilization Reserve (PSR):					
Premium Stabilization Reserve (PSR)	17,321,145	17,321,145	17,321,145	17,321,145	17,321,145
Incurred But Not Reported (IBNR)	$ (11,825,000)	$ (11,825,000)	$ (11,825,000)	$ (11,825,000)	$ (11,825,000)
Uncommitted PSR	$ 5,496,145	$ 5,496,145	$ 5,496,145	$ 5,496,145	$ 5,496,145