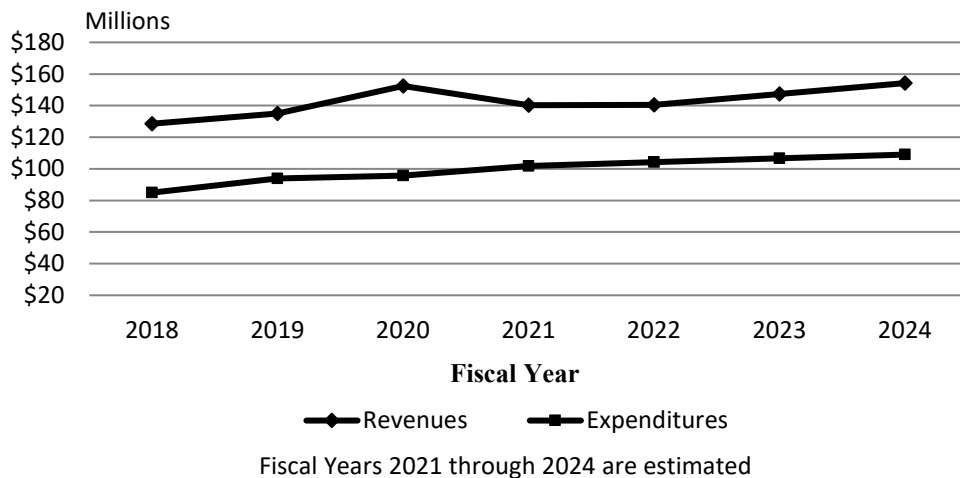


Three Year Forecast Revenues and Expenditures Enterprise Fund – Water & Sewer



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. All activities necessary to provide such services are accounted for in the respective fund, including operations, maintenance, construction, financing, and related debt service.

Until December 2020, Belmont Park Golf Course Enterprise Fund (Fund 52) accounted for the operations of Belmont Park Golf Course. Since that date, operations for Belmont Golf Course have been turned over to First Tee of Richmond. Due to the change in operations and funding, a forecast for Belmont Golf Course is no longer included.

The three-year forecast narrative of revenues and expenditures has been prepared for the Water and Sewer Enterprise Fund using the same basic framework as the General Fund.

Water and Sewer Operations (Fund 5101)

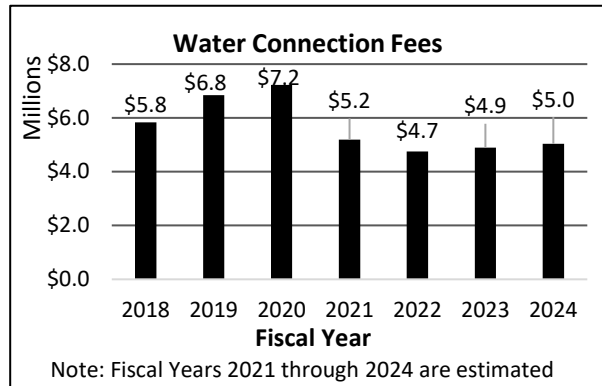
Revenues

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.

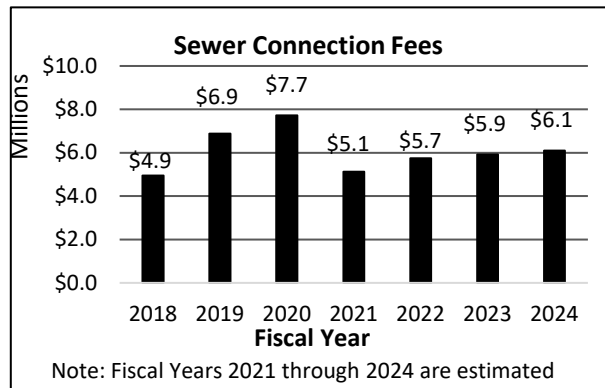
Sale of Water for FY2021-22 is based on an approved 5.0 percent rate increase for the median residential customer. Forecasts for FY2022-23 and FY2023-24 were also prepared using 5.0 percent rate increases in each year. These increases will support inflationary growth in expenditures and planned rehabilitation projects, as well as future new capital infrastructure needs.

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 FY2021-22 reflect an approved 5.0 percent increase in fees. The forecast for water connection fees reflects 3.0 percent growth in FY2022-23 and FY2023-24, which reflects a conservative estimate of growth in the commercial and residential real estate.



Sale of Sewer Services for FY2021-22 is based on an approved 5.0 percent rate increase for the median residential customer. Like Sale of Water Service revenues, noted above, forecasts for FY2022-23 and FY2023-24 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 FY2021-22 reflects an approved 5.0 percent increase in sewer connection fees. A 3.0 percent increase in collections has been projected for both FY2022-23 and FY2023-24, 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 FY2021-22 totals \$1,932,108. 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 \$33.3 million in FY2021-22, \$70.03 million in FY2022-23, and \$61.3 million in FY2023-21. 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

	<u>FY19-20</u> <u>Actual</u>	<u>FY20-21</u> <u>Original</u>	<u>FY21-22</u> <u>Forecast</u>	<u>FY22-23</u> <u>Forecast</u>	<u>FY23-24</u> <u>Forecast</u>
Water & Sewer Operations Subfund					
Revenues:					
Sale of Water	\$ 63,617,989	\$ 62,324,500	\$ 61,959,800	\$ 65,057,790	\$ 68,310,680
Water Connection Fees	7,221,827	5,189,550	4,748,356	4,890,807	5,037,531
Sale of Sewer Services	59,148,208	61,440,215	61,774,915	64,863,661	68,106,844
Sewer Connection Fees	7,717,468	5,199,583	5,745,532	5,917,898	6,095,435
Miscellaneous Revenue	12,750,168	4,143,327	4,267,645	4,395,674	4,527,545
Transfer from General Fund	<u>1,928,921</u>	<u>1,929,858</u>	<u>1,932,108</u>	<u>2,150,750</u>	<u>2,150,500</u>
Total Revenue	\$ <u>152,384,581</u>	\$ <u>140,227,033</u>	\$ <u>140,428,356</u>	\$ <u>147,276,580</u>	\$ <u>154,228,534</u>
Expenditures:					
Personnel	\$ 22,181,311	\$ 23,665,477	\$ 25,083,259	\$ 25,584,924	\$ 26,096,623
Operating	43,755,491	45,274,849	48,185,402	49,149,110	50,132,092
Capital Outlay	<u>655,925</u>	<u>1,135,653</u>	<u>650,300</u>	<u>663,306</u>	<u>676,572</u>
Sub-Total	66,592,727	70,075,979	73,918,961	75,397,340	76,905,287
Debt Service	<u>29,056,659</u>	<u>31,809,741</u>	<u>30,352,743</u>	<u>31,221,471</u>	<u>32,107,697</u>
Total Expenditures	\$ <u>95,649,386</u>	\$ <u>101,885,720</u>	\$ <u>104,271,704</u>	\$ <u>106,618,811</u>	\$ <u>109,012,984</u>
Results of Operations (Prior to Capital Expenses)	56,735,195	38,341,313	36,156,652	40,657,769	45,215,550
Budget For Capital Use (Below)	(79,321,070)	(27,500,000)	(33,300,000)	(70,033,000)	(61,275,000)
Capital Budget Expenditures					
Approved/Requested Capital Projects	\$ -	\$ 27,500,000	\$ 33,300,000	\$ 70,033,000	\$ 61,275,000
Continuing Capital Projects (Previously Approved) ⁽¹⁾	79,321,070	-	-	-	-
Total Capital	\$ 79,321,070	\$ 27,500,000	\$ 33,300,000	\$ 70,033,000	\$ 61,275,000
Capital Budget Resources					
Water and Sewer Revenues	\$ 40,827,987	\$ 27,500,000	\$ 33,300,000	\$ 30,000,000	\$ 61,275,000
Revenue Bonds	38,493,083	-	-	40,033,000	-
Total Capital Budget Resources	\$ 79,321,070	\$ 27,500,000	\$ 33,300,000	\$ 70,033,000	\$ 61,275,000

Notes:

⁽¹⁾ This number plus the budget figure reflects Utilities estimate of capital spending from previously Board approved capital projects. FY2019-20 represents actual spending, as per the 2020 audit.

Note: Fund Equity as of June 30, 2020 was \$158,493,173