

CENTRAL AUTOMOTIVE MAINTENANCE: THREE YEAR FORECAST REVENUES AND EXPENDITURES

DESCRIPTION

Central Automotive Maintenance, which operates as an Internal Service Fund, accounts for the County's Central Automotive Maintenance operation.

ASSUMPTIONS

- Resources for this fund are primarily from interdepartmental charges.
 - These include automotive maintenance, motor pool use, gasoline, and wash facility charges.
- A General Fund transfer of \$200,000 annual for the initial purchase of new motor pool is assumed for the forecast periods FY24 & FY25.
- Retained earnings are used as a reserve for the replacement of motor pool vehicles at the end of their useful life.
 - These can also be used to offset increases in operation costs, particularly gasoline and diesel increases.
- Expenses during the forecast periods assume a 3% increase on the base annually.

CENTRAL AUTOMOTIVE MAINTENANCE FORECAST

	FY21 Actual	FY22 Original	FY23 Forecast	FY24 Forecast	FY25 Forecast
Revenues:					
Charges for Auto Maint West	\$ 8,080,802	\$ 9,500,000	\$ 9,700,000	\$ 9,991,000	\$ 10,490,550
Charges for Auto Maint East	1,429,314	2,536,000	2,632,680	2,711,660	2,847,243
Charges for Use of Motor Pool	4,214,911	4,305,506	4,500,000	4,590,000	4,773,600
Charges for Gasoline	2,784,108	6,050,000	6,050,000	6,050,000	6,050,000
Charges for Wash Facility	0	105,900	105,900	105,900	105,900
Miscellaneous Revenues	116,250	400,000	400,000	400,000	400,000
Gain/Loss on Sale of Property	3,323	0	0	0	0
Total Revenues	<u>\$ 16,628,708</u>	<u>\$ 22,897,406</u>	<u>\$ 23,388,580</u>	<u>\$ 23,848,560</u>	<u>\$ 24,667,293</u>
(To) From General Fund	0	64,000	112,780	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	352,183	0	0	0	0
Total Resources	<u>\$ 16,980,891</u>	<u>\$ 22,961,406</u>	<u>\$ 23,501,360</u>	<u>\$ 24,048,560</u>	<u>\$ 24,867,293</u>
Expenditures:					
Central Automotive Maintenance	<u>\$ 16,980,891</u>	<u>\$ 22,961,406</u>	<u>\$ 23,501,360</u>	<u>\$ 24,206,401</u>	<u>\$ 25,278,445</u>
Total Expenditures	<u>\$ 16,980,891</u>	<u>\$ 22,961,406</u>	<u>\$ 23,501,360</u>	<u>\$ 24,206,401</u>	<u>\$ 25,278,445</u>
Retained Earnings June 30	<u>\$ 388,784</u>	<u>\$ 388,784</u>	<u>\$ 388,784</u>	<u>\$ 388,784</u>	<u>\$ 388,784</u>

TECHNOLOGY REPLACEMENT FUND: THREE YEAR FORECAST REVENUES AND EXPENDITURES

DESCRIPTION

The Technology Replacement Fund, established in FY01 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.

ASSUMPTIONS

- Primary revenue source is a transfer from the General Fund for the purchase of technology equipment
 - This transfer is estimated at \$3,250,000 in FY24 & \$3,500,000 in FY25 for the forecast years.
- Any additional revenues will come from the fund's retained earnings.
- Expenditure forecasts assume all items in the Fund, which qualify for replacement, will be purchased on a pre-determined schedule. Cost increase due to supply chain issues.

TECHNOLOGY REPLACEMENT FUND FORECAST

	FY 21 Actual	FY 22 Original	FY 23 Forecast	FY 24 Forecast	FY 25 Forecast
Revenues:					
Transfer from General Fund**	\$ 3,250,000	\$ 3,000,000	\$ 3,000,000	\$ 3,250,000	\$ 3,500,000
(To) From Retained Earnings - Technology Replacement	(828,125)	0	532,947	532,947	532,947
Total Revenues	<u>\$ 2,421,875</u>	<u>\$ 3,000,000</u>	<u>\$ 3,532,947</u>	<u>\$ 3,782,947</u>	<u>\$ 4,032,947</u>
Expenditures:					
Technology Equipment	\$ 2,421,875	\$ 3,001,314	\$ 3,532,947	\$ 3,782,947	\$ 4,032,947
Total Expenditures	<u>\$ 2,421,875</u>	<u>\$ 3,001,314</u>	<u>\$ 3,532,947</u>	<u>\$ 3,782,947</u>	<u>\$ 4,032,947</u>
Retained Earnings June 30*	<u>\$ 3,681,897</u>	<u>\$ 3,680,583</u>	<u>\$ 3,147,636</u>	<u>\$ 2,614,689</u>	<u>\$ 2,081,742</u>

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

RISK MANAGEMENT: THREE YEAR FORECAST

REVENUES AND EXPENDITURES

DESCRIPTION

The Risk Management Fund was established in FY05 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 Schools operations, including workers' compensation, automobile, property, and liability claims.

ASSUMPTIONS

- The majority of funding comes from a General Fund transfer which accounts for approximately 90.5% of total revenues.
 - A transfer from the General Fund totaling \$9,524,109 is anticipated for FY23, with an increase of \$1,030,000 projected for FY24 and \$1,020,000 for FY25 to minimize mid-year budget amendments.
- 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.
 - Projected billings for FY23 through FY25 are \$900,000 per year.
- While recovered costs – miscellaneous revenues of \$720,315 were received during FY21, 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 \$20,260 were received during FY21, there are no revenues anticipated in this area throughout the forecast period.
- In FY19, a multi-year effort to reduce mid-year budget amendments was put in place. In FY23, expenditures are budgeted at \$ \$10,524,109, which represents an increase of \$30,539 from the previous fiscal year. For FY24 and FY25, expenses are projected to total \$11,554,109 and \$12,574,109, respectively.

RISK MANAGEMENT FORECAST

	FY21 Actual	FY22 Original	FY23 Forecast	FY24 Forecast	FY25 Forecast
Revenues:					
Public Utilities Charges	\$ 778,608	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
Recovered Costs - Misc	720,315	100,000	100,000	100,000	100,000
Use of Money and Property	20,260	-	-	-	-
Total Revenues	\$ 1,519,183	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
(To) From General Fund	<u>\$ 10,953,609</u>	<u>\$ 9,493,570</u>	<u>\$ 9,524,109</u>	<u>\$ 10,554,109</u>	<u>\$ 11,574,109</u>
Total Resources	<u>\$ 12,472,792</u>	<u>\$ 10,493,570</u>	<u>\$ 10,524,109</u>	<u>\$ 11,554,109</u>	<u>\$ 12,574,109</u>
Expenditures:					
Risk Management	<u>\$ 12,472,792</u>	<u>\$ 10,493,570</u>	<u>\$ 10,524,109</u>	<u>\$ 11,554,109</u>	<u>\$ 12,574,109</u>
Total Expenditures	<u>\$ 12,472,792</u>	<u>\$ 10,493,570</u>	<u>\$ 10,524,109</u>	<u>\$ 11,554,109</u>	<u>\$ 12,574,109</u>
Self-Insurance Reserve	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>

HEALTHCARE FUND: THREE YEAR FORECAST

REVENUES AND EXPENDITURES

DESCRIPTION

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 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.

ASSUMPTIONS

- The vast majority of revenues for this fund are received from County contributions. Other resources come from employee and retiree contributions, COBRA payments, special County subsidies, rebates, wellness payments from contractual partners, and interest income.
 - **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 FY23 reflects an increase of 2.0% in the County's contribution for active employees. The forecasts for FY24 and FY25 assume 6.0% 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 FY23 reflects an overall increase of 2.0%. The forecasts for FY24 and FY25 also assume 6.0% 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 FY23 reflects no change in this revenue, while the forecasts for FY24 and FY25 project 6.0% increases each year.
 - **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 FY23 is \$20,000. 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 FY23 is \$310,000.

- 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. This revenue is forecast to be \$260,000 in FY23 and to increase by 6.0% in the out years.
 - 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 \$9,144,851 in FY23, with annual increases of 6.0% thereafter.
 - Healthcare **Wellness Payments** in the FY23 budget reflect the annual payment from the County's healthcare administrator in the amount of \$380,000 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 estimate for this revenue is projected to be \$400,000 throughout the forecast period.
 - **(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 FY23 approved budget assumes no use of reserve funds as do the forecasts for FY24 and FY25.
- Expenditures for the Healthcare Fund are highlighted as follows:
 - **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 FY23 assumes an increase in claims expenditures by 2.0%. The forecasts for FY24 and FY25 each assume annual increases of 6.4%. There was a decrease in aggregate healthcare claims early in the COVID-19 pandemic. However, FY22 has featured a sharp increase in claim costs. Claims cost uncertainty prevails as the number of COVID related claims continues to wax and wane in conjunction with varying levels of community spread.
 - **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% of actuarially projected annual claims. The FY23 budget also includes funding for costs related to the County's healthcare consultant. The forecast for FY23 projects an increase in other administrative fee costs of 1.3%. The increase is primarily attributable to projected growth in the cost of the County's reinsurance policies that protect it from excessive risk. The forecasts for FY24 and FY25 assume no further change in other administrative fee costs.
 - The Healthcare Fund's **Premium Stabilization Reserve** 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 FY23. As of June 30, 2021, the PSR has a balance of \$44,438,635. However, as of that same date, it was calculated that the County has claims that were Incurred But Not Reported (IBNR) amounting to \$12,183,542.

When the value of this estimate is deducted from the PSR, it leaves an uncommitted balance of \$32,255,093.

HEALTHCARE AGENCY FUND FORECAST

	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25
	<u>Actual</u>	<u>Original</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
Revenues:					
County Contribution - Active	\$ 96,126,407	\$ 101,947,347	\$ 103,986,293	\$ 110,225,471	\$ 116,838,999
Employee Contribution	23,087,712	25,124,608	25,626,100	27,163,666	28,793,486
Retiree Contribution	4,404,525	5,700,000	5,700,000	6,042,000	6,404,520
Retiree Subsidy	208,011	325,000	310,000	310,000	310,000
Disabled Subsidy	4,829	40,000	20,000	20,000	20,000
COBRA	197,890	385,780	260,000	280,800	303,264
Recoveries and Rebates	8,492,508	8,965,540	9,144,851	9,693,542	10,275,155
Healthcare - Wellness Payment	498,660	150,000	380,000	380,000	380,000
To (From) General Fund	-	-	-	-	-
Interest Income	99,185	400,000	400,000	400,000	400,000
Total Revenues	\$ 133,119,727	\$ 143,038,275	\$ 145,827,244	\$ 154,515,479	\$ 163,725,423
(To) From Premium Stabilization Fund	\$ (8,472,483)	\$ -	\$ -	\$ -	\$ -
Total Resources	\$ 124,647,244	\$ 143,038,275	\$ 145,827,244	\$ 154,515,479	\$ 163,725,423
Expenditures:					
Claims	115,477,031	133,352,631	136,019,684	144,707,919	153,917,863
Other Administrative Fees	\$ 9,170,213	\$ 9,685,644	\$ 9,807,560	\$ 9,807,560	\$ 9,807,560
Total Expenditures	\$ 124,647,244	\$ 143,038,275	\$ 145,827,244	\$ 154,515,479	\$ 163,725,423
Premium Stabilization Reserve (PSR):					
Premium Stabilization Reserve (PSR)	44,438,635	44,438,635	44,438,635	44,438,635	44,438,635
Incurred But Not Reported (IBNR)	\$ (12,183,542)	\$ (12,183,542)	\$ (12,183,542)	\$ (12,183,542)	\$ (12,183,542)
Uncommitted PSR	\$ 32,255,093	\$ 32,255,093	\$ 32,255,093	\$ 32,255,093	\$ 32,255,093