

SPECIAL REVENUE FUND: THREE YEAR FORECAST

REVENUES AND EXPENDITURES

DESCRIPTION

The Special Revenue Fund accounts for proceeds from revenue sources that legally restrict expenditures to specified purposes. Henrico County's Special Revenue Fund includes the Department of Public Utilities' Solid Waste and Street Lighting operations; Public Works' Watershed and Best Management Practices programs; Schools' Cafeteria Programs; Mental Health; Social Services; State and Federal grants for various educational and County programs; certain aspects of the Economic Development Authority; asset forfeitures; and the Police Metro Aviation Unit. The Special Revenue Fund expenditure budget for FY24 is \$241,779,420, which represents an increase of \$22.5 million, or 10.3%, from the current fiscal year.

ASSUMPTIONS

- Revenues:
 - **School Cafeteria** revenues support the operations of all County public school cafeterias. Funding is received from specific State and Federal government grant programs as well as revenues generated by the school lunch program. Receipts for FY24 are estimated at \$28.0 million, which reflects a 9.3 increase over FY23. The FY25 and FY26 revenue estimates reflect projected increases of 1.0 percent based on anticipated growth in cafeteria operations.
 - **State, Federal and Other Grants** revenue funds various programs, principally those related to Education, the Capital Region Workforce Partnership (CRWP), the Community Corrections Services Program (CCP), the Community Development Block Grant (CDBG), and the Virginia Juvenile Community Crime Control Act (VJCCCA). Grant funding for FY24 totals \$81.5 million. In the event additional grant funding is received during the fiscal year, the County will recognize the revenue only after official notification has been received from the State or Federal government. The forecasts for FY25 and FY26 each reflect annual increases in revenues of 1.0 percent.
 - **Solid Waste** revenues support the operation and maintenance of the County's solid waste disposal services. A portion of the funding is user charges from customers who receive County refuse removal service. Revenue is also collected from landfill user fees paid by commercial trash hauling companies and County residents. The cost of providing curbside recycling, bagged leaf collection, neighborhood cleanup, and bulky waste services throughout the County will be funded by a General Fund subsidy to the Solid Waste Fund. The General Fund subsidy for FY24 is \$6,420,909. This amount represents an increase of \$3,049,500, or 90.5%, above the FY23 budget. This growth is due to increases in the county support of recycling efforts. The transfer is projected to remain flat in FY25 and FY26.
 - **Street Lighting** revenues fund the operation and maintenance of the street lighting districts. Funding is provided by a specific annual surcharge levied on each property within a streetlight district. Street lighting revenue estimates throughout the forecast period support operating costs of existing streetlights.
 - **Mental Health** revenues are restricted to providing community based mental health, developmental, and substance abuse services to the residents of Henrico, Charles City, and New Kent counties. Budgeted revenues for Mental Health total \$29,881,656 for FY24. State and federal

revenues are projected to be \$13,502,366 and the estimate for various fee revenues is \$15,213,440. Mental Health grant reserve funding of \$800,000, and \$100,000 of contract revenues from Sheltered Employment, are also anticipated. Additionally, Henrico is budgeted to receive a total of \$265,850 of fee revenues from Charles City and New Kent counties. A 1.0 percent increase in Mental Health revenues is projected for both FY25 and FY26.

- The Police **Metro Aviation** Unit is a regional multi-jurisdictional effort that includes the City of Richmond, along with Chesterfield and Henrico counties. It is projected that each locality will contribute \$165,832 in FY24, FY25, and FY26. It is anticipated that the State Supreme Court will reimburse the Metro Aviation Unit \$105,000 for costs incurred to extradite prisoners in each year of the forecast period.
 - **Social Services** revenues support an array of community services. Among them are supplemental nutrition, assistance for needy families, medical assistance, protective services, and assistance with foster care and adoption. Additionally, the social service portion of the Children's Services Act (CSA) is funded within this department. The Social Services revenues for FY24 total \$33,594,811, of which \$6,866,310 is directed toward CSA. A 3.0 percent increase in revenues is projected for both FY25 and FY26, based on anticipated increases in State and Federal funding.
 - **Best Management Practice (BMP)** devices are basins for treating storm water to improve water quality. The Department of Public Works is responsible for the long-term maintenance of BMP devices in single family residential subdivisions within Henrico County. The BMP maintenance fee of \$100 per lot is paid by developers at the time subdivisions are recorded. **The Watershed Management Program** provides alternatives to construction of BMPs in certain areas.
- **(To) From General Fund** represents local revenues, received by the General Fund and transferred to the Special Revenue Fund. Several State and Federal programs require a commitment of local funds before the locality is eligible to receive grant funds.
 - FY24 transfer of \$47,602,602 includes the County's contributions in support of the Community Corrections Programs, the Capital Region Workforce Partnership (CRWP), the Special Drug Prosecutor, the Virginia Juvenile Community Crime Control Act (VJCCCA), the State Victim/Witness Program, Schools portion of local CSA costs, the Sports and Entertainment Authority, and the Special Revenue Fund Reserve. The sum of these transfers is \$10,050,542. The remaining transfers are distributed as follows: \$165,832 for the Metro Aviation Unit; \$6,420,909 in support of Solid Waste programs; \$9,900,182 in local support of Social Services; and \$21,065,137 for Mental Health. The total transfer from the General Fund is projected to increase to \$48,833,078 in FY25 and \$50,100,468 in FY26.
 - **(To) From Fund Balance** is a reserve, which has accumulated over time from the Solid Waste operations to fund various projects. It is the County's practice to ensure Solid Waste charges are sufficient to cover operating expenditures. Occasionally, operational costs exceed revenues and a use of reserves is required. The budget for FY24 anticipates the use of \$2,747,351 from the Solid Waste Fund balance. The forecast for FY25 and FY26 projects further reductions to the fund balance.
 - (To) From **Street Light** Fund Balance is a reserve, accumulated from the operation of the six sanitary districts that have been established for streetlights. There was an addition to this fund balance in FY22 and there is no planned use of the fund balance during the forecast period.

- Expenses:
 - The development of the FY24 Special Revenue Fund budget assumes recurring revenues will support recurring expenditures in future years. Special Revenue Fund resources and requirements are expected to grow at an average rate of 1.6 percent in both FY25 and FY26. The modest growth rate in grant related revenue is predicated on the basis that the potential for renewed Federal and State budgetary constraints may limit substantial increases in grant funding.
 - Ending Special Revenue Fund Balance is the sum of fund balances in all sub-funds, which are expected to remain on June 30th of each of the forecasted fiscal years, within the School Cafeteria Fund, Solid Waste Fund, and Street Light Fund. The State and Federal Grants fund balance and the Economic Development Authority Fund balance are forecasted to be zero in FY23 through FY26. If a balance exists on June 30th, it is the County's policy to carry those funds forward to the next fiscal year.

SPECIAL REVENUE FUND FORECAST

	FY22	FY23	F24	F25	F26
	Actual	Original	Forecast	Forecast	Forecast
Revenues:					
School Cafeteria	\$ 22,693,936	\$ 25,641,197	\$ 28,013,829	\$ 28,293,967	\$ 28,576,907
State, Federal & Other Grants	89,576,960	79,088,385	81,486,670	82,301,537	83,124,552
Asset Forfeitures	648,237	0	0	0	0
Donations	13,397	0	0	0	0
Revenue from Local Sources	0	250,000	250,000	250,000	250,000
Sheriff Commissary Fund	219,535	0	0	0	0
Solid Waste	13,887,159	14,337,500	15,250,000	15,402,500	15,556,525
Street Lighting	227,348	84,100	100,000	100,000	100,000
Mental Health	25,971,566	27,041,481	29,881,656	30,180,473	30,482,277
Metro Aviation/Extradition	287,625	359,668	436,668	436,668	436,668
Social Services & CSA	31,272,285	31,675,365	33,594,811	34,602,655	35,640,735
Opioid Settlement Payments	0	0	295,838	295,838	295,838
Watershed/Best Management Practices	72,068	897,000	897,000	897,000	897,000
Subtotal Revenues	<u>\$184,870,116</u>	<u>\$179,374,696</u>	<u>\$190,206,472</u>	<u>\$192,760,638</u>	<u>\$195,360,502</u>
From General Fund:					
State, Federal & Other Grants	\$ 7,099,759	\$ 7,808,418	\$ 8,971,448	\$ 9,240,591	\$ 9,517,809
Mental Health	18,123,189	19,265,137	21,065,137	21,697,091	22,348,004
Metro Aviation	126,217	127,332	165,832	165,832	165,832
Community Development Block Grant	53,391	0	0	0	0
Economic Development	2,427,279	0	0	0	0
Sports & Entertainment Authority	0	0	1,079,094	1,111,467	1,144,811
Social Services	8,553,083	8,737,008	9,900,182	10,197,187	10,503,103
Solid Waste	3,371,409	3,371,409	6,420,909	6,420,909	6,420,909
Subtotal From General Fund	<u>\$ 39,754,327</u>	<u>\$ 39,309,304</u>	<u>\$ 47,602,602</u>	<u>\$ 48,833,078</u>	<u>\$ 50,100,468</u>
(To) Special Revenue Fund Balance	(3,857,287)	0	1,222,995	1,222,995	1,222,995
(To) From Solid Waste Fund Balance	(1,115,390)	551,025	2,747,351	2,889,534	2,982,638
(To) From Street Light Fund Balance	(163,696)	0	0	0	0
Total Resources	<u>\$219,488,070</u>	<u>\$219,235,025</u>	<u>\$241,779,420</u>	<u>\$245,706,244</u>	<u>\$249,666,603</u>
Expenditures:					
School Cafeteria	\$ 22,693,936	\$ 25,641,197	\$ 28,013,829	\$ 28,293,967	\$ 28,576,907
School CSA	14,122,232	14,400,000	16,006,273	16,486,461	16,981,055
State, Federal & Other Grants	92,495,101	87,146,803	92,108,050	93,274,433	94,408,010
Economic Development Authority	2,427,279	0	0	0	0
Solid Waste	16,201,984	18,259,934	24,468,260	24,712,943	24,960,072
Street Lighting	63,652	84,100	100,000	100,000	100,000
Mental Health	39,261,181	46,306,618	52,094,788	53,025,559	53,978,276
Metro Aviation/Extradition	2,186,764	487,000	602,500	602,500	602,500
Social Services	29,963,873	26,012,373	27,488,720	28,313,382	29,162,783
Watershed/Best Management Practices	72,068	897,000	897,000	897,000	897,000
Total Expenditures	<u>\$219,488,070</u>	<u>\$219,235,025</u>	<u>\$241,779,420</u>	<u>\$245,706,244</u>	<u>\$249,666,603</u>
Ending Special Revenue Fund Balance:					
Schools	\$ 5,956,714	\$ 5,956,714	\$ 5,956,714	\$ 5,956,714	\$ 5,956,714
State, Federal & Other Grants, Forfeitures *	45,723,549	0	0	0	0
Economic Development Authority **	0	0	0	0	0
Solid Waste	19,325,852	18,774,827	16,027,476	13,137,942	10,155,304
Street Lighting	1,079,348	1,079,348	1,079,348	1,079,348	1,079,348
Total Fund Balance	<u>\$ 72,085,463</u>	<u>\$ 25,810,889</u>	<u>\$ 23,063,538</u>	<u>\$ 20,174,004</u>	<u>\$ 17,191,366</u>

* Forecast assumes miscellaneous grant appropriations will be spent by 6/30/23. Any unspent appropriations will be carried forward into FY2022-23.