



COMMONWEALTH OF VIRGINIA  
COUNTY OF HENRICO

John A. Vithoulkas  
County Manager

March 14, 2017

The Honorable Board of Supervisors  
County of Henrico, Virginia

Honorable Members of the Board:

I submit to you the FY2017-18 Proposed Budget for Henrico County. The approach taken in this budget is in keeping with the legacies established through the combined 65 years of service to this County by the two individuals we lost this past year. During their tenures, David A. Kaechele and Richard W. Glover oversaw vast changes not only in their respective magisterial districts but throughout the County. The consistency of their leadership in always making sure the interests of the County's citizens was put first is the reason we, as a local government, have the proven record of success we have. Put succinctly, we are better for them answering the call of service and both will be missed greatly.

The Proposed Budget positions Henrico County to further the legacy of these two great leaders by balancing the budget within available resources at a real estate tax rate of 87 cents – which remains the lowest of Virginia's large, urban localities - while enhancing the County's attractiveness to business prospects by lowering the personal property tax burden for data centers by 89 percent and increasing the full exemption from BPOL taxation to \$200,000 in gross receipts. What follows is a summary of the highlights of the FY2017-18 Proposed Budget:

- The budget rewards all General Government and Schools employees with a 2.5 percent salary increase, effective July 1, 2017 for the County's hard working employees;
- The Proposed Budget **fully-funds the budget request of the School Board** and reflects \$18.5 million in overall incremental new General Fund resources provided to our school system, including nearly \$1.3 million for the first year of the Achievable Dream Academy;
- In the realm of Public Safety, this budget will mark the fifth and final year of our commitment to add ten new police officer positions a year, bringing the total to 50. In addition, **24 new firefighters** are recommended for the opening of the new Short Pump Firehouse (Fire Station #19) – the last 2005 Bond Project. This is in addition to the ten firefighters approved in the FY2016-17 budget that are now in service as a medic unit that will be placed at the Short Pump Firehouse once it opens. Other public safety initiatives include three additional firefighter positions – the second year of a three-year commitment to add nine firefighter positions to alleviate staffing pressures and reduce minimum staffing-related overtime costs within the Division; additional overtime funding is recommended to bring the Police, Fire, and Sheriff budgets into greater structural balance; and a \$250,000 increase to the Division of Fire's Apparatus Replacement Program to insure the County's ability to replace this valuable equipment;

- The Proposed Capital Budget will include the first of the 26 projects **overwhelmingly approved** by the voters in this County in the November, 2016 General Obligation Bond Referendum. These include the renovation of 6 schools, classroom additions to Glen Allen Elementary School, construction of an expanded training facility for the Division of Fire, and the renovation of all 9 high school football fields. There is also work being done on future projects such as identifying property for the new Brookland Magisterial District Elementary School and Staples Mill Fire Station along with planning and design work for the replacement of Fairfield Library.
- In an effort to counteract the growing heroin epidemic within our community, several initiatives are being undertaken in this budget. These include \$200,000 to Mental Health to support initiatives determined by the Heroin Task Force to be necessary to combat the local impacts of the heroin epidemic; four new deputies to operate the Jail's x-ray scanner acquired to prevent drugs and other illicit materials from coming into the secure facility; and an Assistant Commonwealth's Attorney position dedicated to prosecuting the increasing number and complexity of these cases;
- In the area of Public Works, the proposed budget reflects the diverse nature of this agency. From a road construction perspective, the budget before you includes two capital project managers to manage and coordinate an expanding list of projects, which includes projects to be supported by \$2.5 million in local funding for sidewalk and pedestrian improvements; in the environmental section, the budget not only continues the \$2.3 million for stormwater management projects but also includes a position to assist in the work of inspecting stormwater facilities to meet Virginia stormwater mandates; and in the area of mass transit, the budget includes \$628,000 to maintain the bus routes in the County. To maintain the routes, this budget adds \$397,000, which assumes a 3.0 percent increase on current year costs. To expand service, this budget includes \$186,000 for the County's portion of the Bus Rapid Transit (BRT) and \$45,000 to add 1.1 miles to the Azalea Connector bus route.
- In addition to the targeted tax reductions, additional economic development efforts include positions and operating dollars necessary for the opening of Phase I of Greenwood Park to expand sports tourism and three positions to enhance the County's community maintenance efforts to enhance our business corridors; and
- In addition to the approved General Obligation Bond Projects, the capital budget includes \$8.7 million to replace and expand the Mental Health East Center. The replacement of this facility, which is currently operating at its full capacity, will actually create a cost savings of over \$340,000 by replacing a leased facility with a County-owned facility. Additionally, the capital budget includes the maintenance efforts of our school division with the \$2.5 million in roof and mechanical funding combined with the \$9.0 million in meals tax projects, it expands on the \$2.5 million for facility maintenance for general government projects with additional resources, and identifies funding for three public safety projects.

## General Fund Revenues Continue Modest Growth

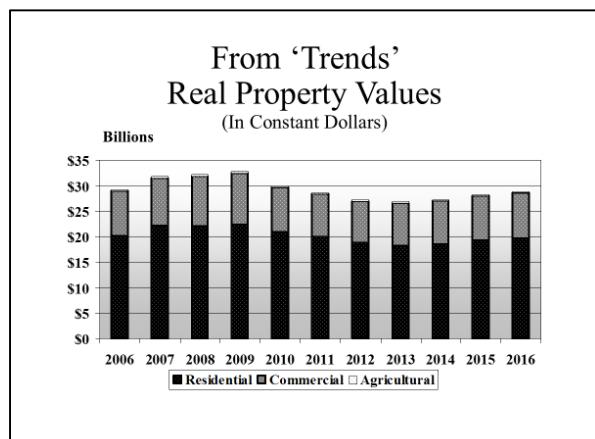
In looking at the budget before you, total estimated General Fund revenues for FY2017-18, prior to transfers to other funds are \$964.1 million, which represents an increase of \$30.0 million or 3.2 percent when compared to the current fiscal year. Net of transfers and

Category	FY18 General Fund Revenues			
	FY17 Approved	FY18 Proposed	Difference	% Change
Real Estate Tax	\$292.0 million	\$305.5 million	\$13.5 million	4.6%
Personal Property Tax	\$115.9 million	\$120.0 million	\$4.1 million	3.6%
Local Sales Tax	\$61.0 million	\$64.3 million	\$3.3 million	5.3%
Business Licenses (BPOL)	\$32.0 million	\$32.5 million	\$0.5 million	1.6%
Hotel/Motel Tax*	\$11.2 million	\$12.0 million	\$0.8 million	7.1%
Meals Tax	\$20.0 million	\$23.0 million	\$3.0 million	14.9%
<u>All Other Local Revenues</u>	<u>\$60.2 million</u>	<u>\$60.1 million</u>	<u>(\$0.1 million)</u>	<u>(0.1%)</u>
Total Local Revenues	\$592.3 million	\$617.4 million	\$18.5 million	4.2%
<i>* Hotel/Motel Tax revenues are dedicated to the Greater Richmond Convention Center</i>				
State Aid for Schools	\$250.5 million	\$254.2 million	\$3.7 million	1.5%
State Gasoline Tax	\$44.1 million	\$45.2 million	\$1.1 million	2.6%
<u>All Other State &amp; Federal</u>	<u>\$47.2 million</u>	<u>\$47.3 million</u>	<u>\$0.1 million</u>	<u>0.1%</u>
Total State and Federal Revs.	\$341.8 million	\$346.7 million	\$4.9 million	1.4%
<b>Total General Fund Revs.</b>	<b>\$934.1 million</b>	<b>\$964.1 million</b>	<b>\$30.0 million</b>	<b>3.2%</b>
Transfers/Cash Reserves	(\$123.2 million)	(\$124.5 million)	(\$1.3 million)	1.0%
<b>TOTAL NET REVENUES</b>	<b>\$810.9 million</b>	<b>\$839.7 million</b>	<b>\$28.8 million</b>	<b>3.6%</b>

uses of fund balance, the County's overall General Fund is growing by 3.6 percent. As can be seen in the chart above, the majority of the County's revenue growth can be attributed to a few sources: real estate tax, personal property tax, local sales tax, and State Aid for Schools. In looking at Hotel/Motel Tax receipts, Meals Tax, and State Gasoline Tax revenues, these resources are dedicated for specific purposes - the Greater Richmond Convention Center, Education, and road maintenance, respectively. Outside of these resources, minimal growth continues to be experienced, particularly in the area of State Aid for General Government. Lastly, Business, Professional, and Occupational License (BPOL) is referenced here as the threshold for businesses who pay this tax is proposed to be increased from \$100,000 in gross receipts to \$200,000.

### Real Estate

Real estate tax revenues in the Proposed Budget reflect an overall increase of \$13.5 million from the current fiscal year estimate. After five years of declines in the County's real estate tax base, the January 2017 real estate reassessment reflected an increase for the fourth consecutive year. The total real estate tax base, inclusive of new construction and reassessment, increased by 4.6 percent. Residential and commercial reassessments increased 3.5 percent and 3.6 percent, respectively, with new construction for both residential and commercial properties accounted for an increase of 1.0% in the tax base.



With this year's increase, the real estate tax base has fully recovered the losses from 2009 to 2011, though there are a couple caveats that must be made to that statement. First, without the impact of new construction, which has totaled \$1.9 billion since 2012, neither base would be back to its previous peak. As such, the average residential real estate tax bill for a Henrico resident is still \$53 less than 2008. Second, if you consider the impact of inflation, as is done in the '*Financial Trends Monitoring System*', the total tax base remains below the peak of 2009.

## The Continuing Impact of Visitors



Growth in sales tax and hotel/motel tax receipts continue to be driven by the County's tourism efforts. In fact, during 2015, the County recorded a 2.8 percent increase from tourism spending, and again had the fifth highest total of any Virginia locality, according to the U.S. Travel Association. Henrico topped all localities in central Virginia and trailed only the counties of Arlington, Fairfax and Loudoun and the city of Virginia Beach. In fact, since 2011 tourism spending in Henrico County has increased 19.5 percent. Under the direction of the Board of Supervisors, Henrico has taken steps to highlight our County to the world. In March 2013 the *Visit Henrico* campaign was

launched to promote Henrico as a destination for tourists and youth and adult recreational sports tournaments. The results continue to impress. In the coming years as a result of prior investments for Greenwood Park and future investments approved by the voters in the 2016 General Obligation Bond Referendum, the impact of visitor spending should continue to grow.

### State Funding

In looking at projected revenues from the State in the budget before you, a net increase of \$4.9 million is anticipated, with the majority of the increase in the area of State aid for K-12 Education. State aid for schools is increasing \$3.7 million, which is 75.3 percent of the total State aid increase, while all other sources from the State reflect a net increase of \$1.2 million. While increased aid from the Commonwealth is a positive as it represents approximately one-third of all General Fund revenues, Henrico County must continue to be extremely cautious when appropriating these funds due to continued uncertainty in the State's ability to meet its revenue estimates. The budget before you continues this premise.

Again, within a limited revenue growth environment, one that is anticipated to continue for the foreseeable future, spending decisions must be made regarding the County's critical and core services. The budget before you accomplishes just that, as budgetary increases are focused on the County's school system, our public safety efforts, economic development, as well as moving forward on citizen approved referendum projects.

## Focus on Core Services – Education and Public Safety

The budget before you continues to place an emphasis on making strategic investments in the County's top priorities: Education and Public Safety. As a note, of the incremental revenues in the FY2017-18 budget recommendation, 85 percent of those resources are allocated to these top priorities.

### FY2017-18 Proposed Schools Operating Budget

The overall General Fund budget for schools is increasing \$14.8 million or 3.3 percent to \$469.9 million, representing 56 percent of the entire General Fund budget. However, if you include the debt service for the 2016 Bond Projects, the increase for the School Bus Replacement Program, and the

FY2017-18 Proposed Additional Allocation to Schools and Public Safety	
HCPS General Fund Expenditure Increase	\$14.8 million
Meals Tax to Debt Service	\$3.0 million
Additional Funding for School Buses	\$0.5 million
Increase in Local Share for CSA Expenses	\$0.2 million
<b>Total Allocation Increase to Schools</b>	<b>\$18.5 million</b>
Public Safety General Fund Increase	\$6.7 million
Additional for Fire Apparatus	\$0.3 million
<b>Total Allocation Increase to Public Safety</b>	<b>\$7.0 million</b>
<b>Total Allocation Increase to Schools and Public Safety</b>	<b>\$25.5 million</b>

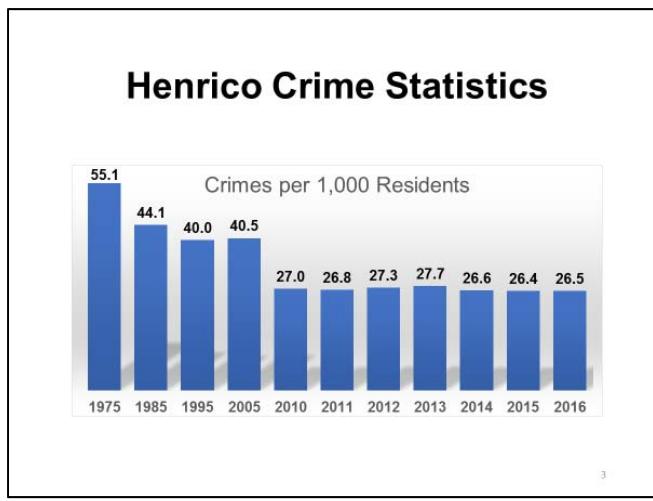
local resources being added to the Children's Services Act program, the incremental General Fund resources being provided to our school system is actually \$18.5 million. Of the \$18.5 million in additional resources provided to our school system, \$14.8 million or nearly 80 percent reflects local funds, while the remaining \$3.7 million reflects additional funding from State and Federal resources.

FY2017-18 will be the first academic year of the new Achievable Dream Academy. Slated to be located at Highland Springs Elementary School, the highly-acclaimed program encourages academic performance, positive behavior, and good citizenship for a targeted student population. The budget before you is only the start of this effort as the \$1.3 million will go towards grades kindergarten through second with an additional grade being added for the next three years.

In addition, the budget recommendation fully funds Schools' cost for a 2.5 percent salary increase for all schools employees, effective July 1, 2017. Further, an additional \$500,000 in current General Fund revenues has been included for the replacement of school buses, bringing the total of the school bus replacement fund to \$2.5 million to minimize the cost to repair the County's school bus fleet.

#### Public Safety – Fire, Police, and Sheriff

The budget before you includes 24 new firefighter positions for the opening of the new Short Pump Firehouse on the corner of North Gayton and Kain Roads (Fire Station #19). This will be in addition to the ten firefighter positions approved in the current budget that are currently in service as the County's sixteenth emergency medical services (EMS) unit. The additional 24 positions will complete the staffing of the new station, which is the last 2005 General Obligation Bond project. In addition to the positions associated with the Short Pump Firehouse, the Proposed Budget includes a recommendation to add three additional firefighters, the second year of a three-year commitment to add a total of nine firefighter positions to alleviate staffing pressures and reduce minimum staffing-related overtime costs in the Division. In the Vehicle Replacement Fund, \$250,000 is added for the replacement of Fire apparatus, such as ambulances and fire trucks, as a first step to provide adequate funding for this vital life-saving equipment.



For the Division of Police, the proposed budget before you includes ten new Police Officers in Patrol Operations to increase service coverage, the fifth and final year of a commitment of adding ten new positions per year. The goal in adding these fifty positions within five years is to attain a goal of 90 percent service area coverage. You can see in the chart to the left that in 2014, the first year of the five-year commitment to add ten Police Officers per year, crimes per 1,000 residents dropped to their lowest level recorded in the history of Henrico County at that time. This low level of crime has been maintained throughout this effort.

Within the budget for the Sheriff's Office, the recommendation before you includes four new Sheriff Deputy positions to allow for one additional deputy to be assigned to all four Jail West booking platoons. These additional positions would screen newly arrested persons and inmates entering the jail facility with the new X-ray scanner to eliminate contraband coming into the jail. In addition to the positions, additional funding for hourly staffing is recommended to supervise inmates on the various work details that provide significant savings to the County by minimizing the cost of landscaping, painting, and other projects that arise.

Finally, to bring the County's budget into greater structural balance, \$1.0 million is recommended to address overtime costs within Fire, Police, and Sheriff. This funding, combined with managerial efforts to minimize additional costs, is critical to allowing these agencies to accomplish their respective missions of keeping the citizens of this County safe.

#### November, 2016 Bond Referendum

The FY2017-18 Proposed Budget will be the first to include capital and debt service costs related to the overwhelming approval of the \$419.8 million Bond Referendum. The projects in the first year are listed in the chart to the right. The bonds to support these projects will be issued this spring as interest rates for triple AAA rated localities such as Henrico remain historically low. The recommendation before you in the debt service fund supports the issuance of this debt.

Bond Projects in the FY2017-18 Capital Budget	
Tuckahoe Middle Renovation	\$28.2 million
Pemberton Elementary Renovation	\$14.1 million
Chamberlayne Elementary Renovation	\$14.0 million
Skipwith Elementary Renovation	\$13.0 million
Seven Pines Elementary Renovation	\$12.8 million
Crestview Elementary Renovation	\$12.0 million
Glen Allen Elementary Classroom Addition	\$5.5 million
High School Field Renovations	\$12.5 million
Fire Training Facility	\$2.5 million
<b>Total, FY2017-18 G.O. Projects</b>	<b>\$114.6 million</b>

In addition to the projects that are included in the FY2017-18 Capital Budget, there are efforts underway to make sure that construction can commence on projects once bond funding is made available. These include identifying land for projects such as the new elementary school in the Brookland district or the Staples Mill Fire Station. Another example is the planning and design of Fairfield Library, which is funded through savings from the Libbie Mill Library and Varina Library projects. Every effort to make sure projects are completed quickly will be made to not prolong the results of the approved bonds.

#### Heroin Task Force – Henrico’s Response to the Opioid Epidemic

Heroin and opiate-derived pain killers are taking a toll on communities across the country and, unfortunately, Henrico is no different. Over the past three years, there have been significant increases in the number of arrests for heroin possession, overdoses and deaths related to overdoses across all demographics. When a disease such as opiate addiction has such a profound effect on the community as a whole, it cannot be ignored.

While there are resources that must go to front-line efforts in this fight, such as utilizing Narcan – a drug that treats opiate overdoses – or detoxing an inmate addicted to heroin, more needs to be done in the prevention arena. To identify new options in expanding the County’s response to this epidemic, the Heroin Task Force was formed last May. Pulling people together from several County agencies such as Mental Health, Public Health, the Divisions of Fire and Police, the Sheriff’s Office, the Commonwealth’s Attorney’s Office and our courts to name a few, there have already been efforts undertaken – most notably the acceptance of the Vivitrol Pilot Grant for use within the Drug Court program and the *Community Summit on Heroin/Opioid Epidemic* held at Glen Allen High School on March 1. The *Community Summit*, which had the FBI Director James Comey and the Acting Administrator of the Drug Enforcement Administration Chuck Rosenberg as keynote speakers, received such overwhelming interest that the event was streamed live through the Henrico County Public Schools website. The Heroin Task Force is just another example of how multiple agencies can come together as one county working toward the greater ‘Henrico Way’.

This budget expands the response in three ways. First, the FY2017-18 Proposed budget includes \$200,000 in the Mental Health budget to support any additional efforts that are identified by the Heroin Task Force. The second approach is the Sheriff deputy positions referenced earlier. Specific deputies responsible for monitoring the x-ray scanners will eliminate the influx of heroin, painkillers, and other illicit drugs that can come into the jail and circumvent recovery efforts offered within the County’s jails. The final proposal is an additional Assistant Commonwealth’s Attorney to focus on heroin cases and investigating them to reduce the amount of illegal opiates in the community.

### Public Works

The proposed budget for Public Works reflects the diversity of activity this agency finds itself involved with. These areas involve maintaining and expanding the County's road system – the third largest in the State behind the Commonwealth of Virginia and the City of Virginia Beach, expanding alternatives to driving through sidewalks or mass transit, and insuring the environmental viability of Henrico's future.

In the area of road maintenance and construction, this budget recommends the addition of two capital project managers. These positions will assist the two managers currently on staff with the 37 local projects along with coordinating with the Virginia Department of Transportation on any projects they have in the County. Additionally, hourly staff has been added to this section in order to assist with data collection efforts for construction and maintenance.

To maintain and expand the alternatives to vehicular travel within the County, there are two items of note in the FY2017-18 budget. First is an increase in funding provided to the Greater Richmond Transit Company (GRTC). There are two facets to the increase: maintaining the routes already provided within the County by GRTC and expanding routes and services in the County. To maintain the routes, this budget adds \$397,000, which assumes a 3.0 percent increase on current year costs. To expand service, this budget includes \$186,000 for the County's portion of the Bus Rapid Transit (BRT) and \$45,000 to add 1.1 miles to the Azalea Connector bus route.

In the environmental area of Public works, the budget before you adds a position for the inspection of stormwater facilities throughout Henrico as required by the County's MS4 permit. Additionally, the budget maintains the \$2.3 million for Chesapeake Bay clean-up requirements, continuing to delay any need for a stormwater utility fee. With all efforts undertaken since FY2015-16, including the large vehicle wash facility and other planned projects, the County has achieved a reduction of at least 14 percent in each of the three pollutants identified in and required by the stormwater management permit. The future stability of the \$2.3 million annual funding source offers another economic development advantage for our county. The Proposed Budget continues to separate this County from others that have not looked for alternate solutions and possibilities and therefore have imposed this tax on residents and businesses.

### Targeted Economic Development Efforts

The Proposed Budget includes a number of recommendations with an eye towards improving our local economy. On the tax side, there are two recommendations. The first is to establish a new classification of personal property taxation for data centers and establish the rate of taxation at 40 cents per \$100 assessed value. Henrico is well positioned to attract additional data center companies due to the proximity of a new transatlantic fiber optic cable that will connect North America to Europe through Virginia. This new rate, which would be a reduction of 89 percent from the regular rate, will allow Henrico to attract businesses in this high growth sector that bring significant and ongoing capital investment along with high-paying jobs to the region.

The second recommendation is to increase BPOL tax exemption from \$100,000 to \$200,000. The \$100,000 exemption was set in 2000, which was at the end of a four-year phase-in. Increasing the exemption to \$200,000 would make Henrico more attractive when compared to other large localities in Virginia while exempting 1,400 more businesses from paying BPOL.

In the area of sports tourism, the budget before you includes positions and operating funds for the opening of Phase I of Greenwood Park. The first phase of this facility will add four multi-purpose synthetic athletic fields with organic infill to the County's complement of fields. The expansion of field capacity in Henrico is crucial to attracting new sports tournaments to the region. It should be mentioned that while this park will have an impact on attracting tournaments to Henrico, this great facility is designed with the use of all citizens in mind. To that, when fully developed Greenwood Park will

include hiking trails and playground equipment in addition to the fields being open to use by County residents.

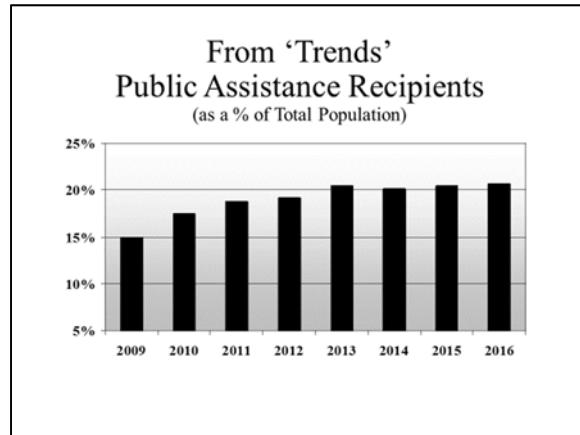
Finally, in the area of redevelopment this budget proposes to add three positions to the County's community maintenance efforts. Two of the positions are community maintenance inspectors in Building Inspections and the third position will assist with coordinating volunteer efforts, community clean-ups, and other projects as it relates to Community Revitalization. The three positions before you are in addition to the two positions added for this effort in FY2015-16.

These initiatives will build on the successes of the prior efforts put forward in prior years, including reducing the airplane personal property tax rate, the machinery and tools tax, the undertaking of the Cobbs Creek Reservoir project, and the reduction of water and sewer connection fees. All of this is on top of maintaining the lowest real estate tax rate of any large, urban locality in Virginia, which is equally a big draw to business prospects.

#### Addressing Poverty Within Henrico

As Henrico's population has grown over the last several years, the number of people living in poverty has also increased. This unfortunate reality spans suburban America and is not unique to Henrico. The 'Trends' report has captured data that shows a rising number of public assistance recipients each year.

While poverty cannot be completely eradicated, we seek to proactively combat poverty in Henrico County by utilizing several strategies within the proposed budget. We have partnered with non-profit entities like Junior Achievement of Central Virginia in the creation of a Finance Park to educate students in the area of future financial decisions. To continue this educational strategy in eliminating poverty, the proposed budget includes funding for creation of the Achievable Dream Academy, which will target students from low-income families. This school will give students in our community the training and encouragement for success.



We also seek to improve the quality of life for our citizens. You will see the provision of additional funding for community maintenance efforts to combat sub-standard housing. Also, included in the proposed budget is \$50,000 for CrossOver Ministries, a non-profit entity that provides health care to the uninsured. Other funding for non-profits that assist residents who cannot afford traditional health insurance is also included in our proposal. We also seek to improve our citizens' access to facilities, including the workplace, by providing \$628,000 for mass transit efforts. These various strategies to combat poverty will remain in future budgets.

In addition to the above proposed strategies, we will continue exploring all viable economic opportunities in our community. We are also dedicated to equipping Henrico graduates with the skills required by the 21<sup>st</sup> century job market by utilizing the two new technical centers approved in the 2016 bond referendum. We will also continue seeking additional collaborative opportunities with both private and non-profit entities, who can provide ideas, resources, and funding to combat poverty.

#### Capital Budget

Outside of the 2016 General Obligation Referendum projects, the FY2017-18 Capital Budget brings forward a number of projects that focus on maintaining the County's infrastructure in a cost-effective manner. This includes the \$2.5 million for both General Government and Henrico County Public

Schools, the \$9.0 million of meals tax revenues for School maintenance projects, and an additional \$2.9 million for various maintenance projects throughout the County. Maintaining vital infrastructure is key to avoiding significant replacement costs in the future and this capital budget keeps focus on this.

The capital budget also recommends \$8.7 million for the replacement of the Mental Health East Center. This project will replace the current building that MH/DS has exhausted the capacity with a new facility in the eastern portion of Henrico that improves the quality of the facility while creating savings in the operating budget as the current East Center represents a lease of over \$340,000.

Finally, the capital budget identifies funds for three public safety projects. The first project is to study options with replacing the County's current evidence storage area to expand this needed space. The second project is a renovation of space to establish a dedicated place for communication officer training. The final project is the replacement of the County's Emergency Medical Dispatch (EMD) system with a modern system that will quickly and efficiently update the ability of the County's Communications Officers to accurately identify the needs of emergency callers.

#### Water & Sewer

The Proposed Budget for the Department of Public Utilities' Water & Sewer system includes the annual 5.0 percent increase in water and sewer rates necessary to provide water and sewer service to all residents and businesses while meeting infrastructure demands and meeting requirements to maintain the AAA bond rating for the Water & Sewer system. This increase will go towards supporting both the operating and capital project needs in this area. Within the operating budget, \$1.3 million will go towards maintenance needs of the Water Reclamation Facility. The capital budget includes numerous projects to maintain and rehabilitate the County's water and sewer system, including the first year of a multi-year process of replacing and enhancing the filtration system at the Water Reclamation Facility to meet regulatory requirements.

#### Summary

The FY2017-18 Manager's Proposed Budget builds on the successes of the past to chart Henrico's future path. It honors commitments made and makes new ones; it brings renewal while also bringing new services; and it rewards our employees for the job well done and the tasks that are ahead. All of this is done within the scope of limited 3.2 percent revenue growth.

The growth within our local economy is solid, but there are potential headwinds in our future. I noted last year that every economy is cyclical and that at some point in the near future we would be due for another downturn. Another year has passed and while we do not see signs of it coming, we are one year closer to it materializing. With the structure that has been added back to the budget and the continued augmentation of our cash reserve, our County will be able to weather the next economic storm.

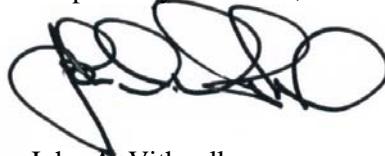
This budget puts the last touches on the 2005 Bond Referendum by funding the operating costs of Fire Station #19 while starting the process of funding the projects approved by the voters in the 2016 Bond Referendum. The new referendum is the solution to what was identified as the biggest fiscal challenge by our residents – large infrastructure projects for schools. It also positions the County to increase the number of fields available for citizens and tournaments. Put simply, the referendum is a game changer for our County moving forward.

I hope it is clear that this budget makes every effort to move Henrico forward in every way possible. It maintains and expands this community's top priorities in education and public safety; it enhances this County's economic development efforts with multiple enhancements; it meets this County's biggest challenges head-first, on multiple fronts; and it rewards the employees of this County for their outstanding dedication and commitment to service. It is that commitment to service that embodies the 'Henrico Way' – to provide our all for the benefit of every citizen in this community.

I would like to thank the County staff for the many hours of hard work that went into the development of this budget. I would also like to thank the Superintendent and the School Board for their efforts and continued cooperation that will result in the continued success of our County. Henrico County employees have been asked to do their respective jobs with significantly fewer resources. It is only because of their efforts and the continued work and vigilant oversight of our Board of Supervisors that this County has been as successful as it has been during this difficult economic time.

As always, the staff and I stand ready to assist you in making the best possible choices for the future of our community.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John A. Vithoulkas".

John A. Vithoulkas  
County Manager