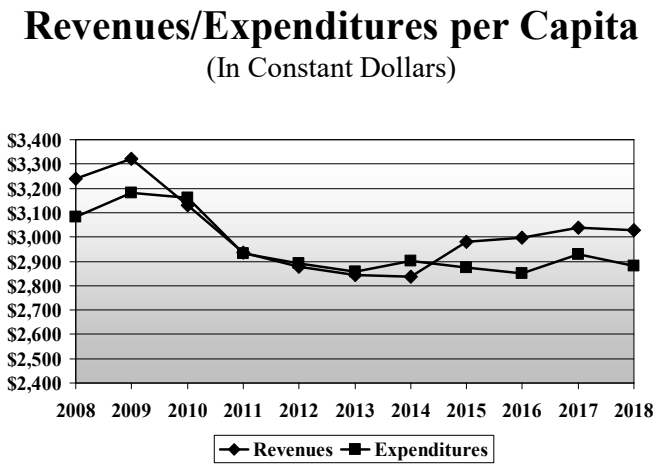
REVENUE INDICATORS

WARNING TREND: Decreasing net operating revenues per capita (constant dollars). Increasing net operating expenditures per capita (constant dollars).

Formula:

$$\frac{\text{Net Operating Revenues/Expenditures}}{\text{Population}}$$



Revenues and Expenditures Per Capita:
These indicators depict how revenues and expenditures are changing relative to changes in the level of population and inflation. As the population increases, it might be expected that the need for services would increase proportionately; therefore, the level of per capita revenues should remain at least constant in real terms. If per capita revenues are decreasing, it could be expected that the locality would be unable to maintain existing service levels unless it were to find new revenue sources or ways to save money. Increasing per capita expenditures can indicate that the cost of providing services is greater than the community's ability to pay, especially if spending is increasing faster than the community's personal income or other relevant tax base.

Trends:
This indicator considers "Net Operating Revenues/Expenditures" to be revenues and expenditures (on a constant dollar basis) from the General, Special Revenue, and Debt Service funds. Because this indicator combines these operating funds, the representation is somewhat different than those made in the Annual Fiscal Plan, which is fund specific when examining revenue and expenditure growth. In looking at per capita revenues, the most recent fiscal year, FY18, reflected a 0.3 percent decrease – the first after three consecutive years of constant dollar increases. While there was a decrease on a constant dollar basis, operating revenues increased 3.4 percent. However, this growth did not exceed the combination of population growth of 0.9 percent and inflation of 3.1 percent in FY18. As a note, the other decreases in per capita revenues (constant dollar) noted in FY08 and from FY10 through FY14 are the only such year-over-year declines in this indicator since it began being tracked in 1982, pointing to the severity of the Great Recession.

The FY18 per capita revenue figure reflects the fourth full fiscal year recognition of the County's 4.0 percent meals tax, which generated just over $29.3 million in FY18, all of which was dedicated to the County's school system. Of the $29.3 million in meals tax receipts collected in FY18, $9.0 million was allocated to the operating budget of the County's school system, while the balance of $20.3 million was dedicated to pay-as-you-go capital budget needs for County schools, expenditures that are not captured in this indicator. Including meals tax receipts, total General Fund revenues grew by $23.0 million in FY18 (current dollars) and Special Revenue Fund revenues, which mostly reflect State and Federal grant funding, increased by $3.1 million (current dollars), yielding total revenue growth of $26.1 million in current dollars for FY18, as compared to FY17.

In looking at expenditures per capita (constant dollar), the County experienced a year-over-year decrease of 1.7 percent in FY18. Looking at the longer-term constant dollar trend, expenditures per capita have decreased by 6.5 percent since FY08.

In examining the data, a few distinct trends are evident. First, from FY09 to FY14, the County's constant dollar per capita revenues dropped by 14.6 percent. In part spurred by the implementation of the Meals Tax, late in FY14, the trend reversed, and per capita revenue grew by 6.8 percent from FY14 to FY18. By contrast, while constant dollar expenditures mirrored the revenue decrease from FY09 to FY14, noted above, they have dropped by an additional 0.7 percent in the FY14 to FY18 time period. This shows that the series of sustainable expense reduction initiatives that were implemented by the County to adapt to the recession have been maintained in the

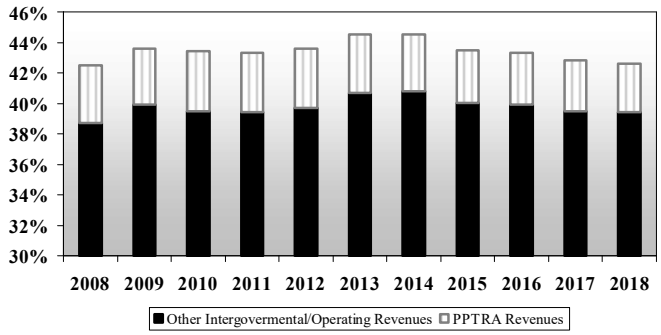
recent period of economic growth. It should be noted that from FY08 to FY18, the County's population grew by 10.8 percent.

As the County's economy and revenue streams continue growing, a myriad of positive local, state and national economic data allows for an optimistic outlook regarding the County's local revenue streams. While there are plenty of positive signs within local revenues, real estate assessment growth will not return to that seen during 2003 to 2009 period because of the unsustainable housing bubble from 1995-2006 that artificially propped up real estate prices. We also anticipate that State revenues will remain relatively stagnant in the short term due to other funding priorities of the General Assembly. Real estate tax revenues and State Aid, combined, account for approximately two-thirds of all County General Fund revenues. Henrico's cautious outlook towards State revenues notwithstanding, the recent trend from FY15 to FY18 for local revenues has shown a healthy rate of growth, which exceeds population and inflation growth. However, to avoid becoming complacent, the County will continue to add fiscal structure within the budget process, minimizing one-time resources and investing in core services – particularly Education and Public Safety. The County must also continue to explore innovative ways to provide the highest level of service at the lowest possible cost. Despite the challenges noted herein, the structural additions, strategic expenditure reductions, and solid local revenue growth, have placed the County in an overall positive fiscal environment. While expenditures per capita generally outpaced revenues per capita in the FY10 to FY14 timeframe, that trend has been reversed in the time since, with per capita revenues comfortably outpacing per capita expenses from FY15 to FY18. Therefore, <u>no warning trend is noted for this indicator</u>.

WARNING TREND: Increasing amount of intergovernmental operating revenues as a percentage of gross operating revenues.

Formula:

$$\frac{\text{Intergovernmental Operating Revenues}}{\text{Gross Operating Revenues}}$$



Intergovernmental Revenues:
Intergovernmental revenues are those revenues received from other governmental entities. The sources of intergovernmental revenue in Henrico County include revenue from the Commonwealth of Virginia and the Federal Government. For example, in the General Fund the County receives a portion of the State Gasoline Tax revenue it generates for street maintenance and construction, as well as State and Federal revenue for schools and a partial reimbursement from the State Compensation Board for salaries and office expenses for Constitutional Officers. In the Special Revenue Fund, the County receives State and Federal revenue for various grant programs for schools, mental health, social services and public safety. Much of this intergovernmental revenue is restricted revenue, and therefore legally earmarked for a specific use as required by State and Federal law or grant requirements. Beginning in 1999, personal property tax payments paid by the State under the Personal Property Tax Relief Act (PPTRA) have been classified as intergovernmental revenues even though the assessment function is performed at the local level. In the graph above, PPTRA revenues appear as the top stacked bar.

An overdependence on intergovernmental revenues can have an adverse impact on the County's financial condition. The "strings" that the external source attaches to these revenues may prove too costly, especially if these conditions are changed in the future after the locality has developed a dependence on the program. In addition, the external source may withdraw the funds and leave the locality with the dilemma of cutting programs or paying for them with General Fund resources.

Trends:
As the graph above indicates, Henrico County's intergovernmental revenues as a percentage of operating revenues increased from 42.5 percent in FY08 to 44.5 percent in FY14, and then reversed course, dropping to 42.6 percent in FY18. The peak in this indicator is FY14 and largely arose from additional State Aid for education in FY13 and a large increase in Gas Tax funding in FY14. These factors caused intergovernmental revenues to outpace growth in local revenues, primarily real estate tax revenues. FY18 was also the fourth full-year that recognized the County's 4.0 percent meals tax, which has generated $112.6 million of local revenue for the county's school system since FY15. As mentioned above, the State began reimbursing localities under the PPTRA in FY00. The graph above delineates between PPTRA reimbursements and all other intergovernmental revenues. The total bars reflect all intergovernmental revenues, while the lower stacked bars exclude the effects of PPTRA payments.

While intergovernmental revenue has increased substantially over the eleven-year period examined, there are two distinct patterns that need to be noted, as the increase is largely misleading. Starting in FY05 and extending through FY09, Henrico County was awarded annual discretionary State Lottery funds of more than $5.0 million for Education, funds that Henrico used solely for Education construction projects were not factored into this indicator. This decision was based on the premise that, if in the future, the State reduced lottery funds for Education - the County's operating budget would not be impacted in a negative manner. As such, an operational dependence was not created for this revenue source. The significance of this decision was realized in FY10, as discretionary lottery funds were significantly reduced to $3.2 million from $5.7 million received the previous

fiscal year. In FY11, the entire discretionary allocation of lottery funds was eliminated, as the State began utilizing lottery proceeds to supplant reductions to specific Education programs formerly funded with General Fund dollars. In the 2016 Legislative Session, the General Assembly's Adopted Biennial Budget included the return of discretionary lottery funding. While the County did not include lottery funding in the adoption of the FY17 budget, this funding stream was eventually utilized by HCPS to fill a funding gap that was the result of missing enrollment projections by over 500 students for that fiscal year.

The second trend reflects the reclassification of prior local revenues as "state" revenues, and while overall State aid looks like it increased from FY08 to FY09, the increase is somewhat misleading. One example that depicts why these increases are misleading is **legislation that replaced four local revenue sources** with a monthly payment from the State Department of Taxation, known as the Communication Sales & Use Tax, which became effective January 1, 2007 and was supposed to be "revenue neutral." The following local revenue sources were replaced: **Consumer Utility Tax, Cable TV Franchise Fee, Cellular Telephone Tax, and E-911 Tax**. This legislation distributes funding using a formula that has impacted Henrico's receipts, and has not proved to be revenue neutral as assumed in the legislation, as is demonstrated in the table below. The State deducts an administrative fee from the revenue collections and redistributes the funding monthly to localities as a fixed percentage of State-wide collections, which was established by FY06 local collection levels.

Fiscal Year	Local Revenue Collection	Communications Sales & Use Tax Collection
FY06	$14,260,480	$0
FY07	$9,662,975	$5,792,982
FY08	$0	$15,088,668
FY09	$0	$13,709,408
FY10	$0	$13,766,559
FY11	$0	$13,698,421
FY12	$0	$13,243,471
FY13	$0	$12,359,303
FY14	$0	$13,226,685
FY15	$0	$13,111,116
FY16	$0	$12,722,974
FY17	$0	$12,410,247
FY18	$0	$12,022,278

This is noted because it represents an example of the State's continued forays into issues of local taxing authority. This concern of State involvement in local revenues continues to be noted as a concern, as it is a significant wildcard in the County's multi-year financial planning efforts.

As mentioned, creating a dependency on a revenue source not controlled locally may create fiscal difficulties if that revenue source is altered. This is exactly what has occurred with the PPTRA revenue paid by the State. In FY00, the Virginia General Assembly made a commitment to reimburse localities for a State tax reduction of a local revenue source (individual personal property). Since FY00, the County of Henrico has built a dependency on this revenue source and every Trends document since then has included a warning for this indicator.

In the 2004 session of the Virginia General Assembly, the legislature made a materially adverse change to PPTRA payments – effective for FY06. The legislature capped the State's PPTRA payments to localities at approximately $950.0 million and used a pro-rata distribution mechanism for making these payments in the future. Meaning that Henrico's PPTRA reimbursements from the State remain at a level amount, while the taxpayer pays more to the County. The State's promise of maintaining reimbursement levels at 70.0 percent for the County's taxpayers

slipped to 52.0 percent in 2018. As noted earlier, the differential is paid by the County's taxpayers.

From FY08 through FY11, the State cut billions of dollars from its budgets, most of which resulted in reductions in State aid to localities. In fact, from FY08 through FY11, the State reduced aid to Henrico County by more than $46.0 million in the General Fund alone, most of which was targeted at State Aid for Education. In addition, the County received more than $28 million in one-time ARRA – Federal Stimulus funds from the State from FY09 through FY11, used by the State to supplant payments to localities for Education, the Sheriff's Office, and Social Services to offset State General Fund reductions. FY11 was the last year that ARRA – Federal Stimulus funds could be utilized by the State, and in FY12, the State was forced to identify revenue increment to cover the loss of one-time funds.

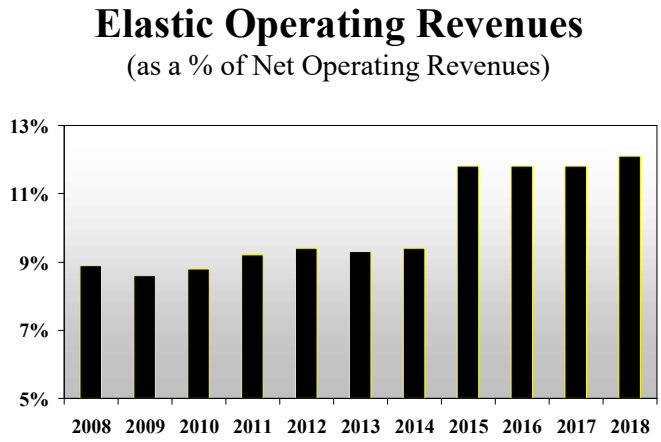
In the spring of 2014, the State identified a "shortfall" of revenues as a result of the impact of Federal sequestration, resulting in reductions in funding to localities across the State. While the State missed its revenue projections for FY14 and substantially adjusted revenue expectations for FY15 mid-year, revenue projections from the Commonwealth remained alarmingly healthy. As feared, at the end of FY16, the State announced that while its revenues grew, they would again fall short of revenue projections. This created a $1.5 billion "shortfall" for the Commonwealth – the result of continued struggles with accurately projecting their revenues. Accordingly, Henrico County continues to be exceptionally cautious when it comes to estimating revenues from the Commonwealth.

With the implementation of the County's meals tax along with growth in other local revenues, some of the County's reliance on State aid has been alleviated. However, the fact remains that State revenues represent a large portion of the County's operating revenues and if the Commonwealth struggles with their fiscal picture, a warning trend must continue for this indicator.

WARNING TREND: Decreasing (or unplanned) amount of elastic operating revenues as a percentage of net operating revenues.

Formula:

$$\frac{\textit{Elastic Operating Revenues}}{\textit{Net Operating Revenues}}$$



Elastic Operating Revenues:
Elastic operating revenues are those that are highly responsive to changes in the economic base and inflation. The highly elastic revenue categories used for this indicator are:

- Local sales and use taxes;
- Business and professional license taxes;
- Structure and equipment permit fees; and
- Food and beverage tax, more commonly known as a "meals tax".

It is to a locality's advantage to have a balance between elastic and inelastic revenues to mitigate the effects of economic growth or decline. The relationship between elastic revenues and total receipts is largely driven by consumer consumption. During an economic downturn, elastic revenues are expected to decrease as a percentage of net operating revenues.

Trends:
The graph shown above indicates that the percentage of elastic tax revenues for Henrico County have increased from a low of 8.6 percent in FY09 to a high of 12.1 percent in FY18. The sharp increase from FY14 to FY15 was primarily the result of the first full-year implementation of the County's 4.0 percent meals tax, which generated $26.8 million in FY15. Similar results were recognized in FY16, FY17 and FY18, with collections of $28.1 million, $28.4 million and $29.3 million, respectively. More recently, elastic operating revenues as a percent of net operating revenues have remained relatively stable, ranging from 11.8 to 12.1 percent over the past four years. In addition to meals tax receipts, sales tax receipts grew 5.6 percent in FY18. Business and Professional License (BPOL) Tax receipts grew by 0.5 percent in FY18. The growth in this revenue was concurrent with the Board of Supervisors having doubled the BPOL exemption as part of the FY18 budget, increasing it from $100,000 to $200,000 in an effort to make Henrico even more attractive to businesses searching for a location. Due to robust building activity and very significant economic development in Henrico County, highlighted by the Facebook data center, Structure and Equipment Permit revenue grew by 101.4 percent over FY17 levels. In looking at all elastic tax revenues, the County experienced an increase of $9.0 million or 6.8 percent in FY18.

As a result of economic expansion from FY93 through FY01, the Board of Supervisors implemented a Business and Professional License Tax (BPOL) reduction strategy as a means of encouraging more businesses to locate in Henrico County. That strategy was initiated in January 1996 and was phased in over a period of years. By January 2000, this tax reduction strategy fully exempted the first $100,000 in gross receipts from taxation for County businesses and established a uniform maximum tax rate of $.20/$100 for County businesses. While the tax reduction did impact this indicator, it has had two beneficial impacts. First, due to the phase-in of the Board's BPOL tax reduction strategy, Henrico reduced its operating reliance on these elastic revenues prior to the actual recession of FY02. Second, commercial taxpayers do not require the same service levels as residential taxpayers, so a net benefit to the County's revenues has been achieved by attracting more businesses to Henrico. The amount of the exemption was raised from $200,000 to $300,000 in the FY19 budget, marking the second consecutive year of a $100,000 increase in the exemption. The amount of the exemption will continue to be explored as an economic development and tax relief strategy.

Another positive note, Henrico County ranked third among all localities in Virginia for total taxable sales in 2017, behind only Fairfax and Loudoun counties. More significantly though, when looking at the ten largest generators of taxable sales, **Henrico ranks first for taxable sales per capita by a margin of 20.4 percent**. Refer to the chart below for comparisons to other localities.

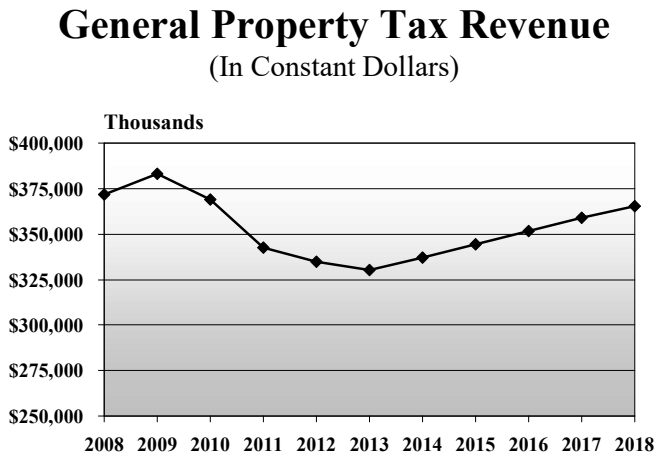
Rank	Locality	2016 Taxable Sales	Population	Per Capita
1	**Henrico County**	**$5,656,712,509**	**324,395**	**$17,438**
2	Chesapeake City	3,514,278,566	242,655	14,483
3	Loudoun County	5,697,354,606	396,068	14,385
4	Arlington County	3,258,772,638	239,074	13,631
5	Fairfax County	14,939,828,530	1,143,429	13,066
6	Chesterfield County	4,394,824,320	340,020	12,925
7	Virginia Beach City	5,597,203,814	454,448	12,316
8	Prince William County	5,540,880,714	455,990	12,151
9	Richmond City	2,699,889,890	222,853	12,115
10	Norfolk City	2,800,002,004	246,256	11,370

Encouraging local economic trends and continued elastic revenue growth indicate a solid turnaround in the local economy. That being said, on average the United States economy has experienced a recession every five to six years and is now past the ten-year mark since the beginning of the last recession. Further, the General Assembly continues to look for ways to reform the BPOL tax in an attempt to reduce business taxes, which would be to the detriment to localities. So, while local economic growth has continued its positive trend, the County must remain diligent and exercise fiscal prudence when estimating elastic resources to mitigate reliance on these resources and quickly adapt to changing economic conditions. Nonetheless, with growth continuing in all the elastic measures, no warning trend is warranted for the indicator.

WARNING TREND: Decreasing or negative growth in general property tax revenues (constant dollars).

Formula:

Property Tax Revenues (Constant Dollars)



General Property Tax Revenues:
General property tax revenues in Henrico County include both current and delinquent real and personal property tax revenue levied and collected by the County. These revenues constitute Henrico County's largest local revenue category, representing 66.0 percent of total **local** operating revenue in Henrico County in FY18. It should be noted that beginning with FY99, the State's reimbursements of personal property tax revenues have been recorded as "intergovernmental" revenue. That is to say, the PPTRA revenue is not reflected on this indicator. This indicator does capture the "local" component of personal property – including the machinery and tools tax.

Trends:
Henrico County has experienced an overall healthy increase in general property tax revenues over the last eleven years. In unadjusted dollars, general property tax revenue has increased from $368.0 million in FY08 to $420.8 million in FY18, representing an average annual increase of 1.4 percent over this eleven-year period.

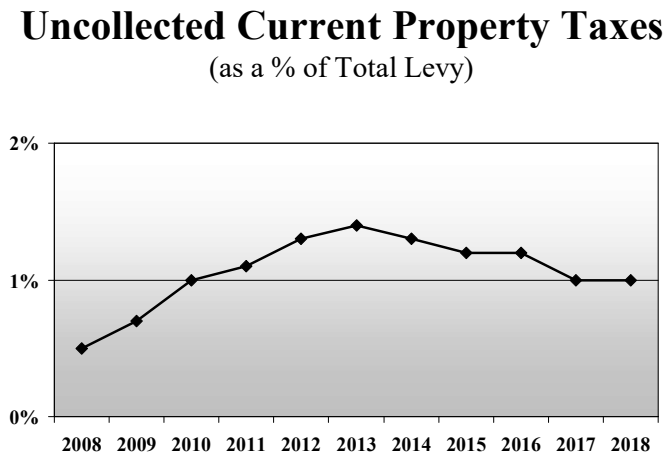
Henrico's strong local economy and community of choice designation for new area residents and businesses have had a positive impact on the County's real property assessed valuations over the past eleven years. During this time between CY08 and CY18, the County's unadjusted real estate tax base has increased by $3.3 billion. It is also noted that when looking at these property tax revenues and comparing them to total net revenues, a revealing pattern emerges. Beginning in 1999, personal property tax payments paid by the State under the Personal Property Tax Relief Act (PPTRA) have been classified as intergovernmental revenues even though the assessment function is performed at the local level. After capping PPTRA payments at $37.0 million annually for Henrico County, property tax revenues as a percentage of net operating revenues increased from 37.1 percent in FY06 to 38.3 percent in FY10. Due to the economic downturn, particularly the impact on real estate values, this indicator dropped four consecutive years, to 36.5 percent in FY13. The percentage dropped further, to 35.5 percent in FY15 due to the inception of Meals Tax Revenues. In the time since, the measure has rebounded to 36.0 percent in FY18.

The upward trend of the County's total tax base since FY13 is very positive. In the five years from FY13 to FY18, the constant property values have increased by a total of 23.0 percent. The County's overall tax base for January 2019 reflects a reassessment increase of 4.5 percent. Going forward, the County anticipates continued growth in real estate values, though nothing compared to the growth experienced in the mid-2000's, when property values increased by 76.6 percent from 2003 to 2009. With a sixth consecutive year of overall real estate valuation growth and with personal property tax receipt expected to continue to grow at levels close to inflation, no warning trend is noted for this indicator.

WARNING TREND: Increasing amount of current uncollected property taxes as a percentage of the current total property tax levy.

Formula:

$$\frac{\textit{Uncollected Current Property Taxes}}{\textit{Current Property Tax Levy}}$$



Uncollected Current Property Taxes:
Every year a certain percentage of current real and personal property taxes go uncollected because property owners are unable to or choose not to pay them. If this percentage increases over time, it may be an indication of an overall decline in a locality's economic health. Bond rating agencies consider that a locality will normally be unable to collect between 2.0 to 3.0 percent of its property tax levy each year. If uncollected property taxes rise to more than 5.0 percent, rating agencies consider this to be a negative indicator that signals potential problems in the stability of the property tax base or is indicative of systemic problems with local tax collection efforts.

Trends:
As the graph above indicates, for this eleven-year period, Henrico County's percentage of current **uncollected** real and personal property taxes has ranged from a low of 0.7 percent in FY08, to a high of 1.4 percent in FY13. Since the FY13 peak, uncollected current property taxes have steadily trended down to 1.0 percent. Even at the FY13 peak of 1.4 percent, uncollected current property taxes, as a percent of the total levy, were well below the 5.0 percent level that Bond Rating agencies consider negative.

In looking at this indicator, a consistency in collections on the part of the County is depicted, as the range on the graph is within expected parameters. In the past several years, significant enhancements have been made in the collection of delinquent real estate taxes. This, in part, can be attributed to Henrico's commitment to improving customer service by streamlining collection procedures and increasing payment options for County residents. In this time period, Henrico has implemented acceptance of payments by credit card over the telephone and via the internet, initiated acceptance of payments by debit and credit cards in person, instituted a monthly debit program for personal and real property tax payments, continued to be more timely in collecting delinquent taxes and enhanced its collection processes. The results of these efforts can clearly be seen above.

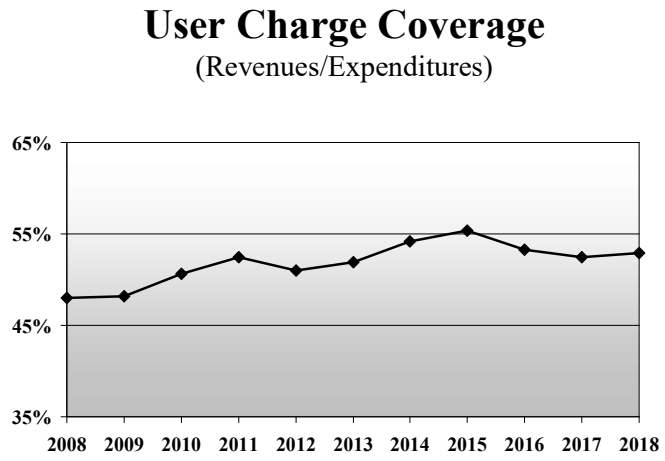
One ancillary fact that needs to be mentioned is that the County's top ten "Principal Taxpayers" continued to constitute a large percentage of the tax base in FY18, at 6.8 percent. This is an important note for this indicator since collections of current taxes from the "Principle Taxpayers" of a locality are generally made in the year they are due.

Due to enhancements made in the collections area in the past several years, levels are anticipated to remain well below 2.0 percent. As such, no warning trend is noted for this indicator.

WARNING TREND: Decreasing revenues from user charges as a percentage of total expenditures for providing related service.

Formula:

$$\frac{\textit{Revenues from User Charges}}{\textit{Expenditures for Related Services}}$$



User Charge Coverage:
User charge coverage refers to whether or not fees and charges cover the full cost of providing a service. Henrico County charges fees for the employee cafeteria, recreation activities, and building permits in the General Fund. In the Special Revenue Fund there are fees for the school cafeteria, mental health services, street lighting, and solid waste services. As coverage declines, the burden on other revenues to support these services increases. Inflation will erode the user charge coverage if not reviewed and amended periodically. Therefore, costs and fees should be reviewed frequently to ensure that the desired level of coverage is maintained.

Trends:
As shown in the graph, the user charge coverage for the County has measured less than 55.0 percent for much of this eleven-year period, with the exception being in FY15, in which user charge coverage increased to 55.4 percent. This ratio decreased markedly to 53.3 percent in FY16 and then 52.5 percent in FY17. The percentage rebounded slightly to 52.9 percent in FY18. The indicator measures user coverage of seven specific expenditure areas. These are: Building Inspections, Employee Cafeteria, Mental Health, Recreation, Street Lighting, School Cafeteria and Solid Waste. The increase in percentage in FY18 was due to robust growth in revenues for Building Inspections.

In looking at the operational components, the user charge coverage percentages for Building Inspections had typically been sufficient to cover the activities of that department. It should be noted that in FY07, the user charge coverage percentage for Building Inspections was 99.9 percent, then falling to 48.5 percent in FY10 due to the economic slowdown. In FY14, structure and equipment permit fees were increased in an effort to close the coverage gap, and as a result, the coverage grew to 76.9 percent. In FY15, for the first time since FY05, permit fees sufficiently covered all costs of Building Inspections. This trend has continued over the past three fiscal years, as rapidly growing permit fees far exceeded Building Inspections expenses in FY18.

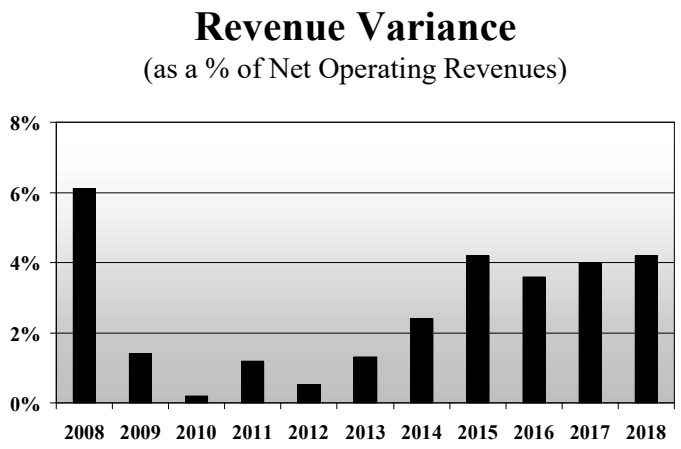
Mental Health's user charge coverage increased steadily from FY08 to FY14, growing from 39.3 percent to 47.9 percent in that timeframe. The coverage ratio dropped gradually to 45.3 percent in FY17 and then precipitously to 39.7 percent in FY18. The steep drop in FY18 was due to a 16.3 percent increase in expenditures far outpacing a 0.2 percent increase in fee revenues. The user charge coverage for Solid Waste shows a very similar trend, growing from 79.4 percent in FY08 to 98.4 percent in FY17, then falling to 74.5 percent in FY18. This ratio drop was caused by a 28.9 percent increase in expenditures, much of which may have been one-time in nature. In looking at Recreation, the user charge coverage in this area has averaged 4.6 percent throughout this time period. Also, in this eleven-year time period, the School Cafeteria has typically generated sufficient revenues to cover operational requirements.

This indicator in the eleven-year period has averaged 51.9 percent. Excluding Recreation, the indicator has averaged 69.2 percent. As the local economy continues to improve, these user fees should continue to improve. As such, no warning trend is noted for this indicator and the County will continue to maximize efforts to ensure coverage rates are appropriate to reduce reliance on other County revenues.

WARNING TREND: Declining revenue variance as a percentage of net operating revenues.

Formula:

$$\frac{\textit{Revenue Variance}}{\textit{Net Operating Revenues}}$$



Revenue Variance:
This financial indicator examines the differences between revenue estimates and revenues actually received. It includes revenues in the General, Special Revenue, and Debt Service funds. Major discrepancies in revenue estimates can be an indication of a declining economy, inefficient collection procedures, or inaccurate estimating techniques. On the graph to the right, the "0%" represents the fiscal year budgeted estimates. A positive number reflects a positive revenue variance, indicating budget estimates were met, while a negative number reflects missed revenue projections.

Trends:
The overall trend depicted above reveals that the County's revenues exceeded budget estimates for each of the eleven years analyzed.

In looking at this eleven-year period, this indicator peaked in FY08, when the budget to actual revenue variance reached 6.1 percent. The low points may be found from FY09 through FY13, when the variances ranged from 0.2 percent in FY10 to 1.3 percent in FY13. The variance for FY14 increased to 2.4 percent. In the four most recent fiscal years, the variance has ranged narrowly from 3.6 to 4.2 percent.

Looking at the trend since FY08, the County's annual revenue variance has averaged 2.6 percent. The County of Henrico maintains a conservative posture when projecting revenues on an annual basis. The budget to actual revenue variance of 6.1 percent in FY08 reflected the highest level in this eleven-year period. The impact of the economic downturn is evident from FY09 through FY13, as the gap between estimated and actual revenue collections narrowed due to virtually all revenue sources declining. During this period, and in anticipation of a slow economic recovery, several sustainable expense reduction initiatives were implemented that allowed the County to reduce overall expenses by more than $125 million, including the elimination, freezing, or unfunding of more than 650 positions Countywide.

Continuously improving revenue collections, combined with departments continuing to find efficiencies, allowed the County to post an improved 2.4 percent revenue variance in FY14, contributing to growth in overall General Fund balance as well – the first such increase in fund balance in five years. Revenue variances have averaged 4.0 percent from FY15 to FY18 due to conservative revenue estimates, the continuing performance of the meals tax, and the continued focus on minimizing expense growth. The continuation of conservative revenue estimates in the FY19 budget will should yield positive revenue variances into the foreseeable future. As such, <u>no warning trend is warranted for this indicator</u>.