

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 FY23 is \$219,235,025, which represents an increase of \$18.3 million, or 9.1%, 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 FY23 are estimated at \$25,641,197, which reflects a 6.3 increase over FY22.. FY24 and FY25 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 FY23 totals \$79.1 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 FY24 and FY25 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 FY23 is \$3,371,409. This amount is unchanged from the FY22 budget. This transfer is projected to remain flat in FY24 and FY25.
 - **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 \$27,041,481 for FY23. State and federal

revenues are projected to be \$13,012,621 and the estimate for fee revenues is \$13,766,820. Mental Health grant reserve funding of \$800,000, and \$150,000 of contract revenues from Sheltered Employment, are also anticipated. Additionally, Henrico is budgeted to receive a total of \$262,340 of fee revenues from Charles City and New Kent counties. A 1.0 percent increase in Mental Health revenues is projected for both FY24 and FY25.

- 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 \$127,332 in FY23, FY24, and FY25. 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 FY23 total \$31,394,880, of which \$5,519,238 is directed toward CSA. A 3.0 percent increase in revenues is projected for both FY24 and FY25, 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.
 - FY23 transfer of \$39,309,304 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, and the Special Revenue Fund Reserve. The sum of these transfers is \$7,808,418. The remaining transfers are distributed as follows: \$127,332 for the Metro Aviation Unit; \$3,371,409 in support of Solid Waste programs; \$8,737,008 in local support of Social Services; and \$19,265,137 for Mental Health. The total transfer from the General Fund is projected to increase to \$40,48,763 in FY24 and \$41,695,486 in FY25.
 - **(To) From Solid Waste 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 FY23 anticipates the use of \$551,025 from the Solid Waste Fund balance. The forecast for FY24 and FY25 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 FY2020-21 and there is no planned use of the fund balance during the forecast period.

- Expenses:
 - The development of the FY23 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 FY24 and 1.5 percent in FY25. 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 FY22 through FY25. 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

	FY 20-21 Actual	FY 21-22 Original	FY22-23 Forecast	FY23-24 Forecast	FY24-25 Forecast
Revenues:					
School Cafeteria	\$ 15,190,923	\$ 24,115,429	\$ 25,641,197	\$ 25,897,609	\$ 26,156,585
State, Federal & Other Grants	88,924,811	70,746,153	79,088,385	79,879,269	80,678,062
Asset Forfeitures	164,190	0	0	0	0
Donations	627	0	0	0	0
Revenue from Local Sources	0	0	250,000	250,000	250,000
Solid Waste	10,986,331	12,362,500	14,337,500	14,480,875	14,625,684
Street Lighting	98,091	84,100	84,100	84,100	84,100
Mental Health	24,743,119	24,930,572	27,041,481	27,311,896	27,585,015
Metro Aviation/Extradition	258,032	359,668	359,668	359,668	359,668
Social Services & CSA	28,173,377	28,911,141	31,675,365	32,625,626	33,604,395
Watershed/Best Management Practices	30,207	897,000	897,000	897,000	897,000
Subtotal Revenues	<u>\$168,569,708</u>	<u>\$162,406,563</u>	<u>\$179,374,696</u>	<u>\$181,786,043</u>	<u>\$184,240,508</u>
From General Fund:					
State, Federal & Other Grants	\$ 5,744,824	\$ 7,541,326	\$ 7,808,418	\$ 8,042,671	\$ 8,283,951
Mental Health	12,111,238	18,123,189	19,265,137	19,843,091	20,438,384
Metro Aviation	126,217	127,332	127,332	127,332	127,332
Social Services	7,085,563	7,743,723	8,737,008	8,999,118	9,269,092
Solid Waste	2,492,245	3,371,409	3,371,409	3,472,551	3,576,728
Subtotal From General Fund	<u>\$ 27,560,087</u>	<u>\$ 36,906,979</u>	<u>\$ 39,309,304</u>	<u>\$ 40,484,763</u>	<u>\$ 41,695,486</u>
(To) From Solid Waste Fund Balance	3,087,697	1,574,041	551,025	489,107	424,547
(To) From Street Light Fund Balance	(34,223)	0	0	0	0
Total Resources	<u>\$199,183,269</u>	<u>\$200,887,583</u>	<u>\$219,235,025</u>	<u>\$222,759,913</u>	<u>\$226,360,541</u>
Expenditures:					
School Cafeteria	\$ 15,190,923	\$ 24,115,429	\$ 25,641,197	\$ 25,897,609	\$ 26,156,585
School CSA	10,830,031	14,400,000	14,400,000	14,832,000	15,276,960
State, Federal & Other Grants	94,834,452	78,287,479	87,146,803	87,921,939	88,962,012
Economic Development Authority	0	0	0	0	0
Solid Waste	16,566,273	17,307,950	18,259,934	18,442,533	18,626,959
Street Lighting	63,868	84,100	84,100	84,100	84,100
Mental Health	36,854,357	43,053,761	46,306,618	47,154,987	48,023,399
Metro Aviation/Extradition	384,249	487,000	487,000	487,000	487,000
Social Services	24,428,909	22,254,864	26,012,373	26,792,744	27,596,527
Watershed/Best Management Practices	30,207	897,000	897,000	897,000	897,000
Total Expenditures	<u>\$199,183,269</u>	<u>\$200,887,583</u>	<u>\$219,235,025</u>	<u>\$222,509,913</u>	<u>\$226,110,541</u>
Ending Special Revenue Fund Balance:					
Schools	\$ 12,342,198	\$ 12,342,198	\$ 12,342,198	\$ 12,342,198	\$ 12,342,198
State, Federal & Other Grants, Forfeitures *	25,136,687	0	0	0	0
Economic Development Authority **	0	0	0	0	0
Solid Waste	23,140,402	21,566,361	21,015,336	20,526,229	20,101,682
Street Lighting	767,228	767,228	767,228	767,228	767,228
Total Fund Balance	<u>\$ 61,386,515</u>	<u>\$ 34,675,787</u>	<u>\$ 34,124,762</u>	<u>\$ 33,635,655</u>	<u>\$ 33,211,108</u>

* Forecast assumes miscellaneous grant appropriations will be spent by 6/30/21. Any unspent appropriations will be carried forward into FY2021-22.