

FY20-21 General Fund Budget Overview-Other Funds

Within the General Fund there are other funds that are maintained either as Audited Proprietary Funds or as Assigned Funds. These funds are adopted and appropriated by the Board of Supervisors as part of the overall General Fund except for the Broadband Fund. Although this fund is considered a Proprietary Fund within the General Fund, the Broadband Fund budget is reviewed by the Board of Supervisors and approved by the Broadband Authority.

Audited Proprietary Funds include: Piney River Water and Sewer Fund and the Broadband Authority Fund.

Piney River Water and Sewer Fund:

The County owns the portion of the water and sewer system in Piney River known as Piney River III, which is operated by the Nelson County Service Authority. This system is self-sufficient and in FY21 does not require support from the General Fund for operations. **The FY21 Fund budget is balanced at \$350,235;** a decrease of -\$696,185 or -66.05% from FY20. This decrease is primarily attributable to there being no debt service expenditures in FY21 due to retirement of the debt in FY20. This system serves 198 sewer-only customers and 123 water and sewer customers. The sewer only base rate per month is \$38.60 (\$29.60 sewer + \$9.00 grinder pump). The water and sewer base rate per month is \$68.50 (\$29.90 water + \$29.60 sewer + \$9.00 grinder pump). The collection rate for these charges is approximately 67%.

Delinquent accounts are subject to the County's collection policy established in 2016. Accounts considered delinquent are those 90 or more days overdue and have a balance of \$300 or more. Delinquent accountholders are sent notices and given 10 business days to return full payment to avoid legal action. Next steps for accounts remaining 90 days in arrears for which no payment plan has been established, is turn-over to the Treasurer for collection procedures. Accounts considered uncollectible by the Treasurer will have a lien filed with the Circuit Court Clerk against the property to include various fees up to 20% of the delinquent charges.

Expenditures:

FY21 Expenditures are proposed to be \$350,235 with a Contingency Reserve of \$18,770.00.

Notable proposed changes in expenditures for FY21 include: An additional \$6,500 in Maintenance Supplies to accommodate the repair and/or replacement of grinder pumps on the system and \$188,365 of the total \$190,865 of the engineering and capital costs associated with installation of a Granular Activated Carbon filtration system that implements corrective action required by the Department of Environmental Quality. These costs were partially funded in FY20, with the remainder to be funded in FY21.

Additionally, the debt associated with this system was retired early in FY20, saving approximately \$67,000 annually that would have otherwise been expended through FY2034.

Revenues:

FY21 Revenues are proposed to be \$350,235, utilizing a Year Ending Balance of \$205,859 that is primarily attributed to carry-over of FY20 Capital Improvements funds related to the Granular Activated Carbon filtration system that was begun in FY20 and will be completed in FY21.

Additionally, slight increases in fees for water/sewer are anticipated as well as for connection fees.

Broadband Fund (Informational):

Prior to FY21, Nelson County owned and operated a middle mile fiber Broadband network which was Governed by the Nelson County Broadband Authority. In mid-FY20, the fiber network assets were transferred to Central Virginia Services Inc., a subsidiary of Central Virginia Electric Cooperative, as part of their fiber deployment project within their service areas of the County. The County retained ownership of tower and related assets for continued operation. This network is self-sufficient and in FY21 does not require support from the General Fund for operations.

Additionally, the Broadband budget is approved annually by the Nelson County Broadband Authority and no action to either adopt or appropriate the Broadband Fund budget by the Board of Supervisors is required. **The FY21 Fund budget is balanced at \$984,441; an increase of 105.46% from FY20;** largely attributed to reduced expenditures from the fiber network transfer to CVSI and a healthy fund balance.

Expenditures:

FY21 Expenditures are proposed to be \$984,441 with a Contingency Reserve of \$933,317. All expenditure categories are decreasing due to the Authority's expenses only being related to maintaining its wireless network operations (towers). The tower lease expenditure is increasing by 12% in accordance with a contractual obligation which provides for reimbursement to the Rockfish Valley Fire Department of 25% of the base annual tower lease revenue received from AT&T. Not including the Contingency, operational expenditures are anticipated to be \$51,124.

The Contingency Reserve of \$933,317 consists of carry-over of the unspent FY20 Contingency of \$253,170, Carry-Over of \$462,055 in FY20 Revenues > Expenditures, and \$218,092 in anticipated FY21 Revenues > Expenditures.

Revenues:

FY21 Revenues are proposed to be \$984,441, utilizing a Year-Ending Balance of \$715,225. This is comprised of \$253,170 in unspent FY20 Contingency and FY20 Carry-Over of \$462,055 in FY20 Revenues > Expenditures.

Network Access charges for fiber are anticipated to decrease by \$250,633 or 89.95% due to the transfer of the fiber network to CVSI. The County retained a few fiber leases with no increase in those revenues anticipated. Tower leases (including colocation charges) are expected to increase by \$42,212 or 42.21% primarily due to a new tower lease with Verizon at Martin's Store. Not including the Year-Ending Balance, FY21 operational revenues are anticipated to be \$269,216.

Note: As amortized installation costs are recovered, the revenue from Installation Reimbursements will decline until all contracts are paid off. The balance of amortized installation receivables is anticipated to be \$213,026 at June 30, 2020.

Staff proposes that \$750,000 in County General Fund contributions (transfers) made to the Broadband Fund from FY15-19 be transferred back to the General Fund. While these funds are currently a part of the General Fund, for accounting purposes, they are considered "proprietary" fund balance of the Broadband Authority and are not considered part of the unassigned General

Fund balance that falls under the purview of the Board of Supervisors. Should the proposed transfer occur, the Broadband Authority's FY20 contingency would be \$183,317 with the potential to carry-over funds of \$218,092 from FY21 to FY22. The \$750,000 would then become unassigned General Fund balance.

Assigned Funds include: Debt Service Fund, Capital Fund, School Textbook Fund, and School Cafeteria Fund.

Debt Service Fund:

The County pays principal and interest for both County and School related debt out of the Debt Service Fund. A corresponding transfer from the General Fund to the Debt Service Fund is made at the beginning of each Fiscal Year in order to facilitate these payments. **Total School and County debt service payments for FY21 will be \$3,176,552** and total debt balances at the beginning of FY21 are \$19,165,000.

The FY21 payments for County debt total \$1,314,535, an additional \$9,316 or 0.10% increase from FY20. This slight increase is associated with the increase in principal payments on all debt and slightly less in interest payments on all debt. County debt balances at the beginning of FY21 are \$8,850,000 and consist of debt for the 2012 State mandated radio narrow-banding project, the 2013 and 2015 additions/renovations for the Judicial/Sheriff/Courts wing and the Circuit Court/Administration areas, and the 2018 Library Expansion project.

The FY21 payments for School debt total \$1,862,017, a decrease of \$5,682 or -0.03% due to the decrease in interest payments being greater than the increase in principal payments. School debt balances at the beginning of FY21 are \$10,315,000 and consist of two financings for the Nelson Middle School construction and High School renovation projects.

Capital Fund:

The Capital Fund was created to segregate larger capital projects from the General Fund. It currently provides a holding place for **capital reserves of \$705,251**; \$300,500 of these funds were

set-aside by the Board of Supervisors for remediating the building envelope at Tye River Elementary School if needed and \$404,751 is un-allocated.

This fund as it currently exists has been by accounting standards an "assigned" balance within the General Fund and therefore not considered when calculating unassigned General Fund Balance. Should this fund not be appropriated in FY21, these funds would become unassigned within the General Fund Balance.

School Textbook Fund:

Dr. Eagle has requested an appropriation of the FY21 School Textbook Fund in the amount of \$644,000. Staff was advised that the Instructional Office and Division staff were currently working to finalize two textbook adoptions, each of which would cost around \$200,000 and may be billed prior to the end of FY20. In which case, the FY21 appropriation request amount would change.

The FY21 School Textbook Fund is balanced at \$644,000, a decrease of \$190,000 from FY20 or -22.78%. Expenditures are anticipated to be \$644,000 in School Textbook Payments with Revenues being primarily a supplement from School Operations of \$170,769 and anticipated FY20 Carryover Funds of \$473,213.

School Cafeteria Fund:

Dr. Eagle has requested an appropriation of the FY21 Cafeteria Fund balance at June 30, 2020 in order to cover any large, unexpected expenditures for the year. She advised that the cash balance shown in the FY19 County Audit was \$274,838. **This fund is proposed to be appropriated pending any adjustments as requested with \$274,838** in Food Services Equipment expenditures and anticipated FY20 Carry-Over fund revenues of \$274,838.