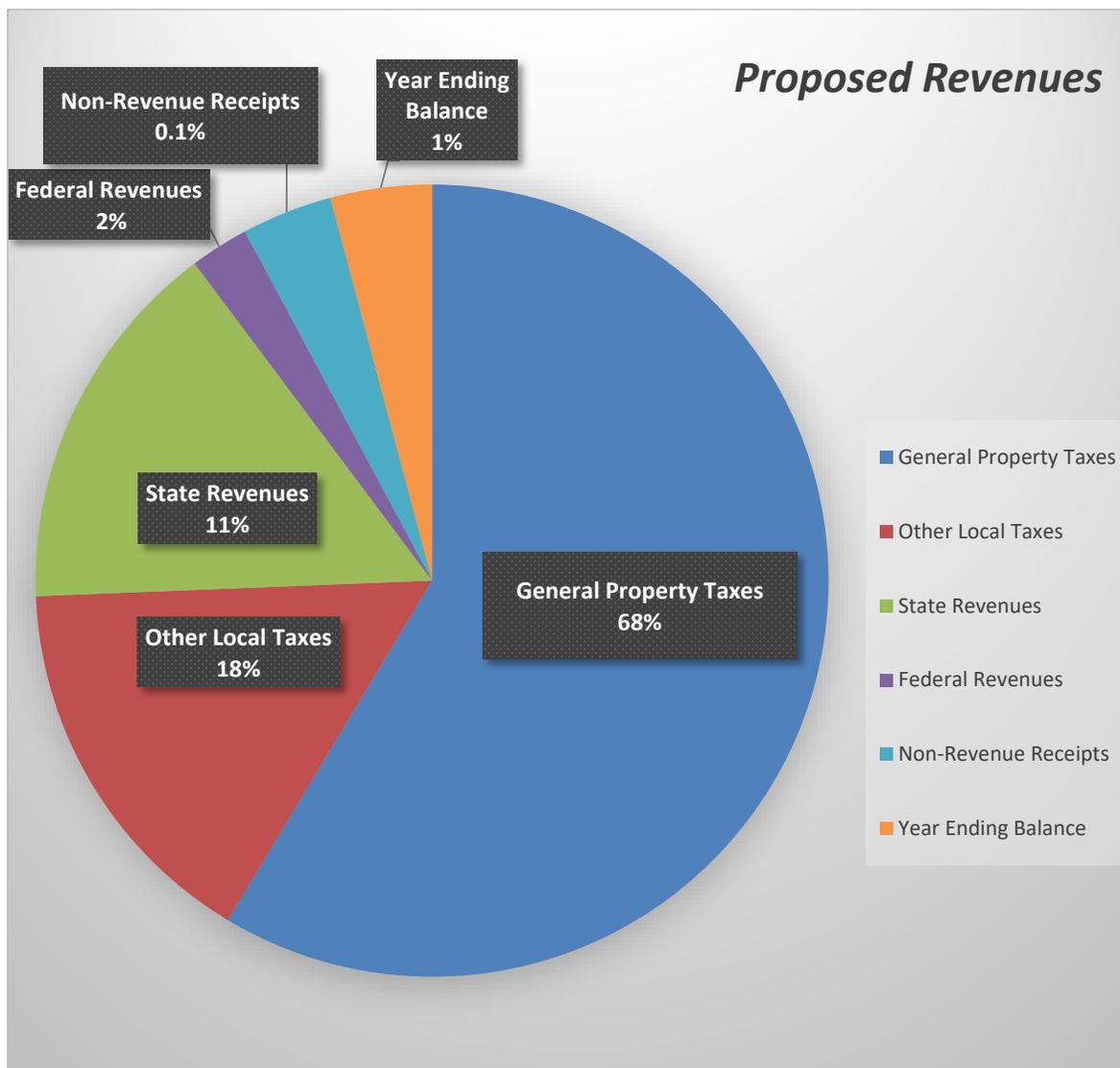


## FY20/21 Proposed General Fund Budget Overview- Public Hearing

### OVERALL REVENUES - \$36,943,981

Overall, General Fund Revenues inclusive of use of fund balance are \$36,943,981 and are proposed to decrease by \$7,505,471 (-16.89%) from the current amended FY20 budget through May 2020 of \$44,449,452. This is primarily due to the reduction in non-recurring State grant funding and bond proceeds related to capital projects that were completed in FY20. Sources of revenue include local, state, federal, and non-revenue receipts as described below.



## **LOCAL REVENUE \$31,623,265 (86% of the Overall Budget)**

### **General Property Taxes \$25,067,980 (68%)**

General Property taxes continue to represent the largest source of General Fund Revenues and are anticipated to be \$25,067,980 or 68% of total revenue. FY21 Tax Rates remain the same as in FY20. The FY21 projection reflects an increase of \$1,996,063 (8%) over the current budget. This is primarily due to the relief of First Half 2020 Personal Property, Mobile Homes, and Machinery & Tools Taxes that would have been collected in June 2020 which is in FY20. General Property Taxes include Real and Personal Property, Machinery and Tools tax, and Public Service tax. Also included are delinquent tax collections, penalties, and interest. Tax rates are established on a calendar year basis even though the county budget is presented on a fiscal year basis (July-June). For example, the FY21 budget will include the second half tax billing for calendar year 2020 and the first half billing for calendar year 2021.

**Real Estate Tax** is the largest source of revenue for the county and is expected to generate \$17.8 million in FY21 based on no change in the tax rate. This represents a \$25,452 (0.14%) increase over the FY20 budget amount. Projected revenues for FY20 are estimated to be \$113,571 lower than budgeted. This translates to a 0.78% increase between the FY20 projected collection to the FY21 estimated revenue. The FY21 estimate assumes the current tax rate of \$0.72 per \$100 of assessed value, a 0.80% increase from estimated FY20 collections, 96.1% collection of current year taxes and 3% collection of prior year taxes. The Calendar Year 2020 value of taxable real estate after Land Use deferrals and elderly tax relief is \$2.48 billion which generates approximately \$238,894 of estimated collectible real estate tax revenues for each penny of the tax rate; including back taxes, this amount is approximately \$247,844.

**Public Service tax** is levied on the real estate and personal property owned by railroads, utilities, pipelines, and other businesses required to register with the State Corporation Commission (SCC). Public Service Corporation assessments are prepared by the Virginia Department of Taxation and the SCC. The Department of Taxation conducts an annual statewide sales study of real property to determine current fair market values. A ratio is established comparing the results of the annual

sales study to locally assessed values which is then applied to public service values prepared by the SCC. The Public Service tax is expected to generate \$945,000 in FY21 which reflects a decrease of -\$13,292 or -1.39% from the FY20 budget amount. Lower projected tax revenues for FY20 (\$945,047 vs. \$958,292) are expected to be realized making the actual FY21 decrease -\$77 or -.01%.

**Personal Property and Mobile Home Tax** is levied on vehicles and other tangible non-real estate property. Qualifying vehicles are eligible for a pro rata share of personal property tax relief (PPTR) which the state provides to the county as a fixed payment of \$1.7 million. Additionally, in response to the COVID-19 Pandemic, the Board of Supervisors approved \$2,012,097 in personal property tax relief for the first half of tax year 2020 (January-June) that would have been due in June 2020.

Taking into account the COVID-19 tax relief provided in FY20, and the tax relief payment from the state in FY21 Personal Property tax collections are projected to increase by \$1,950,822 or 49.5% from the FY20 budget amount. Including the state tax relief payment, collections in FY21 are anticipated to be \$5.8 million. The FY21 estimate uses the current tax rate of \$3.45 per \$100 of assessed value, a 1.7% increase from estimated FY20 collections, 98% collection of current year taxes and 3% collection of prior year taxes. The Mobile Home Tax is levied on manufactured homes not classified as real estate. Mobile Homes are assessed as tangible personal property, yet taxed at the real estate property tax rate and are included in the FY21 Personal Property tax estimates.

**Machinery and Tools Tax** is levied on certain business equipment used in manufacturing and certain other commercial activities and represents approximately 0.3% of overall General Property Taxes. As with the Personal Property tax, in response to the COVID-19 Pandemic, the Board of Supervisors approved \$39,445 in Machinery & Tools tax relief for the first half of tax year 2020 (January-June) that would have been due in June 2020.

This tax is anticipated to generate \$69,758 in FY21, an increase of \$43,574 over the FY20 budget taking into account the FY20 COVID-19 tax relief of \$39,445. The statutory tax rate for Machinery

and Tools is \$1.25 per \$100 assessed value based on original cost. However, an assessment ratio is applied to the value as follows:

Tax Years	Ratio (%)	Effective Rate per \$100
1 to 5	40	\$0.50
6 to 10	30	\$0.38
11 to 15	20	\$0.25
16 plus	10	\$0.13

**Late Tax Penalties and Interest** are anticipated to generate \$320,000 in FY21 which is a -7% decrease from the FY20 budget. A ten percent penalty is charged the day after the tax due date and ten percent annual interest is accrued beginning 25 days after the tax due date. Delinquent property tax collections are reflected in the budget within each category of tax. Together delinquent tax collections and associated penalty and interest make up 1.3% of all General Property Taxes.

**Other Local Revenue \$6,555,285 (18%)**

In addition to property taxes, local revenue generally includes other local taxes such as: utility, vehicle license, recordation, meals, lodging, permits and license fees, court fines and fees, interest earnings, and various recovered costs. Other local revenue is expected to generate \$6,555,285 in FY21 which is a decrease of -\$270,390 over the FY20 budget amount and is 18% of the overall budget. The most significant factors in the decrease are related to a decrease of -\$246,106 in Local Sales Tax, an estimated -\$110,000 decrease in Interest Earnings, and a -\$111,000 decrease in fines and forfeitures which are offset by increases in other categories including EMS Revenue Recovery collections. While FY21 budget estimates remain unrevised from the budget introduction in February, Impacts of the COVID-19 Pandemic are expected to be realized in this revenue category; primarily in Sales & Use Tax, Meals & Lodging taxes, Interest Earnings, and possibly EMS Revenue Recovery collections.

**STATE REVENUE \$3,957,585 (11% of Overall Budget)**

State revenues, including non-recurring grants, primarily supporting the Blue Ridge Tunnel Project, are anticipated to decrease by -\$3,661,963 or -48.1% in FY21 from the FY20 budget amount. State

revenues include **non-categorical aid** from motor vehicle carrier's tax, mobile home titling tax, deeds tax, and communications sales tax. Non-categorical aid is anticipated to generate \$539,100 in FY21 which is a decrease of -\$97,867 from FY20 reflecting a total elimination of the State's distribution to localities of taxes on deeds. For Nelson County that is a decrease of -\$64,986 from FY20.

**Categorical state aid** primarily provides for at risk youth programs (CSA) and public assistance and welfare programs administered by the local Department of Social Services. The County expects to receive \$1,640,260 in categorical state aid in FY21 which is 41.4% of total State revenues excluding non-recurring grants.

**State shared expenses** represent the State's share of activities that are considered to be a shared state and local responsibility. Shared responsibilities include Constitutional Offices and the Registrar/Electoral Board. Constitutional Offices include the Sheriff, Commonwealth Attorney, Commissioner of Revenue, Treasurer, and Clerk of the Circuit Court. State shared expenses are expected to be \$1,659,026 which represents 41.9% of total State revenues excluding non-recurring grants.

**FEDERAL REVENUE \$878,435 (2.4% of Overall Budget)**

Federal revenue, excluding non-recurring grants, is expected to provide \$878,435 in FY21. This is a -\$174,206 decrease or -16.55% over the FY20 budget amount. Federal funding includes payment in lieu of taxes and public assistance and welfare. Payments in lieu of taxes have historically been received for forest land located in Nelson County. These funds must be approved during the federal budget process. Federal funds are also received for public assistance and welfare programs and are the largest source of ongoing federal funding. The decrease is attributable to non-recurring funds received in FY20 for the Blue Ridge Tunnel Project that is offset by a slight increase in public assistance and welfare funds. Additionally, Federal Victim/Witness funding is now being accounted for in this revenue category.

## **STATE AND FEDERAL GRANTS**

In FY20, the county is expected to complete the Blue Ridge Tunnel project which received the majority of state and federal grants within the FY20 budget. With this project being funded on a reimbursement basis, some state funding may be received in FY21 to cover FY20 expenses and will likely be accrued back to FY20 by County auditors. Smaller state and federal grant funding will be received; however, they are generally not budgeted until they are awarded. Additionally, some grants may be awarded mid-year and amended into the budget at the time of award. These grants may be Sheriff's Department grants including Asset Forfeiture funds, Emergency Services grants, Recreation grants, etc.

## **NON-REVENUE RECEIPTS \$20,000 (0.1% of Overall Budget)**

The majority of Non-revenue receipts utilized in FY20 were related to bond proceeds used for the Nelson Memorial Library expansion project. In FY19, the County participated in a pooled bond financing through Virginia Resources Authority to fund a 4,120 square foot expansion and renovation of the current Library building. Approximately \$446,000 of the bond proceeds were expected to be received in FY19 and the remainder in FY20. With the completion of the Library expansion project, the only non-revenue receipts included for FY21 are insurance recoveries.

## **YEAR END FUND BALANCE \$464,696 (1.3% of Overall Budget)**

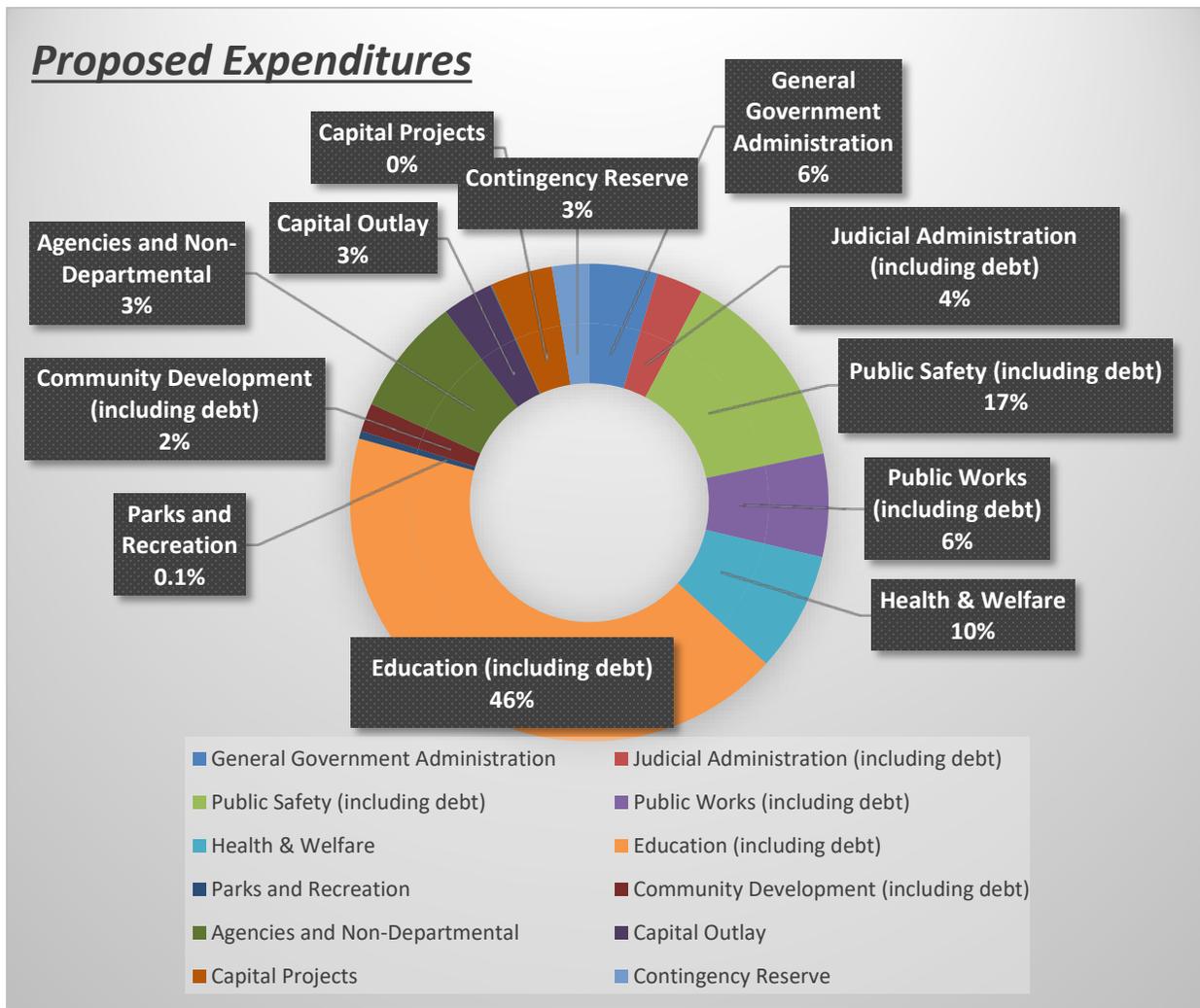
The FY21 proposed budget anticipates use of \$464,696 in fund balance which is a decrease of \$3,583,352 from the FY20 budget. FY21 Year Ending Balance includes funds for minor capital outlay projects that were budgeted for in FY20 that were not completed and were moved forward to FY21. These are: Microwave Network Upgrade \$369,500, Heritage Center Water Tank replacement \$82,696, and IT Email Archive Solution \$12,500.

The FY20 Year-End fund balance utilized of \$4,048,048 is primarily attributed to the use of non-recurring contingency in FY19 and FY20, in addition to Carryover from unexpended recurring contingency funds and unexpended reserves. Additionally, use of \$2,051,542 of General Fund Balance was used to offset the first half of 2020 personal property and machinery & tools COVID-19 pandemic tax relief approved by the Board of Supervisors.

**OVERALL EXPENDITURES - \$36,943,981**

Overall, recommended expenditures in FY21 are decreasing by \$7,505,471 or -16.9%. Total recommended expenditures for FY21 are \$36,943,981 as compared to the current FY20 Amended Budget of \$44,449,452 through May 2020. This decrease is primarily attributed to non-recurring expenditures related to the early pay-off of Piney River water and sewer system debt, the Nelson Memorial Library expansion and renovation project, and the Blue Ridge Tunnel Project.

The graph below reflects the allocation of FY21 expenditures between the various major categories of expense. Education including debt for Schools is the largest category and accounts for 46% of the total budget at \$16,958,598. An additional School Resource Officer Reserve of \$207,132 that for accounting purposes is included in Public Safety, brings this amount to \$17,165,730. This amount accounts for 54% of Local Revenue.



**Government Administration \$2,158,381 (6% of Overall Budget)**

Government Administration includes the Board of Supervisors and the following departmental operations: 1) County Administration 2) County Attorney 3) Commissioner of Revenue 4) Reassessment 5) Treasurer 6) Finance & Human Resources 7) Technology 8) Land Use Panel 9) Board of Elections and 10) Registrar. Overall, governmental administration expenditures are recommended at \$2,158,381 which reflects an increase of \$102,510 from the FY20 amended budget and is 5.8% of the total budget. This increase is primarily attributed to inclusion of expenditures related to Re-assessment work that is anticipated to begin in FY21.

**Judicial Administration \$1,430,258 (Including Debt) (4% of Overall Budget)**

Judicial Administration includes operational expenses for 1) General District Court, 2) J&D District Court, 3) Court Services Unit, 4) Circuit Court, and 5) Commonwealth Attorney. Judicial Administration expenditures including debt for FY21 are recommended at approximately \$1,430,258 which is 3.9% of the overall budget and an increase of \$12,470 from FY20. Also included is annual debt service related to the courthouse complex improvements, estimates for court detention home services and asset forfeiture proceeds. The unexpended asset forfeiture proceeds will be re-appropriated at the beginning of FY21 once the balance of funds is reconciled at year end.

**Public Safety \$ 6,121,316 (Including Debt) (17% of Overall Budget)**

Public Safety includes operational expenses for the Sheriff, Public Safety (Emergency Services), Emergency Services Council, E911 Program, Forest Fire Service, Paid EMS, Regional Jail, Building Inspections, Animal Control, and Medical Examiner. Public Safety expenditures include debt for related areas of the Courthouse Complex, and debt related to upgrades to the microwave/radio system that supports public safety personnel including volunteer Fire and Rescue agencies. FY21 expenditures are recommended at \$6,121,316 which is an overall decrease of -\$258,427 from the FY20 budget and is 16.6% of the overall budget. This decrease is attributable to funds that are not budgeted until reconciled or budgeted until received such as Asset Forfeiture and School Resource Officer funds within the Sheriff's Department, or Four for Life and Fire Funds within the Emergency Services Council budget. Small increases were seen in maintenance service contracts for E-911 related equipment and Regional Jail expenses due to higher utilization.

**Public Works \$2,015,738 (Including Debt) (6% of Overall Budget)**

Public Works includes operation expenses for 1) Waste Management, 2) Building and Grounds, and 3) Motor Pool. Also include are debt and expenses related to the Piney River water and sewer system. Public Works expenditures for FY21 are recommended at \$2,015,738 which is a decrease of \$1,066,643 from FY20 and is 5.5% of the overall budget. This decrease is primarily attributable to a non-recurring expense in FY20 to pay off Piney River Water & Sewer system debt, saving the County approximately \$67,000 annually through 2034. This decrease is offset by small increases in Waste Management that are expected in repairs and maintenance and recycling costs.

Additionally, the Motor Pool budget does not contain any funds for the purchase of new fleet or Sheriff's Department vehicles and equipment.

**Health and Welfare \$3,688,029 (10% of Overall Budget)**

Health and Welfare includes operational expenses for the 1) Local Health Department, 2) Department of Social Services, and 3) programs for at risk youth (Children's Services Act/CSA). FY21 expenditures remain fairly constant and are recommended at \$3,688,029, an increase of \$115,752 from FY20 and is 10.0% of the overall budget. The increase is primarily due to increased funding for the Health Department and Department of Social Services whose costs are offset by State funding.

**Recreation & Community Development \$1,083,526 (Including Debt) (3% of Overall Budget)**

Recreation and Community Development includes operation expenses for 1) Recreation, 2) Planning, 3) Tourism/Economic Development, 4) Thomas Jefferson Soil and Water Conservation District, and 5) Cooperative Extension. The debt service expenditures for the Nelson Memorial Library expansion and renovation project are also included here. The overall budget for FY21 reflects a decrease of -\$27,699 and is 2.9% of the overall budget. The primary reason for the decrease is an increase in Cooperative Extension to fully fund an Agricultural Extension Agent which is offset by a non-recurring economic development grant received in FY20.

**Agencies & Non-Departmental \$1,131,857 (3% of Overall Budget)**

Agencies and other Non-Departmental expenses as proposed are \$1,131,857, a decrease of \$2,863,601 and is 3.1% of the overall budget. This decrease is primarily attributable to a decrease in expenditures related to the Blue Ridge Crozet Tunnel Project which was completed in FY20. The project expenditures were primarily offset by State and Federal grant revenue. Additionally, most agencies were level funded, a couple were reduced, and no new agencies received funding. This department also includes \$119,687 in funding for required employee benefit increases (2.38% VRS, 0.03% Group Life Insurance, and 0.11% VLDP Insurance). There are no across the board employee salary adjustments presently included for FY21.

**Capital Outlay \$1,101,799 (3% of Overall Budget)**

Capital Outlay expenditures in FY21 are expected to be \$1,101,799 a decrease of -\$632,122 from FY20 and represents 3.0% of the overall budget. Several items budgeted for FY20 were not completed and were moved to FY21. \$959,603 of these expenditures are related to enhancing the provision of emergency services.

The following capital expenses are proposed for FY21.

<b><u>Emergency Services</u></b>	
Emergency Communications	\$254,000
Emergency Communications Center Upgrades	\$23,309
Microwave Network Upgrade	\$369,500
Emergency Vehicles – Faber Fire Truck	<u>\$312,794</u>
	<b>\$959,603</b>
<b><u>Miscellaneous</u></b>	
Animal Shelter Improvements	\$6,000
Heritage Center Water Tank Replacement	\$82,696
Software and IT Related	<u>\$53,500</u>
	<b>\$142,196</b>
<b><u>Total Capital Outlay</u></b>	<b><u>\$1,101,799</u></b>

**Refunds \$27,000 (0.1% of Overall Budget)**

Revenue refunds are anticipated to be \$27,000 in FY21 and represent 0.1% of the overall budget.

**Capital Projects \$0 (0% of Overall Budget)**

Capital Projects which included the Nelson Memorial Library expansion project in the amount of \$2,256,490 was completed in FY20. Project expenditures were offset by revenue from Bond Proceeds from a pooled bond financing issued through Virginia Resources Authority. There are no major capital projects budgeted for in FY21 at this time.

**Transfers \$19,989,113 (54% of Overall Budget)**

This category of expenditure reflects \$19,989,113 in funds moved to various other accounting funds and is by far the largest category of expenditures in the FY21 budget at 54.1%. In terms of the expenditure allocation chart provided above, these are included within the major categories presented as applicable.

Within the General Fund budget, Transfers are proposed for the 1) Reassessment Fund, 2) VPA (Social Services) Fund 3) Debt Service 4) Piney River Water/Sewer, 5) School Fund, and 6) School Nurse Program. Overall Transfer Expenditures in FY21 are proposed at approximately \$19,989,113 which is a decrease of -\$822,344 from FY20. This is primarily attributed to non-recurring items in FY20, including the early pay-off of the Piney River Water/Sewer system debt included in the Transfer to Piney River offset by an increase in the Transfer to VPA fund for Social Services which is also State supported. \$0 are proposed to be transferred to the Broadband Fund in FY21 as in FY20 due to the overall health of the fund such that General Fund support is not currently necessary. Additionally, no General Fund support for operations is currently necessary for the Piney River Water/Sewer fund.

Proposed **Changes** in Transfers are denoted in the chart below.

<b>Fund Group</b>	<b>Change</b>
Broadband \$0	\$0.00
VPA (Social Services)	\$73,057
Debt Service	-\$4,351
Reassessment Set-Aside \$85,000	\$0.00
Piney River Water/Sewer	-\$891,050
School Operations Including School Nurse	\$0.00
School Buses \$0	\$0.00
<b>Overall Decrease</b>	<b>-\$822,344</b>

**Reassessment Fund**

The last reassessment was completed in 2018, with the next one to be effective in 2022. Costs associated with initial work on the reassessment are budgeted for in FY21. As in FY20, \$85,000 in funds will be set aside in FY21 to offset the remainder of those costs in FY22.

**Broadband Fund (No Transfer)**

Transfer of General Fund funds has been discontinued since FY19, due to the health of the Broadband Fund balance making General Fund operational support unnecessary.

**Debt Service Fund \$3,176,552**

The transfer to the Debt Service Fund is proposed to decrease in FY21 by -\$4,350. This is primarily attributed to the pay-off of Literary Loan debt in FY18/19 which was offset by new debt established in FY19 associated with the Nelson Memorial Library expansion. The Debt Service Fund for FY21 provides for annual payment of \$3,176,552 for both County debt service of \$1,314,535 and School debt service of \$1,862,017. The total principle debt balances as of FY21 are \$19,165,000. Pay-Off of the Piney River Water/Sewer system debt in the FY20 budget provided for annual debt service savings of approximately \$67,000 beginning in FY21.

**School Fund \$15,094,822 (School Operations and School Nursing)**

The School Division requested an operational funding increase of \$851,926 and additionally, provided a recurring capital cost needs list of \$596,000 (including 4 buses) and an additional multi-

year Capital Improvements needs list of approximately \$5,303,639. The FY21 budget currently includes operational funding at FY20 levels of \$14,929,887 and \$164,935 for School Nursing for a total of \$15,094,822. No additional funding for capital needs has been established at this time. For student enrollment of 1,589, this funding exceeds the required Virginia Department of Education funding of \$7,491,081 by \$7,603,741. Local funding for education including: FY21 operational funding, debt service, School Resource Officer Reserve, and School Capital Reserve less the County's contribution to Piedmont Virginia Community College is \$17,163,971, and is 46.5% of the overall budget. This level of local funding provides a per pupil local expenditure amount of \$10,802. FY21 Local Education funding of \$17,163,971 coupled with State, Federal, and other funding for schools of \$11,667,981 yields an expenditure amount of \$18,145 per pupil.

**Contingency Reserves \$1,227,479 (3% of Overall Budget)**

The proposed budget reflects \$0 Non-Recurring Contingency Reserves for FY21 however, it does include a Recurring Contingency of \$1,020,347. These funds can be used for one-time expenditures without impacting future operations. Also included is a Reserve for School Resource Officers of \$207,132 for a total of \$1,227,479 3.3% of the total budget.