

Position Statement: Funding of Industrial Infrastructure Assets:

Goal:

1. To establish a funding, budget and accounting system for the procurement and construction of Industrial Infrastructure Assets.
2. To make accounting and budget changes for the Industrial and Tourism activities.

Objective:

- To establish an Industrial Capital sub-fund (IND) within the 171 General Capital Projects Fund in order to budget and account for the procurement and construction of Industrial Infrastructure Assets.
- To consolidate the 119 Industrial Economic Development Fund
- To move the remaining operational cost of Industrial Economic Development activities into the 101 General Fund.
- To fund the 171 General Capital Projects Fund indirectly by the sale of Industrial Property (thereby reinvesting in similar assets) and special allocations.

Background:

A Capital Projects Plan/Policy and Debt Management Plan/Policy were established in early 2011 and these policies have helped give direction and guidance to the county for the planning and funding of capital assets.

A position statement policy or concept was discussed in the January 2012 County Executive Newsletter related to the 151 General Debt Service Fund and 171 General Capital Fund property tax rates as being one unit. One could consider this position or concept as a "Balancing Principle" whereas; the Debt and Capital Tax Rates are levied in concert as one tax rate. In the concept of balancing the tax rates, the total tax rate for the 151 General Debt Service Fund and 171 General Capital Fund would remain the same but the individual rates would be adjusted as needed or required to meet the needs of the respective Debt and Capital Funds. For example, if more funds are available in the 151 General Debt Service Fund than needed (tax rate is more than sufficient to comply with Fund Balance Policy), then the following year a portion of the debt property tax could be reduced and placed in the capital fund; thereby, trying to fund and purchase new or replacement capital assets with current revenues in lieu of borrowed funds.

The county realizes that the balancing of the property tax rates in the 151 General Debt Service Fund and 171 General Capital Fund will not always be possible, but the county will try to consider this option first in the planning and funding of new or replacement capital assets.

As the county has continued more advanced financial and capital planning, the county has established more and more capital sub-funds in the development of the 171 General Capital Project Fund. With the establishment of a capital plan and capital budgets, the county has also been able to reduce certain operational funds by moving the capital projects which were in operating funds, into the 171 General Capital Project Fund. With the movement of capital projects into the 171 General Capital Project Fund, certain operating funds were then able to be consolidated into the 101 County General Fund.

Our Positions are as Follow:

First: An Industrial Capital Asset sub-fund (IND) should be created as a repository of unprogrammed cash for use in the procurement or replacement of industrial capital assets.

Second: Separate Industrial Capital Asset sub-funds should be created for specific projects or matching grants and funds within IND could be used for the matching grants and specific projects.

Third: In the event of the sale of industrial property, these proceeds are required to be deposited into the 151 General Debt Service Fund. If, after analysis, the 151 General Debt Service Fund is determined to have excess funds, the following year the 151 General Debt Service Fund property tax would be reduced and added to the 171 General Capital Project Fund property tax to be assigned to the Industrial Capital Asset sub-fund (IND) to be made available for appropriation.

Fourth: Special allotments, allocations or borrowed funds for industrial development would also be deposited in the 171 General Capital Project Fund (IND) or a specific industrial project sub-fund.

Fifth: The 119 Industrial Economic Development Fund shall be consolidated and the operational revenue and expenditures shall be transferred and accounted for in the 101 General Fund. Certain revenues within the 119 Industrial Economic Development Fund have restrictions and/or shall be restricted in the 101 General Fund to be used for industrial economic development activities.

Implementation of Positions:

It is the intent of management to implement the above positions with:

1. The sale of Industrial property to the Volkswagen Group of America
2. Budget adjustments in fiscal 2012 Budget
3. Recommendations and adoption of the 2013 Budget.

Ron Woody, Roane County Executive