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Franklin County Board of Commissioners
113 Market Street
Louisburg, North Carolina 27549

Dear Commissioners,

Growing at a rapid pace, Franklin County welcomes 3.8 new residents daily. A vibrant Franklin County is supported by growth in our towns. Our County seat, the Town of Louisburg is enjoying a revitalization – in somewhat “renaissance” fashion as are our other towns throughout Franklin County. Small business growth is evident as new retail establishments including coffee shops, an art gallery, antique and quilting shops have been established and are now available for our citizens to enjoy.

Citizens desire to be civically engaged and they are also keenly interested in the County’s heritage and seek an active voice in planning for the future. With that said, it is important to note, Franklin County will celebrate 240 years of rich history in 2019. A *celebration* is in order. I can envision active participation and civic involvement in planning events that honor our past, reflect our present-day progress and set the stage for a bright future. I look forward to working with members of the Board and our citizens as we make this celebration a reality for all to enjoy.

Economic/Fiscal Climate

I am pleased to report the County’s strong financial performance as evidenced by the most recent bond ratings. The County had an excellent year ending June 2017 and is on target to perform favorably for the fiscal year ending 2018. During the current fiscal year, the County’s refunding of debt resulted in a net savings of \$967,000 in interest over the life of the financing. The County anticipates receiving the coveted CAFR Award for the nineteenth consecutive year.

According to the NC Department of Commerce Labor & Economic Analysis Division, the *civilian labor force* in Franklin County is estimated at 30,593 people with 29,253 employed. The County’s unemployment rate stood at 4.4%- March 2018 data. Regional, State and National data stood respectively at 5.3%, 4.3% and 4.4%. For the period March 2017 – March 2018, Franklin County net employment grew by approximately 2,473 jobs.

Permits for new construction for single family dwellings in Franklin County are near a historically high level comparable to the last decade. During the current fiscal year, over five hundred permits were issued through early May representing approximately \$84 million in new construction. Median home sales values averaged \$200,000 for single family dwellings in 2017 compared to \$180,000 the prior year (Franklin County Tax Office.)

Commercial, small business and retail communities are signaling strong confidence by locating or expanding in Franklin County. Jobs created and investments are outpacing projections. Sustaining this trajectory of growth will require additional long-term water sources. Further discussion will be held later in this message as it relates to water resources currently considered. Per our Economic Development Office, over \$124 million in investments were announced over the last three years. Commercial development investing in Franklin County include but are not limited to Novozymes North America, K-Flex, USA, Atlantic Packaging, Palziv, Cedar Peaks Enterprises, and CaptiveAire.

Transportation is a critical component of infrastructure to manage our growth. A major project which will have significant impact on Franklin County is the widening of US 401. Section C (1st Phase) includes four-lane construction from NC 96 to Flat Rock Church Road with construction to begin this year. Section D (2nd Phase) includes four-lane construction from Flat Rock Church Road to SR 1700 in Louisburg with planned ROW acquisition in 2022 and construction to begin in 2024. The upgrading and expansion of US 401 with also address the safety issues that have been expressed frequently by our citizens. The State of North Carolina’s investments in the widening of US Hwy 401 along with funding Triangle North’s runway extension (\$12 million project) using DOT-Aviation funding illustrate Franklin County is positioned for growth.

2018-2019 Budget Highlights

In accordance with N.C. General Statute 159-9, the County Manager serves as the Budget Officer for the County. It is my duty and privilege to present the proposed budget for the 2018-2019 fiscal year. My proposed budget supports the priorities previously set forth by the Board. Following are the key elements of the 2018-2019 budget proposal:

Education

Public Schools

The Board is requested to provide **full funding** to support the Board of Education’s requests for Current Expense and Capital Expense. Regarding Current Expense, the Board is recommended to support a \$500 non-recurring retention bonus for classified employees and to increase the teacher supplement from **7% to 8%**. Initiatives such as STEM Academy and Early College High School continue to prove highly successful in achieving targeted results – preparing our students for the future.

2017-2018 Current Expense allocation:	\$16,365,283
2018-2019 Current Expense requested:	\$16,898,093
2018-2019 Current Expense recommended:	\$16,898,093

2017-2018 Capital Outlay allocation	\$1,400,000
2018-2019 Capital Outlay requested	\$2,000,000
2018-2019 Capital Outlay recommended	\$2,000,000

A priority goal for the North Carolina Association of County Commissioners is “to establish a new state-county partnership to address statewide public-school capital challenges – including, but not limited to maintenance, renovation, construction and debt – through a dedicated, stable funding stream that is consistent from county to county and sufficient to meet the school facility needs of all 100 counties.” The passage of HB 866/S542 would provide additional funding for school construction/renovation, repairs, etc. Eligible for consideration in the short session of the North Carolina General Assembly, H866/S542, the Public School Building Bond Act would place a \$1.9 billion school construction bond on the ballot in November 2018. Note: Over \$8.1 billion in new facilities and renovations have been identified. Franklin County is projected to be eligible for a total allocation of \$13,997,648 if approved. Further information is provided to the Board under tab 9 (Education). It would be my recommendation that the Board consider a joint Resolution with the Board of Education regarding the need for public school construction and renovation needs.

The County has issued the remaining \$11.4 million in General Obligation bonds (\$53 million Bond, 2008 approved by the voters).

Vance Granville Community College

VGCC has requested level funding in Operational Expenses for Capital in the upcoming fiscal year. The Manager’s recommendation is to maintain level funding (\$369,168 and \$20,000 respectively.)

Health & Human Services

Restoration of vital healthcare services is made possible with the planned opening of Maria Parham Franklin’s Emergency Department and Behavioral Health Care unit this fall. Healthcare is a critical component of the quality of life for our citizens. It is also a major factor for businesses desiring to expand or locate in Franklin County.

Funding is provided to meet the statutory requirements for *maintenance of effort* (MOE) in all programs areas (Health, Social Services and Aging).

Personnel

My budget proposal recommends six additional positions funded in the General Fund to address needs in Public Safety and Health & Human Services. See tab 1 for additional detail. The County’s workforce will consist of 544 full-time positions in the 2018-2019 fiscal year. There are no recommended changes in the benefits. No Cost of Living (COLA) is provided in the budget proposal. It should be noted approximately 25.4% of the County’s workforce is potentially eligible for retirement (full or reduced) in the next five years. Succession planning and proper training are critical to ensure continuity of excellence in customer service.

Note: The Compensation & Classification Plan was completed in 2014 and implemented in January 2017. Maintenance of the plan is necessary for employee retention and recruitment of quality personnel in the future. I respectfully place this on the Board's radar and recommend in the fiscal year 2019-2020 the Board approve an update of the Plan.

Fire Tax

Fire Tax rate changes are as follows:

Hopkins Fire Department requested a rate increase - 4.0 to 5.50,
Franklinton Fire Department requested a rate decrease - 7.0 to 6.25
Pilot Fire Department requested a rate decrease – 9.25 to 7.75
Justice Fire Department requested a rate increase - 8.0 to 8.5
Gold Sand Fire Department requested a rate decrease – 8.0 – 7.5
Epsom Fire Department requested a rate increase from 7.0 – 8.25
(All other Departments remain unchanged)

General Fund Highlights

Departmental requests totaled \$85,331,334. My proposed General Fund budget for the upcoming year is recommended at \$81,622,504, a reduction to requests of \$3,708,830.

The Tax Administrator has established a fiscal year 2018-2019 assessed tax base at \$5.44 billion. The budget is based on a 98.5% collection rate which would generate an estimated \$44,339,977 in current year tax revenue.

The Property Tax is the largest source of revenue in the County's budget. Currently, the ad valorem tax rate is 89.5 cents per \$100 valuation. By statute, all counties must have real property assessed every eight years. Counties may conduct revaluations on a shorter cycle. Franklin County is currently on a six -year cycle with Revaluation/Reappraisal completed in 2018. The revenue neutral ad valorem tax rate has been calculated at 77.91 cents per \$100 valuation. **The proposed ad valorem tax rate for FY 2018-2019 is 80.50 per \$100 valuation.**

Budgeted Sales Tax collections for FY 2018-2019 are estimated at approximately \$9,947.190 million up from the \$9,564,606,000 anticipated for the current fiscal year.

My budget proposal recommends an appropriation from Fund Balance in the amount of \$2,753,961. Unassigned Fund Balance is projected at 22.51%% effective July 01, 2018. Conservative budgeting, controlled expenditures and growth in the local and state economy have contributed to the County's improved *Unassigned Fund Balance*.

The Board approved an updated Purchasing Policy during the current fiscal year. Other policies planned for the Board's review during the budget discussions include a Debt Management and Fund Balance Reserve Policy along with a Capital Improvement Plan (CIP).

Prior to the adoption of the budget, the Board must hold a public hearing "at which time any persons who wish to be heard on the budget may appear." Public input on the budget

is valuable as the Board considers the spending plan for the upcoming fiscal year. Additionally, in an effort to enhance the public's opportunity to provide feedback on the budget, an electronic portal has been set up on the County's website. Public comments will be provided to the Board for their consideration.

2018-2019 - Major Initiatives

- Opening of Maria Parham Franklin's freestanding Emergency Department and Behavioral Health Unit. County staff will work in concert with its consultant to provide administrative oversight for the Golden Leaf funding awarded for hospital renovation (\$884,934 grant)
- Complete Phase I of Owens Park at Bull Creek utilizing Land & Water Conservation funding. The property consists of 167 acres, a 3,200 square-foot clubhouse, two other 4,000 square-foot buildings and four ponds.
- Complete a Comprehensive Land Use Plan estimated at a cost of \$150,000. Growth has dictated the necessity and criticality of this project as discussed by the Board at its Planning Retreat in March, 2018.
- Complete the County's Comprehensive Master Plan for Parks & Recreation (funded this year; carry forward project)
- Complete a comprehensive Master Plan for Library Services (costs partially offset by donations)
- Conduct an evaluation of existing facilities and develop architectural plans in support of recommendations for new county government consolidated facilities. (\$250,000)
- Coordinate the planning of a \$12 million Airport Improvements Project (1000' runway extension, strengthening of the runway) funded by DOT-Aviation
- Communications Capital Project to address increased traffic (\$2.5 million utilizing E911 funds)
- Historic Preservation Commission and a Historic Preservation Ordinance
*The following information is provided by our Planning Director as an update:
At the May 1, 2017, regular Board of Commissioner meeting, a Historic Preservation Ordinance was adopted by the County. The impetus for this ordinance was the County funded architectural survey which was paid for with Tourism Development Authority monies along with strong citizen support. As written within the ordinance, it's purpose is the following, "safeguard the heritage of Franklin County by preserving districts and landmarks therein that embody important elements of its culture, history, architectural history, or prehistory; and promote the use and conservation of such districts and landmarks for the education, pleasure, and enrichment of the residents of Franklin County and of the State as a whole."
Following the appointment of members, the Historic Preservation Commission began meeting in November of 2017, with the purpose of becoming a Certified Local Government (CLG) through the North Carolina Historic Preservation Commission. The benefits of such allow the County to pursue grants which could be utilized for projects such as the rehabilitation of historic structures or survey publications. The Historic Preservation Commission has meeting monthly to meet the requirements of becoming a CLG and anticipate completing this work by the fall of 2018.*
- Farmers' Market Study – Recommendations to be discussed
- Broadband – Franklin County is working with Vance and Granville Counties in a regional effort to develop strategic plans for broadband services. The work is

performed under contract with Kerr Tar Council of Governments. Once a Request for Proposals is distributed and responses received, funding needs will be identified.

- Disaster Preparedness & Recovery – Franklin County is a “model” county for developing a Disaster Preparedness & Recovery Plan in conjunction with Disaster Recovery Services. As part of the NCACC’s annual meeting in August, Franklin County staff will support representatives from Disaster Recovery Services in a panel discussion about the “model” for Counties across North Carolina.
- Vehicles Financing (\$2,133,459)
- Refresh the County’s website
- Installation of tax collections software (\$125,000)
- Purchase/Install Stryker Lifting Stretchers for EMS (9)

Note: The above listing is exclusive of Public Utility Projects. Major Public Utility projects are discussed below.

Enterprise Funds - Public Utilities, Solid Waste

Public Utilities

Water & Sewer rates are recommended to remain the same as in the current fiscal year. In seven consecutive budgets, I have recommended a loan repayment to the General Fund. The General Fund will be paid in *full* by fiscal year ending 2021.

House Bill 436 was approved by the General Assembly Session Law 2017-138. This bill calls for Public Utilities to develop System Development Fees for charging development to connect to the utility system. Our engineering firm, LKC Engineering is preparing the methodology and written report. Representatives from LKC Engineering will be in attendance on May 15, 2018 to present to the Board their recommendations.

The Board has engaged the services of LKC Engineering to prepare a written report of possible water supply options for the future. Staff and engineers have held preliminary conversations with area representatives of entities that are being evaluated for the future. A formal report will be made to the Board in the upcoming weeks.

Following is a staff update on Public Utility projects:

Franklinton Sewer Rehab Phase 1 – Rehabilitate approximately 4,000 linear feet of gravity sewer line via replacement and cure in place pipe (CIPP), rehabilitate 34 vertical feet of manholes, and replace 15 manholes including associated site work. The purpose of the project was to eliminate inflow and infiltration in the sewer lines that caused sanitary sewer overflows (SSO’s) in the Franklinton system. This project was completed and closed out in May 2017. The project construction cost was \$403,500 which was funded by a state grant.

Franklinton Sewer Rehab Phase 2 – Rehabilitate approximately 7,547 linear feet of gravity sewer line via replacement and cure in place pipe (CIPP), rehabilitate 205 vertical feet of manholes and replace 29 manholes. The purpose of the project was to eliminate inflow and infiltration in the sewer lines that caused sanitary sewer overflows (SSO’s) in the Franklinton system. This project was awarded on 03-06-17 and is still in progress. There have been 5 change orders due to current field conditions. The project is scheduled

to be completed and closed out within the next 2 months. The original bid amount was \$1,083,034 and currently the bid total including the approved change orders is \$1,237,895.68 (construction) and this project is funded by a state grant minus closing costs.

Franklinton and Youngsville Regional Lift Station Replacement – Complete replacement of two regional lift stations in the Towns of Franklinton and Youngsville respectively to reduce sanitary sewer overflows (SSO's) that have occurred in the past at the sites. Replacement includes new pumps, SCADA, new electronic controls, new generators, new by-pass connections, and new fencing. The bid was awarded on February 5, 2018 and the "Notice to Proceed" was signed on March 29, 2018 with an official start date of April 9, 2018. This project is funded out of utility fund dollars. The project construction cost is approximately \$1,342,500.00.

Triangle North Franklin Lift Station – Installation of approximately 14,500 linear feet of 8-inch force main and one duplex submersible lift station with generator, SCADA, odor control system and by-pass connection. The bid was awarded on October 16, 2017 and the "Notice to Proceed" was signed on January 8, 2018 with the same effective start date. This project is funded from an IDF Grant. The project construction cost is approximately \$1,329,100.00.

Capital needs for our future Public Utilities projects will be addressed and incorporated in the Capital Improvement Plan (CIP).

Solid Waste

Solid Waste is treated as a separate business or Enterprise Fund. The Solid Waste Fund started with zero cash three years ago. The costs associated with delivering the services to meet the demand necessitate a change in the fee structure. The Availability fee is recommended to increase from the current level of \$80.00 to \$85.00 per household. An increase of five percent is recommended for the Solid Waste Tipping Fee, raising the fee from \$60.00 per ton to \$63.00 per ton. No additional personnel are recommended in my budget proposal. Part-time staffing will be used to address the increased demand. No General Fund appropriation is requested for Solid Waste in 2018-2019.

In collaboration with Public Schools, management has identified a cost saving opportunity by having the Schools' contractor handle recyclables along with other waste. No additional costs will be borne by the Schools. Staff previously assigned to collect the Public School's recyclables will be available to work at the transfer station or other areas as assigned.

Our Solid Waste Director has recommended several operational changes for the upcoming fiscal year including recognizing a holiday schedule for his staff that would include Independence Day, Veteran's Day and Good Friday. Additionally, a change in hours of operation during Daylight Savings time (November 4, 2018 – March 10, 2019) is recommended - 7:00 am - 6:00 pm (currently, hours of operation are 7:00 am - 7:00 pm). Safety is the driving factor behind the recommendation.

Other operational changes including the handling of electronics and the use of a "decal" system will be shared with the Board during its budget work sessions. Currently,

electronics such as televisions and computers are disposed of at both convenient sites and the landfill. The labor-intensive nature of handling and disposal of electronics have driven costs up, necessitating a more direct disposal method. The department's Director has recommended requiring disposal of electronics at the landfill site and eliminating the convenient sites. The Board may want to consider a public awareness campaign led by the Solid Waste department and a "transitioning" period with a later implementation date for this initiative. Requiring the use of a vehicle "decal" system for County residents using the convenience sites has been discussed over the years. The current system lacks any means by which county residency is required. Costs and equitable service delivery are factors considered with the recommended change. Again, the Board may consider a transitioning period and public awareness campaign prior to making a change.

Summary

As previously mentioned, Franklin County will celebrate a 240th birthday in 2019. A celebration is recommended – one uniting our citizens with a goal of commemorating our past, honoring our present-day successes and building a vision for the future. Engagement at all levels is key to recognizing the full potential of such a momentous occasion. I believe citizens, business & industry leaders, municipal and county officials and representatives from various non-profits (such as the Tar River Center for History & Culture, Chamber of Commerce, etc.) will gladly step up to assist. I look forward to discussing the recommendations above along with my 2018-2019 budget proposal with the Board of Commissioners.

It is truly an honor to work alongside the great men and women who serve our communities each and every day. Many of our County's employees never truly receive the recognition they are so deserving of. I pay honor to them in this message and sincerely hope they know the difference they make by serving.

I would be remiss if I did not acknowledge the tireless efforts of those individuals who assisted me in the preparation of the 2018-2019 recommended budget. Our department leaders and their staff are to be commended for their hard work. My budget team and I gave careful consideration to all requests and possible funding sources to meet the needs. In an effort to bring forward the most fiscally responsible recommendation, reductions were necessary. I pledge to keep the Board informed about such needs and any possible opportunities in the upcoming year to address them outside of my proposal.

In closing, I express sincere gratitude to our interim Finance Director, Chuck Murray, Assistant County Manager, Kim Denton, Human Resources Director, Kelly Faulkner and IT Director, Coy Floyd for their dedication to Franklin County and their contributions to the budget process. They are an incredible source of inspiration on a daily basis. I look forward to sharing my recommendation and the work product of many individuals in the days ahead.

Sincerely,



Angela L. Harris
County Manager