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

Dear Commissioners,

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 2019-2020 fiscal year. Borrowing from the tag line of the County's Comprehensive Development Plan that is underway, I've selected "*Franklin Next, a path to a smart future*" as the theme for the FY 2019-2020 budget proposal. I believe this visionary statement accurately illustrates the Board's desire to move our County forward in a smart manner. My budget proposal funds the services consistent with the goals discussed during the Board's retreats held during the current fiscal year.

An electronic portal has been set up on the County's website for public comment on the proposed budget. A public hearing on the FY 2019-2020 Budget is requested to be held on June 03, 2019.

Fiscal Climate

Keeping up with the demand for services in a fast-growing county is challenging but rewarding. In developing the budget proposal, careful analysis was given to the overall financial health of the County. I'm pleased to report the County's fiscal climate remains strong. Regarding the 2018-2019 budget, we anticipate not utilizing the Fund Balance that was appropriated to balance the budget.

According to the annual Issuer Comment by Moody's Investors Service, "Franklin County's credit position is very good, and its Aa2 rating is on par with the median rating of Aa2 for counties nationwide. The notable credit factors include a very healthy financial position, manageable debt and pension liabilities, a healthy tax base and a moderate wealth and income profile (May 10, 2019 report).

During the current fiscal year (FY 2018-2019), the Board was presented an overview of the County's financial position (Special called meeting 03/18/19) as a precursor to budget deliberations. Some of the discussion highlights included the following:

- Approximately 86% of the County's General Fund debt will be retired within the next ten years (based on current debt)
- Continued low cost of debt due to County's bond rating
- The County's tax collection rate remains strong at 98.77% (2017-2018)
- Strong Fund Balance – 28.5% available at year end (2017-2018)
- Conservative revenue projections \$3,298,274 over budget in the General Fund (2017-2018)

Technology plays a key role in the management of the County's finances. My budget proposal includes an allocation to upgrade the financial software for Finance and Human Resources. The Finance Department will upgrade the "Financials" portion of its Enterprise Resource Planning (ERP) System before the end of the current fiscal year. The Payroll and Human Resources portion will be upgraded in the upcoming fiscal year. The upgrades are necessary for optimal performance as well as to stay current with both hardware and software in the market place. Our Finance Department has a long, demonstrated track record of excellence. In fact, we anticipate the Finance Department will receive the coveted Certificate of Achievement for Excellence in Financial Reporting presented by the Government Finance Officers Association again this year.

Local Economy

Permits for new residential construction continue to trend upward. In the calendar year 2018, over 630 single family dwelling permits were issued. Growth in our towns is occurring primarily in Youngsville and Franklinton. During the Board's retreats, the Board discussed growth in our towns. Staff is working collaboratively with the leadership in each of our towns to identify opportunities to promote growth. In addition, I have begun hosting the Town Managers (Assistants and/or designees) at a monthly luncheon meeting. The purpose of the meetings is two-fold. First, communication is enhanced through the discussions. Secondly, specific projects are being identified so that the County and Towns can work synergistically toward common goals. While we traditionally communicate via phone, email, texting, etc., none of the above compares to the effectiveness of a face to face dialogue. I am very pleased and honored to work in concert with our Town Managers, Assistant Managers/Administrators.

One of the County's largest employers, Novozymes has just announced plans for an expansion estimated between \$30 - \$50 million in the next three to five years. Novozymes, an excellent community corporate partner, is celebrating its 40th birthday in Franklin County this year. Novozymes continues to be a global leader in the enzyme market.

The availability of good paying jobs is key to maintaining a healthy local economy. According to the North Carolina Department of Commerce (NCDOC) Quarterly census

Employment and Wages, 3rd Qtr, 2018, *Services* remains the largest industry sector (40%), followed by *Manufacturing* (19%). *Government* accounts for approximately 15% and the Trade sector accounts for approximately 12%. *Construction* accounts for approximately 8%. Over the last three years, *Construction* and *Manufacturing* have led the way in the fastest growing industry sectors. Average weekly wages continue to trend upward over the prior year. The average weekly wage for the 3rd Qtr. 2018 stood at \$785.60.

According to March, 2019 data, the NCDOL Labor & Economic Analysis Division reports the *civilian labor force* in Franklin County is estimated at 31,203 people with 1,334 unemployed. The County's unemployment rate stood at 4.3 %.

The Year in Review

I believe it's important to review the FY 2018-2019 year highlights/accomplishments as a springboard prior to consideration of the proposed budget for 2019-2020. Below is an *abbreviated* list of the major accomplishments:

- Completed the Franklin County Library Comprehensive Development Plan
- Completed the Franklin County Parks and Recreation Master Plan
- Conducted ribbon cutting and soft opening on May 13, 2019 of the V.E. and Lydia H. Owens Recreational Park at Bull Creek
- Kicked off "Franklin Next," the County's Comprehensive Development Plan. The plan should be completed by December 2019.
- Kicked off Strategic Planning and Master Layout Planning for Triangle North Executive Airport – supported by \$401,000 grant
- Completed airfield maintenance utilizing grant funds - \$350,000
- Secured a \$1.69 million LED lighting rehabilitation grant to replace lighting at Triangle North Executive Airport
- Communications (911) is in the final weeks of the upgrade to the Radio System. Two channels have been added. An upgrade to Phase 2 technology, providing additional talk paths per channel is part of the upgrade. The system is expanded from three working channels to ten working channels. The Youngsville site is incorporated via a microwave link. Core equipment has been upgraded, eliminating the single point of failure. Radio Dispatch Consoles have been upgraded. The upgrade cost approximately \$2,492,771 and was made possible using a grant from the NC 911 Board, Reconsideration Funding and Project Fund Balance. County funds of approximately \$71,200 were utilized to purchase a building to house equipment at the Youngsville site. Cutover is tentatively scheduled for June 04, 2019.
- The new KARTS Operations and Maintenance Transit Facility is near completion. KARTS, a public transportation authority serves Franklin, Granville, Vance and Warren Counties. The facility is situated on an eleven-acre site along Ross Mill Road

in Henderson. The Board will be reminded that beginning with the 2015-2016 fiscal year, the County has allocated an annual contribution of \$35,534 for a period of five years. Funding in the upcoming fiscal year (2019-2020) is proposed and serves as the final contribution for the project.

- Conducted and expanded Veteran's Day Celebration on November 12, 2018 at the North Carolina National Guard Armory in Louisburg
- Groundbreaking was held in November for US 401 Highway project (four lane highway from Rolesville to Louisburg) expected completion 2020
- Replaced/upgraded the HVAC system in the County Administration Building (\$209,000 budget); Paving at the Health & Human Services Building and completion of an extended list of general maintenance tasks associated with upkeep of our County buildings. The Maintenance Director is to be commended for reorganizing the department and implementing strategies to achieve added efficiencies and cost savings.
- Successful implementation of the Community Paramedic Program. Additional staffing is recommended in the upcoming year.
- Emergency Services began using Stryker stretchers (power load system). Reducing risk of injury and ease of lifting patients were experienced outcomes with the use of the power load system (Stryker stretchers).
- County was awarded funding for wastewater treatment plant repairs and three lift station replacement projects (\$9,681,000)
- Triangle North pump station, force main, and gravity installation project completed in spring 2019
- Franklinton and Youngsville Regional pump station replacement projects were completed in spring 2019
- Franklinton Sewer rehab Phase II project was completed in fall 2018
- Started GIS mapping in utilities (component of asset management)
- Change from chlorine gas to sodium hypochlorite (bleach) for disinfection at water plant
- Interior inspection (ROV) of US1 and Americal elevated water tanks
- Interior washout and inspection of Western Loop and Youngsville elevated water tanks
- Replaced pumps at Hunter Place and Cottage Court pump stations

2019-2020 Budget Highlights

As described above, a complete analysis of current spending and forecasting is integral to the budgeting process. In fact, it's an ongoing effort throughout the fiscal year. Our department heads, members of my budget team and I began the process in January. It is a team effort with great support by staff at all levels. At the onset of the budget process, I requested our finance staff to conduct a review of all contracts/service agreements. The

review will include terms, pre-audit requirements, etc. This exercise will be highly beneficial to both management and staff in our departments.

Another goal in developing the budget for the upcoming fiscal year was to finalize a draft Capital Improvement Plan (CIP). The Board has previously requested that capital funding be identified in the annual budgeting process and that a list of capital needed/desired be maintained for their review. Discussions have migrated to the benefits of having a CIP as a planning tool. This initial document is a five-year CIP and is designed to be adjusted/modified as needed.

Property Taxes and Sales Tax are the two key sources of revenue exclusive of fees and charges. The Tax Administrator has established a fiscal year 2019-2020 assessed tax base at \$5,877,393,325 billion. The budget is based on a 98.77% collection rate which would generate an estimated \$49,053,107 in current year tax revenue. Sales Tax is estimated at \$10,406,063 representing 4% in growth. My proposed General Fund budget for the upcoming year is recommended at \$91,206,077. A fund balance appropriation of \$3,313,983 is budgeted. Unassigned Fund Balance is projected at 27.83% effective June 30, 2019. The proposed ad valorem tax rate for FY 2019-2020 is 84.50 per \$100 valuation, an increase of four cents per \$100 valuation. A penny on the tax rate is equivalent to \$580,510.

What makes up the increase? The primary increase is attributed to the Board's top priority – **Education**. An increase in Current Expense in the amount of \$3.45 million is being recommended for Education.

Other increases include but are not limited to the following:

- Additional funding for software addressing security, financial management, information management and customer service - \$373,298 (ERP upgrade for Finance and HR, Permitting Software for Planning, Meeting Manager Pro for Board/Manager, Just Appraised Intelligence Interface for Tax Assessor, Team Works for Maintenance, Operative IQ Inventory Software for Emergency Management, Carolina WasteWorks for Solid Waste)
- Life-saving equipment - (Lucas Devices to perform Chest Compressions - \$230,240 and additional power load system stretchers - \$70,000)
- Funding to support the deployment of broadband - \$188,000
- Funding to meet the County's required match in the Local Government Retirement System (discussed below) \$426,747. This amount includes the match for new positions recommended.
- Loan to the Solid Waste Fund - \$648,243

- Funding for the Fleming Forest Subdivision Street Special Assessment Project approved by the Board in the current fiscal year (expense of \$220,000 in the upcoming fiscal year and the County will be reimbursed over eight years.)
- Additional funding for Social Services - \$434,959
- Additional County funding for Home Health - \$219,526
- Vehicles - \$1,604,605 (recommend financing)
- Additional funding (\$25,000) for Safe Space – crisis intervention and support for victims of sexual assault
- Compensation & Classification Plan update - \$40,000

Education

Public Schools

The Board is requested to provide *full funding* for the *third* consecutive year to support the Board of Education’s requests for Current Expense and Capital Expense. My recommendation represents the *largest investment in Education on record*. Highlights of the additional funding included in the proposed budget: funds to increase the level of pay for 429 Classified positions at an estimated cost of \$2,063,651/year, an adjustment for the supplement for Assistant Principals moving from a flat rate of \$2,900 to the 8% supplement consistent with teachers’ supplement estimated at \$55,000, funding for the “Choose FMS” Differentiated Pay Pilot initiative.

2019-2020 Current Expense requested:	\$20,349,831
2019-2020 Current Expense recommended:	\$20,349,831
2018-2019 Current Expense allocation:	\$16,898,093
2019-2020 Capital Outlay requested	\$2,000,000
2019-2020 Capital Outlay recommended	\$2,000,000
2018-2019 Capital Outlay allocation	\$2,000,000

Vance Granville Community College

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

Note: My staff and I are closely following HB 241 “An Act to Enact the Education Bond Act of 2019.” An excerpt lifted from the bill reads as follows: “It is the intent of the General Assembly by this act to provide, subject to a vote of the qualified voters of the State, for the issuance of one billion nine hundred million dollars (\$1,900,000,000) general obligation bonds of the State for the purpose of providing funds, with any other available funds for public school facilities through grants to counties for public school capital outlay projects and repairs and renovations, in the amount of one billion five hundred million dollars (\$1,500,000,000), . . . Franklin County Schools are eligible for approximately \$10,646,839 according to Section 1. (e) Use of Education Bond and Note Proceeds.” Additionally, funding is made available “for community college facilities for community college capital outlay projects and repairs and renovations, in the amount of two hundred million dollars (\$200,000,000) . . .”

Health & Human Services

Medicaid is undergoing significant reform commonly referred to as *Medicaid Transformation*. The genesis of the transformation began with the adoption of legislation in 2015 by the North Carolina General Assembly. Almost all of Medicaid’s services will transition from a fee-for-service model to a capitated managed care system. Franklin County will begin the implementation of Medicaid Transformation in November, 2019. The Board will be presented an overview of the upcoming changes in Medicaid in the budget work session scheduled for May 21, 2019.

Restoration of health care services has been one of the Board’s top priorities since October, 2015 when the hospital was closed. The facility then returned to the County. County leaders, working in concert with Town of Louisburg leaders, went about the task of identifying a health care provider to reopen the facility. The partnership with Maria Parham Franklin (a Duke LifePoint facility) has proven to be successful. The Emergency Department opened in October, 2018 followed by the opening of the Geriatric Behavioral Health unit, a thirteen-bed facility. In February, 2019 a multispecialty clinic opened adjacent to the hospital. Maria Parham DLP broke ground on a new 20 bed behavioral health unit in November, 2018. The new twenty bed facility is expected to open its doors in the fourth quarter of 2019 and will serve the under 55 population.

The opioid crisis continues to be a major public health crisis and is a major challenge to the overall health of our community. Our Community Paramedic program staff member has served over 146 clients with diverse health challenges. Since the program began in May, 2018, nine clients have been documented “drug free.”

The Stepping Up Initiative at our Jail has proven to be highly successful. The goal of Stepping Up is to reduce the population of mentally ill persons in our jails and to

decrease recidivism. Sheriff Kent Winstead was recently interviewed by UNC-TV on how the program is working in Franklin County.

My budget proposal includes additional dollars necessary to operate the Franklin County Home Health Program. Since 2013-2014, *the cost to the County* for the Home Health program (including the proposed cost for FY 2019-2020) is estimated to be approximately \$1.4 million. The cost to the County is \$219,526 in the upcoming fiscal year. It is my recommendation the Board of Health and staff closely examine the program and to provide the Board of Commissioners a report and recommendations early in the new fiscal year. The last fiscal year the program met/exceeded its expenses was FY 2012-2013 (revenues exceeded its expenses by approximately \$130,306).

Personnel

Workforce Planning is key as county governments are beginning to experience an exodus of baby boomers in the work place. In addition, the competencies and skills needed in today's environment require different approaches as we recruit and maintain a competitive workforce. My budget proposal recommends the personnel needed, maintenance of benefits (no COLA recommended), funding for training and funding an update to the County's Pay Plan – all designed to provide the public high-quality service delivery with a competitive workforce. The most recent Compensation & Classification Plan was completed in 2014 and implemented in January 2017. Funding is recommended to update the plan in the 2019-2020 fiscal year and implement the recommended changes in 2020-2021. By taking this action, the County can remain competitive and avoid “sticker shock” we have experienced with the last two pay plan updates. It should be noted no changes are recommended to the departmental requests to change on-call compensation. However, it is my plan to incorporate a review of on-call pay in the updated Compensation & Classification Plan.

An additional eighteen full-time personnel (seventeen new positions, one position moving from part-time to full-time) are funded in the General Fund to address needs in Public Safety and Health & Human Services. In our Enterprise Funds, two Solid Waste positions and one Public Utilities position is recommended. See tab 2 for additional detail. With these recommendations, the County's workforce will consist of 568 full-time positions in the 2019-2020 fiscal year.

Funding for the County's required match in the Local Government Retirement System will increase in the upcoming year (for general employees the percentage will increase from 7.84 to 9.04% and for law enforcement officers, the percentage increases from 8.5 to 9.70%). The net impact of this change is \$278,032 with the current positions and \$426,747 when the additional positions are added. Additional increases will be required over the next several years per the North Carolina Treasurer's Office.

2019-2020 - Major Initiatives

- Opening of Maria Parham Franklin’s *second* Behavioral Health Unit (second unit will serve the under 55 population. Currently, a geriatric unit of thirteen beds serves those over 55 years of age.)
- Host a Grand Opening of Phase I of Owens Park at Bull Creek. The property consists of 167 acres, a 3,200 square- foot clubhouse, two other 4,000 square foot buildings and four ponds.
- Complete “Franklin Next, a path to a Smart Future,” the County’s Comprehensive Development Plan.
- Complete the evaluation of existing facilities and develop architectural plans in support of moving forward with a new County Government Complex.
- Continue the development of the Master Layout Plan (MLP) for Triangle North Executive Airport. The MLP will provide a blueprint or framework for the future development of the Airport and is necessary to receive the \$12 million grant previously identify for the Airport Improvements Project (1000’ runway extension, strengthening of the runway) funded by DOT-Aviation. Completion of the MLP is anticipated to be in 2021.
- 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 the Kerr Tar Council of Governments. Funding is provided in the upcoming budget to incent providers to deploy services.

Fire Tax

A tax increase is recommended for Youngsville and Justice Fire Departments. Youngsville’s current rate is 8.5 cents and will increase to 9.0 cents. Justice’s rate is 8.5 cents and will increase to 8.75 cents. Three departments will see a decrease – Central Fire, Mitchiner’s and Bunn. Funding for Fire Protection has increased 38% over the last five years (comparing FY 2015-2016 – FY 2019-2020)

Enterprise Funds - Public Utilities, Solid Waste

Public Utilities

The department is to be commended for completing a host of projects in the current fiscal year as outlined above. Of special significance is the provision of sewer to Triangle North Business Park. Sewer installation to Triangle North Executive Airport is scheduled to be completed by July.

Water & Sewer rates are recommended to remain the same as in the current fiscal year. No other rate or fee changes are commended at this time. Discussions regarding securing an additional water supply are underway in concert with the Water Supply Study. The County is currently evaluating options for a sustainable, long-term supply of water for the future. Consistent with the Board's decision (June, 2018) to maintain status quo with regard to System Development fees, this proposal does not recommend a change in fees. However, I am recommending continued discussions and appropriate changes in the fees as deemed necessary for capital improvements for Water and Sewer infrastructure.

The Board is reminded it waived capacity replacement fees for the Sterling Cotton Mill loft apartment project as an economic development project promoting affordable housing. Phase I is completed and all units are leased. Lease rates range from \$719 - \$1004 per month. The restoration of the old cotton mill has been well received by the community.

Solid Waste

The costs associated with delivering the services to meet the demand necessitates a change in the fee structure. The Availability fee is recommended to increase from the current level of \$85.00 to \$90.00 per household. The tipping fee for shingles is recommended to increase from \$60.00 to \$65.00 per ton. Tipping fees are recommended to increase from \$63.00 to \$65.00 per ton. No change in the yard waste fee is recommended at this time. In addition, it is recommended that the historical "free ton per year" for residents be discontinued effective October 2019. Additional personnel are recommended in my budget proposal. Recycling costs continue to rise and are reflected in the proposal. The use of a "decal" system is recommended by the director. Our Solid Waste Director, Brian Haynesworth will discuss the decal system during the budget work session scheduled for May 21, 2019.

Summary

It is truly my honor to present my proposal for the 2019-2020 fiscal year. The time and effort that each department head and his/her staff put into the budget is noted and appreciated. The support of my budget team has also been incredible throughout the process. Special thanks to Kim Denton, Assistant County Manager, Jamie Holtzman, Finance Director, Kelly Faulkner, Human Resources Director, Coy Floyd, IT Director, Sam Sanchez, Accountant, Ada Pitt, Assistant to the County Manager and Chuck Murray, Finance Consultant/Auditor for their individual and collective efforts. Gratitude is also extended to Richie Duncan, Scott Hammerbacher and Bo Carsen for their assistance with charts and graphs provided in the proposal.

I am grateful to work alongside great leaders and sincerely appreciate the opportunity to present the 2019-2020 Budget Proposal to the Board. I look forward to further conversation.

With warm regards,



Angela L. Harris
County Manager