

**June 12, 2014**

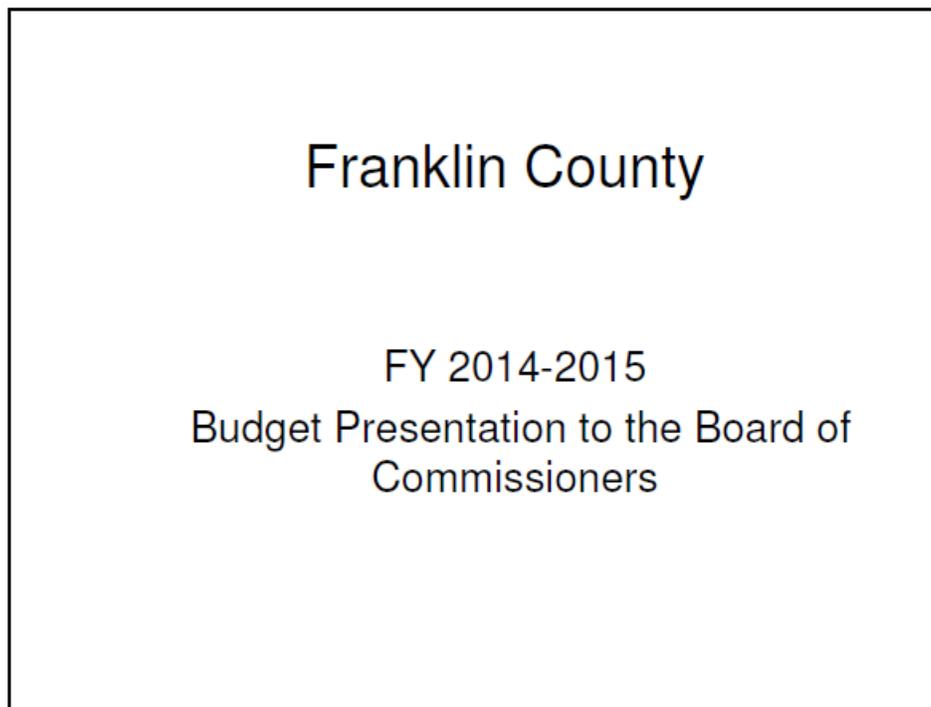
The Board of Commissioners of Franklin County, North Carolina, met for a Work Session at 4:00 P.M. in the Commissioner's Conference Room located in the County Administration Building with the following Commissioners present: Chairman Sidney E. Dunston, Vice-Chairman John M. May, Commissioners E. Shane Mitchell, Cedric K. Jones and Don Lancaster. Commissioner Harry L. Foy, Jr. arrived at 4:10 P.M. Commissioner David T. Bunn arrived at 4:11 P.M.

Chairman Dunston called the meeting to order for the purpose of a budget work session and to conduct a closed session.

**1. 2014-2015 BUDGET WORK SESSION**

County Manager Angela L. Harris encouraged the Board to attend a Strikeforce Initiative meeting scheduled for June 25, 2014. The meeting will provide information on USDA (United States Department of Agriculture) funding opportunities. She said staff will attend and bring back information on any and all funding sources the County can seek to provide services.

Mrs. Harris and Finance Director Chuck Murray then referenced the following PowerPoint presentation as they began budget discussions.



Mrs. Harris began the discussion by highlighting requests that were not funded within the budget proposal. One of the unfunded items was the recently completed classification and compensation study. Commissioner Foy asked if there was any pay increase recommended for County employees. Mrs. Harris said an increase was not recommended at this time.

Regarding education requests by the Franklin County Board of Education, Mrs. Harris stated five School Resource Officers (SRO's) were requested but not recommended for funding. In the last year, she said one SRO has provided coverage between two elementary schools. Future goals include locating an SRO at each elementary school as is already done at middle and high schools in Franklin. Within the budget proposal she recommended approximately 31% of the additional requests by the Board of Education. She said \$274,289 was requested beyond what she was able to

recommend. Her recommendation for capital outlay remained at its current level of \$1.1 million, however she said approximately \$500,000 in additional dollars were requested for capital outlay needs.

<u>Items not funded</u>	
● 1. <u>County Pay Study</u> – Not Implemented – includes benefits	
● Option 1 - \$582,450	
● Option 2 - \$816,230	
● Option 3 - \$1,084,750	
●                      Option 4 - \$1,855,130 or    4.40 cents	
● 2. <u>Education Request:</u>	
● Five School Resource Officers - \$330,250 Sheriff's request	
● School Current Expense - \$274,289	
● School Capital Outlay - \$499,500	
● Total Education Request Not Funded - \$1,104,039	
● 2.60 cents	

Positions not recommended for approval in the budget include a request to elevate a part-time position to a full-time position in Human Resources. There is a recommendation for a reduction in force (RIF) in the Tax Collector's office effective January, 2015. She said the RIF is primarily due to the change in the Tag and Tax program this year of motor vehicles. Within the Tax Assessor division, Mrs. Harris said tax management audits were not recommended. She said the last time audits were completed, they proved to be revenue neutral, and in fact generated money back to the County. She said the Board discussed the audits several years ago, but would like to discuss the topic in the future as a need although there would be upfront expense. She said a position at Register of Deeds was not recommended. The position was previously frozen. A vehicle request was not recommended for the Inspections Department. Part-time salaries and supply needs were not recommended for approval for Parks and Recreation. A new roof was recommended for the County Administration Building, however Mrs. Harris said staff believes it can wait a year, possibly two, before replacement. Within the Sheriff's Department, a number of vehicles and equipment were not recommended.

### Items not funded

- 3. Human Resource – PT to FT Position Request - \$20,740
- 4. Tax Collector – RIF a position effective 1/2015 - \$27,544
- 5. Tax Assessor - Tax Management Audits - \$67,800
- 6. Register of Deeds – New Position - \$40,925
- 7. Inspections – Vehicle - \$22,000
- 8. Recreation – PT Salaries – \$14,555, supplies \$10,340
- 9. Maintenance – Roof on County Admin. Bldg - \$56,000
- 10. Sheriff – Equipment - \$115,990
- 11. Sheriff – Vehicles - \$165,995

Other unfunded items included four new full-time positions with Emergency Communications that were recommended by the pay and classification study in order to offer additional coverage during peak times. Mrs. Harris said there may be possibilities in offering part-time coverage. Also unfunded were four new jailer positions as well as a new van for the Franklin County Detention Center. Overtime changes, uniforms and vehicles for Emergency Medical Services were not funded. Funding for a new vehicle for the Health Department as well as funding for a new position was not recommended. The Dental Program was completely eliminated in the budget proposal. A county-wide phone system recommended by the Information Technology Department was also excluded from the budget for 2014-2015.

### Items not funded

- 12. Communications – Four new FT positions - \$190,445
- 13. Jail – Four new Jailer Positions - \$203,213
- 14. Jail – New Van - \$39,000
- 15. EMS – Overtime Change, Benefits, ect. - \$730,405
- 16. EMS Uniforms - \$58,250
- 17. EMS – two QRV vehicles - \$100,000
- 18. EM – Tahoe - \$50,000
- 19. Health Department - \$49,307 vehicle, New Position - \$54,458, Eliminates Dental Program - \$640,837
- 20. IT Department – County Phone System - \$85,200

A state funded position at Soil and Water will be eliminated effective January 1, 2015.

Mrs. Harris said Social Services has had a need for additional vehicles for some time. She said options are being explored.

Roll off waste containers for Solid Waste were not funded in the budget, however Mrs. Harris said with the recent hauling contract change savings could be generated. She said if projections are met, the request may be revisited.

Mrs. Harris said one of the most important items of concern is unassigned fund balance. She said the Board has adhered to a 15% unassigned fund balance without a formal policy that has been looked upon favorably by bond raters. With all the identified needs in the budget proposals without a tax increase, Mrs. Harris said the County would not be able to maintain the 15% fund balance for 2014-2015.

<u>Items not funded</u>	
● 21. <u>Soil and Water</u>	- Eliminates a position on 1/1/2015
● 22. <u>Social Services</u>	- Vehicles - \$49,020
● 23. <u>Solid Waste</u>	- \$74,500 – Roll off waste containers
● 24. <u>Unassigned Fund Balance</u>	15% mark

Mrs. Harris shared the following information regarding fund balance based on estimates for Fiscal Year 2014-2015. The estimated percentage is 14.50%.

<u>Fund Balance position based on estimate for FY 2014-2015</u>	
□ Total Fund Balance 6/30/2013	<u>\$ 21,213,203</u>
□ (less) Est. Required Reserves by Statute:	\$4,216,698
□ (less) County Earmarked Reserves	1,021,004
□ (less) FYE 2015 Fund Bal. Appropriation	3,457,658
□ (less) Expenses over Revenues	1,892,359
□ Projected Unassigned of Fund Balance	<u>\$10,625,484</u>
□ Using 2014 GF Budget of \$ 73,270,027	
□ <b>Est. % of Undesignated Fund Balance</b>	<b>14.50%</b>

Mrs. Harris also shared a fund balance comparison dating back to Fiscal Year 2004-2005.

<u>Unassigned Fund Balance Comparison</u>	
● <b>FYE 2013-2014</b>	<b>\$ 10,625,484 estimated</b>
● FYE 2012-2013	12,714,798
● FYE 2011-2012	13,201,066
● FYE 2010-2011	12,757,375
● FYE 2009-2010	13,312,790
● FYE 2008-2009	14,545,686
● FYE 2007-2008	11,455,767
● FYE 2006-2007	11,730,851
● FYE 2005-2006	12,146,678
● FYE 2004-2005	12,870,944

Mrs. Harris stated in some years the County has had better than anticipated revenue and therefore the County did not have to rely on fund balance. This year, revenue predictions were not met largely due to the amount of state and federal funding.

Mrs. Harris said revenues fell below projections from the Health Department and Planning. Mr. Murray stated the bulk of revenue that did not meet projected goals was the Health Department at \$450,000.

Planning Director Scott Hammerbacher then provided highlights from a Franklin County Census Analysis that examines how the county changed between the 2000 and 2010 Censuses, focusing on the key subjects of population, housing, education and economy. Mr. Hammerbacher suggested the four areas are key to understanding how Franklin has grown and will continue to develop.

Economic Development Director Ronnie Goswick commented on changes his office has seen in the county, region and on the state level. He said his office is working to adapt to those changes as they come to fruition. The General Assembly is in the process of creating a public/private partnership to assist with economic development in North Carolina. He said he is hopeful it will be helpful, but said it is still uncertain and therefore his office is focusing efforts on a regional concept as well as retention of current industries. He said timing of grant funding is essential in attracting companies and hopes the potential partnership will accelerate processes that might otherwise deter growth. Once the partnership is in place, Mr. Goswick said his office will work with the North Carolina Department of Commerce as well as the regional partnership to make sure Franklin has the exposure it needs. The County will also continue to work with existing industries to make each aware the Economic Development office is available to assist. Mr. Goswick said there are good projects in the development stages and expects some expansions within three to four months. He promised to update the Board as soon as decisions are made and anticipates he will soon address the Board in closed session discussions.

Mrs. Harris asked the Board to consider the County's human resources as its most sustainable resource. She suggested if there is opportunity to incorporate "something"

for employees this year (2014-2015) she would like to do so, but stated it would come at a cost. According to the recent pay and classification study, 44% of staff are below market minimums. The last study was conducted approximately 12 years prior and Mrs. Harris said even if adjustments are made mid-year, it should be considered. She commented on other challenges as it relates to personnel and capital needs including vehicles, computers, etc. She also commented on the importance of maintaining 15% fund balance. She said there are likely additional items Board members feel are important to consider if members are open to a possible tax increase. At this time, the only other choice is to dip into fund balance, which she strongly opposes. She said the County is heading in the wrong direction as it relates to the use of fund balance.

Mrs. Harris shared the slide below to illustrate the amount of revenue generated by implementing a possible tax increase.

### How much revenue is generated with a tax increase

- One cent tax increase generates about \$421,000
- Two cent tax increase generates about \$842,000
- Three cent tax increase generates about \$1,263,000
- Four cent tax increase generates about \$1,684,000
- Five cent tax increase generates about \$2,105,000

Commissioner Lancaster asked staff to share the balance of both the water/sewer capital fund and the enterprise (operational) fund. Mr. Murray stated at the end of 2013, the County had approximately \$3 million between both funds.

### Property Tax increase Scenarios

- One cent tax increase on \$100,000 worth of property is equal to \$10 per year or 2.7 cents a day
- Two cent tax increase on \$100,000 worth of property is equal to \$20 per year or 5.5 cents a day
- Three cent tax increase on \$100,000 worth of property is equal to \$30 per year or 8.2 cents a day
- Four cent tax increase is \$40 per year or 11 cents a day

# Questions!

Commissioner Lancaster stated he would like to allocate an additional \$15,000 to Safe Space Incorporated. He said he would also like to see approximately two-percent cut from the entire budget proposal.

Commissioner May stated one of the items he would like to see included in the budget is a satellite library for the Centerville community. He said the library was in the budget last year, but not approved. He was under the impression the project would be included in the 2014-2015 budget at a cost of \$134,000. He asked the Board to consider supporting the project. He suggested ways of funding the library could come from further budget cuts, tax increases or reconsideration of the proposed reduction in water rates.

Commissioner Mitchell stated the Library Board had been instructed to conduct a study last fiscal year that would reflect the demand for library services. The study was not conducted.

Library Director Holt Kornegay stated contact information had been obtained for each registered voter in the three townships most directly affected by any implementation of library services in the Centerville area. He said the information would be used for direct mailing to obtain feedback in the upcoming fiscal year. He is also working with the Superintendent of Franklin County Schools in order to open the Laurel Mill Elementary School Library to the public one evening per week.

Regarding additions to the budget proposal, Commissioner Mitchell said he would prefer the following:

- Maintain 15% fund balance (\$365,000)
- 2% Cost of Living Adjustment (\$425,00)
- Safe Space (\$15,000)
- Obtain cost information for Centerville Library
- Ask staff to examine further budget reductions

With the additions, Mr. Murray suggested a 2.15 cent tax increase would be needed in order to provide adequate funding.

Staff was directed to examine further reductions of 2%.

Mrs. Harris said any meaningful cuts must come from public safety, education, health and human services. She said cutting the budgets of other departments would not generate substantial amounts of funding.

## **2. CLOSED SESSION**

The Board was asked to enter into closed session pursuant North Carolina General Statute 143-318.11(a)(3) to consult with an attorney employed or retained by the public body in order to preserve the attorney-client privilege between the attorney and the public body, which privilege is hereby acknowledged.

Commissioner Mitchell made the motion to enter into closed session pursuant to NCGS 143-318.11(a)(3). The motion was seconded by Commissioner Jones and approved with a 6 to 1 vote with Commissioner Foy voting "NO."

Following closed session at 8:38 P.M., Commissioner Bunn made a motion to enter back into open session, seconded by Commissioner Mitchell. The motion duly carried with all present voting "AYE."

Commissioner Lancaster made a motion to add an item to the agenda regarding a Memorandum of Understanding between Franklin County and the Town of Franklinton. The motion was seconded by Commissioner Bunn and duly carried approval with all present voting "AYE."

Commissioner Mitchell made a motion to approve a Memorandum of Understanding (MOU) between Franklin County and the Town of Franklinton with regard to the purchase of Franklinton's utility system. The motion was seconded by Commissioner Bunn and duly carried approval with all present voting "AYE."

The MOU will be distributed to Franklinton's Board and staff.

At 8:39 P.M., Commissioner May made a motion to adjourn, seconded by Commissioner Mitchell. The motion duly carried with all present voting "AYE."

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Sidney E. Dunston, Chair

Kristen G. King, Clerk to the Board