

June 23, 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, Harry L. Foy, Jr., David T. Bunn and Don Lancaster.

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

1. PROJECT BUDGET ORDINANCE

The Board was asked to consider approval of a Project Budget Ordinance for the Court House Renovation project in the amount of \$1,277,272. The project is for maintenance and repair of the Franklin County Court House and Annex.

Commissioner Foy made a motion to approve the Project Budget Ordinance for the Court House Renovation project in the amount of \$1,277,272, seconded by Commissioner May. The motion duly carried with all present voting "AYE."

2. BUDGET WORK SESSION

County Manager Angela L. Harris and Finance Director Chuck Murray presented the following PowerPoint.

<p>Franklin County</p> <p>FY 2014-2015 Budget Work Session – 6/23/2014</p>	<p style="text-align: center;"><u>Discussion Items on the Table</u></p> <ul style="list-style-type: none"> • 1. <u>2 percent cut to proposed Budgets</u> - \$979,645 • • A. <u>Fund Balance Goal</u> - \$979,645 or 16.1% <ul style="list-style-type: none"> • or • B. <u>2% COLA</u> – \$459,000 on July 1, 2014 and \$365,000 to fund balance to meet 15 percent goal with \$155,645 additional remaining.
<p style="text-align: center;"><u>Discussion Items on the Table</u></p> <ul style="list-style-type: none"> • 1. <u>Two Percent Reduction</u> - \$979,645 County Dollars or an equivalent of a <u>2.3 cent tax decrease</u>. <ul style="list-style-type: none"> • <u>What are the impacts of a two percent cut?</u> • A. <u>Education</u> – Reduce by \$344,280 (Teacher Retention, Hiring Incentive, Staff at High School) • B. <u>Sheriff, Jail, Meal Operations</u> – Reduce by \$187,827 – Substantially reduces vehicles, equipment and staff • C. <u>Communications – E911</u> – Reduce by \$30,321 (much needed part time assistance with E911) 	<p style="text-align: center;"><u>Discussion Items on the Table</u></p> <ul style="list-style-type: none"> • <u>What are the impacts of a two percent cut (continued)?</u> • D. <u>EMS</u> – Reduce by \$67,709 (Defibs or staff) • E. <u>Health Department</u> – Reduce by \$59,419 (Service reduction – Adult Health and Home Health) • F. <u>DSS</u> – Reduce by \$80,857 – Eliminates Care and Share program, General Assistance (Life essential medication) Foster Care Services (Clothing, tutoring, other) • <u>The above areas total \$770,413 or 78.6% of 2% cut</u>

Discussion Items on the Table

- What are the impacts of a two percent cut (continued)?
- G. Other departments would be reduced by \$209,232 which could include:
 - Library – Reduce by \$17,684 eliminating automation upgrades
 - Maintenance – Reduce by \$19,495 eliminating building repairs and improvements (Roof Replacement Probation and Parole)
 - Board of Elections – Reduce by \$9,121 – Part time salaries, Training
 - Tax Office – Reduce by \$22,245 – Elimination of position at 7/1 (staffing)
 - Coop. Ext. – Reduced by \$5,602 – could reduce number of part time hours at Farmers Market, Training, Equip.

Discussion Items on the Table

- What are the impacts of a two percent cut (continued)?
 - Other reductions to other various departments:
- *General Government Activities, Recreation, Aging, etc..*

Discussion Items on the Table

● Possible Scenarios

- 1. 15% Fund Balance Goal - \$365,000
- 2. Pay Study – Option 2 - \$811,925 on July 1, 2014
- 3. Centerville Library - \$134,000
- 4. Safe Space - \$15,000

● Total additions - \$1,325,925

● **Funded with a 3.15 cent tax increase**

Discussion Items on the Table

● Possible Scenarios

- 1. 15% Fund Balance Goal - \$365,000
- 2. Pay Study – Option 2 - \$405,963 on Jan. 1, 2015
- 3. Centerville Library - \$134,000
- 4. Safe Space - \$15,000

● Total additions - \$919,963

● **Funded with a 2.20 cent tax increase**

Discussion Items on the Table

● Possible Scenarios

- 1. 15% Fund Balance Goal - \$365,000
- 2. 2% COLA – \$459,000 on July 1, 2014
- 3. Centerville Library - \$134,000
- 4. Safe Space - \$15,000

● Total additions - \$973,000

● **Funded with a 2.3 cent tax increase**

Discussion Items on the Table

● Possible Scenarios

- 1. 15% Fund Balance Goal - \$365,000
- 2. 2% COLA – \$229,500 on Jan. 1, 2015
- 3. Centerville Library - \$134,000
- 4. Safe Space - \$15,000

● Total additions - \$743,500

● **Funded with a 1.75 cent tax increase**

Discussion Items on the Table

- 1. Health Department –
- We have met with the Health Department staff and have identified the core services that are required by State Statutes. As mentioned earlier, we are providing some services such as Adult Health, Home Health, Child Primary Health, and a few other services that are not required.
- No further action is requested at this time but management will provide updates to the BOARD in the future with possible recommended changes.
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Fire Departments

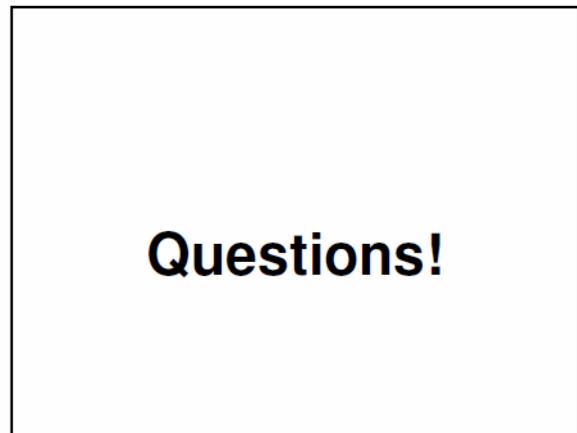
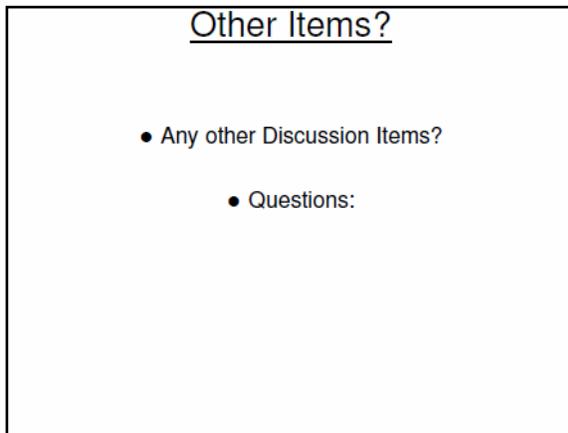
- Just as a reminder, four fire tax rate increases are requested by fire departments for operational needs.
 - White Level Fire District: From 6.50 to 7.50 Requesting to move from \$72,000 to \$87,000
 - Justice Fire Department: From 7.00 to 8.00 Requesting to move from \$93,000 to \$111,000
 - Pilot Fire Department: From 8.00 to 8.25 Requesting to move from \$189,993 to 196,993
 - Hopkins Fire Department – From 3.00 to 4.00 Requesting to move from \$14,800 to \$19,500

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

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



Mrs. Harris noted topics for discussion included a two percent cut to proposed budgets, the Board's fund balance goals as well as the possibility of funding a two percent COLA (Cost of Living Adjustment) for employees.

Mrs. Harris stated a two percent reduction of the proposed budget is equivalent to \$979,645 or a 2.3 cent tax decrease. She then shared the impact of a two percent cut using the following examples.

- A. Education – Mrs. Harris said a two percent cut (\$344,280) would affect teacher retention, hiring incentives and staffing at high schools.
- B. Sheriff, Jail, Meal Operations – Mrs. Harris said a two percent cut (\$187,827) would substantially reduce vehicles, equipment and staff.
- C. Communications/E911 – Mrs. Harris said a two percent cut (\$30,321) would further reduce staffing for Communications/E911. She said the proposed budget already eliminated additional full time positions requested by the department. Further reductions would affect part time assistance as well.
- D. Emergency Medical Services – Mrs. Harris said a two percent cut (\$67,709) would likely impact the acquisition of staff and defibrillator equipment.
- E. Health Department – Mrs. Harris said a two percent cut (\$59,419) would result in service reduction, most likely in the Adult Health and Home Health areas. She said Home Health had been monitored closely.
- F. Department of Social Services – Mrs. Harris said a two percent cut (\$80,857) would eliminate the Care and Share program, General Assistance and Foster Care Services.

She noted other departments would be impacted by a two percent cut (\$209,232) including the following.

- G. Library – Mrs. Harris said a two percent cut (\$17,684) would eliminate automation upgrades.
- H. Maintenance – Mrs. Harris said a two percent cut (\$19,495) would further delay or eliminate maintenance on buildings such as painting, caulking, general repairs and roof replacement at Probation and Parole. She said she would not recommend a cut.
- I. Board of Elections – Mrs. Harris said a two percent cut (\$9,121) would most likely come from part-time salaries and some training dollars. She said the cut would be a substantial hit with the upcoming November, 2014 election.
- J. Tax Office – Mrs. Harris said a two percent cut (\$22,245) would eliminate a position at the Tax Office. She said the proposed budget already includes elimination of a position in January, but said that would have to be accelerated to July 1, 2014.

- K. Cooperative Extension – Mrs. Harris said a two percent cut (\$5,602) may be a small amount of money that may have a huge impact as it could reduce the number of hours at the Farmer’s Market, as well as reduce some equipment and training. She said a reduction of hours at the Farmer’s Market would be completely contrary to what the County is trying to do with local agriculture and economic development.

Of the examples given, Mrs. Harris noted none of the additional cuts are recommended. She said additional information could be given to the Board regarding the impacts of a two percent cut on other departments of the County.

Commissioner Foy asked Mrs. Harris if she had already hired an Assistant County Manager. Mrs. Harris said the position remains in the recommended budget, but said the position had not been filled. Commissioner Foy asked if Mrs. Harris had considered reductions regarding the position. Mrs. Harris said she had already cut more than two percent relative to the position by waiting three months into the new fiscal year.

The Manager then presented several scenarios to the Board regarding some of the Board’s desires for the 2014-2015 budget including the following:

- 15% fund balance goal (\$365,000)
- Implementation of pay study (various options were given)
- Centerville Library (\$134,000)
- Safe Space (\$15,000)
- 2% Cost of Living Adjustment (various options were given)

The scenarios presented are included in the above PowerPoint presentation and include the cost of each item as well as the associated tax increase needed for funding.

Another area the Board asked staff to examine were any possible opportunities to save money within the Health Department. Staff identified core services required by statute. Mrs. Harris said the County is providing some services such as Adult Health, Home Health, Child Primary Health and other services that are not required. Mrs. Harris did not recommend further cuts at this time. She said a lot of time had already been spent reducing the budget of the Health Department including the elimination of the Dental Clinic. Rather than experience a total service disruption, she requested that no further cuts be made at this time. She said staff will continue to look at ways in which to save money. She said Adult Health may be one of the areas in which some future changes could be made.

As a reminder, Mrs. Harris said four fire tax rate increases had been requested by fire departments for operational needs. The increase requests are as follows:

- White Level Fire District: from 6.50 to 7.50
(requesting to move from \$72,000 to \$87,000)
- Justice Fire Department: from 7.00 to 8.00
(requesting to move from \$93,000 to \$111,000)
- Pilot Fire Department: from 8.00 to 8.25
(requesting to move from \$189,993 to \$196,993)
- Hopkins Fire Department: from 3.00 to 4.00
(requesting to move from \$14,800 to \$19,500)

Mrs. Harris recommended the Board support increases in each district.

Mrs. Harris and Mr. Murray shared the following slides to show how much revenue would be generated with a tax increase. Information was also shared to show the impact of increase on property owners.

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

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
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- Four cent tax increase is \$40 per year or 11 cents a day

Following the presentation, Commissioner Foy stated he wholeheartedly supported a 2% COLA. He said he may differ from other commissioners in terms of how to fund the COLA, but said he did not support a tax increase. He also supports a Centerville library but feels there are other avenues to fund it rather than increasing taxes. He stated the COLA would be his first priority even if it meant taking additional money out of fund balance. Commissioner Foy suggested letting fund balance build back up on its own and that the County be more prudent during the upcoming fiscal year.

Regarding the possibility of a satellite library in Centerville, Commissioner May stated there are two proposals. He is in favor of a satellite library located within a small shopping center on Highway 561. A separate project includes using the Laurel Mill Elementary Library and allowing it to be open beyond school hours one day per week, offering some adult services. He said the project has not been finalized and was unsure if it would come to fruition and noted security is a priority.

Library Director Holt Kornegay was in attendance. He stated he received clearance from Franklin County Schools Superintendent and Principal of Laurel Mill Elementary School. The project entails use of the media center one night per week allowing public library materials to be checked out. He said the County would "piggy-back" on the schools telecommunication system with the use of County software. Personnel would be put in place and a laptop would be purchased.

Commissioner Lancaster acknowledged Commissioner May's desire for the satellite library in Centerville, but asked him to consider the library project at Laurel Mill first. Commissioner May stated he was not opposed to the project, but said he feels a library in Centerville would be good for the entire County especially for students and parents of students.

The Board proceeded to discuss possible ways to fund additions to the budget without a tax increase and suggested further cuts to the budget proposal. Mrs. Harris asked the Board to provide feedback on where it would like see further cuts made. Commissioner Foy asked Mrs. Harris if she had recommendations. She had no further recommendations at this time and stated any direction would be appreciated. Commissioner Lancaster suggested a small amount be cut across the board.

Commissioner Lancaster made a motion to add the items listed below to the proposed 2014-2015 budget. The total cost for all additions is \$427,000 to be realized through cuts made across the County budget rather than funding through a tax increase.

- 7.5% Fund Balance Goal (\$182,500)
- 2% COLA effective January 1, 2015 (\$229,500)
- Safe Space (\$15,000)

Commissioner Lancaster's motion was seconded by Commissioner Foy.

Commissioner Jones then asked if there were any other monies available aside from fund balance. Commissioner Foy suggested money could be borrowed from the water/sewer enterprise. Mrs. Harris said monies from the water/sewer enterprise could repay the general fund at a higher rate than staff's recommendation for the 2014-2015.

Mr. Murray estimated approximately \$1.5 million is in the water/sewer fund reserve. He said \$750,000 was estimated to be paid back to the general fund in 2014-2015 from previous borrowing. Commissioner Dunston expressed concern about the Local Government Commission's view on using utility funds to balance the budget. Mr. Murray said currently the County is paying back debt service, but reminded the Board it is a one-time revenue.

Commissioner Mitchell commented on staff's suggestion to reduce water rates by 4% in 2014-2015. He said once rates are lowered it is difficult to increase them if needed in the future.

Relative to discussions regarding fund balance, Mrs. Harris said the County is estimated to use \$1.9 million fund balance this year, more than what has been needed for some time.

Chairman Dunston then called for a vote on Commissioner Lancaster's earlier motion (seconded by Commissioner Foy) to add the items listed below to the proposed 2014-2015 budget. The total cost for all additions is \$427,000 to be realized through cuts made across the County budget rather than funding through a tax increase.

- 7.5% Fund Balance Goal (\$182,500)
- 2% COLA effective January 1, 2015 (\$229,500)
- Safe Space (\$15,000)

Commissioner Lancaster's motion failed with a 3 to 4 vote with Commissioners Mitchell, Dunston, May and Jones voting "NO."

Commissioner Mitchell made a motion to add the items listed below to the proposed 2014-2015 budget. The total cost for the adjustments would be \$84,500 to be realized through cuts made across the County budget rather than funding through a tax increase.

- 2% COLA effective January 1, 2015 (\$229,500)
- Safe Space (\$15,000)
- Remove from the proposed budget staff's recommendation to reduce water rates by 4% (doing so would add \$160,000 to the \$750,000 already budgeted to be paid to the General Fund from the water/sewer enterprise for a total of \$910,000 to be paid to the General Fund)

Regarding the request for a library in the Centerville area, Commissioner Mitchell suggested Library staff properly gauge the demand for a satellite library meanwhile moving forward with the project at Laurel Mill Elementary School.

Commissioner Mitchell's motion was seconded by Commissioner Jones and carried approval with a 6 to 1 vote, with Commissioner Lancaster voting "NO."

Commissioner Mitchell made a motion to approve the 2014-2015 budget ordinance as presented, along with changes made this evening, levying a general fund rate of eighty-seven and 25 cents per one hundred dollars valuation of property listed for taxes as of January 1, 2014 and approval of a general fund budget totaling \$73,430,027 reflecting no tax rate increase. The motion was seconded by Commissioner Foy and duly carried approval with all present voting "AYE."

Mrs. Harris thanked the Board and staff for assisting with the budget. She said many hard decisions had to be made and she agreed staff should be prudent with using fund balance. She said the budget included a few one-time revenues and reminded the Board to be prepared for next year unless the County is in a position to do an additional transfer. She said the County will continue to seek grant opportunities in the upcoming year.

Commissioner Jones asked for Library Director Holt Kornegay to report back on the project at Laurel Mill Elementary as well as gauge interest in a satellite library in Centerville.

3. CLOSED SESSION

The Board was asked to conduct a closed session pursuant to North Carolina General Statute 143-318.11(a)(5) to establish, or to instruct the public body's staff or negotiating agents concerning the position to be taken by or on behalf of the public body in negotiating the price and other material terms of a contract or proposed contract for the acquisition of real property by purchase, option, exchange, or lease.

Commissioner Mitchell made the motion to enter into closed session pursuant to NCGS 143-318.11(a)(5). The motion was seconded by Commissioner May and approved with a 6 to 1 vote with Commissioner Foy voting "NO."

Following closed session at 5:39 P.M., Commissioner Jones made a motion to enter back into open session, seconded by Commissioner Bunn. The motion duly carried with all present voting "AYE."

At 5:39 P.M., Commissioner Bunn made a motion to adjourn, seconded by Commissioner Foy. The motion duly carried with all present voting "AYE."

Sidney E. Dunston, Chair

Kristen G. King, Clerk to the Board

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