

**June 12, 2008**

The Board of Commissioners of Franklin County, North Carolina, met for a recessed meeting at 9:00 A.M for the purpose of a budget work session in the Commissioner's Meeting Room located in the County Administration Building with the following Commissioners present: Chairman Robert L. Swanson, Vice-Chairman Penny McGhee-Young, Bob Winters, Sidney E. Dunston, Harry L. Foy, Jr., Donald C. Lancaster and Lynwood D. Buffaloe.

Chairman Swanson called the meeting to order and Interim County Manager Angela Harris mentioned a recent radio program that she and Finance Director Chuck Murray were a part of. The discussion provided the public an overview of the budget recommendation and the overall financial picture for the current and upcoming fiscal years.

Mrs. Harris then complimented Franklin County Government staff. She stated county employees are serious about their roles as public servants and feels they understand that even though the budget is "lean," attempts have been made to provide at least a minimum level of service for the upcoming year despite financial constraints. Mrs. Harris made reference to the fact that some public safety department heads had already come before the board with special requests, but said there could have been many others. She stated there were many other significant needs identified that were not recommended for funding in the upcoming budget. Outside entities are also taking some cuts this year such as Franklin County Schools. She suggested the board look closely at capital needs in the following year. She also mentioned the public hearing on the budget is scheduled for June 16, 2008 and said the goal is to adopt the budget that evening as well.

Mr. Murray stated he would like the board to discuss and make decisions today on the following:

- Fund Balance Policy
- Debt Management Policy
- Communications Appeal
- Sheriff's Appeal
- EMS Appeal
- Other discussion

Mr. Murray presented the following PowerPoint presentation.

**Franklin County**

Information to the Board of Commissioners  
for discussions on the FY 2008-2009  
proposed budget

**Budget Schedule**

- **June 2<sup>nd</sup> 2008**, Call for public hearing on 6/16
- **June 5<sup>th</sup> 2008**, conduct budget work session
- **June 12<sup>th</sup>, 2008** conduct budget work session if needed.
- **June 16, 2008**, Hold public hearing on budget, receive comments from public, address issues if necessary, and adopt FY 2008-2009 budget.

**DISCUSSION TOPICS**

- Fund Balance Policy (yes or no)
- Debt Management Policy (yes or no)
- Communications Appeal (yes or no)
- Sheriff's Appeal (yes or no)
- EMS Appeal (yes or no)
- Other discussion

**Fund Balance Policy**

- The Board of Commissioners' goal is to maintain a **minimum** fund balance available for appropriation in the General Fund of fifteen (15%) percent of budgeted expenditures.
- The County **will use all budgetary and financial accounting options** available to maintain its goal of 15% of undesignated fund balance.
  - This includes: A specific budgeted revenue increase (i.e. ad valorem tax increase)
  - Reduction of expenditures in the budget
  - Appropriation of transfers from other funds
  - Sale of capital assets

**Estimated Fund Balance position  
FY 2007-2008**

<input type="checkbox"/> Total Fund Balance 6/30/2007:	\$18,597,430
<input type="checkbox"/> (less) Est. Expenditures for FYE 2008	8,785,529
<input type="checkbox"/> (add) Estimated Revenues	62,956,399
<input type="checkbox"/> Total Fund Balance	<b>\$16,767,430</b>
<input type="checkbox"/>	<u>or 25.9%</u>
<input type="checkbox"/> (less) Required Reserves by Statute:	\$2,647,862
<input type="checkbox"/> (less) Earmarked Reserves	925,000
<input type="checkbox"/> (less) FYE 2008 Fund Bal. Appropriation	3,015,847
<input type="checkbox"/> Projected Undesignated Fund Balance	<b>\$10,178,781</b>
<input type="checkbox"/> Est. % of Undesignated Fund Balance	<b>15.80%</b>

**Debt Management Policy**

- **Recommends:**
- 1) Should postpone issuing new debt when ratios exceed the high average of similar counties.
- 2) Should postpone issuing new debt when annual debt service compared to **expenditures exceeds 15%**.
- 3) Should postpone issuing new debt when net bonded debt **exceeds 3% of total assessed valuation.**
- 4) Continue to strive to maintain our current **Bond Rating (A1)**
- 5) For any Enterprise Fund that is supporting debt, **rate studies will be performed periodically to ensure that fees or rates are sufficient to meet the debt service requirements.**
- 6) Consider **preparing and adopting a five year capital improvement plan** in compliance with debt policy as part of the budget.

**Summary of debt ratios associated with FY 2008-2009**

- Debt Service to Expenditures 11.39%
- Debt per Capita \$1,665
- Debt to Total Assessed Value 2.45%
- Includes issuing \$34,000,000 in May 2009
- **Estimated for FY 2009-2010**
- Debt Service to Expenditures 14.10%
- Debt per Capita \$1,548
- Debt to Total Assessed Value 2.19%
- *Note: Excludes Enterprise Debt; also no debt issued in 2009-2010.*

**Departmental Appeals**

- **Communications Director** has requested 3 new positions in the budget at a cost of **\$117,540**. This will require a **tax increase of .32 cents**.
- The **Sheriff** is requesting additional funding of **\$159,000** for 5 additional vehicles and **\$234,860** for additional overtime pay for his employees. This will require a **1.07 cent tax increase**.
- The **EMS Director** is requesting 13 new paramedics at a cost of **\$586,677** to help cover calls in the Franklinton and Bunn areas. This will require a **1.59 cent tax increase**.

**Other Discussion?**

- Anything else?

**Other Budget Expansion Request not funded**

● 1. Franklin County School Operational Funding:	\$1,276,890	3.45 cent
● 2. E911 Debt Service (Radio Improvement)	300,000	1.57 cent
● 3. Ten Law Enforcement vehicles	318,000	0.86 cent
● 4. Overtime in the Sheriff's Office	234,860	0.64 cent
● 5. Ten new law enforcement positions	471,525	1.33 cent
● 6. Thirteen new Paramedic Positions	586,677	1.60 cent
● 7. Pilot Park Project	188,500	0.53 cent
● 8. Epsom Park Project	72,500	0.20 cent
● 9. Solid Waste - Closing two days a week	136,000	0.37 cent
● 10. Medicaid	102,491	0.28 cent
● 11. CMAQ Funds	57,000	0.15 cent
● 11. HUB Project ????	???,???	???,???
	<b>Total</b>	<b>\$3,831,443 10.51 cent</b>

**Fund Balance Policy**

Mr. Murray asked the board to consider the adoption of a fund balance policy. He stated the board had not previously had a written policy that would state its goal of maintaining a minimum fund balance available for appropriation in the General Fund of 15% of budgeted expenditures. If approved, he stated the County would use all budgetary and financial accounting options available to maintain its 15% goal of undesignated fund balance. Doing so, includes a specific budgeted revenue increase (i.e. ad valorem tax increase), a reduction of expenditures in the budget, appropriation of transfers from other funds and sale of capital assets.

Commissioner Swanson inquired about consequences should the board adopt the policy and then an emergency arise where funds are needed. Mr. Murray replied that the board would then have to evaluate whether or not to follow the policy. Commissioner Lancaster commented going against the policy would negatively affect the county's bond rating. The proposed 2008-2009 budget sets the fund balance at 15.8%. Mr. Murray followed up by stating a written fund balance policy would assist the Finance Director and the County Manager when department requests are made. The policy would be used as a tool to assist the board in making key financial decisions. The Local Government Commission recommends a minimum fund balance of eight percent.

Mrs. Harris reminded the board that if nothing more is added to the budget than what was originally proposed, providing no emergencies occur and that growth is minimal, a 12 cent tax increase (for FY 2009-2010) must be imposed in order to pay off debt that has already been incurred. She stated the board had made good investments, but the County is now going through an indebtedness period.

Commissioner Buffaloe said the board should be aware there is no funding for incentives in the proposed budget and stated those funds were previously taken from fund balance. He warned that future new businesses may not locate in Franklin County due to the lack of incentive and infrastructure funding available. Commissioner Buffaloe

also commented that electing not to increase taxes and to continue taking money from fund balance only negates the board's previous efforts to develop the county.

Commissioner Swanson said he understood, but commented there are 56,000 citizens who have also had to reduce their own personal budgets much like the county's need to reduce its spending. He stated that many people cannot afford a tax increase.

Commissioner Young inquired about the difference between the 2007-2008 budget and the 2008-2009 budget. Mrs. Harris replied the budget is \$2.1 million more than the previous fiscal year, but stated this year less county funds are involved.

Mr. Murray stated his concern that \$3 million is coming from fund balance. He said if the board chooses to adopt the fund balance policy at 15% it will be forced to find \$3 million in revenue at the beginning of the next fiscal year before any additional funding requests are made in order to maintain the fund balance policy. According to Mr. Murray, the amount of appropriation of \$3 million of fund balance represents 8.1 cents on the tax rate.

Commissioner Buffaloe stated that with the passage of two school bond issues, citizens voted and were told that in order to pay for building schools, taxes must be increased to pay for it. However, he stated the board is unwilling to raise taxes and that's why the county is in the financial situation it's in.

Mrs. Harris stated that staff had identified \$8 million in cuts already. She said if further cuts are directed by the board, entire departments or programs may be eliminated.

Commissioner Swanson stated he didn't necessarily like being locked into a specific policy.

Commissioner Winters stated a policy would give the board discipline to be able to say "no" to some requests for funding.

Mr. Murray stated a fund balance policy was not needed in the past, but said he feels one is needed now. He reiterated that bond rating agencies deduct points when rating counties if they adopt a policy and don't follow it.

Commissioner Foy indicated that he never agreed to raise taxes if the school bond was passed. He stated that he did agree to put the referendum on the ballot for a vote.

Mrs. Harris noted that the resolutions the board passed in reference to the school bond indicated the board agreed it would raise taxes "if necessary" in order to pay for the bonds. She stated the information was reflected in the minutes and was the case for both school bond referendums in 2004 and 2008.

Commissioner Winters stated he didn't feel citizens understood or were fully informed that a tax increase was necessary with the passage of the 2004 bond. He said that is why he made efforts to inform citizens he spoke with that if the 2008 bond was passed, that at least a tax increase would be necessary.

Commissioner Dunston stated a 13 cent tax increase would be needed merely to pay for the 2004 and 2008 school bonds.

Mr. Murray mentioned that paying off general obligation bonds could also be an option, but it would mean delaying construction of schools.

Commissioner Young stated she was in favor of a fund balance policy to assist in making financial decisions. She feels a policy makes it clear to the public, to department heads and anyone else who requests money, that if fund balance is at 15%, no more requests are granted unless funding can be found through other means.

Commissioner Dunston stated he didn't feel a fund balance policy was necessary. He feels the board will be far more cautious now when it comes to spending.

Mrs. Harris suggested that if the board opted not to approve a fund balance policy, the guidelines could still be used as a management tool. The management tool could be utilized as part of the agenda allowing the board to see the associated financial impact of each request it deliberates.

Chairman Swanson polled to the board to examine its interest in adopting a fund balance policy. Six commissioners stated they were not interested in the policy. Commissioner Young stated she was in favor of the policy.

### **Debt Management Policy**

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With the decision not to adopt the fund balance policy, Mrs. Harris stated it would be difficult to strictly adhere to a debt management policy. Mr. Murray stated it would be a good idea for the board (possibly at a future work session) to set some goals to find out where the board wants to go as far as bond ratings and borrowing money in the future. Mrs. Harris reviewed staff recommendations pertaining to the debt management policy, which are included in the PowerPoint presentation. She suggested that rate studies be performed periodically to ensure that fees or rates are sufficient to meet debt service requirements.

Mrs. Harris made reference to a recent request by Larry Carver, Interim Franklinton Town Manager, that Franklinton's rate be decreased to \$4.75 cents per thousand gallons. She stated the request was based on the projected Public Utilities budget, annual flow per the allocation study. She recommended the fee remain the same for the upcoming year. She also recommended that all contracts be examined in the near future.

### **Department Head Appeal**

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Mrs. Harris gave a synopsis regarding department head appeals. A new appeal will be presented today by Communications Director Christy Shearin.

- The Communications Director has requested three new positions in the budget at a cost of \$117,540. This will require a tax increase of .32 cents.
- The Sheriff has requested \$159,000 in additional funding for five additional vehicles and \$234,860 for additional overtime pay for his employees. This will require a 1.07 cent tax increase.
- The EMS Director has requested 13 new paramedics at a cost of \$586,677 to help cover calls in the Franklinton and Bunn areas. This will require a 1.59 cent tax increase.

Mrs. Shearin stated her request for new positions is based on increased call volume, recommendations from the Office of the State Fire Marshall, as well as liability concerns. She stated three new positions were needed to have four Telecommunicators on duty per shift. She stated currently there are 13 Telecommunicators on staff. She

also stated difficulties in scheduling relative to vacation and sick leave. Often times, she said shifts range from 12-16 hours. Part time assistance has been utilized to offset long hours, but she stated most part time staff also held full time jobs elsewhere.

Mrs. Harris commented the primary reason this request was not recommended was due to financial reasons. She stated that \$1.69 million in staffing requests had been made for the upcoming fiscal year with only one position (medical supply clerk) recommended at a cost of \$36,000.

At present, Mrs. Shearin stated the county only has one law enforcement channel, but she stated two are needed at all times. She stated a second channel is being implemented soon which will be simulcast. The problem, she said, is the need to staff the second channel.

Some commissioners stated they needed more time to consider the staffing request.

Mrs. Harris reminded the board of a statement she made last week pertaining to the tax rate. She said even if no additional staffing requests are included in the budget, the county is looking at a .12 cent tax increase for the 2009-2010 budget.

Mrs. Harris then gave an update on the E911 project. She stated a bid was not received that met all requirements. She has asked that Mrs. Shearin meet with the consultant to devise a plan for next steps. Mrs. Harris stated the funding that was recommended in the Communications budget for improvements was left intact so that if the board opts to move forward with the project, there will be some money associated with paying the debt.

Commissioner Lancaster asked if the \$700,000 in E911 money could be used for this communications project. Mrs. Shearin stated using the funds was a "one time" opportunity and confirmed the funds could be utilized. She also mentioned North Carolina House Bill 2658. If approved, the legislation would allow E911 funding to be used to purchase two-way radios. No funding decisions were made as the board wanted to hear and consider comments made at the scheduled public hearing on June 16, 2008.

Franklin County Sheriff Pat Green then followed up with the board on an appeal he made recently on behalf of the sheriff's office. He stated he understands the county's financial condition and said he would try to work with five new fleet vehicles as opposed to the 15 he requested if the board asked him to do so. However, he asked the board to understand that repair bills for the current fleet would be substantial over the next 12 months. He also endorsed the need for three new Telecommunicator positions. Additionally the Sheriff addressed the need to pay for overtime. He stated a large majority of overtime comes from guarding mental health patients which is required by law.

At approximately 11:45 A.M. the group broke for lunch and Commissioner Foy did not return to the meeting.

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The meeting continued at approximately 1:00 P.M.

Emergency Services Director Randy Likens outlined a strategy suggestion given by the county's Emergency Medical Services Advisory Committee to fund 13 new paramedic positions for the Franklinton and Bunn areas.

**EMS Revenue Distribution**

40 % to General Fund.

40% to EMS System Reserve Fund; used to purchase capital equipment needed for growth, enhancement or sustainment of EMS System i.e. ambulances, remounts, QRV's, stretchers, defibrillator/monitors, EMS stations, technical rescue equipment, etc. as recommended by the Franklin County EMSAC.

20% to the Incentive Fund **to fund the five volunteer Rescue Squads; squads are funded based on a cost per call formula.**

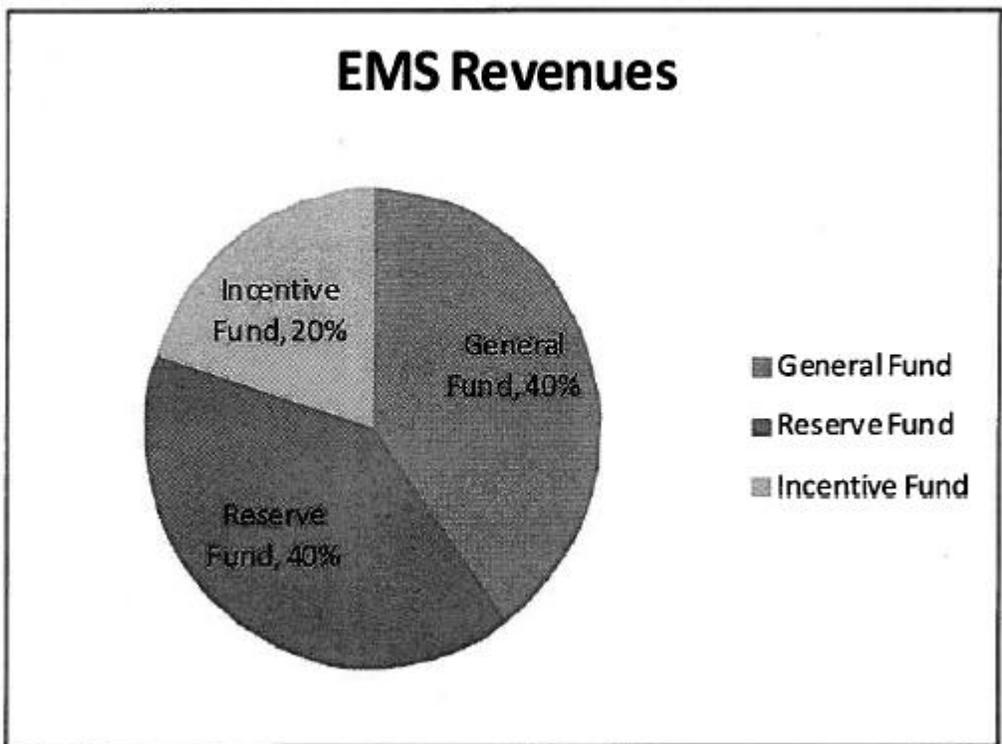
\$115 per call based on previous calendar year call volume plus 10%. Squads will be given credit for any call where the following criteria were met;

- Responded with a staffed ambulance (2 credentialed personnel; minimum of 1 MR and 1 EMT) **AND** patient contact occurred **And** a Call Report is generated.
- **Or** responded with an ambulance and transported a patient **And** a Call Report is generated.
- **Or** responded to provide Technical Rescue or EMS standby as defined by the EMSAC **And** a Call Report is generated.
- Any remaining Incentive Funds would be evenly distributed to the three host Volunteer squads.

**Note 1:** Under this method the five volunteer Rescue Squads would be funded by monies paid by the end-users of the EMS System (patients, insurance companies, Medicaid, Medicare) and would no longer receive monies from tax generated funds; in effect making the five volunteer Rescue Squads self funding.

**Note 2:** This method increases the amount of funds available for the purchase of equipment and development of infrastructure for the **growth, enhancement and sustainment** of the county's EMS System, while mitigating the impact on the taxpayer.

***\*It is recommended that the proposed budgeted appropriation to the five Volunteer Rescue Squads should be used to fund the five Paramedic positions requested for the Franklinton Response area.***



	2008	2007 calls ran	5947 total calls	calls +10%	115 per call
Louisburg Rescue	48,516	203	3.41 %	223	25,645
Bunn Rescue	48,516	286	4.80 %	314	36,110
Franklinton Rescue	44,120	487	8.18 %	535	61,525
Youngsville Rescue	48,516	459	7.71 %	504	57,960
White Level Rescue	31,550	254	4.27 %	280	32,200
	<b>221,218</b>	<b>1,689</b>			<b>213,440</b>

↑  
**To be used to fund 5  
 positions for  
 Franklinton response  
 area**

↑  
**Incentive Fund to  
 fund Volunteer  
 Squads FY 08/09**

Commissioner Lancaster stated that Youngsville Fire Department has requested a fire tax increase from 6.2 to 6.5 to assist with paying debt service on the construction of two new fire stations.

Chairman Swanson stated the board would next meet for its regular meeting and a public hearing on the budget on June 16, 2008 and the meeting was adjourned.

Robert L. Swanson, Chairman

Kristen G. King, Clerk to the Board