

May 12, 2009

The Board of Commissioners of Franklin County, North Carolina, met for a Recessed Meeting, for the purpose of a budget work session, at 2:00 P.M. 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, Donald C. Lancaster, E. Shane Mitchell and Harry L. Foy, Jr.

Vice-Chair Young called the meeting to order and turned the meeting over to County Manager Angela L. Harris. Mrs. Harris stated she appreciated the collaborative effort on the budget received from Department Heads. Last year, she said, departmental requests were trimmed significantly by \$8 million. This year, she said additional cuts were made in the amount of \$1.55 million. She said programs have been examined for their viability. Also considered were funding streams and grants. She said staff identified essential services as outlined in the budget recommendation from 2008-2009. In doing so, positions have been frozen with only essential positions filled, helping the County to offset drastic cuts in services as well as to prevent any further reduction in employee benefits. Some benefits for employees were reduced this year, which she said was not desirable and in light of the current economic environment, it became imperative for staff to trim their budgets. Mrs. Harris reminded Board members of upcoming meetings including the following:

- May 18, 2009 (5pm) Jail Expansion Work Shop
- May 26, 2009 (7pm) Budget Work Session
- June 1, 2009 (7pm) Regular Board meeting to include a public hearing on the proposed budget

Mrs. Harris and Chuck Murray, Finance Director, utilized the following PowerPoint presentation highlighting key points of the proposed FY 2009-2010 budget.

Franklin County

Information to the Board of Commissioners
for discussions on the FY 2009-2010
proposed budget.

Budget Schedule

- **May 12, 2009** – Budget Presentation and call for public hearing on 6/1/2009.
- **May 18, 2009** conduct jail expansion work session.
- **May 26, 2009** conduct second budget work session.
- **June 1, 2009**, Hold public hearing on budget, receive comments from public, address issues if necessary, **and adopt FY 2009-2010 budget if ready. Must adopt by June 30th, 2009**

DISCUSSION TOPICS

- **Fund Balance Position** - Budget requires for \$2.3 million from fund balance.
- **School Construction Projects** – Budget contains an interest payment for the issuance of \$14,000,000 in GO Bonds in July 2009 to be paid from Lottery funds.
- **Jail Expansion Project** – “Not in the Budget” Engineering Fees \$2.5 million.
- **Airport request to maintain property tax** and other revenues. (Not included in proposed budget)
- **Town of Louisburg** - \$133,000 – “Not in the Budget”
- **New County Complex** – “Not in the Budget”
- **Capital Outlay and Vehicles** – Few dollars for Capital Outlay and no dollars budgeted for any vehicles.

DISCUSSION TOPICS (cont.)

- **Five unpaid Holidays for employees** – County savings are \$400,000+ (New Years Day, Good Friday, Memorial Day, Veterans Day, Labor Day)
- **Temporary Suspension of Career Advancement Program** – County savings are \$250,000+
- **Health Insurance Increase for employees** – Additional \$50 per month to employee for step-up plan, additional \$75 for spouse, \$50 for Family. Basic plan has no cost to employee. County savings estimated at \$250,000+

□ **Total Savings – \$900,000+**

GROWTH RATES POPULATION – WHERE HAVE WE BEEN?

	2000	2007	%
FRANKLIN	47,260	56,272	19.1
WAKE	627,850	829,418	32.1
NC	8,046,822	9,041,821	12.4

Office of State Budget & Management

GROWTH RATES POPULATION – WHAT'S PROJECTED?

	2010	2020	%
FRANKLIN	60,085	70,889	18.0
WAKE	935,933	1,291,832	38.0
NC	9,572,644	11,272,964	17.8

Office of State Budget & Management

- ### IMPACT OF GROWTH
- Roads
 - US Hwy. 401
 - Repairs/maintenance of existing
 - Schools
 - Infrastructure
 - Water
 - Sewer
 - Connectivity
- Challenge: Funding Sources

- ### ECONOMIC DEVELOPMENT – WHAT'S NEW?
- “Green Economy” – Today’s Growth Economy*
- Policies enacted during the 2007 legislation session paved the way for:
 - Development of green energy technologies, such as renewable energy and energy efficiency.
 - Creation of organizations, such as N.C. Sustainable Energy Association
 - **NCSEA Goal:** Determine what opportunities exist in N.C. for jobs associated with green energy
 - Survey showed: Estimated 62,000 jobs could be created in N.C.

- ### WHAT IS THE OPPORTUNITY FOR FRANKLIN COUNTY?
- Existing industry already a global leader in green technology:
 - Novozymes – expanding production of enzymes used in cellulosic ethanol
 - 2.5 year project to double enzyme efficiency and reduce production costs
- 

Franklin County Economic Indicators

Month	Work Force	Working	Unemployed
July 2007	28,620	27,246	1,374
July 2008	28,993	27,050	1,943
March 2009	27,555	24,579	2,976

- **Note:** Work force has decreased by 1,438 citizens since 7/07. Citizens could be moving out of county to find jobs.
- **Note:** It appears 1,602 citizens have lost their jobs and become unemployed since July 2007. 1,033 since July 2008.

Budget is based on the following

• FY 2009-2010 Budgeted Tax Base	\$3,900,000,000
• FY 2008-2009 Budgeted Tax Base	\$3,835,000,000
• Growth in Tax Base	\$65,000,000
• Percent of Growth in Tax Base	1.68%
• Tax Collection Rate for 2009-2010 is based on a 95.50% rate.	
• In 2008-2009, the county used a 97% collection rate. (481,162)	
• Budgeted Current Taxes for FY 2009-2010	\$ 30,634,013
• Budgeted Current Taxes for FY 2008-2009	30,596,589
• Additional Revenue from Property Tax	\$37,424

Current Proposed 2009-2010 Budget

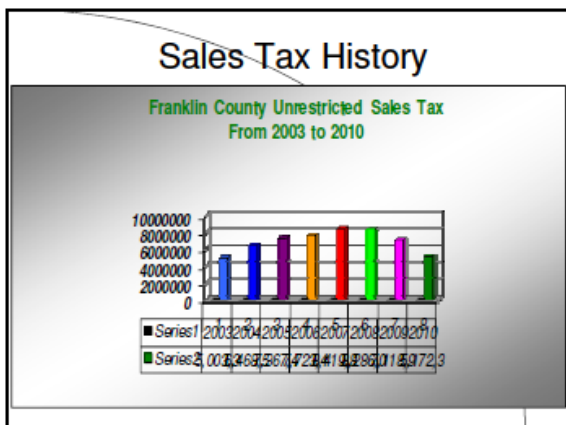
• FY 2008-2009 Budgeted Expenditures	\$67,946,238
• FY 2009-2010 Budgeted Expenditures	\$83,751,725
• Reduction in Expenditures	(\$4,194,513)
• FY 2008-2009 Budgeted Revenues	\$64,256,018
• FY 2009-2010 Budgeted Revenues	\$61,433,025
• Reduction in Revenue	(\$2,822,993)

Where are some of the large expense decreases

• Social Services – Programs (Medicaid)	\$1,806,470
• Sheriff's Office -	583,451
• Solid Waste -	536,873
• Rescue Squad Incentive Purchases -	428,725
• Home Health -	372,462
• Education Operations -	188,840
• Jail Meals -	185,909
• Planning -	171,415

Where are some of the large revenue decreases

• Sales Tax – (Medicaid Relief)	1,946,585
• School ADM Funds -	400,000
• Inspection Fees -	277,182
• Register of Deeds Fees -	220,000
• Interest Earnings -	207,550
• Solid Waste Fees -	189,000
• Home Health -	183,974
• Environmental Health Fees -	172,293



Current Proposed Budget

FY 2009-2010 Budgeted Expenditures	\$63,751,725
FY 2009-2010 Budgeted Revenues	\$61,433,025
Fund Balance Appropriation	(\$2,318,700)

Budgeted General Fund Expenditures

• General Government	\$ 4,393,320	or	6.89%
• Public Safety	16,117,368	or	25.28%
• Economic and Physical Development	4,770,151	or	7.48%
• Human Services	16,485,806	or	25.86%
• Water and Service	871,525	or	1.37%
• Cultural and Leisure	1,371,839	or	2.15%
• Education	19,741,716	or	30.97%
• Total	\$ 63,751,725		

Major Revenues Budgeted for Proposed FY 2009-2010 Budget

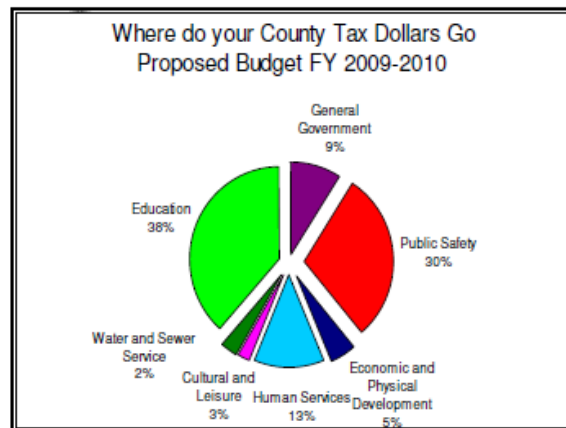
• Sales Tax	\$ 5,172,365
• Property Taxes	30,634,013
• Jail Fees	1,800,000
• Lottery Funds	900,000
• ADM Funds	400,000
• Capital Reserve Fund	2,900,000
• Total	\$ 41,806,378
• Fund Balance Reserves	2,318,700

Current Proposed FY 2009-2010 Budget

FY 2009-2010 Budgeted Expenditures	\$ 63,751,725
Less (departmental fees, grants, etc.)	23,538,646
County Revenue	\$ 40,213,079

Budgeted General Fund Expenditures Where do your tax dollars go?

• General Government	\$ 3,738,320	or	9.30%
• Public Safety	11,938,941	or	29.69%
• Economic and Physical Development	1,858,794	or	4.62%
• Human Services	5,080,961	or	12.64%
• Water and Service	871,525	or	2.17%
• Cultural and Leisure	1,182,822	or	2.94%
• Education	15,541,716	or	38.65%
• Total	\$ 40,213,079		



Estimated Fund Balance position FYE 2008-2009

□ This slide is based on various meetings with departmental staff.	
□ Total Fund Balance 6/30/2008:	\$18,246,430
□ (less) estimated Expenditures for FYE 2009	65,066,493
□ (add) Estimated Revenues for FYE 2009	62,815,958
□ Difference in revenues and expenses	2,250,535
□ Total Fund Balance FYE 2008-2009	<u>\$15,995,895</u>

Fund Balance position based on estimate for FY 2008-2009

□ Total Fund Balance 6/30/2009:	\$15,995,895
□ (less) Est. Required Reserves by Statute:	\$2,647,862
□ (less) Earmarked Reserves	850,000
□ (less) FYE 2010 Fund Bal. Appropriation	2,318,700
□ Projected Undesignated Fund Balance	<u>\$10,179,333</u>
□ Using Total GF Budget of \$65,066,000	
□ Est. % of Undesignated Fund Balance	15.64%

Undesignated Fund Balance Comparison

• FYE 2008-2009	\$ 10,179,333
• FYE 2007-2008	11,455,767
• FYE 2006-2007	11,730,851
• FYE 2005-2006	12,146,678
• FYE 2004-2005	12,870,944
• FYE 2003-2004	10,033,424
• FYE 2009-2010 Fund Balance budgeted to decrease by \$2.3 million.	
• Dollar wise, fund balance is back to 2003-2004 levels	

Items anticipated to affect FY 2010-2011 budget

- Fund Balance appropriation - \$2.3 million
- Debt service for school bond projects- \$1.1 million (COUNTY ONLY)
- Career Advancement for employees - \$250,000
- Reverting back the 5 unpaid holidays - \$402,000
- Vehicle Replacements and Capital Outlay - \$400,000
- **Minimum Potential budget concern in FY 2010-2011**
 - \$4,452,000

Undesignated Fund Balance Projection at end of Fiscal Year 2009-2010

- FYE 2008-2009 \$ 10,179,333
- If we budget to take from fund balance
- In FY 2010-2011 2,300,000
- Balance at June 30th 2010 \$ 7,879,133
- Divided by total budget \$ 67,000,000
- Percent of Fund Balance 11.76%

Employee Position Reductions in Budget

□ Proposed budget has a reduction of 29 positions

- Planning - 2 positions
- Inspections - 1 position
- Recreation - 1 position
- Jail Meals - 5 positions
- EMS - 5 positions
- Emergency Mgt. - 1 position
- Cooperative Ext. - 2 positions
- Health Department - 9 positions
- Social Services - 1 position
- Veterans Services - 1 position
- Water and Sewer - 1 position

Unpaid holidays for employees

- There is currently 40 hours of unpaid time for each employee in the budget. Applies to all employees.
- Five unpaid Holidays for employees – (New Years Day, Good Friday, Memorial Day, Veterans Day, and Labor Day)
- **Savings to County - \$402,701**

Career Advancement Program

- Designed to help successful employees move along the pay plan.
- Employee is eligible every two years if employee has two consecutive standard or better evaluations.
- Employee is rewarded with a 2.5% increase in pay.
- This program is temporarily suspended in the FY 2009-2010 budget.
- **County Savings \$ 250,000+**

School Construction Projects

- FY 2009-2010 proposed budget contains an appropriation for an interest payment in anticipation that the County will issue \$14,000,000 in July 2009 for a new High School.
- Remainder to be issued in February 2010 with no payment scheduled FY 2009-2010.
- The interest payment expenditure is planned to be paid from Lottery funds in the upcoming budget, therefore has no effect on the county budget in FY 2009-2010 unless State freezes current funds.
- FY 2010-2011 will contain an Interest Payment and a Principal Payment on both issues.

Jail Expansion Project

- There are no funds budgeted for the Jail Expansion Project in the FY 2009-2010 budget.
- Design work will require an additional \$2.5 million+ from fund balance or the budget will require further cuts to departments.
- If design cost is taken from fund balance, the County's fund balance will fall below the goal of 15%. Approx. 12.3%.
- More discussion to come at the May 18th, 2009 workshop.

Capital Outlay and Improvements

- **Vehicles** - There are no funds budgeted to replace any vehicles in the FY 2009-2010 budget.
- **Capital Outlay** requests have been reduced considerably.
- **Capital Improvement** budget contains \$75,000 for renovations to old Mental Health space to house the Board of Elections.
- **Capital improvement** budget contains \$65,000 for improvements to county buildings including the addition of space to the Bunn Library to house Franklin County EMS, stationed in the BUNN area. Currently, EMS rents a house in the BUNN area for \$900 per month.

Non-Profit Requests

Name	Requested	Recommended
Boys and Girls Club	\$10,000	\$9,000
Art Council	10,000	5,000
Franklin County Chamber	10,000	9,000
Volunteers In Medicine	25,000	9,000
F-V-W Opportunities	17,500	15,750
Safe Space	25,000	9,000
Area Mental Health	155,757	148,000
Town of Louisburg	133,000	-0-

Fire Departments

- There are no tax rate increases recommended.
- It is estimated the following fire taxes would have to be raised in order to have full funding of their request:
- Hopkins (.61), Mitchiners (.69), Franklinton (.51), Youngsville (.37), Pilot (.85), Bunn (.20), Justice (.85),
- White Level (1.18), Gold Sand (1.64), and Epsom (1.11).
- We will be notifying these departments to plan conservative on the anticipated dollar amounts.
- Without tax increases, it is likely some of the departments will not receive the requested amount.

Fire Protection (No Tax Increases)

Department	Requested	Recommended
Central Fire District	172,000	172,000
Epsom Fire District	88,500	85,000
Gold Sand Fire District	53,500	53,500
Justice Fire District	88,500	88,500
Kittrell Fire District	1,000	1,000
Pilot Fire District	166,103	166,103
White Level Fire District	70,000	70,000
Brassfield Fire District	5,600	5,600
Mitchiners Fire District	119,800	119,800
Hopkins Fire District	10,100	10,100
Franklinton Fire District	209,254	209,254
Youngsville Fire District	848,068	848,068
Bunn Fire District	318,750	318,750
Castalia Fire District	1,200	1,200
Centerville Fire District	59,000	59,000
TOTAL	2,207,875	2,207,875

**Water and Sewer FY 2009-2010
Proposed Budget**

□ Proposed Operational Expenditures:	\$ 4,832,972
□ Proposed Debt Service	<u>2,217,653</u>
□ Total Proposed Expenditures	7,050,625
□ Current Proposed Revenues	<u>\$ 6,179,100</u>
□ General Fund Appropriation:	\$871,525
□ First year transfer needed from General Fund to balance Enterprise Fund since FY 2005-2006.	

- Goals/recommendations for the 2009-2010 FY:**
- **Goals/recommendations for the 2009-2010 FY:**
 - -Develop a Five Year Capital Improvement Plan (CIP)
 - -Maintain our current Bond Rating; utilize the services of an outside financial consulting firm
 - -Hold a Board of Commissioner Retreat with Economic Development staff (and others as identified by the Board) for the purpose of updating the EDC Plan. It is recommended that "green" technologies be part of the discussion
 - -Conduct an Energy Audit in county facilities
 - -Explore a centralized purchasing program; make recommendations to the Board
 - -Seek stimulus funding (American Recovery and Reinvestment Act – ARRA) to leverage local funding

- GOALS - cont.**
- -Enhance the County's website by providing additional information to our public. In the current fiscal year monthly reports (provided by each department) has been added to our site.
 - In addition, the entire agenda packet and all supporting materials are now available for our public. In the upcoming year, it is our goal to have the agendas and minutes from all Boards, committees, etc. online.
 - -Request the assistance of the Outreach Coordinator (North Carolina Association of County Commissioners) for the purpose of conducting studies. For example, it is recommended that a staffing study be conducted in the Tax Department. The department has undergone a number of changes in the past several years (i.e. the Lock Box system, conversion to new

- GOALS - cont.**
- -software, implementation of new programs as dictated in statute). The last study was conducted in 1998 (Task Force Report, June 11, 1998).
 - -Implement an incentive plan for employees in an effort to promote cost saving measures; the Human Resources Manager has explored a number of options during the current year. (Finalizing this work will occur early in the fiscal 2009-2010).
 - -Maintain the current practice of a "Hiring Freeze." Fill only essential positions.
 - -Finalize the update to the Franklin County Administrative Manual; a draft has been completed in the 2008-2009 year.

- Possible Policy Discussions**
- **Fund Balance Policy** – Would you like to discuss during the budget or outside of the budget? (yes or no)
 - **Debt Management Policy** - Would you like to discuss during the budget or outside of the budget? (yes or no)
 - **Bond Rating** – County will have to go through the bond rating process with the sale of the new bonds in July 2009.
 - **Current Bond ratings are:** Moody's A1
Standard & Poor's A+

Highlighted in the budget presentation were the following discussion topics that are projected to save the County over \$900,000.

- Fund Balance Position – The proposed budget requires for \$2.3 million from fund balance.
- School Construction Projects – The proposed budget contains an interest payment for the issuance of \$14,000,000 in G.O. Bonds in July 2009 to be paid from Lottery funds.
- Jail Expansion Project – At this time, \$2.5 million in engineering fees for the project have not been included in the proposed budget.
- Airport request to maintain property tax and other revenues – This request was not included in the proposed budget.
- Town of Louisburg – The Town's request for \$133,000 was not included in the proposed budget.
- New County Complex – The proposed County Complex was not included in the proposed budget.
- Capital Outlay and Vehicles – Only a few dollars for Capital Outlay were included in the proposed budget and no funds were budgeted for vehicles.
- Five unpaid holidays for employees – County savings would be more than \$400,000 (New Years Day, Good Friday, Memorial Day, Veterans Day and Labor Day)

- Temporary suspension of Career Advancement – County savings would be over \$250,000.
- Health Insurance increase for employees – An additional \$50 per month to employee for “step-up” plan, additional \$75 for spouse, \$50 for family. Basic plan has no cost to employee. County savings estimated at over \$250,000.

According to the proposal, Mr. Murray commented that a \$2,318,700 appropriation would be needed in order to balance the proposed budget. He pointed out the estimated fund balance position for FYE 2008-2009 is \$15,995,895. He said the fund balance position based on estimates for FY 2008-2009 is 15.64%. Based on those figures, he said fund balance would return to 2003-2004 levels.

Items anticipated to affect the FY 2010-2011 budget are as follows:

- Fund balance appropriation - \$2.3 million
- Debt service for school bond projects - \$1.1 million (County only)
- Career advancement for employees - \$250,000
- Reverting back the 5 unpaid holidays - \$402,000
- Vehicle replacements and Capital Outlay - \$400,000

Considering those items, Mr. Murray stated minimum potential budget concerns in FY 2010-2011 total \$4,452,000. He stated that if the County budgets to take from fund balance in FY 2010-2011, based on a \$2,300,000 appropriation, undesignated fund balance would drop to 11.76%.

Mr. Murray went on to comment that the proposed budget has a reduction of 29 positions. He also stated that if employees were directed to take five unpaid holidays, the County would see a savings of \$402,701. The proposed holidays include New Years Day, Good Friday, Memorial Day, Veterans Day and Labor Day.

Also in the proposed budget is temporary suspension of the Career Advancement Program which was designed to help successful employees move along the pay plan. By suspending the program for a year, the County would recognize approximately \$250,000 in savings.

Mr. Murray also mentioned proposed school construction projects, the jail expansion project as well as Capital Outlay and improvements. He also went over the recommendations for non-profit requests that were included in the budget proposal and stated there are no fire tax rate increases recommended.

In terms of goals and recommendations for FY 2009-2010, the following were outlined:

- Develop a five year Capital Improvement Plan.
- Maintain the current bond rating, utilizing the services of an outside financial consulting firm.
- Conduct a Board of Commissioners Retreat with Economic Development staff (and others identified by the Board) for the purpose of updating the Economic Development Commission Plan. It is recommended that “green” technologies be part of the discussion.
- Conduct an energy audit in county facilities.
- Explore a centralized purchasing program and make recommendations to the Board.
- Seek stimulus funding (American Recovery and Reinvestment Act – ARRA) to leverage local funding.

- Enhance the County’s website by providing additional information to the public. In the current fiscal year, monthly departmental reports have been added to our site.
- In addition, the entire agenda packet and all supporting materials are now available to our public online. In the upcoming year, it is our goal to have the agendas and minutes from all Boards, committees, etc. online.
- Request the assistance of the Outreach Coordinator (North Carolina Association of County Commissioners) for the purpose of conducting studies. For example, it is recommended that a staffing study be conducted in the Tax Department. The department has undergone a number of changes in the past several years (i.e. the lock box system, conversion to new software and implementation of new programs as indicated in statute. The last study was conducted in 1998.
- Implement an incentive plan for employees in an effort to promote cost saving measures. The Human Resources Manager has explored a number of options during the current year. Finalizing this work will occur early in fiscal year 2009-2010.
- Maintain the current practice of a “hiring freeze” and fill only essential positions.
- Finalize the update to the Franklin County Administrative Manual. A draft was completed in the 2008-2009 year.

Following the presentation, Mr. Murray commented on budget books and explained to those present how to effectively obtain information from them. A copy of the proposed budget is on file in the County Clerk’s office.

It was then stated that the public hearing on the budget will be held at the Board’s regular meeting on June 1, 2009. Another budget work session was scheduled for May 26, 2009 at 7:00 P.M.

Mrs. Harris concluded the meeting by stating that much is uncertain until the state budget is passed.

At 4:00 P.M., the meeting was recessed.

Robert L. Swanson, Chairman

Kristen G. King, Clerk to the Board

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