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May 18, 2015

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 2015-2016 fiscal year.

A brief reflection on the current fiscal year's successes and highlights as well as some of the challenges will be beneficial as the Board prepares for the upcoming year.

**Current fiscal year highlights:**

- Continued Board of Commissioner support for transportation improvements: for example, supporting the US Highway 401 Committee, membership in CAMPO (Capital Area Planning Organization) and the Kerr-Tar RPO (Regional Planning Organization), support for the US I Corridor Plan, Comprehensive Transportation Plan and North East Area Study, Adoption of Unified Development Ordinance Regulations in preparation of transportation improvements.
- Board of Commissioners supported a regional facility for KARTS. County's contribution will be \$35,534 annually for five years beginning in fiscal year 2015-2016.
- Renovation and Repairs to the County's Courthouse have been completed - \$1.3 million dollar project in the spring of 2015.
- Approved the Board of Education's request to purchase a tract of land (approximately 60 acres) abutting Louisburg High School; land will be utilized for school buildings and/or athletic fields. Cost of land \$600,000 (borrowed funds).
- Implementation of 211 Program in partnership with United Way of Franklin County – 211 is a number system to dial for comprehensive health and human service information. The Board committed to a \$3,000 annual contribution at its 08/18/14 meeting.

- Comprehensive Study of EMS/Communications completed; report presented to the Board 09/15/14. Results support the request for personnel (Communications) in the 2015-2016 budget proposal.
- In September, 2014 U.S. Secretary of Agriculture Tom Vilsack visited Franklin County. Secretary Vilsack toured a solar farm in Bunn which was made possible due to the REAP program (Renewable Energy for America) Franklin County's site was highlighted due to its unique partnership with a renewable energy provider and a local farmer who will raise sheep and lamb on site.
- Acquisition of 167.44 acres for Owen's Park (approved by BOC 11/03/14 for \$600,000). Funding was provided by the estate of Mr. Edgar Owens. Requests for Qualifications - RFQ's have been solicited for a consultant to work with the Parks & Recreation Board and staff to develop long-range plans for the Park. The process of evaluating the RFQ's is currently underway.
- In January, 2015 Commissioners voted to support (utilizing its incentive policy) an affordable housing/economic development initiative proposed to rehabilitate the old Sterling Cotton Mill. If the developer moves forward as planned on this project, Sterling Cotton Mill will be used for affordable housing units, commercial space and government use. Other projects awarded incentives will be discussed in the budget work sessions.
- Commissioners approved a mediated settlement with Carlina, Inc., the former Fixed Based Operator at the Franklin County Airport (now Triangle North Executive Airport). The cost of the settlement was \$1.5 million. The County retains the improvements constructed by Carlina, Inc. estimated at \$3.9 million. Franklin County had received over \$650,000 to date in rental income as of the settlement date in February, 2015.
- In April, 2015 Commissioners adopted a Resolution of Support for the Kerr Lake Regional Water System's Proposed Inter-basin Transfer Petition.
- In April 2015, Franklin County acquired the Town of Franklinton's Waterworks and Sewer System for \$3.2 million. The Enterprise Fund (Public Utilities) will provide the funds necessary to repay debt associated with the acquisition. At the writing of this message, the County has also made an offer of \$250,000 on the First Citizens Bank Building on Main Street in Franklinton. Pending successful due diligence, the

County plans to relocate its utility staff to this facility. It is currently operating in leased space on U.S. I Highway in Youngsville.

- April, 2015 Franklin County representatives (Board members, staff, educators, business representatives, etc.) participated in the region's first STEM conference held at Vance Granville Community College in Henderson. The conference was the brain-child of Franklinton Mayor, Elic Senter. Mayor Senter currently serves as the Chairman of the Kerr-Tar Regional Council of Governments. Over 100 representatives attended. On-going collaboration among the participants is planned in an effort to develop a more community/business approach to preparing and supporting students for the future, especially in the areas of Science, Technology, Engineering and Mathematics. Dr. Sam Houston, President and CEO of the N.C. Science, Mathematics and Technology Center, prefers to describe STEM as "Strategic Thinking and Engaging Minds."
- Renovations/additions to the Franklin County Detention Center adding space for a Magistrate's office, restroom, ten medical isolation beds, security cameras, new roof, HVAC, and other improvements. Project cost \$3.5 million. Project should be finalized in upcoming weeks.
- Airport Road has been accepted by the North Carolina Department of Transportation into the secondary road program during the current fiscal year.
- Financial/fiscal indicators including fee collections in Planning & Inspections, Register of Deeds, Environmental Health and Unemployment data all indicate the local economy is continuing to show improvement. Statistical data will be shared with the Board during the budget work sessions.

**Current year challenges:**

- US 401 Highway improvements –completion of Section D; critical for safety as well as economic development for the County.
- Good paying jobs in the County/region.
- Adequate funding for Education (see Public Education).
- Access/affordability for high-speed internet service for citizens.

- Sale of Novant Health's Franklin Medical Center (formerly Franklin Regional Medical Center); Requests for Proposals to purchase the hospital are due June, 2015. At the writing of this message, Novant's management has expressed there are no planned reductions in staff during the interim. Accessible health care is vital to the well-being of citizens in the County.
- Aging inventory of County-owned buildings to maintain; geographic dispersion of County staff – costly, inefficient and compromises customer service; additionally, limited capital budget for major building repairs/renovation (approximately \$100,000 currently budgeted).

Note: Although in a category of its own as a challenge, I would be remiss if I did not include the information below as our entire County/community was affected when we lost one of our own while in the line of duty as a fireman. This has been and continues to be a challenging and difficult time for all.

- On September 02, 2014 the Board adopted the "***National Fallen Firefighter's Memorial Proclamation***" in a similar manner as it did the prior year. The Proclamation "serves to honor the firefighters and emergency services personnel who have sacrificed their lives to save others . . ." Exactly two weeks later, Franklin County lost one of its own, John Derek Gupton, age twenty-four. Mr. Gupton, a Justice Fireman, was responding to a call when he lost his life in an accident. Citizens of the County and those well beyond the geographic confines of our County were grief-stricken. Respect, admiration and support of the fire, emergency services, and law enforcement community reached new heights during and following this very difficult time in our County.

### **Budget Highlights for 2015-2016**

#### General Fund

The proposed General Fund budget for FY 2015-2016 is \$75,846,060 which represents an ***increase*** of \$1.8 million in total dollars from the original 2014-2015 adopted budget. The County or local dollar contribution ***increased*** by approximately \$2.37 million. (Approximately \$81,255,472 was originally requested for funding; budgets were reduced by over \$5.4 million.)

The Tax Administrator has established a fiscal year 2015-2016 assessed tax base at \$4.47 billion. This assessment is 3.2 percent *greater* than the current fiscal year budget ordinance. The 2015-2016 budget proposal is based on a 97.95% collection rate – the current year’s budget was based on a 97.36% rate. An increase of \$1.4 million is estimated as additional tax revenue.

Budgeted Sales Tax collections for FY 2015-2016 are estimated at \$5.97 million representing approximately a 7.4% percent increase over the current budget of \$5,562,000. The County anticipates collecting approximately \$5.8 million in Sales Tax revenues for the current fiscal year. It should be noted statewide local sales tax collections are up in the current fiscal year and could exceed the prior year’s collections by 7% according to the NCACC’s 2015 Fearless Forecast.

***Unlike prior budget proposals, the proposed 2015-2016 budget recommends a tax increase. A tax increase of twelve cents is recommended to fund the services outlined in the budget proposal. The recommended tax rate for the 2015-2016 fiscal year is 99.25 cents per \$100 valuation.***

In accordance with the Board’s direction, prior budgets did not include a recommended tax increase. The Board has been very sensitive to the fact that our citizens have been substantially impacted by the last recession. It has been the general direction by the Board to utilize available fund balance as opposed to raising taxes over the last several years. I have prepared eight budget proposals. This is the first *proposal* to include a tax increase. The Board did, however, elect to adopt a five cent tax increase for the 2009-2010 fiscal year – addressing in part the debt service necessary for school construction.

Balancing a budget under the circumstances described above has been made possible by implementing a variety of cost-saving measures - reducing staff, deferring capital acquisition, deferring maintenance on buildings and utilizing fund balance annually. Reversing the trend of utilizing fund balance and deferring maintenance and acquisition of needed capital items has been discussed over the last couple of years during budget work sessions. The 2015-2016 budget proposal does not “dip” into the County’s fund balance. The Board has had a 15% Fund Balance Goal for a number of years. My recommended proposal supports this goal. I would recommend protecting the County’s Fund Balance moving forward. In fact, every effort should be made to improve our Fund Balance. Adequate Fund Balance plays a critical role in the County’s ability to address an emergency – in the County’s ability to address its cash flow needs and in its ability to maintain its bond rating. A downgrade of our bond rating will prove to be costly to the County in future debt assumption.

Additional expenses in the upcoming budget include but are not limited to: additional funding for public schools (\$500,000), personnel (approximately \$477,102), elections costs for Presidential Preference election and capital outlay, matching funds for PARTF grant (\$250,000), full impact of costs associated with COLA given to staff January, 2015 (approx.. \$200,000). Additionally, no fund balance is appropriated in balancing the budget for 2015-2016.

All Funds:

The recommended budget for all funds in fiscal year 2015-2016 is as follows:

- General Fund: \$75,846,060
- Public Utility Fund: \$9,015,554
- Fire Protection Fund: \$3,250,867
- Emergency 911 Communications Fund: \$309,320
- Drug Enforcement Fund: \$20,000
- Capital Reserve Fund: \$2,900,000

Tax rates in each fire district will remain the same as the current fiscal year. Detailed information is outlined under Tab 6 of the Board's budget proposal.

Budget highlights:

**Personnel:**

Ten additional positions are requested in my budget proposal. Four Detention Officers (providing coverage in the new 10 bed isolation area), four TeleCommunicators (as recommended in the Emergency Services Study conducted this past year and as requested by the Director for several years), Park Maintenance position (the department has two positions currently covering all parks and fields; with the acquisition of Owens Park, a position is needed), a Human Resources position (needed to handle requirements of the Affordable Care Act and the County's Safety policies). One part-time and ten full-time positions were requested but not funded in the budget proposal.

All benefits remain unchanged.

No cost of living (COLA) for employees is proposed. It should be noted our employees recognize the fact the Board has made every effort to retain benefits and to fund Cost of Living Adjustments during those years where it was deemed financially feasible.

**Health & Human Services:**

Funding is provided to meet the statutory requirements for Maintenance of Effort in all programs areas. The Health Department continues to experience a decline in patients in the clinics. A reduction of approximately 50% has been experienced over the last three years. Continued outreach efforts are recommended along with collaboration with community health providers.

**Education:**

***Public Schools***

Franklin County continues to struggle in its recruitment and retention of qualified teachers. The County lost approximately 180 teachers last year. In addition, as more Charter Schools come online, actual funding available to the public school budget is challenged. Technology is another area that must be addressed in order for our schools to meet the demands of the State and the public at-large. It is requested the Board of Commissioners and Board of Education plan a work session to discuss the needs of our schools and funding those needs.

In order to fund the Public School's requests, a 7.3 cent tax increase would be necessary. With the current budget situation, I am not in a position to recommend funding for all requests. The recommendation included in the upcoming budget proposal includes an additional \$500,000 for current expense, holds capital at current levels and does not include funding for debt service for the capital projects (approximately \$12 million) presented to the Board of Commissioners in December, 2014 (utilizing the remainder of the General Obligation Bonds.) The Board of Commissioners has requested and been granted (by the Local Government Commission) an extension of three years to issue the remaining bonds.

Current expense requested: \$15,680,112  
Current expense recommended: \$14,318,841 (\$500,000 increase over the current year's allocation)

Capital expense requested: \$1,483,650  
Capital expense recommended: \$1,100,000 million (same as current year allocation)

Over the last several years, the County has had no alternative but to use additional local funds to pay debt on school construction. Local funding has been utilized to off-set the elimination of State ADM funds and the reduction in Lottery funding. As a reminder, the

*Tax Simplification and Reduction Act, H998* “permanently eliminated the corporate tax set-aside for school construction” (See NCACC’s 2015 Fearless Forecast.) Also included in the NCACC’s forecast is a reminder that the “2014-2015 State biennial budget appropriated \$100 million of lottery proceeds for county school capital needs year” (the original statutory allocation was \$192 million.) The Fearless Forecast also indicated “the 2013-2014 state budget eliminated the statutory language that pledged 40% of net lottery proceeds for county construction. . .the budget rewrote statutory language to allocate county lottery monies on a straight per pupil basis, replacing the original statutory allocation that favors counties with effective tax rates above the statewide average.” Unfortunately, Franklin County has lost funding with this change. At one point, the County received as much as \$1.3 million- now the amount is reduced to approximately \$600,000.

***Vance Granville Community College***

VGCC has requested level funding (no increase) Operational Expenses \$369,168 and \$20,000 for Capital in the upcoming fiscal year. The Manager’s recommendation is to maintain level funding.

Solid Waste

It is proposed the schedules at each convenient site remain unchanged in the upcoming fiscal year. In addition, no change in fees is recommended.

Public Utilities:

Following are the proposed water and sewer rates for 2015-2016:

<b>Water and Sewer Rates</b>		
<b>Services</b>	<b>Water</b>	<b>Sewer</b>
<b>Municipal</b>	\$7.30 per 1,000 gallons	\$6.38 per 1,000 gallons
<b>High Volume</b>	\$5.75 per 1,000 gallons	\$7.70 per 1,000 gallons
<b>Low Volume</b>	\$30.00 for 0-2,000 gallons	\$35.00 for 0-2,000 gallons
	\$7.30 for every 1,000 gallons over 2,000	\$7.70 for every 1,000 gallons over 2,000
<b>Multiuser</b>	\$11.00 per service connection	\$27.50 first 2,000 gallons
	\$5.75 for every 1,000 gallons	\$7.70 for every 1,000 gallons over 2,000
<b>Fog Permit (Fats, Oil, Grease)</b>	\$10,00 per month + cost of sample (yearly)	

<b>Town of Youngsville Water and Sewer Rates (as per the acquisition agreement)</b>		
<b>Services</b>	<b>Water</b>	<b>Sewer</b>
<b>Water Only</b>	\$28.62 for 0-2,000 gallons	
	\$9.81 for every 1,000 gallons over 2,000	
<b>Sewer Only</b>		\$25.20 for 0-2,000 gallons
		\$9.00 for every 1,000 gallons over 2,000
<b>Water and Sewer Combined</b>	\$44.82 for 0-2,000 gallons and \$17.91 for every 1,000 gallons over 2,000	

<b>Town of Franklinton Water and Sewer Rates (as per the acquisition agreement)</b>		
<b>Services</b>	<b>Water</b>	<b>Sewer</b>
<b>Low Volume</b>	\$25.00 for 0-2,000 gallons	\$30.00 for 0-2,000 gallons
	\$7.30 for every 1,000 gallons over 2,000	\$7.70 for every 1,000 gallons over 2,000

A transfer in the amount of \$500,000 is being made to the General Fund to repay monies previously loaned for debt service payments. Approximately \$3,684,593 is still owed to the General Fund.

**Summary**

The 2015-2016 budget proposal recommends a twelve cent tax increase. An ad valorem tax rate of 99.25 cents per \$100 of valuation is recommended. I sincerely appreciate the County department heads and their staff for working diligently to present budget requests addressing their needs but understanding reductions were necessary. Gratitude is also extended to my budget team for their active participation, research and analysis and critical review of all requests. Lastly, a special “thank you” to former Finance Director Chuck Murray for his dedicated service throughout this budget process as in the many years prior.

I look forward to the opportunity to have further discussions with the Board as we plan for the upcoming fiscal year. On behalf of those we serve, thank you in advance for careful consideration of the 2015-2016 budget proposal.

Franklin County Board of Commissioners

May 18, 2015

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I recognize the 2015-2016 budget is one of the most challenging staff and Board members have had to face in many years – perhaps ever. Granted, we have great challenges, but they are not insurmountable. I sincerely believe if the tough decisions are made today, the County will reap the benefit in the future.

Sincerely,



Angela L. Harris  
County Manager