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May 30, 2014

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 recommend a county budget to the Board of Commissioners for fiscal year 2014-2015.

#### General Fund

The proposed General Fund budget for FY 2014-2015 is \$73,270,027 which represents a **decrease** of \$605,047 in total dollars from the original 2013-2014 adopted budget. However, the County or local dollar contribution **increased** by approximately \$200,000.

The Tax Administrator has established a fiscal year 2014-2015 assessed tax base at \$4.33 billion. This assessment is 1.8% percent **greater** than the current fiscal year budget ordinance. The 2014-2015 budget proposal is based on a 97.36% collection rate – the current year's budget was based on a 97.59% rate. An increase of \$559,564 is estimated as additional tax revenue.

Budgeted Sales Tax collections for FY 2014-2015 are estimated at \$5,562,000 representing approximately a 7.5% percent increase over the current budget of \$5,176,098. Note: The County anticipates collecting approximately \$5.4 million in Sales Tax revenues for the current fiscal year.

As in prior budgets and in accordance with the Board's direction, the proposed 2014-2015 budget does not recommend a tax increase. This proposal is the Manager's seventh consecutive budget with "no tax increase recommended" (the Board of Commissioners

***"Equal Opportunity Employer"***

did, *however*, elect to adopt a 5 cent tax increase in 2009-2010 to support debt for school construction.) The recommended tax rate for 2014-2015 remains at 87.25 cents per \$100 valuation.

Unlike prior proposals in recent years, the County's unassigned fund balance is estimated to drop below the 15% level or goal earmarked as the "minimum" the Board desires to sustain (15% unassigned fund balance is not adopted in policy but through consensus the Board agreed this would be the floor.)

While a number of positive indicators reflect a "warming of the local economy," dollars generated from ad valorem taxes, sales tax revenues, fees and charges and other revenues combined are insufficient (without a fund balance appropriation) to fund the expenditures outlined in the proposal for the upcoming year. Note: additional information on the positive economic indicators as well as departmental successes will be elaborated on during the budget work sessions.

The recommended budget for 2014-2015 appropriates \$3,457,658 million from fund balance. Unassigned fund balance available for appropriation will be approximately 14.5% at June 30, 2014. Appropriations from fund balance have been necessary during the recent recession. While the County has not utilized all of the appropriated fund balance in the aforementioned budgets (a positive) it is my opinion, reliance on fund balance to balance the budget is not a sustainable plan moving forward. In simple terms, short of a significant and fairly immediate expansion in the tax base (or increases in *other* revenue sources,) it will become necessary to further reduce and possibly eliminate services, raise taxes or a combination of strategies to meet the core service demands in the near future.

All Funds:

The recommended budget for all funds in fiscal year 2014-2015 is as follows:

- General Fund: \$73,270,027
- Public Utility Fund: \$8,198,424
- Fire Protection Fund: \$3,087,882
- Emergency 911 Communications Fund: \$344,855
- Drug Enforcement Fund: \$10,000
- Capital Reserve Fund: \$2,600,000

Four fire departments requested an increase in their tax rates: Justice, Pilot, White Level and Hopkins. Other fire departments remain the same as the current fiscal year. Detailed information is outlined under Tab 6 of the Board's budget proposal.

Budget highlights:

Personnel:

A basic health plan is available for employees. An optional plan is also available if an employee chooses to participate in cost sharing. In keeping with wellness programming over the last six years and in an effort to mitigate rising health care costs, employee participation in WOW (Working on Wellness – the County's wellness program) is strongly encouraged. It is recommended as proposed last year that employees who declined to participate in the County's wellness program in the current fiscal year pay a premium differential in the 2014-2015 fiscal year regardless of the plan selected. The recommended monthly fee is \$50.00. Participation would remain voluntary. Employee participation during the current fiscal year has been outstanding (successful completion rate of greater than 90% is expected by the end of the current fiscal year.)

All other benefits remain unchanged.

No cost of living (COLA) for employees is proposed. It should be noted; however, the Consumer Price Index released in April, 2014 indicates "***over the last 12 months, the all items index increased 2.0 percent before seasonal adjustment.***"

During the 2013-2014 fiscal year, the Board approved a Classification, Compensation and Benefits Study. Following is an excerpt from the 2013-2014 budget message that outlined the importance of and need for an updated Compensation, Classification and Benefits study:

*"In the past several years, either in my budget message and/or presentation I would point out the importance of a classification and pay study for employees. The last study was done in 2003 – ten years ago. The study before that was done ten years prior. An important component of any salary or pay study is a periodic review of positions/salaries, benefits, etc. between studies. Also key is the normal market adjustments made to keep up with Cost of Living indexes. The unprecedented market conditions over the last five years have played a major factor in our inability to address needed adjustments . . . It is my recommendation that we now move forward with a study and have quantitative data for possible use in the 2014-2015 budget year for any additional market changes."*

Mr. John Anzivino, Senior Vice-President of Springsted Incorporated provided the Board an overview of the Classification, Compensation and Benefits Study on May 05, 2014 in a work session. The findings from the Classification, Compensation and Benefits Study illustrate approximately 44% of the County employees were below the market minimum salary. While Franklin County employee benefits compare favorably to those in the region, the County's compensation program has not kept pace or maintained its competitiveness with the regional market. Successful retention and recruitment of highly skilled employees may be compromised if the County continues to lag behind in compensation. While turnover has been low during and immediately following the last recession, it is recommended that measures be implemented as soon as feasible to prevent the potential loss of quality personnel as economic conditions improve. The information gleaned from the months of interviews, follow up meetings and analysis will serve the Board as a useful tool when it considers implementation of one of the options presented.

Prior to the compilation of the 2014-2015 budget proposal (based on preliminary projections) it was my goal to recommend to the Board one of the options outlined in the study –perhaps at mid-fiscal year (January, 2015). In order to fund the planned services outlined in the proposed budget, however, I am unable to recommend the implementation of any of the four options. It is requested that further discussion be held on this matter as the Board considers the upcoming budget.

Education:

***Public Schools***

In a joint meeting of the Franklin County Board of Commissioners and the Franklin County Board of Education on May 06, 2014, attendees were presented information regarding the 2014-2015 budget, updated demographic information, system successes and challenges, test scores and budget goals. The above information and the Public School's budget request were taken into consideration when developing a funding recommendation. Every effort has been made to increase funding to the degree feasible within the parameters of the current revenues available. Following is the request and recommended funding levels for current expense and capital for public schools:

Current expense requested: \$14,093,130  
Current expense recommended: \$13,818,841

Capital expense requested: \$1,599,500  
Capital expense recommended: \$1,100,000 million (same as current year allocation)

The above does not include the additional School Resource Officers for elementary schools requested by Public Schools. For the 2014-2015 fiscal year, School personnel requested the Sheriff to include the additional SRO's in his budget proposal; the additional staff are not recommended for funding in his budget due to financial constraints.

H1107 (Restore Lottery \$ for School Construction) has been strongly supported by the House and has overwhelming bi-partisan support. This has been a top legislative priority for the NCACC (North Carolina Association of County Commissioners). Staff will keep the Board apprised of the proposed legislation.

### ***Vance Granville Community College***

VGCC has requested \$369,168 for Operational Expenses and \$20,000 for Capital in the upcoming fiscal year. The Manager's recommendation is \$369,168 Operational Expenses and \$20,000 for Capital Expenses.

### **Health and Human Services:**

The Health Department continues to be challenged by declining revenues at the state, federal and local level. As outlined in my budget message last year, the dental program at the Health Department has experienced a significant decline in patient count (the patient count recently averaged 6-7 patients daily.) After careful consideration and analysis over the last several years, it is recommended that the dental program be discontinued effective June 30, 2014. The Health Director and his staff have initiated the necessary steps to dismantle the program. Note: Staff have contacted the local providers to ensure patient access after the program terminates.

The Health Director advises that according to state sources, the County remains an underserved area with regard to dentists. The decision to close the dental clinic is predicated upon the expectation that the Health Director will continue to seek avenues to ensure dental services are accessible. He will continue to work with his Board, the County Manager and Finance staff to explore the possibility of a collaborative with the ECU Dental program (for a future learning/teaching lab and clinic in the County) as well as other possible avenues for service delivery.

It is important to note that a new State mandate goes into effect July 01, 2014 for County Health appropriations Maintenance of Effort. As outlined in the NCACC's 2014 Fearless Forecast (Guidance on statewide revenues & expenditures), "New mandates (G.S. 130A-34.4) for county public health accreditation and maintenance of effort begin July 01, 2014, in order for local health departments to remain eligible for state and federal public health funding. Two qualifications must apply—all health departments must obtain accreditation prior to July 01 and all counties must maintain ad valorem operating appropriations to local health departments at levels equal to 2010-2011." Franklin County is meeting/exceeding this threshold in the proposed budget.

Planning:

According to the 2010 Census, Franklin County is the 12<sup>th</sup> fastest growing county in North Carolina. Franklin County grew by 13,359 residents from 2000-2010 (representing a 28% increase.) The County's population was estimated at 60,619 according to the 2010 Census. Currently, County's population stands at approximately 62,000 residents.

Our Planning staff recently conducted an analysis of the 2010 Census. Staff prepared a document entitled "Franklin County Census Analysis: 2000-2010" in which it focused primarily on Population, Housing, Education and the Economy. The Board is provided a copy of the report under tab 9. Of particular note is the anticipated growth in population by 2028 (an estimated population of 70,000 residents.) It is recommended that this data be utilized in the planning sessions as the Board moves forward with its strategic planning initiative. Planning for the increased demand in services is critical with the demonstrated and anticipated growth in the County.

Public Utilities:

A reduction (approximately four percent) in water rates is recommended in the upcoming fiscal year. Rates for Town of Youngsville residents will be set at the rates established in the acquisition agreement between the County and the Town of Youngsville. No change is recommended in the sewer rates. Following are the proposed water and sewer rates for 2014-2015:

Water

Low Volume:

Base	\$30.00	2000 gallons
Consumption	\$ 7.00	per 1000 gallons (after base)

High Volume	\$ 5.50	per 1000 gallons
Municipal	\$7.00	per 1000 gallons
MU fee	\$11.00	per connection (plus \$5.50 per 1000 gallons)

**Sewer**

Low Volume:		
Base	\$35.00	2000 gallons minimum
Consumption	\$ 7.70	per 1000 gallons (after base)

High Volume            \$7.70    per 1000 gallons

Municipal                \$6.38    per 1000 gallons (after base)

MU                        \$27.50    first 2000 gallons (\$7.70/1000 gallons)

A transfer in the amount of \$750,000 is being made to the General Fund to repay monies previously loaned for debt service payments. Approximately \$4,344,593 is still owed to the General Fund.

**Solid Waste**

It is proposed that the schedules at each convenient site remain unchanged in the upcoming fiscal year. In addition, no change in fees is recommended. Bids are being evaluated at the writing of this budget message for the hauling of solid waste from the transfer station to a landfill and also for the handling of recyclables at the convenience sites. Early projections indicate a net savings of approximately \$200,000 in the upcoming fiscal year.

**Summary**

The 2014-2015 budget proposal does not recommend a tax increase. An ad valorem tax rate of 87.25 cents per \$100 of valuation is recommended. Gratitude is extended to the departmental staff that have assisted in the preparation of this document. I appreciate the opportunity to have further discussions with the Board as we plan for the upcoming fiscal year. My Leadership Team members and I also look forward to sharing some of the

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current year's major successes during our work sessions. On behalf of those we serve, thank you in advance for careful consideration of the 2014-2015 budget proposal.

Sincerely,



Angela L. Harris  
County Manager