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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 the 2017-2018 fiscal year.

Franklin County Government is a service organization. In delivering our services, we are *"People helping People."* Citizens go about their everyday lives and enjoy a certain *quality of life or place* due in part to the superlative services provided by County employees. Some employees work in the background while others are on the front lines. I would invite you and members of our public to continue to acknowledge, value and support one of our most important resources – our public servants.

Before moving to the proposed budget for fiscal year 2017-2018, I'd like to share an abbreviated summary of the work product performed to date in the current fiscal year. It is by no means a comprehensive list. It would be impractical if not impossible to delineate such a listing and to acknowledge all staff and key stakeholders who contributed to each project. Therefore, a few highlights are as noted below:

Interlocal Agreement for Cooperative Purchasing

The Board approved an Interlocal Contract for Cooperative Purchasing on September 06, 2016 to save the County money when purchasing specialty vehicles such as ambulances. The model is used nationally.

Bond Rating

Fitch Ratings upgraded Franklin County December 19, 2016 from 'AA' to "AA+" - the County's bond rating has a direct correlation on cost of issuing debt.

"Equal Opportunity Employer"

Backup Public Safety Access Point (PSAP)

After an extensive evaluation of numerous sites, an interlocal agreement with Halifax County was approved by the Board March 20, 2017 for a back-up Public Safety Access Point. The County will comply with G.S. 62A-46€ requirements – ahead of the July, 2017 deadline. In the event 911 calls cannot be received and processed in the primary PSAP, the County will have calls redirected to Halifax County. The agreement is a unilateral agreement in that Halifax has its own back-up plan.

Compensation & Classification Study Implementation

The Board implemented Option 3 of the 2014 Salary Study (January, 2017) bringing employee pay up to market. In addition, employees received .5% for each year in his/her current position as of January, 2017.

Franklin Medical Center

The Board adopted a RESOLUTION OF INTENT TO LEASE OR SELL ALL OR PART OF FRANKLIN MEDICAL CENTER on 08/15/16. Franklin Medical Center ceased operations 10/16/15. Hospital ownership reverted to the County on 12/31/15. “Subject to affirmative representations made by Duke LifePoint” on 10/24/16, the Board voted to enter into negotiations with said entity. Negotiations are underway at the writing of this message.

“Stepping Up” Initiative

The Board approved a RESOLUTION AUTHORIZING AN INTERLOCAL AGREEMENT FOR THE REGIONAL STEPPING UP INITIATIVE IN FRANKLIN, GRANVILLE, HALIFAX, VANCE AND WARREN COUNTIES on November 21, 2016. The purpose of the initiative is to formulate a collaborative effort to reduce the number of individuals with mental illnesses and substance abuse disorders incarcerated in County detention facilities that do not pose a public risk. The Board had approved \$20,000 of the annual (2016-2017) allocation for Mental Health services to be used for this purpose. State funds are used to back fill so there’s no overall reduction in the services for Franklin County citizens.

Triangle North Executive Airport

TNE director, Steve Merritt updated the Board 01/17/17 on Airport Improvements funding. The County is expected to receive \$10,980,000 in funding for airport improvements to include runway lengthening (adding 1000 feet to the existing 5500-foot runway) runway strengthening, and land acquisition. NCDOT State Transportation Improvement (STI) funding programmed by CAMPO will provide 90% of the cost of the project with a 10% County/local match. It is anticipated County matching funds will be budgeted over the course of five years. The County has made known its intent to commit the 10% match but has not received an official award notification as of the writing of this message. Mr. Merritt advises no match will be required in the 2017-2018 fiscal year.

Solid Waste – Convenience Center Hauling Contract

In July, 2016 the County awarded a five-year contract for convenience center hauling to CCS Transport (August 01, 2016 – July 31, 2021) at a cost of \$514,524 annually. The prior contract cost \$579,091 annually.

Wastewater - Youngsville Pump Station

Excerpt from budget message for 2016-2017 *“In March, 2013 the County acquired the Town of Youngsville Water & Sewer System for \$150,000. Each year following the acquisition, system improvements have been made within budgetary constraints. In March, 2016, the Board approved a Water & Sewer Allocation/Tracking project. Next steps include the design of a new pump station and a plan to address system deficiencies”*

Update 2016-2017 fiscal year: The Board adopted a Resolution to apply for Water Infrastructure funding on 09/06/16 for the construction for a wastewater collection system (replacement of the existing Youngsville Regional Pump Station, Force Main and sewer service rehabilitation and replacement in the Town of Youngsville. The Resolution was an integral part of applying for funding (loan or grant via the Federal Clean Water Act Amendments of 1987 and the North Carolina Water Infrastructure Act of 2005 (NCGS 159G).

The County was notified in February, 2017 loan funds in the amount of \$1,910,000 were available for the Youngsville Regional Pump Station Project (State Reserve Project Loan). The County was *not* awarded grant funding for the project. Plans are underway for the County’s engineer, LKC Engineering to address the Board at its May 15, 2017 meeting to discuss moving forward with the project.

Water & Sewer Allocation Study, Flow Tracking Tool

Results of a Water & Sewer Allocation Study and a Flow Tracking Tool developed by LKC Engineering were presented to the Board at its 09/06/16 meeting. Findings of the Study along with the mechanism of the Tool will aid management and the Board in decision making.

Wastewater - Franklinton Pump Station design

The Board approved the design and permitting of the Franklinton Pump Station (\$60,000) at its 02/20/17 meeting. Based on a recent allocation study the Station stands at 89.4% of total capacity with an estimated 28,000 gpd available allocation.

Wastewater -Franklinton Phase II Sanitary Sewer Improvements

Excerpt from budget message for 2016-2017 *“In April 2015, Franklin County acquired the Town of Franklinton’s Waterworks and Sewer System for \$3.2 million. The Enterprise Fund (Public Utilities) provides the funds necessary to repay debt associated with the acquisition. As part of the acquisition, the County was able to receive grant funds*

(approximately \$3.7 million) previously awarded to the Town of Franklinton for water and sewer improvements. Projects are underway at the writing of this message."

Update – 2016-2017 fiscal year: On March 06, 2017, the Board awarded a construction project to H.G. Reynolds, Inc. in the amount of \$1,038,034 for Phase II Sanitary Sewer Improvements in Franklinton. State High Unit Cost grant funds will cover the cost of the project. *"The project's purpose is to eliminate extraneous infiltration and inflow from entering the Franklinton sanitary sewer system. The work will specifically consist of the rehabilitation and/or replacement of the old terra cotta pipe with PVC or ductile iron sewer pipe of like sizes. All brick manholes will be rehabilitated or will be replaced with gasketed steel reinforced precast concrete manholes of like sizes. Sewer services, many of which are currently Orangeburg wood-fiber pipe, will be replaced with PVC along with a new cleanout at the property lines. The intent of the project is to reduce the excess infiltration and inflow sent to the Franklin County Wastewater Treatment Plant."*

Source: Municipal Engineering Services, Co., PA, Michael S. Acquesta, PE, PhD Senior Project Engineer.

Triangle North Franklin Grant

In December, 2016 Franklin County was awarded \$1,782,000 for sewer improvements at Triangle North Franklin Business Park. The Rural Infrastructure Authority awarded the grant via the Major Site Development Initiative (MSDI) a joint effort among the Golden LEAF Foundation, the Rural Infrastructure Authority and Duke Energy. The grant award was part of a \$35 million dollar award announcement addressing infrastructure needs to help attract industry to major NC sites.

Funding for Parks & Recreation

Although the County's application for Parks & Recreation Trust Funds was not approved, The County was successful in its request for Land & Water Conservation funding for Phase I of Owens Park at Bull Creek. The Board approved the necessary LWCF certification for the project on October 24, 2016. The County purchased the former Bull Creek Golf Club located northeast of Louisburg in November of 2014. The property consists of 167 acres, a 3,200 square foot clubhouse, two other 4,000 square foot buildings and four ponds.

Comprehensive Survey – Historic Architecture

"Using \$45,000 of its own funds, the North Carolina State Historic Preservation Office has hired Dr. Jeroen van den Hurk of Commonwealth Heritage Group to undertake Phase II of the comprehensive survey of Franklin County's historic architecture. The year-long project, which will be completed in February 2018, entails in-depth documentation of 170 properties in Franklinton, Louisburg, and Youngsville, as well as 265 structures elsewhere in Franklin County. Van den Hurk will take photos of and record historical information concerning important residences, churches, industrial buildings, schools, and stores. Public access to the data will be available through HPOWEB, the State Historic

Preservation Office's online geographic information system accessed at <http://gis.ncdcr.gov/hpowcb/>. The data will assist environmental review work by local, state and federal agencies and will aid in planning for future growth in the county. The survey data also will be useful in developing programs to promote heritage tourism in Franklin County and will be the basis for a publication on the county's historic architecture. This project is a follow-up to Phase I of the project, undertaken in 2015 and 2016, which was funded by the Franklin County Tourism Development Authority with approval by the Franklin County Board of Commissioners. The Tar River Center for History and Culture at Louisburg College is working with Dr. van den Hurk to enlist help from local volunteers." Update – as provided by EDC Director, Richie Duncan.

Historic Preservation Commission and a Historic Preservation Ordinance

The Board approved the establishment of a Historic Preservation Commission and a Historic Preservation Ordinance for the County (April, May 2017.) Working in concert with the Tar River Center for History & Culture Director, Maury York, EDC Director, Richie Duncan and Planning Director, Scott Hammerbacher have taken the staff lead on this initiative.

Public Buildings

Completed Public Buildings projects including but not limited to: paving, plumbing, tree & stump removal, storm water improvements, installation of drainage and downspouts, installation of HVAC units, conversion to natural gas, shingle/roof replacement, general repairs, etc.

Farmers' Market Study

Franklin County Cooperative Extension received a grant from the North Carolina Agricultural Development and Farmland Preservation Trust Fund for a Farmers' Market Study. Funding to support this initiative is also being provided by the local Franklin County Farm Bureau Board of Directors. The study is being conducted by representatives of the Lois G. Britt Agribusiness Center at the University of Mount Olive. Three public meetings have been held during the months of March and April respectively. Surveys for both the public and vendors are also underway.

Economic/Fiscal Climate

One of the key metrics considered in economic development is the unemployment rate. According to the NC Department of Commerce Labor & Economic Analysis Division, the *civilian labor force* in Franklin County is estimated at 30,048 people with 28,538 employed (up 786 net over last year). The County's unemployment rate stood at 5% - February, 2017 data. The County has experienced five consecutive years of improvement in this area. Average weekly wages in Franklin County were up 2.6% or \$19.81 over last year -3rd Qtr., 2016.

Job announcements in 2016-2017 included but were not limited to: K-Flex, USA \$45 million dollar expansion with an announced additional 100 jobs; Palziv, \$5.7 million dollar expansion, creating 40 new jobs. We must have an educated and highly skilled workforce so our citizens may compete and participate in *today's* economy – not just the economy of the future. Building on the strength of collaboration among business, government, and education leaders, my budget proposal recommends fully funding the requests from Franklin County Schools and Vance- Granville Community College (satellite campus in Louisburg). Additional information on education funding is outlined later in this message.

Permits for new construction on single family dwellings in Franklin County are up 7% for the period March, 2016 – March, 2017. Further discussion on growth will be held during the Board's budget work sessions (opportunities and challenges will be discussed.)

The tax administrator has established a fiscal year 2017-2018 assessed tax base at \$4,759,085,021 billion. This assessment is 3.29% percent greater than the current fiscal year budget ordinance. The budget is based on a 98.5% collection rate. Approximately \$1.5 million is estimated as additional tax revenue. The Property Tax is the largest source of revenue in the County's budget. By statute, all counties must have real property assessed every eight years. Counties may conduct revaluations on a shorter cycle. Franklin County is currently on a six -year cycle with Revaluation scheduled in 2018.

Budgeted Sales Tax collections for FY 2017-2018 are estimated at approximately \$9,489,507 million up from the \$9,100,000 anticipated for the current fiscal year. Additionally, forecasts for the State are included under tab 14 in the budget proposal.

Budget Highlights 2017-2018

General Fund

While requests totaled \$81,539,276 my proposed General Fund budget for the upcoming year is recommended at \$77,638,478. The recommended ad valorem tax rate remains unchanged at 92.5 cents per \$100 of valuation.

My budget proposal *does not* recommend an appropriation from 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. During very lean years, the Board set a goal (minimum) of 15%. A much improved, *Unassigned Fund Balance* is projected at 28.8% effective July 01, 2017. Conservative budgeting, controlled expenditures and growth in the local and state economy have contributed to the County's improved *Unassigned Fund Balance*.

Included in my budget proposal is a ten-year look back or history of Fund Balance. Additionally, it should be noted the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ending 2004 to the most current CAFR for the Fiscal Year ending 2016 are available online at www.franklincountync.us. The CAFRs can be found under the Finance tab. A wealth of financial information is contained within these reports.

Fire Tax

Tax rates in each fire district remain unchanged with the exceptions of Mitchiners and Franklinton. Mitchiners has requested a rate increase from 5.00 cents to 6.75 cents. Franklinton has requested a fire tax rate increase from 6.25 to 7.00 cents. A recommendation of \$3,838,155 is requested for fire protection in the County fire districts.

Health & Human Services:

Funding is provided to meet the statutory requirements for Maintenance of Effort in all programs areas (Health, Social Services and Aging). The reopening of an emergency department and behavioral health facility will have a positive impact on the delivery of Health & Human Services. Currently, Social Services programs for Child Welfare and other social services is a focus as legislation is proposed to drastically alter the current system. Mandated regional models are being proposed. Staff have forwarded feedback to our legislative members regarding the concerns with regionalization of Child Welfare services.

Education

Public Schools

2016-2017 current allocation: \$ 15,265,283

2017-2018:

Current expense requested: \$16,365,283

Current expense recommended: \$16,365,283

The Board is asked to provide additional funding (\$1.1 million) in the upcoming fiscal year to support the Board of Education's request to implement a new Science, Technology, Engineering and Math (STEM) Academy at Louisburg High School, supplemental bonus retention pay and principal supplements. It is my recommendation supplemental bonus and retention pay be treated a non-recurring bonus pay. Proposed legislation in the General Assembly (SB 234 and HB 866) could provide additional funding for bonus pay and school capital respectively if passed. The County would then be in an improved position to address school facilities and maintenance needs.

Additional information on School Funding is provided for the Board's review in my proposal. We need to build on the partnership at the local level and with members of our delegation at the North Carolina General Assembly in addressing school funding needs. Challenges include but are not limited to the need to increase funding for targeted programs such as STEM and Career and Technical Education while also grappling with increased Charter Schools payments, unmet Capital needs, competition from other school districts for talented staff, etc. Additional detail will be shared during the Board's work session.

Capital expense requested: \$1,400,000
 Capital expense recommended: \$1,400,000

The County plans to issue \$11.4 million in General Obligation bonds (remaining bonds from \$53 million school bond referendum – held May 06, 2008)

Vance Granville Community College

VGCC has requested level funding in Operational Expenses for Capital in the upcoming fiscal year. The Manager's recommendation is to maintain level funding (\$369,168 and \$20,000 respectively.)

My budget proposal for 2017-2018 recommends fourteen additional personnel funded in the General Fund (ten are Public Safety related). One position is recommended in the Public Utilities department, an enterprise fund.

New Initiatives/Projects

- Seek additional Water resources
- Continue Wastewater Projects as previously outlined in this message
- Evaluate options in conducting an Asset Management Inventory for Public Utilities
- Capital Improvement Plan needed for County Facilities, Public Utilities- funds are proposed for a Study and architectural fees associated with a proposed facility
- Update the County's Comprehensive Master Plan for Parks & Recreation (at the writing of this message, at least one municipality, the Town of Louisburg, has expressed interest in partnering with the goal of also developing a Master Plan for the Town.)
- Evaluate alternatives, upgrades to the County's Financial Software (LOGICS)
- Explore additional School Resource Officer (SRO) grant funding
- Airport Improvements (\$10.8 million grant) as previously noted
- Implement the Community Paramedic Program adding 2 personnel
- Evaluate adding an additional shift with 8 paramedics at mid-year (not proposed currently)

- Horticulture Specialist – Request the BOC to advocate the addition of the position by the State. This State position is not currently funded.
- Communications Capital Project to address increased traffic – Capital project adding channels, software estimated at \$1.2 million. Debt associated with this project is budget.

Enterprise Funds -Public Utilities, Solid Waste

Public Utilities

No fee changes are recommended for Water & Sewer rates. At the current rate of loan repayments, debt owed to the General Fund will be paid in full in four years. As the County transitions to a new fiscal year and hires a new director, it is recommended an Asset Management Inventory be conducted. Results from the AMI will be useful as the County updates the Capital Improvement Plan and applies for any future funding.

Three positions were requested by the previous director for the upcoming fiscal year. It is my recommendation to move forward with one at this time – the Waste Water Treatment Operator I. I am recommending the Board consider the maintenance positions at a later date if requested by the new director.

The Capital Improvement Plan for Public Utilities needs to be updated. The “allocated but not tributary” amount on our books presents real challenges until future capacity is expanded. The County continues to explore additional Water resources as well as identifying Wastewater improvements. It is imperative we work in collaboration and partnership in addressing our needs. Partners at the municipal level, State agencies, business and industry and Local and State Elected officials represent a few of those who need to be involved as we plan for our future.

Solid Waste

No changes are recommended for the Solid Waste Availability fee. It is recommended the Solid Waste Availability Fee remain at \$80.00 for FY 2017-2018.

Summary

As stated at the top of my budget message, County Government touches many lives in our community each day. We are “People Helping People.” I honor the men and women who dedicate themselves to public service.

As County Manager and Budget Officer, one of my main responsibilities is to recommend an annual budget proposal. I sincerely appreciate my entire budget team and

our department heads in assisting me. I am especially grateful to Chuck Murray who was appointed by the Board as Interim Finance Director on March 20, 2017. His contributions have been immeasurable. Likewise, Kelly Faulkner, our Human Resource Director has stepped up to assist me well beyond the scope of her normal work assignments as our Finance Department has been in transition.

I look forward to our discussions and welcome the Board's input in the County's budget for the 2017-2018 fiscal year. It is my honor to serve you, staff and our citizens. Thank you.

Sincerely,



Angela L. Harris
County Manager