

**May 26, 2009**

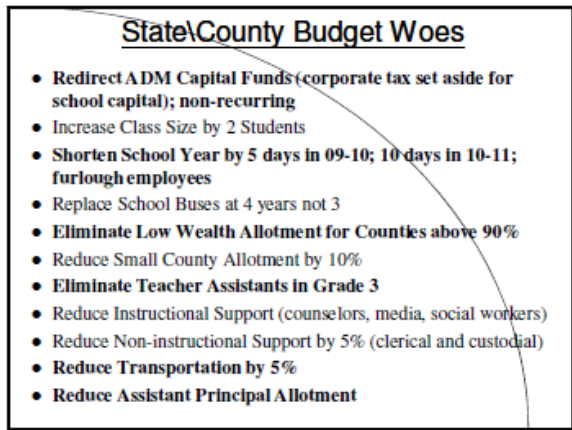
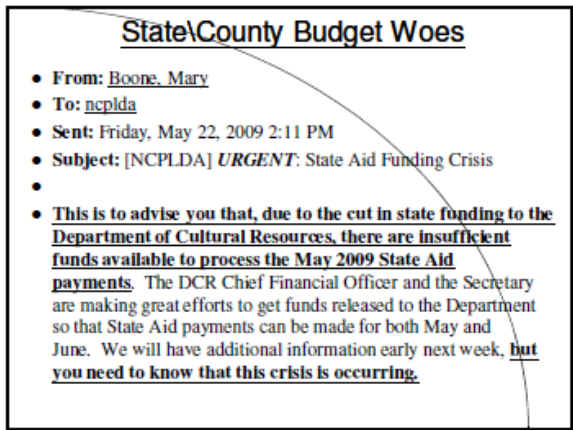
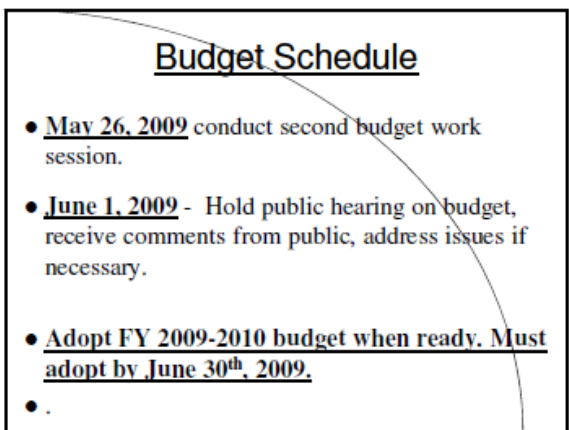
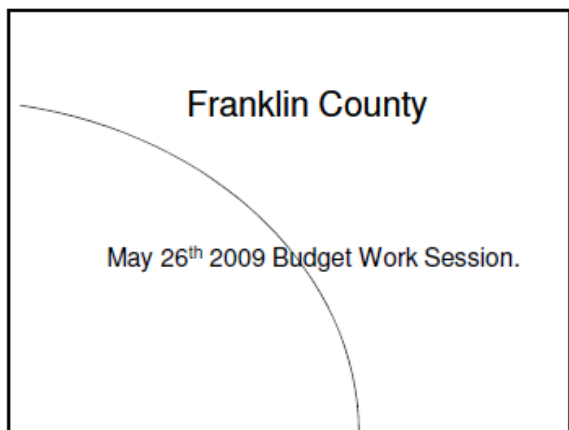
The Board of Commissioners of Franklin County, North Carolina, met for a Budget Work Session at 7:00 P.M. in the Commissioner’s Meeting Room located in the County Administration Building with the following Commissioners present: Chairman Robert L. Swanson, Vice-Chairman Penny McGhee-Young, Bob Winters, Sidney E. Dunston, Donald C. Lancaster, E. Shane Mitchell and Harry L. Foy, Jr.

Chairman Swanson called the meeting to order and turned the meeting over to County Manager Angela L. Harris and County Finance Director Chuck Murray.

Mrs. Harris reminded the Board that last year budget requests were reduced from \$8.2 million with another \$1.75 million cuts this year. She asked the Board to recall that a hiring freeze was implemented in May, 2008 which she said has been beneficial. Additionally, department heads have made cuts throughout the year in an effort to save money. She added that department heads have been team players in working together to bring about these reductions.

Mrs. Harris commented that meetings held early in the year regarding budget preparation were helpful and mentioned that today marks the second budget work session since the actual budget proposal was distributed. She stated that a public hearing on the budget has been scheduled for June 1, 2009 and reminded the Board that a budget must be adopted by June 30, 2009.

Next, Mrs. Harris mentioned some recent concerns that could impact the budget such as library funding. She stated payments for May and June (\$11,000 state aid budgeted) were in jeopardy. She also stated that funding is uncertain regarding a \$100,000 grant for the Radio Frequency Identification program. She also mentioned that ADM and lottery monies have been withheld and major impacts of the state budget on education. More state and county budget woes are detailed in the PowerPoint presentation below.



**State\County Budget Woes**

- **Staffing Flexibility (Furloughs for 9 days)**
- Consolidate 3 colleges into others (Pamlico, Montgomery, Tri-County)
- Eliminate tuition waivers in various categories
- **Shift Funding Responsibility for State Regional Child Support Enforcement Offices to Counties**
- **Eliminate Jails and Detention Program and Shift Responsibility to Counties for semiannual inspections of all county, municipal, and regional jails**
- Force LME Consolidation by Reducing Administrative Funds
- **Eliminate LME Fund Balances**
- (above shows existing fund balances; \$50 mil undesignated)
- **Reduce State Mental Health Service Funding BY 9%**

**State\County Budget Woes**

- **Reduce State Mental Health Service Funding BY 9%**
- **Eliminate Healthy Carolinians Program**
- **Reduce Home and Community Care Block Grant (provides community-based senior services for In-Home, Congregate and Home delivered meals)**
- **Eliminate Criminal Justice Partnership Program**
- **Eliminate Jail Misdemeanor Payments (\$18/day; 30-90 day sentence)**
- **Require Counties to Fund Probation/Parole Rental/Lease Space**
- Eliminate Specialty Courts - Drug Treatment and Family
- Implement Senate DPI Tort Claim Cost Shift for School Bus Accidents in 2009-10
- Close Piedmont Triad Regional Crime Lab
- Reduce mosquito pest management Grants-in-Aid - 50%
- Reduce Park Aid & Public Assistance by 15%

**Changes to Manager's proposed budget**

- **Jail Expansion Project – "Now in the Budget"**  
Engineering Fees \$2.6 million.
- **Airport Commission's request to maintain property tax** and other revenues. (Now included in proposed budget) (92,000+)
- **How does this affect our budget?**

**Manager's Proposed Budget**

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

**Revised to date:**

FY 2009-2010 Budgeted Expenditures	\$66,444,671
FY 2009-2010 Budgeted Revenues	\$61,433,025
<b>Fund Balance Appropriation</b>	<b>(5,011,646)</b>

**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
□ <b>(less) FYE 2010 Fund Bal. Appropriation</b>	<b>5,011,646</b>
□ Projected Undesignated Fund Balance	\$ 7,486,387
□ Using Total GF Budget of <b>\$66,444,671</b>	
□ <b>Est. % of Undesignated Fund Balance</b>	<b>11.27%</b>

**Fund Balance available for appropriation in FY 2009-2010**

□ Projected Undesignated Fund Balance	\$ 7,486,387
□ (less) 8% required	
□ by Local Government Commission	<u>5,315,574</u>
□ Remaining legally available for use in Proposed Budget FY 2009-2010	<b>\$ 2,170,813</b>

**Undesignated Fund Balance Comparison**

• FYE 2008-2009	\$ 7,486,387
• 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

- **Undesignated fund balance will be reduced back to 1998-1999 levels**

**Items anticipated to affect FY 2010-2011 budget**

- **Fund Balance appropriation - \$2.30 million**
- **Jail Operational and Debt needs - \$1.25 million**
- **Debt service for school bond projects - \$1.1 million (COUNTY ONLY)**
- **Career Advancement for employees - \$250,000**
- **COLA for employees at 3% - \$500,000**
- **Reverting back the 5 unpaid holidays - \$402,000**
- **Vehicle Replacements and Capital Outlay - \$400,000**

- **Minimum Potential budget concern in FY 2010-2011**
  - **\$6,200,000**
- **Does not include any growth in the budget**

**DISCUSSION TOPICS (cont.)**

- **Travel Budgets**
- **Current Budget - \$277,460**
- **Recommended - \$192,004**
- **Percent of Decrease 31%**

**DISCUSSION TOPICS (cont.)**

- **Five unpaid Holidays for employees – County savings are \$400,000+ (New Years Day, Good Friday, Memorial Day, Veterans Day, Labor Day)**
- **Discussion by BOC**

**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**

**DISCUSSION TOPICS (cont.)**

- **Temporary Suspension of Career Advancement Program** – County savings are \$250,000+
- **Discussion by BOC**

**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+**

**Items to discuss**

- **Town of Louisburg’s request for - \$133,000 – “Not in the Budget”**
- **Discussion by BOC**

**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.**

**School Construction Project**

- As of today, the State has not released our May Lottery distribution or ADM distribution.
- **Currently, the proposed budget contains:**
- \$900,000 budgeted for Lottery and \$400,000 from ADM.
- **Potential Shortfall is \$1,300,000 million.**
- Should we take a look at not budgeting any revenue from these sources?
- **Discussion by BOC**

**Items to discuss**

- **New County Complex – “Not in the Budget”**
- **Discussion by BOC**

**Discussion continued**

- **Other issues BOC would like to discuss:**

Following the Board’s previous budget discussions, changes to the Manager’s proposed budget now reflect \$2.6 million for engineering fees related to the Jail Expansion project. The proposal also includes an additional \$92,000 following Commissioner’s approval of the Airport Commission’s request to maintain property tax and other revenues.

The chart below highlights revisions to the Manager's proposed budget.

Manager's Proposed Budget	
FY 2009-2010 Budgeted Expenditures	\$63,751,725
FY 2009-2010 Budgeted Revenues	\$61,433,025
<b>Fund Balance Appropriation</b>	<b>\$2,318,700</b>

Revised Proposal to date	
FY 2009-2010 Budgeted Expenditures	\$66,444,671
FY 2009-2010 Budgeted Revenues	\$61,433,025
<b>Fund Balance Appropriation</b>	<b>\$5,011,646</b>

Based on recent revisions to the proposal and using a total General Fund balance of \$66,444,671, the estimated percentage of undesignated fund balance would be 11.27%. Fund balance remaining legally available for use in the proposed budget for 2009-2010 would be \$2,170,813, a reflection of levels held in 1998-1999.

According to the presentation, minimum potential budget concerns for FY 2010-2011 are \$6,200,000 which does not include any growth in the budget. This figure is based on:

- \$2.30 million Fund Balance appropriation
- \$1.25 million Jail Operational and Debt Needs
- \$1.1 million (County only) Debt service for school bond projects
- \$250,000 Career Advancement for employees
- \$500,000 COLA for employees at 3%
- \$402,000 Reverting back the 5 unpaid holidays
- \$400,000 Vehicle Replacements and Capital Outlay

Commissioner Lancaster stated he didn't feel the Board voted to spend funds toward jail expansion at this time. He stated the Board agreed to meet with the Local Government Commission on June 4, 2009 to determine its position regarding whether or not the County could legally borrow funds for this particular project.

For the record, Commissioner Mitchell stated the Board did not vote in favor of building a new jail. He felt it may have been conveyed in the local media that the Board had voted to move forward with selling bonds.

Mr. Murray then asked for clarification and stated he and Mrs. Harris were under the impression that if the Local Government Commission was in favor of the jail expansion project, then the Board would spend \$2.5 million. Commissioners Lancaster and Young disagreed and stated the matter would have to come back to the Board. Referring to action taken May 18, 2009, Commissioner Lancaster said his intent was merely to meet with the Local Government Commission to see if they would grant a formal or informal "yes" or "no" before proceeding further.

Commissioner Dunston then commented he feels the Board wants to please the Federal Marshalls, but then won't commit to building the jail. His impression of the May 18, 2009 vote was that the Board was approving to spend the money if approval was granted from the LGC. Otherwise, he said, there would be no reason to meet with the LGC. He felt the Board communicated that pending LGC approval, it was ready to "step up to the plate" and raise taxes if needed to cover the project.

Commissioner Young disagreed and stated what she voted for was to get a notion from the LGC before coming back to the Board of Commissioner for final consideration.

Commissioner Dunston stated the Board must make a decision whether or not the County wants the income from the federal government and build the jail or to let them know the County is not interested so they can move forward into looking into another location to house their inmates.

Mrs. Harris stated she wanted to clarify that the Board selected Brennan and Associates to do the study. Brennan did the study and came back with the recommendation that the County needed 331 additional beds. Administratively, she said she and Sheriff Pat Green discussed a lower number of beds in the event the 331 was not approved and if there was difficulty demonstrating our local need. They then looked at a 224 bed expansion the Sheriff said he could "live with." She indicated she had asked Todd Davis, Brennan and Associates, for some feedback on that idea. She said Mr. Davis indicated operating costs might be reduced some, but because of the fixed costs that we have, the reimbursement may not necessarily cover all the costs. She feels the Board must determine local responsibilities in terms of jails and if we and/or Brennan and Associates can demonstrate that we need a 331 bed expansion project the LGC will entertain it, but not just as an opportunity for the County to make a profit and generate excess revenue because that's not the County's mission.

Commissioner Winters then asked if there was actually another opportunity or another county that would be able to accept the federal inmates being that most counties are in the same financial situation currently. Commissioner Dunston responded by saying that he doesn't know what other county's have, but he said the Federal Marshall's have made it clear to him that they like Franklin's location and they are willing to work with us as long as we are willing to work with them. He said the moment they feel Franklin County is not sincere about its intentions, they will pull the plug and go where they want to go.

It was also mentioned that in the budget proposal, travel budgets were decreased 31% with only minimums left in travel budgets for the year. Other topics discussed were the proposed five unpaid holidays, school construction projects and the temporary suspension of career advancement. Requests not included in the budget are a \$133,000 request from the Town of Louisburg and a new county complex.

Commissioner Lancaster stated the Board needs to be committed to reinstating some of these programs when financial times are better. He stated the importance of keeping quality employees and that measures affecting travel, holidays and career advancement should be reexamined as soon as it is possible.

Mrs. Harris also stated the County should conduct a salary study. That last study was completed in 2003. She said an updated pay plan is needed as well as implementation of recommendations that come from the plan.

Mr. Murray then stated this is the last year the Board will be able to rely on fund balance. He said deficits next year would have to be made up with more cuts or additional revenue from some other source.

Mrs. Harris mentioned the *Early College Program* and said funding for the program was not included in the proposal. Commissioner Dunston stated his belief in the importance of the program. The Board indicated it would like to obtain more information from Randy Parker, Vance Granville Community College President, on the specifics of the program.

Mrs. Harris also mentioned there is a proposal being discussed now in the House subcommittee to return the responsibility for enforcement of child support to counties. In years past, she said she felt the program could have been a revenue generator. Now, she said the program is likely not financially beneficial and stated she has attempted to contact Representative Lucy Allen to express her concerns.

Staff indicated the bid date for school construction projects has been changed to June 3, 2009 at 3:00 P.M. at the office of Doug Moore, Franklin County Schools. The original date was May 28, 2009.

Following the presentation, Commissioner Swanson stated the Board must face difficult decisions but said he felt none should be made until after the public hearing on June 1, 2009.

Commissioners Swanson, Dunston and Lancaster indicated they will join Mrs. Harris and Mr. Murray at 1:30 P.M. for a meeting with the LGC to informally discuss jail expansion.

Mrs. Harris concluded the meeting by stating her concern that the County has become too reliant on fund balance over the years. She also stated that human capital is the most important asset of the County as 450 County employees deliver services each day. She said everyone has stood shoulder to shoulder despite difficult times.

Chairman Swanson adjourned the meeting, with a meeting of the Board of Equalization and Review to follow.

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Robert L. Swanson, Chairman

Kristen G. King, Clerk to the Board