

March 21, 2006

Mr. W. Wayne Angell, Chairman
And Members of the Franklin County Board of Supervisors
County Board Room
Rocky Mount, Virginia 24151

Dear Chairman Angell and Members of the Board:

It is my pleasure to transmit to you today my recommendations for a balanced 2006-2007 Budget for the citizens of Franklin County. I am pleased that I am able to recommend this spending plan for your consideration and look forward to the Board's feedback and response to the many difficult decisions that went into this recommendation.

As you know, Section 15.2-2503 of the Code of Virginia, as amended, states that the County budget shall be developed for "informative and fiscal planning purposes only". It serves as a plan for County operations, maintenance, capital outlay, and debt service and may include reserves for contingencies and future capital improvements. The annual budget must contain a complete itemization of all estimated expenditures, revenues, and borrowings and must be approved by the governing body prior to July 1 of each year. Similarly, the School Board Budget must be adopted by May 1 of each year.

The power of the Board of Supervisors to grant or withhold funds is an important means by which it can determine general County policies and the level of services to be offered. Budgeting is a planning process required by law that enables the Board of Supervisors to examine requests for County funds, to anticipate revenue needs, and to make decisions about the priority of programs and level of services to be provided. It is a work-plan expressed in terms of dollars and as such is an important tool of fiscal management.

Staff's recommendation for the County's fiscal plan for the FY07 Budget totals \$107,651,913. Although this total represents only a 0.12% increase over the current year budget, you may remember that the current year budget includes borrowing proceeds and landfill set aside funds (\$9.2 million). Factoring out those additional funds in the current year budget yields a current year adjusted budget of \$98,232,207. The increase from the

FY07 proposed budget to the current year adjusted budget is \$9.4 million and is broken down roughly as follows:

- \$6.5 million increase for Schools
- \$1.7 million for capital (includes Windy Gap Elementary Capital Reserve of \$248,876 and \$1,290,000 of one-time funds for capital improvements)
- \$436,800 for Social Services – offset almost entirely by increased revenues
- \$800,000 increase for Local Government Operations

Function	Adopted	Proposed	Difference	Percent Change
	2005-2006	2006-2007		
	Budget	Budget		
General Administration	\$ 2,930,634	\$ 3,530,181	\$ 599,547	20%
Judicial System	2,018,704	2,273,296	254,592	13%
Public Safety	7,653,749	8,496,812	843,063	11%
Public Works	1,540,100	1,841,372	301,272	20%
Health and Welfare	9,370,650	8,743,614	(627,036)	(7)%
Schools	64,786,276	71,271,811	6,485,535	10%
Recreation & Cultural	1,229,831	1,376,123	146,292	12%
Community Development	2,158,963	2,583,704	424,741	20%
Debt Service	1,051,275	1,404,530	353,255	34%
Non-Departmental	409,300	455,300	46,000	11%
Capital Outlay, Utilities	<u>14,330,674</u>	<u>5,675,170</u>	<u>(8,655,504)</u>	(60)%
Totals	\$ <u>107,480,156</u>	\$ <u>107,651,913</u>	\$ <u>171,757</u>	0%
Less Borrowed Funds				
And Landfill Set Aside	<u>(9,247,949)</u>		<u>9,247,949</u>	(100)%
Adjusted Budget	\$ <u>98,232,207</u>	\$ <u>107,651,913</u>	\$ <u>9,419,706</u>	10%

There were a number of concerns and circumstances that set the stage for the budget development this year and provided the framework by which this proposed budget was developed:

- Additional resources for volunteer Fire/Rescue/Public Safety support are recommended in the form of additional night time Advanced Life Support personnel, an EMT Instructor/Arson Inspector, expanded training, and increased stipend support for Volunteers. This recommendation will allow, for the first time, 24/7 ALS coverage in the County.

- Absorbed a 28% Increase in Fuel Costs for schools and local government (\$535,000).
- \$100,000 increase in Juvenile Detention Costs.
- \$75,000 increase in the debt service reserve to reduce the impact of future debt service.
- Additional Parks and Recreation programs including Adult Lacrosse and Flag Football and online Shelter and Youth Sports Registration.
- Disaster recovery protection of mission critical Information Technology Infrastructure.

In terms of school funding for FY07, I am recommending the following:

- ☞ Operational Increase of \$1,350,000 in new money or a 6.2% increase from FY 2005-2006. Total School Operational Support of \$25.2 million or 42% of General Fund Expenditures. Operational and Capital Total Support of \$26.5 million or 44% of General Fund Expenditures.
- ☞ Maintain School Capital funding at the \$1,000,000 level. This amount includes \$351,030 in debt service reduction from prior years that will be rededicated to debt service upon the opening of Windy Gap Elementary School, most likely in the 2008-2009 fiscal year. Also included in the County Capital Fund is the School Debt Service reduction amount of \$248,876 which is being set aside as additional capital for Windy Gap Elementary when that school opens.

Other Highlights in the Budget Include:

- New Erosion & Sediment Control Inspector to handle the Septic Pump Out Ordinance recently adopted by the Board of Supervisors
- 5% increase in Employer Health Insurance Contributions
- Added \$10,000 to increase major rolloff box/Spring & Fall Cleanup Program
- 23% jump in workers compensation insurance premiums
- 14% increase in social service programs primarily in the area of special needs for children in foster care and for elderly and disabled care
- Employee portion of VRS paid in lieu of a salary increase for local government employees

Major Capital Improvements Proposed for FY07:

- Bridge at Waid Park funded from Fund Balance Reserves (\$290,000)
- Funds \$87,750 for Disaster Recovery Protection of Mission Critical Information Technology Infrastructure

- Funds \$120,000 in Enhanced Parks & Recreation Facilities
- Continues Significant Landfill Monitoring and Groundwater Corrective Action Expenditures
- Includes \$666,000 for Public Safety and Law Enforcement Apparatus, Vehicles and Improvements
- Provides Planning Funds for a Future Business Park

The recommendations outlined above are recommendations that require the 2006-2007 Budget be funded with the following existing tax rates:

Real Estate	\$0.53per \$100 assessed valuation
Personal Property	\$1.67 per \$100 assessed valuation
Machinery & Tools	\$0.60/\$0.27 per \$100 assessed valuation
Merchants Capital	\$1.08 per \$100 assessed valuation

In closing, I would be remiss if I did not extend my utmost gratitude to the County's staff, who have worked diligently in the preparation of this plan. I would be happy to answer any questions which may have been generated and staff looks forward to working with you over the next several weeks to produce a plan that addresses our fiscal responsibilities for the coming year.

Respectfully submitted,

Richard E. Huff, II
County Administrator