

BUDGET MESSAGE



Franklin County Courthouse


Franklin County

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March 20, 2007

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 2007-2008 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 FY08 Budget totals \$116,039,365. This total represents a 7.8% increase over the current year adopted budget. The dollar increase from the current year adopted budget to the FY08 proposed budget is \$8.4 million and is broken down roughly as follows:

- \$4.2 million increase for Schools

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- \$220,000 increase for capital (includes the Windy Gap Elementary Capital Reserve of \$248,876 and \$2.16 million of one-time funds for capital improvements. The total proposed capital budget is \$5.1 million.
- \$984,812 increase for Comprehensive Services and Social Services – offset largely by increased revenues.
- \$1,395,827 increase for Public Safety – includes \$500,000 in additional EMS Billing revenue and \$470,000 in additional jail and inmate costs primarily for out of county placements.
- \$248,627 in additional debt service expenditures for first year payments on the County Government complex and public safety center in the Westlake area.
- \$1.3 million in new general government expenditures. Included are funds to absorb the electric rate increase of 25-35%, pay the employee share of VRS Life Insurance, and assist in the opening of the Franklin Center, Smith Mountain Lake Community Park and five additional soccer fields at Waid Park.

<u>Function</u>	<u>Adopted</u>	<u>Proposed</u>	<u>Difference</u>	<u>Percent</u>
	<u>2006-2007</u>	<u>2007-2008</u>		
	<u>Budget</u>	<u>Budget</u>		<u>Change</u>
General Administration	\$ 3,530,181	\$ 4,233,159	\$ 702,978	20%
Judicial System	2,273,296	2,250,133	(23,163)	-1%
Public Safety	8,496,812	9,892,639	1,395,827	16%
Public Works	1,841,372	2,094,686	253,314	14%
Health and Welfare	8,743,614	9,728,426	984,812	11%
Schools	71,271,811	75,504,353	4,232,542	6%
Recreation & Cultural	1,376,123	1,492,915	116,792	8%
Community Development	2,583,704	2,812,162	228,458	9%
Debt, Capital, Utilities	7,535,000	8,030,892	495,892	7%
Totals	\$ <u>107,651,913</u>	\$ <u>116,039,365</u>	\$ <u>8,387,452</u>	8%

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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 Advanced Life Support personnel. This recommendation will allow a second truck to provide 24/7 ALS coverage in the County.
- Absorbed a 30% Increase in Electric Costs for schools (\$309,792) and local government (\$60,000).
- \$415,000 increase in out of county inmate housing costs as well as a \$56,700 increase for jail health services and food increases due to a higher population in the local jail.
- \$50,000 increase in the reassessment budget to offset the projected costs of digital photos, mailing notices and printing assessment cards.
- Additional Parks and Recreation costs for the opening of Smith Mountain Lake Community Park, five additional soccer fields at Waid Park and two new canoe access points. New programs include Youth Lacrosse, Youth Flag Football and Adult Soccer.
- Continuing funding for disaster recovery protection of mission critical Information Technology Infrastructure.

In terms of school funding for FY08, I am recommending the following:

- 📄 Operational Increase of \$1,400,000 in new operational money and \$596,854 in new debt service for a total increase of almost \$2 million or a 7.9% increase from FY 2006-2007. Total School Operational Support of \$27.2 million or 42% of General Fund Expenditures. Operational and Capital Total Support of \$28.6 million or 44% of General Fund Expenditures.
- 📄 Increased School Capital funding to \$1,100,000. Also included in the County Capital Fund is the School Debt Service reduction amount of \$248,876 which is

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being set aside as additional capital for Windy Gap Elementary when that school opens.

Other Highlights in the Budget Include:

- 5% increase in Employer Health Insurance Contributions
- 19.7% jump in workers compensation insurance premiums
- Employee portion of VRS life insurance paid (approximately \$70,000)
- Provides personnel and operating funds for the opening of the Franklin Center this summer. Utilities alone are estimated at \$24,000 per year. Positions a PC Tech at this facility to not only serve the Franklin Center but also the 40 computers and network at the Library.
- 14.4% increase in social service programs primarily in the area of special needs for children in foster care and for elderly and disabled care

Major Capital Improvements Proposed for FY08:

- Funds \$312,120 for Disaster Recovery Protection of Mission Critical Information as well as other Technology Infrastructure Improvements
- Funds \$1.7 million for various Parks & Recreation Facilities including \$700,000 for the Pigg River Whitewater Park/Recreation Center, \$160,000 for improvements at the Franklin County Recreation Park, and \$350,000 for beach related development at Smith Mountain Lake Community Park.
- Continues Significant Landfill Monitoring and Groundwater Corrective Action Expenditures
- Includes \$745,250 for Public Safety and Law Enforcement Apparatus, Vehicles and Improvements
- Provides Architect/Engineering funds for a future branch library – location to be determined
- Increases funds for School Capital to \$1.1 million and includes an additional \$248,876 in reserve funds for start-up capital costs related to the new Windy Gap Elementary School.

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The recommendations outlined above are recommendations that require the 2007-2008 Budget be funded with the following *existing tax rates*:

Real Estate	\$0.53 per \$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

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Addendum to Budget Message Other Priorities and Issues Related to the Development of the FY 07-08 Budget

The rapid population growth in Franklin County continues to be the dominant local trend, affecting every area of county government. As a result of this growth, the County is facing high demand for public services including water and sewer, additional schools and planning and zoning issues.

The strategic plan adopted by the Board of Supervisors on February 15, 2005 addresses many of the growth concerns of the County while also striving to maintain its natural setting with protected view sheds through respected ecological and low impact development strategies.

School funding, provided by the General Assembly of Virginia, presented the major legislative challenge as the County developed its FY07-08 budget. This funding stream accounts for roughly one half of the revenues received by the County's school system and provides for many of the educational programs offered in the School system. In Virginia, School systems do not have taxing authority and must rely on local appropriations as well as State and Federal funding for the operation of the County schools.

In 2005, public safety became a primary goal of Franklin County. The addition of more paramedics/firefighters has put a tremendous strain on the resources of the County. In response to this need, the County has implemented an EMS transport fee for the career as well as the volunteer rescue agencies. Evaluation and analysis of this revenue stream continues as the need for additional stations, personnel and equipment increases.

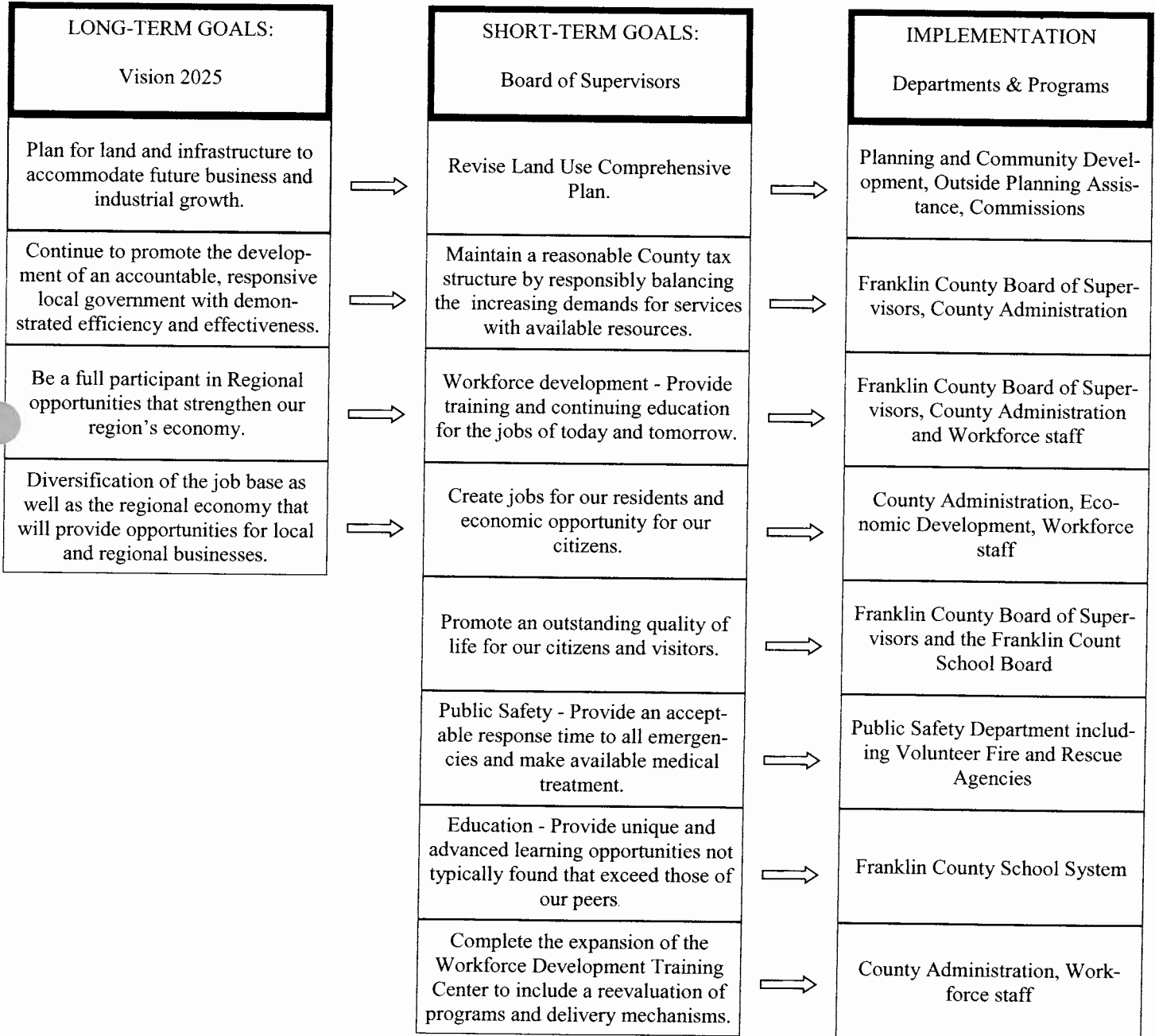
Another major impact on the County's operational budget will be the County's participation in a new regional jail. Although not scheduled to open for several more years, the County has had to pursue transporting inmates to other jails because of overcrowding in the jail owned and operated by Franklin County. The operational impact to the County's budget once the new jail opens is estimated to be a \$1.6 million increase per year.

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FRANKLIN COUNTY

LINKING LONG - AND SHORT-TERM GOALS



A HISTORICAL SKETCH OF FRANKLIN COUNTY

In the 1740's, pioneers traveling by river and road from Eastern Virginia and Maryland, and Scotch-Irish and German families coming down the Carolina Road (originally known as the Great Indian Warrior Path) settled in what would become Franklin County, then the western-most county in Virginia. The County was formed in 1786 from parts of Bedford and Henry Counties by an act of the General Assembly. It was named for Benjamin Franklin, then governor of Pennsylvania, where many settlers originated.

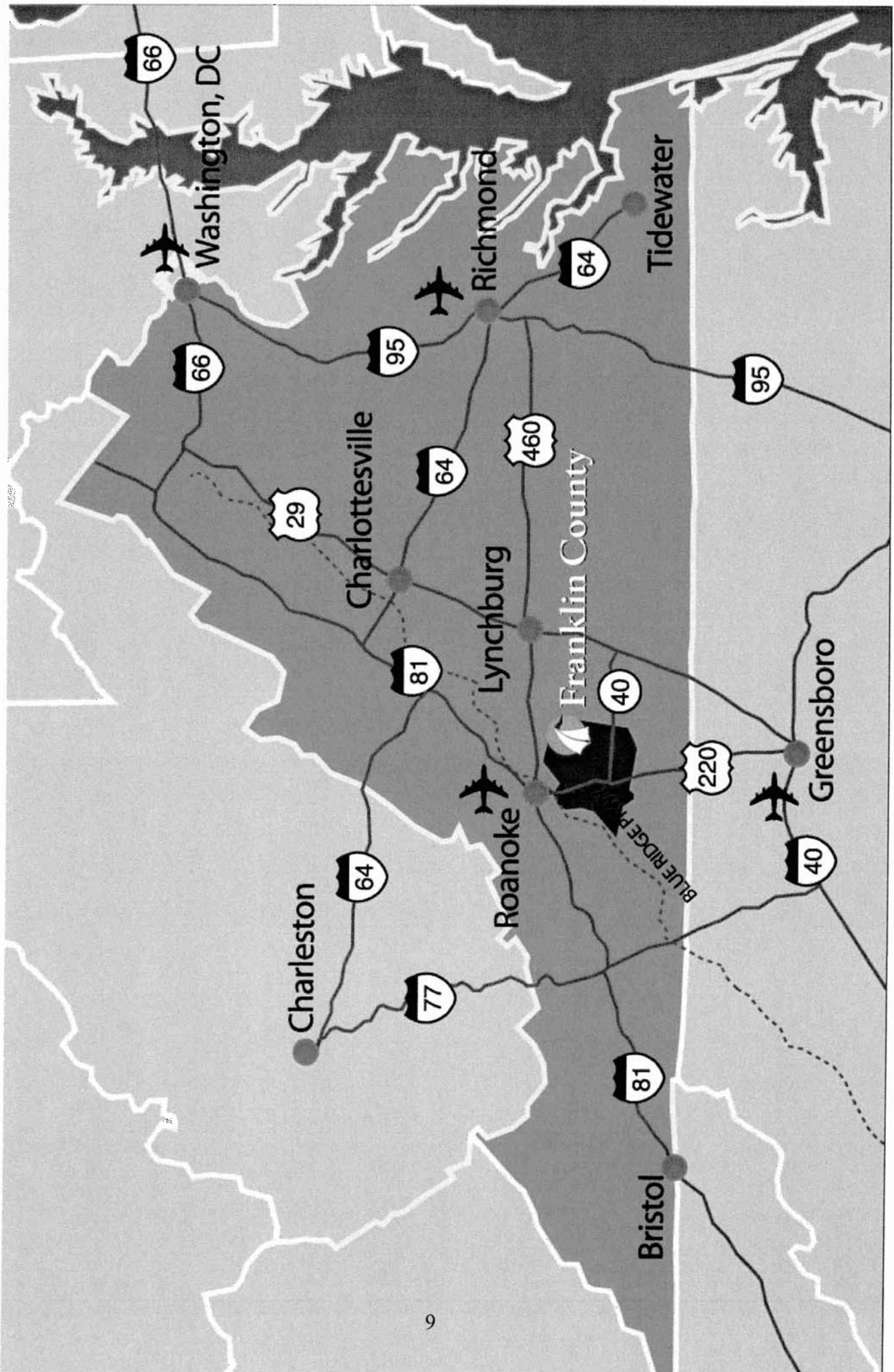
The County lies in the western piedmont, a diverse terrain ranging from flatlands on the east to rugged peaks of the Blue Ridge on the west. The area was home to native Americans as early as 10,000 B.C. In the 1600's an eastern Siouan tribe inhabited the region. Indian relics, arrowheads and artifacts found throughout the County remind us of the original settlers.

Since the County's early beginnings, its citizens have served as gallant soldiers in every war the U.S. has known. Notable Confederate General Jubal A. Early was born in the Red Valley community. He went to West Point for his education, represented Franklin County in the General Assembly, and served as commonwealth's attorney for many years. Another nationally known native son was Booker T. Washington, a black educator. Born a slave on a plantation near Hales Ford, Booker T. Washington founded the Tuskegee Institute in 1881. His birthplace is a national monument.

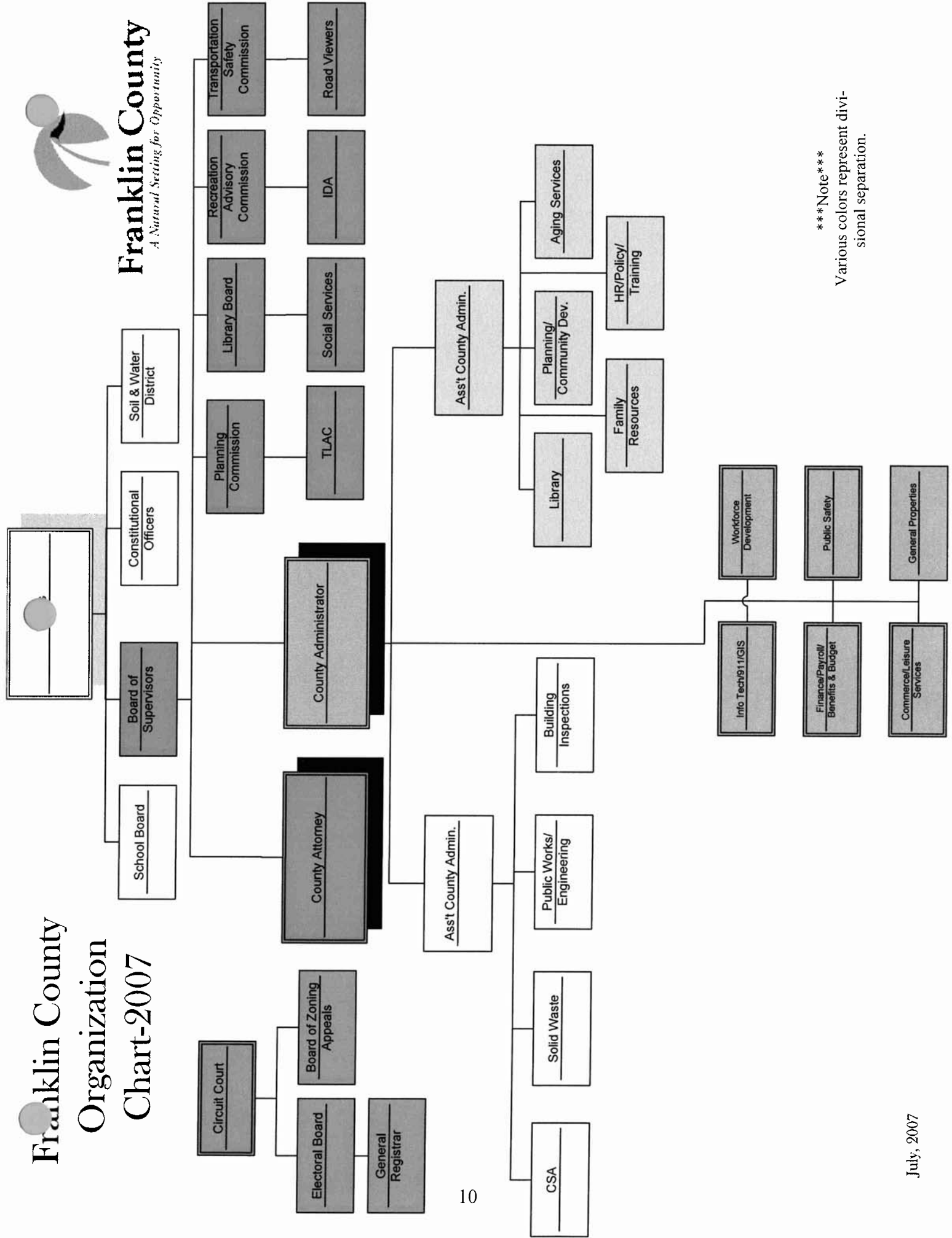
Agriculture has figured prominently in Franklin County's 200-year history, and was the occupation of most county residents until recent times. Tobacco was a leading crop in early Franklin County. Locally mined iron and copper were transported over the Carolina Road as far south as Georgia. The furnace of the Washington Ironworks, the County's oldest landmark, stands as a monument where munitions for the Revolutionary Army were manufactured. A growing animal husbandry industry established Franklin County as one of Virginia's leading dairy producers.

The late nineteenth century saw increasing industrialization. With the entry of the Norfolk and Western railroad in 1892, the Punkin Vine route through the County provided new access for industry. Tobacco factories as well as diversified wood and textile-based industries became significant components of the County's economy.

The development of 2,880 acre Philpott Lake in 1953 and 20,600 acre Smith Mountain lake in 1966 gave rise to Franklin County's current designation as the "Land Between the Lakes and the Blue Ridge Mountain." It is an apt description for a remarkable place – a land of compelling natural beauty, economic stability, recreational abundance, and rich heritage!







Note
Various colors represent divisional separation.





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**County of Franklin
Virginia**

For the Fiscal Year Beginning

July 1, 2006

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the County of Franklin, Virginia for its annual budget for the fiscal year beginning July 1, 2006. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

County of Franklin, Virginia
Miscellaneous Statistics
June 30, 2006

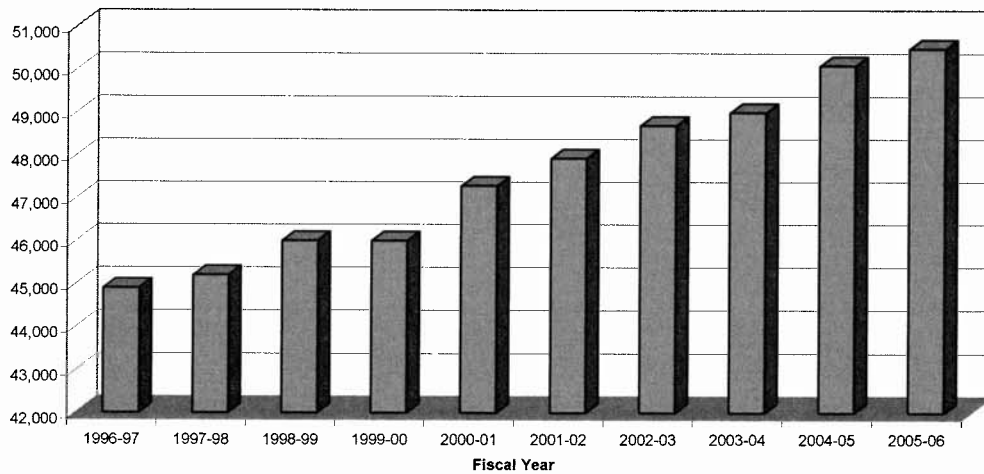
Date Established	1786
Form of Government	County Administrator
Area	722 square miles
Population (estimate)	50,100
Registered Voters	30,170
Median Age	39.7
Median Income (Per Capita)	\$26,622
Building Permits Issued	1,569
Value of Building Permits Issued	\$186,932,216
Unemployment Rate	2.8%
Fire and Rescue Protection:	
Stations	10
Firefighters and Volunteers	250
Police Protection:	
Number of Employees	89
Number of Arrests	2,823
Number of Calls for Service	16,000
Education:	
Number of Elementary Schools	11
Number of Middle Schools	1
Number of High Schools	1
Number of Career Centers	1
Enrollment	7,183
Parks and Recreation:	
Number of Parks	9
Total Park Acreage	692
Libraries:	
Number of Sites	1
Patrons Registered	23,000
Total Circulation	185,000

Franklin County Profile

Population:

The population and demographic statistics of Franklin County reveal much about the direction in which the County is heading with respect to the need for new or expanded services, recreation, education, healthcare and other services. The 14 percent population increase from 1992 to 2002 was among the most substantial population increases experienced by counties in the State of Virginia.

**Franklin County Population Growth
FY96/97 - FY05/06**



Household Characteristics - 2000

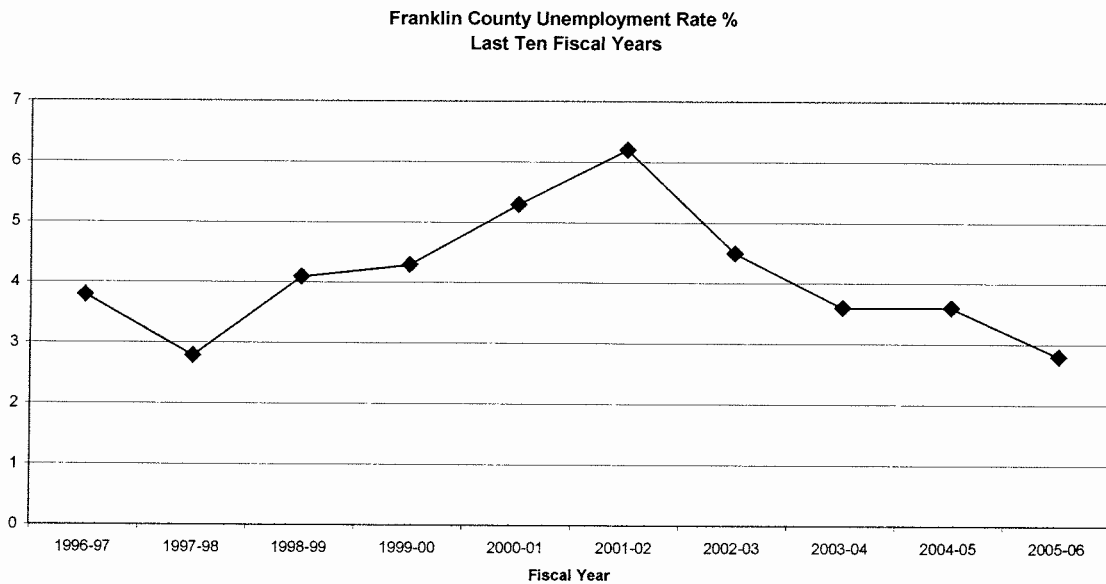
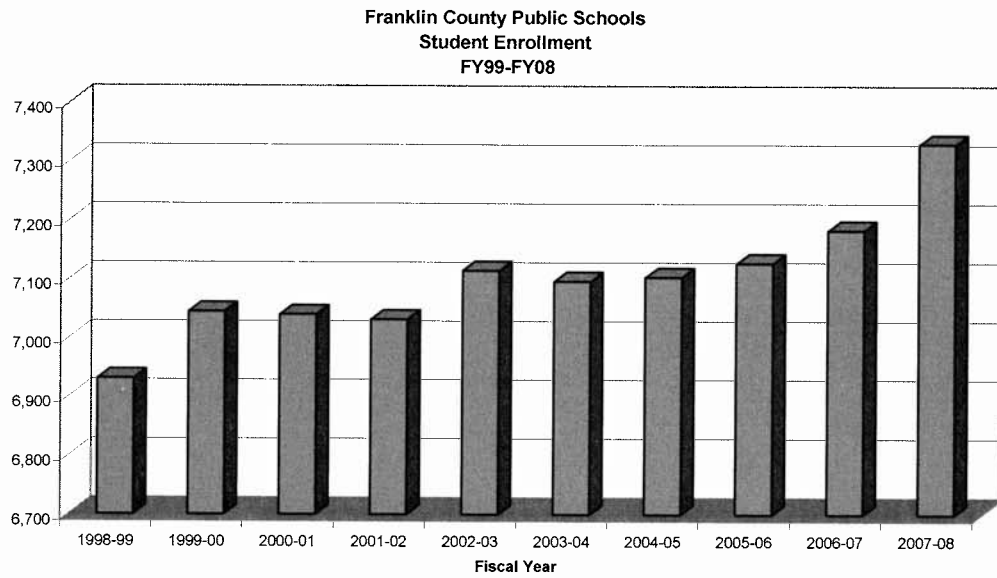
The number of households in the County grew from 14,655 in 1990 to 18,963 in 2000, an increase of 29.4%. Other statistics from the 2000 Census are presented below:

Median Age	39.7
Average household size	2.44
Average family size	2.84
Total housing units	22,717
Labor Force	26,432
Per Capita Income	\$19,605



Franklin County Profile *(Continued)*

School enrollment has shown significant increases in conjunction with the overall population growth:





Franklin County Profile (Continued)

Principal Employers:

<u>Employer</u>	<u>Product or Service</u>	<u>Estimated Employment</u>
MW Manufacturers	Wood Window/Door Units	1,367
Franklin County Schools	Education	1,101
Fleetwood Homes of Virginia	Manufactured Housing	200
Wal-Mart	Retail	343
Trinity Packaging, Inc.	Plastic Packaging	300
Ronile, Inc.	Processed Carpet Yarn	289
The Willard Companies	Property Management	225
Carilion Franklin Memorial Hospital	Hospital	270
Franklin County	Local Government	304
Uttermost Company	Interior Furnishings	280
Mod-U-Kraf Homes, Inc.	Modular Homes	245

Forecast for the Regional Economy:

Collectively, the towns, cities and counties that dot the map from the Alleghany Highlands through the Roanoke region and New River Valley comprise a region of urban amenities, natural beauty, hard-working, friendly people, business opportunities and outstanding educational institutions. All the elements are present for a bright economic future.

The Regional Economic Strategy identifies six action themes and provides specific directions to take in our journey toward regional economic prosperity:

- **Visibility:** Achieve national and international visibility for the region, allowing it to compete successfully for advanced technology growth.
- **Connectivity:** Reduce perceived or real distance both within the region and between the region and the outside world.
- **Quality of Life Amenities:** Attract and retain knowledge-oriented enterprises and people by using existing natural assets and quality of life in marketing, while developing amenities that appeal to these people and enterprises.
- **Knowledge Workforce:** Elevate the knowledge workforce at all levels by improving the skills and knowledge of individual workers, improving responsiveness to companies, and recruiting knowledge workers from outside the region.
- **Innovation and Entrepreneurship:** Strengthen the region's soft infrastructure that supports innovation and entrepreneurship.
- **Economic Transformation:** Diversify the regional economy by emphasizing the cultivation of technology-driven companies.

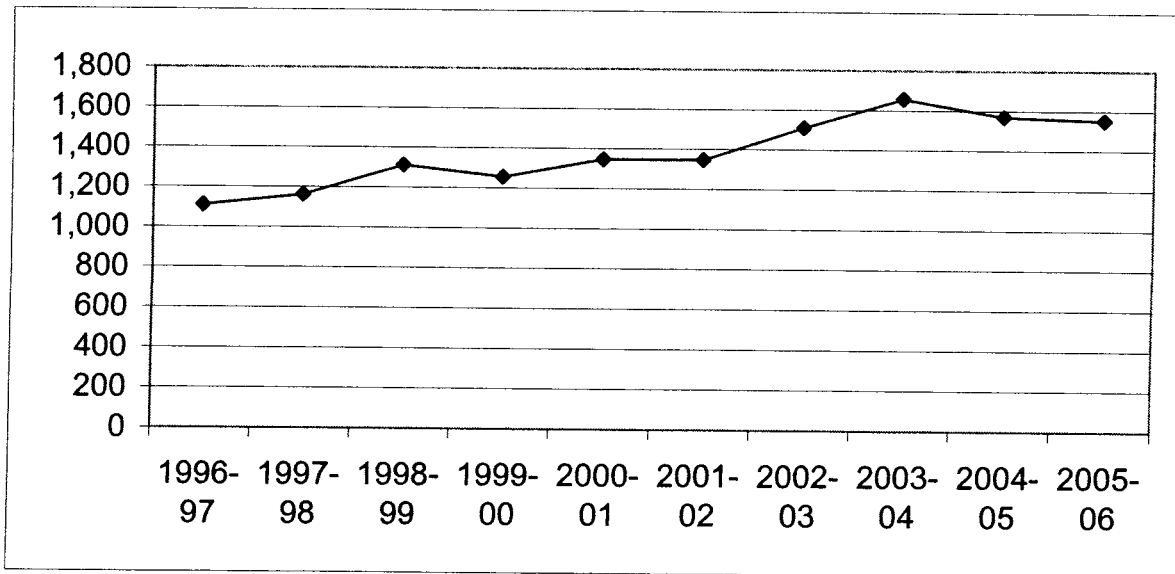
Franklin County Profile (Continued)

Property Value and Construction

<u>Fiscal Year</u>	<u>Property Value</u>		<u>Residential Construction (1)</u>	
	<u>Total Assessed Value</u>		<u>Number of Permits</u>	<u>Value</u>
1996-97	\$	2,482,291,505	1,110	\$ 58,772,857
1997-98		2,584,380,130	1,162	57,594,512
1998-99		2,679,558,797	1,312	82,802,319
1999-00		2,775,492,970	1,255	101,417,670
2000-01		3,241,615,559	1,346	88,083,800
2001-02		3,368,029,713	1,346	104,898,588
2002-03		3,503,242,241	1,511	112,521,986
2003-04		3,650,736,628	1,656	142,222,261
2004-05		5,039,051,965	1,569	186,932,216
2005-06		5,299,579,776	1,552	213,523,771

(1) Source: Building Inspections Department of County of Franklin, Virginia.

Building Permits Issued:



FRANKLIN COUNTY
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Gross Assessed Value (3)</u>	<u>Gross and Net Bonded Debt(2)</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
1996-97	44,900	2,482,291,505	17,174,234	0.0069	382.50
1997-98	45,200	2,584,380,130	19,909,471	0.0077	440.48
1998-99	46,000	2,679,558,797	22,076,311	0.0082	479.92
1999-00	46,000	2,775,492,970	31,086,503	0.0112	675.79
2000-01	47,286	3,241,615,559	27,990,991	0.0086	591.95
2001-02	47,927	3,368,029,713	25,685,437	0.0076	535.93
2002-03	48,700	3,502,242,241	23,921,816	0.0068	491.21
2003-04	49,000	3,650,736,628	22,282,575	0.0061	454.75
2004-05	49,841	5,039,051,965	23,223,697	0.0046	465.96
2005-06	50,100	5,299,579,776	28,507,051	0.0054	569.00

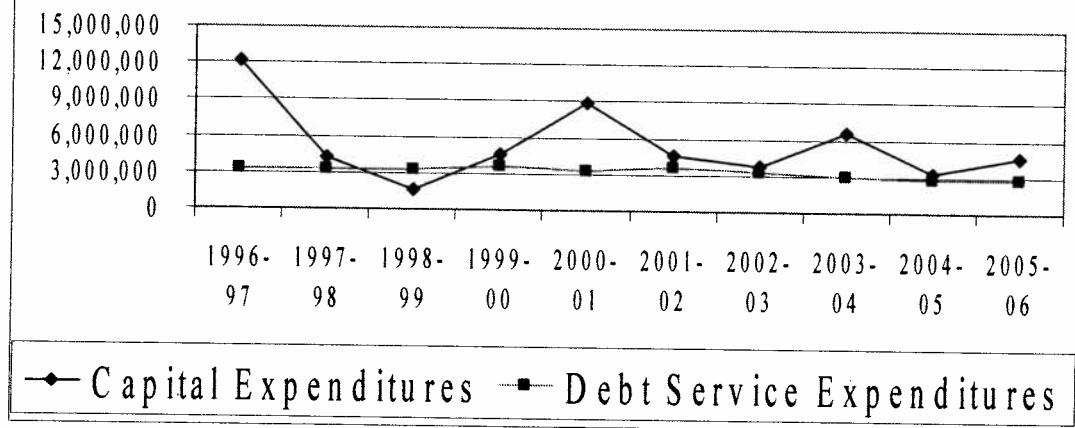
Note: (1) Bureau of the Census
(2) Includes all long-term general obligation debt
(3) 100% of fair market value

Ratio of Net Annual Debt Service Expenditures for
General Bonded Debt to Total General Governmental Expenditures
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Government Expenditures (3)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1996-97	\$1,829,248	\$1,471,411	\$3,300,659	\$67,311,116	4.90%
1997-98	1,985,552	1,251,575	3,237,127	60,953,460	5.31%
1998-99	2,259,873	973,926	3,233,799	62,899,149	5.14%
1999-00	2,372,360	1,198,965	3,571,325	69,868,253	5.11%
2000-01	2,073,506	1,216,678	3,290,184	81,104,855	4.06%
2001-05	2,305,554	1,240,177	3,545,731	79,711,574	4.45%
2002-03	2,233,556	1,126,740	3,360,296	80,002,670	4.20%
2003-04	1,985,865	1,026,506	3,012,371	85,418,525	3.53%
2004-05	1,806,075	961,179	2,767,254	91,728,187	3.02%
2005-06	1,848,143	1,035,008	2,883,151	102,700,420	2.81%

(1) Exclude bond issuance and refunding of bonds.
(2) Includes general, special revenue funds and component units.
(3) Excludes refunding of bond.

Franklin County, Virginia Ten Year Trend of Debt Service and Capital Expenditures



Franklin County, Virginia Ten Largest Real Estate Assessments June 30, 2006

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value (\$ Million)</u>
American Electric Power	Utility	57
Central Telephone Company	Utility	28
Franklin Real Estate Company	Real Estate	25
Jemsite Development, LLC	Real Estate	15
Lake Watch, LLC	Real Estate	12
Windstar Properties, LLC	Real Estate	10
Willard Construction Company	Construction	9
Franklin Memorial Hospital	Health Care	9
PG Multi-16 LP	Real Estate	9
Wal Mart Real Estate Business	Retail	8