



*Community*

*Growth*



CITY OF FRANKLIN, VIRGINIA  
ADOPTED BUDGET DOCUMENT  
For the Period July 1, 2017 - June 30, 2018  
Prepared by the Department of Finance



*Spirit*



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**CITY COUNCIL**

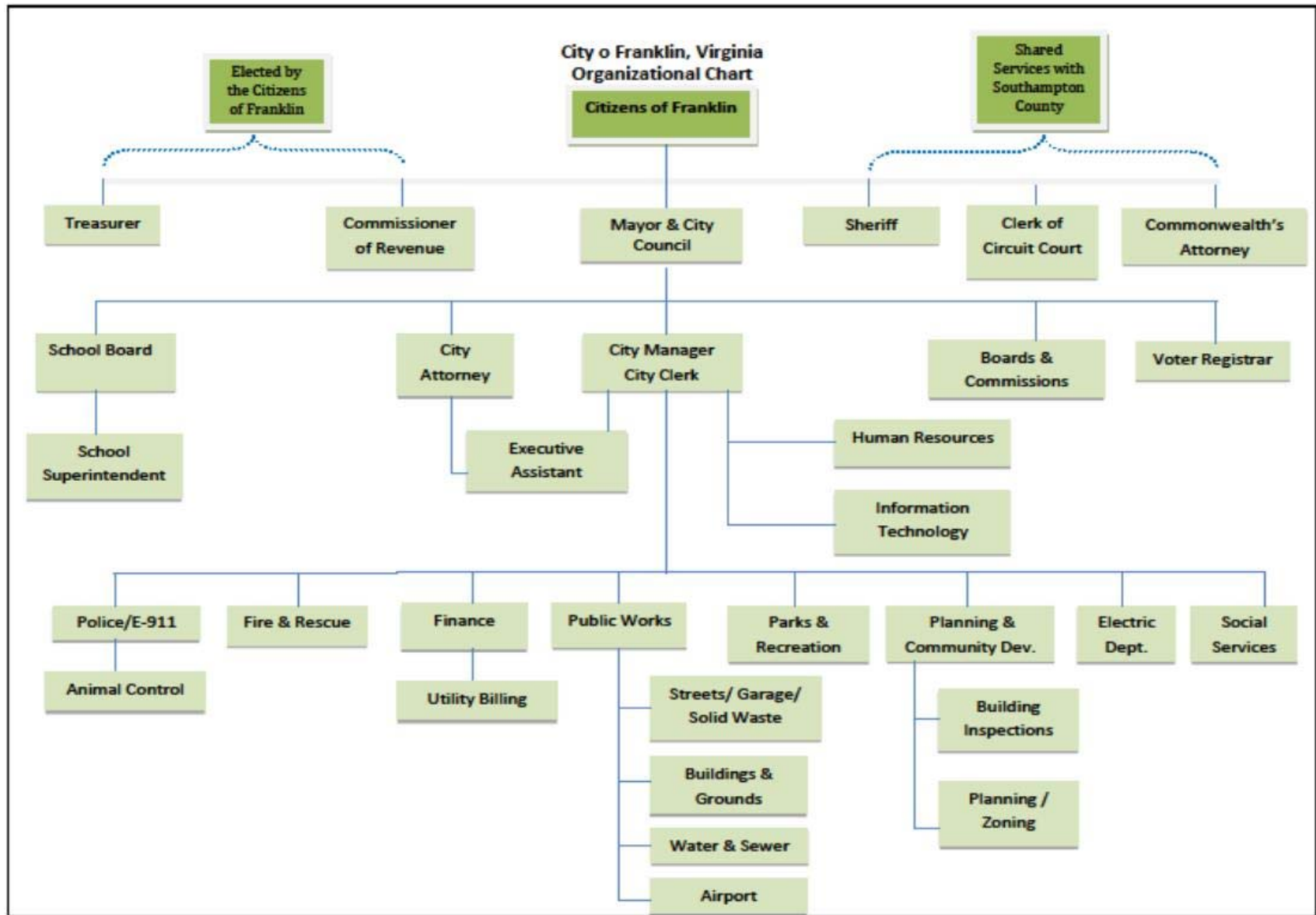
FRANK M. RABIL	MAYOR, AT LARGE
BARRY W. CHEATHAM	VICE-MAYOR, WARD 1
BRENTON D. BURGESS	WARD 2
GREGORY MCLEMORE	WARD 3
LINWOOD W. JOHNSON, III	WARD 4
MARY E. HILLIARD	WARD 5
ROBERT L. CUTCHINS, II	WARD 6

**CITY MANAGER**

R. RANDY MARTIN

**CITY DEPARTMENTS/AGENCIES EXECUTIVE STAFF**

H. TAYLOR WILLIAMS, IV.	CITY ATTORNEY
BRENDA B. RICKMAN	COMMISSIONER OF THE REVENUE
DINAH M. BABB	TREASURER
TRACY GREGORY	INTERIM DIRECTOR OF FINANCE
PHILLIP M. HARDISON	CHIEF OF POLICE
VINCE P. HOLT	CHIEF OF EMERGENCY SERVICES
DONALD E. GOODWIN	DIRECTOR OF COMMUNITY DEVELOPMENT
RUSSELL L. PACE	DIRECTOR OF PUBLIC WORKS
MARK BLY	DIRECTOR OF FRANKLIN POWER & LIGHT
JENNIFER MAYNARD	REGISTRAR
FRANK DAVIS	INTERIM DIRECTOR OF PARKS & RECREATION
GWENDOLYN WILSON	INTERIM DIRECTOR OF SOCIAL SERVICES
VACANT	HUMAN RESOURCES MANAGER
KELVIN EDWARDS, SR.	INTERIM SUPERINTENDENT OF FRANKLIN CITY SCHOOLS

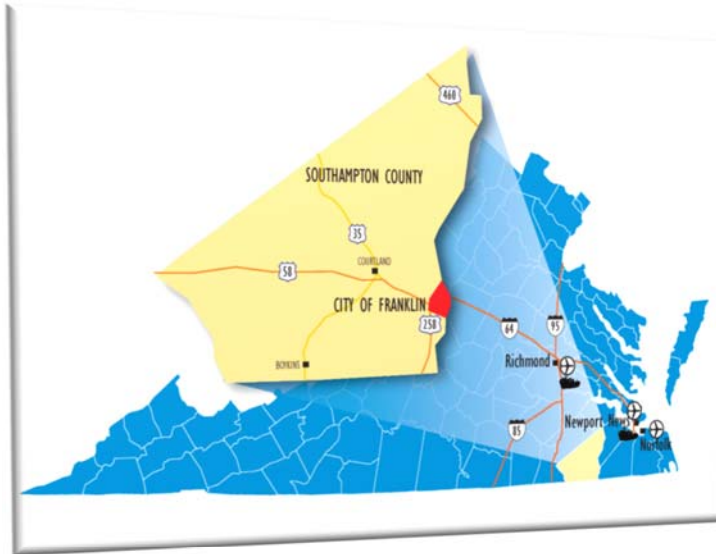




## Community Profile

### Background & Geography

Franklin became an independent City in December 1961 after being a Town in Southampton County since 1876. The City is located in southeastern Virginia immediately adjacent to the Virginia Beach-Norfolk *Newport News Metropolitan Statistical Area (MSA)* and approximately nine miles from the North Carolina State line. It is surrounded by Southampton and Isle of Wight Counties. The community has historically been the center of trade and transportation for the surrounding countryside owing largely to its: location on the Blackwater River; service availability of the railroad; proximity to the Port of Virginia; and, access to two major U.S. highways (U.S. 58 and U.S. 460) which connect to Interstates 95 and 85 to the West. The Port of Hampton Roads is 45 miles east; Richmond, the state capitol, is 75 miles to the northwest; Washington D.C. is 195 miles north. The land area is 8.75 square miles.



### Quick Facts

- Population
- Income
- Age/Race Demographics
- Unemployment
- Education
- Utility Customers Served

Source: Franklin Southampton Economic Development Inc. Community Profile

<u>Population Trends (1)</u>	<u>Franklin</u>	<u>Virginia</u>
July 2016 (Estimate)	8305	8,382,993
April 2010 (Actual)	8580	8,001,045

<u>Income (1)</u>	<u>Franklin</u>	<u>Virginia</u>
Median Household Income (2016)	32,399	65,015
Per Capita Income (2016)	21,621	34,152

Persons In Poverty (2016)	19.4%	11.2%
<u>Age, Gender &amp; Race (1)</u>	<u>Franklin</u>	<u>Virginia</u>
Persons Over 65 years	18.0%	14.2%
Female Persons	54.7%	50.8%
White	38.2%	70.2%
African American	57.2%	19.7%

<u>Unemployment Rate (2)</u>	<u>Franklin</u>	<u>Virginia</u>
Unemployment Rate (Mar 31, 2017)	5.6%	3.8%
Unemployment Rate (Mar 31, 2016)	5.9%	4.0%

<u>Education (3)</u>	
J.P. Morton Elementary School	607 students
J.P. King Middle Skill	240 students
Franklin High School	299 students
Public School Enrollment March 31 <sup>st</sup> ADM (2016-17)	1,146

<u>Education (4)</u>	
Average Expenditures Per Pupil (2014-15) Actual	14,130
Average Expenditures Per Pupil (2015-16) Estimate	16,587

<u>Franklin Utilities (5)</u>	
Customer Accounts Serviced by Power & Light-	5,559
Customer Accounts Serviced by Water & Sewer	3,449
Customer Accounts Serviced by Solid Waste	2,805

Data Sources:

- (1) U.S. Census Bureau
- (2) Bureau of Labor Statistics
- (3) Franklin City Public Schools Website
- (4) Virginia Department of Education
- (5) City Records (March 2017 Reports)



*Fiscal Year  
2017-2018 Budget*

## QUICK REFERENCE GUIDE

The following reference guide will assist the reader with answering some commonly asked questions about the City of Franklin’s Fiscal Year 2017-2018 Budget:

If the question is.....	See.....	Page #.....
What major policy issues are addressed in the FY 2017-2018 Budget?	Manager’s Message	7-13
What are the real estate tax rates & fees?	Manager’s Message City Tax Rate Table	7-13 14
What are some of the departmental highlights & accomplishments?	Highlights & Accomplishments	15-19
What are the City Council Priorities?	City Council Priorities	21-29
What agencies and organizations receive funding support from the City?	City Council Priorities Section 8 – Expenditure Detail	21-29 1
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What are the City’s major general fund revenue sources?	Summary of All Budgeted Funds Revenue Source Chart- General Fund	40-43 55-64
How many employees work for the City?	Table of All Authorized Positions	52-53
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How much is allocated in the budget for Schools?	School Fund Summary	97
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Where are the Documents approving the budget?	Budget Resolution & Electric Rate Ordinance	114-126



TO: The Honorable  
Members of the City Council  
City of Franklin, Virginia

In accordance with statutory provisions regulating local government budgetary practices in the Commonwealth of Virginia, the **proposed** operating budget for the fiscal year beginning the first day of July, 2017, is hereby submitted for Council consideration. In preparing the recommendation, management has developed a budget proposal that is balanced in terms of appropriating funds necessary to provide essential and desired service levels while minimizing the burden imposed by taxes and fees.

## OVERVIEW

Maintaining a balance between community needs and available resources is a continuous challenge. Meeting the challenge requires cooperation from the entire municipal team. The challenge is compounded by adverse economic and other external conditions beyond the City's control. It is a pleasure to know that the City management team with the support of staff has risen to the challenge to present a budget for Council's consideration that incorporates recommendations intended to meet funding priorities without compromising the health, safety and welfare of the community tempered only by the significant difficulties and uncertainties typical to municipal budgeting.

The budget process builds upon City Council approved financial policies. Our commitment to these policies further strengthens the city's long-term financial sustainability. Actions taken by City Management with the strong support of the City Council to (1) strategically plan for future revenue and expenditure challenges via debt restructuring and refinancing (2) "level" the City's debt while taking advantage of the favorable interest rate market to leverage funds for much needed capital projects, (3) strategically plan for the use of debt reserve funds, (4) reduce budgetary costs, (5) develop, implement and monitor financial policy compliance and (6) increase the City's "unassigned" fund balance are evidence of a multi-year financial planning effort by City Management to build a sustainable financial position.

## FY 2017-2018 PROPOSED BUDGET SUMMARY

The Proposed Fiscal Year 2017 - 2018 Financial Plan for the City of Franklin is comprised of the General Fund, Debt Service Fund, Social Services Fund, Education Funds (School Operating, Cafeteria & Textbook), Economic Development Fund and Enterprise Funds. The Capital Budget is incorporated into applicable budgets of the General and Enterprise funds. A summary of the Proposed Financial Plan is shown in the table that follows:



Fiscal Year 2017-2018 Financial Plan	
Fund	Proposed Budget
General Fund (Excluding Transfers to Other Funds)	\$16,213,155
Debt Service Fund (School & General Debt)	\$1,138,898
Education (School Operating Fund)	\$15,911,406
Education (School Cafeteria Fund)	\$823,000
Education (School Textbook Fund)	\$114,770
Social Services & CSA Fund	\$2,023,505
Economic Development Fund	\$313,025
Enterprise Funds	\$19,026,731
<b>TOTAL FINANCIAL PLAN</b>	<b>\$56,984,387</b>
Capital Improvement Budget (Incorporated into General & Enterprise Funds)	\$2,363,803

## GENERAL FUND

In terms of the City's General Fund, it should not be necessary to belabor the difficulties faced in prior years, specifically as it relates to the City's loss of \$1.1 million in revenue sharing funds. It is welcome news that the City expects to recover \$720,000 or approximately 65.5% of the funds in the FY 2017-2018 budget as a direct result of new investment in recent years in the Isle of Wight County Revenue Sharing area. Another critical element of balancing needs with available resources in the upcoming budget is the debt service reserve funds available as a result of the Council's actions when the City's debt was initially restructured in 2010. As mentioned in the FY 2015-16 Budget Message, the debt reserve funds were scheduled to be completely expended during the FY 2015-2016 budget cycle. However, as a result of projected expenditures not exceeding budget and certain revenues surpassing budget, these reserve funds were not depleted in FY 2016-2017 and will be used to balance the FY 2017-2018 budget. This is critical to efforts aimed at maintaining the current tax rate. It is acknowledged, however, absent these funds going forward, a balanced approach will be necessary to critically evaluate service levels to further manage operating expenses combined with revenue enhancement efforts to meet needs into FY 2018-2019 and beyond.

Management is presenting a structurally balanced budget in the wake of fiscal challenges which are to a great extent, beyond the City's control including: (1) rising cost of health insurance benefits (2) declining real estate property tax revenues and (3) increasing per pupil school expenditures despite more stable school enrollment than in recent years. The balanced budget proposal was achieved without eliminating direct services to Franklin residents and without any impact to the real estate tax rate. The City has a storied history of accepting challenges head on and repeatedly proving its resilience as a community. Current fiscal challenges are being met with this same resolve, and management remains optimistic regarding Franklin's future. Continued progress in the face of an always uncertain

economy will require that we remain diligent in the pursuit to fruition of established strategic priorities and goals.

The Proposed General Fund is a decrease of \$102,687 or 0.44% from the FY 2016-2017 amended budget and is \$771,805 or 3.4% more than the adopted FY 2016-2017 budget. The proposed General Fund Budget is \$23.2 million including Interfund transfers. During recent years, the City has evaluated programs and services and identified ways to improve efficiency without significantly reducing service levels directly impacting residents and customers. Efficiencies have been achieved in the areas of finance, administration, human resources, inspections, planning & community development, public works, emergency services and parks & recreation. A primary goal is to operate a more efficient and effective government at the least cost possible. Nevertheless, to maintain essential services, adjustments in staffing are sometimes necessary. To this end, 1.5 FTE positions are recommended and deemed necessary to meet growing demands on staff.

**RECOMMENDED TAX RATES**

In consideration of the aforementioned, management recommends the real property tax rate remain at ninety-nine cents [\$0.99] per \$100.00 of real property valuation for FY 2017-2018. At this rate, the City remains among the lowest city tax rates in the region as illustrated in the table that follows. A goal of City Council is certainly to minimize the tax burden. Recommending no increase in the current rate was a very difficult task in this challenging budget year and represents management’s concerted effort to balance the budget in accordance with City Council’s desire to minimize the tax burden on Franklin property owners. The justification for the real property tax rate recommendation is detailed throughout the budget proposal that follows. All other tax categories are recommended to remain unchanged with the exception of the Personal Property Tax Relief Act (PPTRA) rate as described in the detail which is calculated in accordance with established guidelines.

Virginia Beach	\$	1.025
Chesapeake	\$	1.05
Norfolk	\$	1.15
Portsmouth	\$	1.30
Suffolk	\$	1.07
Hampton	\$	1.24
Newport News	\$	1.22
Southampton County	\$	0.85
Emporia	\$	0.87
Isle of Wight County	\$	0.85
<b>Franklin - Proposed</b>	<b>\$</b>	<b>0.99</b>

## RECOMMENDED FEES FOR SERVICES

In terms of service user fees, the budget maintains the current residential fee for solid waste services at \$38.00 monthly. This rate has been cumulatively reduced since July, 2012 by \$8.36 or 18% with further reductions anticipated after the new SPSA use and support agreement takes effect in January, 2018 and revised SPSA tipping fees are determined. The proposed budget includes maintaining monthly water and sewer rates at current levels. The City's Water & Sewer Rates had not been increased since 2008 until new rates were adopted effective July 1, 2016. Not surprisingly, 2016 statewide comparison data verifies that the City's water and sewer rates remain below the median for comparable utility systems in Virginia at this time, even with the enacted rate changes. No changes in the City retail electric rates are proposed at this time based upon Dominion Power's stated intentions not to increase wholesale electric rates effective July, 2017. As the collective budget proposal attests, management has made a concerted effort to minimize the impacts on utility customers that would result in increased customer bills, but the City must ensure adequate funding is available to continue delivering these essential services.

It is financial policy to regularly evaluate the City's fee structure to determine if user fees and other charges are adequately producing desired and expected revenue generation levels to maintain service. Based upon this policy evaluation, the FY 2017-2018 budget does not include any changes to the City's current fee structure which is detailed in the proposed budget document.

## ELECTRIC UTILITY FUND

As noted, based upon information provided to the City by Dominion Virginia Power to date, electric utility user fees are proposed to remain unchanged at this time. Be advised that Dominion continues to evaluate its rate structure with final action expected in June, 2017. Any significant change will impact upon the City's rates going forward and potentially result in future adjustments to be considered by City Council. Alternatively, any Dominion change that reduces the rate would result in additional revenue that could be designated for cash replenishment above the 2% policy minimum until reserves meet policy requirements.

Unfortunately for customers, the lack of an increase in retail rates does not offset actions by Dominion in the form of an April, 2017 decision to institute an automatic "pass through" increase in the fuel surcharge per month on usage. Of course the City has no input on this adjustment and customers benefited from a significant reduction in the fuel surcharge in the prior year.

It is further recommended that the city continue to evaluate and develop long range operational and management strategies for all utility fund categories that will improve efficiency and policy implementation. To avoid or minimize rate increases of all types, the City must continually scrutinize its operations and develop plans for future service provision. This process includes a comprehensive periodic study of rates and charges and peer comparison analysis.

## SCHOOL OPERATING FUND

Regarding essential City financial support for the Franklin City Public Schools, the proposed budget recommends maintaining the current base appropriation of \$4,987,395 which was increased two years ago by \$150,000. Despite increasing funding made available to the schools for the past few years

annually in the form of one-time carryover funds and significantly increased debt service to fund capital needs in the last four years, the City's base funding for schools had, prior to the last two years, remained unchanged since Fiscal Year 2008-2009. The proposed budget does not include allocation of any carryover funds. Consistent with the City's audit, the school system did not have any carryover funding at June 30, 2016. The School Fund is projecting increased state funding of \$374,125 primarily as a result of higher enrollment projections and extra funding earmarked for smaller School Divisions with historical declining enrollment. Federal revenues are projected to decrease to \$2,142,174 or \$163,192 less than FY 2016-2017.

Management was pleased last year that school officials exercised good judgment to restrict use of carryover funds for capital items in their request and thus avoid the use of "one-time" or non-recurring funds (carryover) for recurring operating expenditures. This decision was short lived when the subsequent operating budget shortfall necessitated the School Board requesting and the Council eventually approving use of these funds to offset the School Division's operating budget shortfall because the Schools budget was substantially under funded/overspent. Given the limitations and uncertainties of future City funding described earlier, school system appropriations may likely be similarly limited to any future end-of-year carryover funds which can and will vary dramatically from year to year. As is the case for FY 2017-2018, future base operating appropriations will not be automatically increased to include this one-time carryover allocation amount, but instead, at the City Council's discretion, will be determined by the amount of carryover available, if any, at June 30, 2017 for the FY 2018-2019 budget and similarly for future years. Management's recommended operating budget for FY 2017-2018 is \$350,000 less than the Interim Superintendent's requested budget presented to Council. This factor does not lessen the City's commitment to fund education in my opinion. The City's base appropriation of \$4,987,395 is exemplary of this commitment. The proposed General Fund budget also includes an increase in school related debt service by \$3,658 for FY 2017-2018. The cumulative local appropriation amount recommended, including the operating budget allocation, combined with total school related debt service, is \$5,669,129 for FY 2017-2018. This is the equivalent of 35% of the General Fund operating budget less transfers of \$16.21 million. For comparison purposes, the total local school funding surpasses the entire amount of budgeted real estate tax revenue expected to be received by the City at the proposed rate of \$0.99 per \$100 of assessed value. The City also provides in-kind support for the school division that is valued at \$207,724 based upon the City's annual cost allocation analysis.

With these qualifying comments, management believes the recommended level of school system funding illustrates the continued high priority that the City has for adequately funding the public schools as evidenced by the City's favorable ranking among all Virginia cities in terms of per capita spending on education. For the period ending June 30, 2015, Franklin ranked the 8<sup>th</sup> highest in Instruction spending per capita among Virginia municipalities per the Virginia Auditor of Public Accounts.

### **CAPITAL IMPROVEMENTS PROGRAM**

An additional but integral consideration for analysis concerning all categories of City services is further refinement and ongoing evaluation of the City's multi-year Capital Improvements Program (CIP) planning and funding strategies. With the assistance of creative and timely financing strategies, significant progress was made during the past four fiscal years to address pent up demand for several capital priority needs for both the school system and other city government functions, but other long-term capital needs remain on the horizon; therefore, CIP planning every year deserves serious attention. Included in the budget documents is the annual update of the recommended CIP program funding for

the requisite period covered by the plan. It is noteworthy that the City completed last year the required update of its Comprehensive Plan which included a capital needs planning component. Now that the document has been formally adopted by Council, the CIP document has incorporated a number of the plan recommendations and will be annually reviewed and updated as necessary to ensure consistency with the Adopted Comprehensive Plan.

## PERSONNEL

Comments in this message thus far have not addressed City government's number one asset essential to providing quality service to citizens and customers. This reference is of course to the dedicated City employees that so skillfully serve this community throughout the year. The proposed budget reflects an overall 10.3% increase in health insurance premium costs. Such an increase has historically been shared by the City and individual employees. To benefit all covered employees, the FY 2016-2017 budget deviated from past practices to recommend the city absorb the entire increase and that all employees realize no increase in premium or a reduction depending upon the coverage options selected. This was a significant benefit for employees who have seen raises to salary offset by steady increases in healthcare costs in recent years. Given the amount of the health insurance premium increase for FY 2017-2018, management must recommend the impact be shared with the City absorbing 5.3% of the impact.

The proposed FY 2016-2017 budget also included a 2.0% COLA salary adjustment effective December 1, 2016 for City employees coinciding with a planned state approved 2.0% increase for state funded positions. This was the first time since 2008 that city employees received COLA increases in consecutive years. Unfortunately state budget woes necessitated that the proposed 2% increase for state funded employees be eliminated. In the City's case, all employees received the increase except Department of Social Services personnel. Fortunately, the state budget situation has improved and DSS employees will receive their 2% increase effective August 1, 2017. Funds for this increase are included in the Social Services Fund. No other COLA increase is proposed for FY 2017-2018.

Personnel costs are by far the largest single expenditure category in the City's budget as it is in practically any organization or enterprise. Personnel costs in FY 2016-2017 were budgeted at \$9,328,690 which comprised 60.4% of the total general fund budget for all departments. The proposed FY 2017-2018 budget recommends total personnel costs of \$9,605,213 which will comprise 59.3% of the new general fund budget. This total reflects an overall estimated increase in spending for General Fund personnel costs of \$276,523 or 3.0% in the new fiscal year when comparing the budgeted amount to the current fiscal year. Significant among these cumulative increased costs are the earlier referenced staffing changes, including the impact of annualized COLA salary increases, and rising health care cost. Increased costs are offset, to some degree, by reductions in cost from: estimated vacancy savings in some departments for a portion of the new fiscal year; and, net salary reductions resulting from retirement of higher salaried employees replaced by lower salaried new hires. This latter effect has been significant particularly in the last two budget cycles. The total salary and related benefit cost in all funds for FY 2017-2018 is estimated at \$13,018,837 which is only 22.9% of the total city budget but it includes transfers to other funds which significantly lowers the percentage.

Management will continue to evaluate the merits of considering other peer-tested efforts to control the growth of personnel costs [e.g. early retirement incentive packages for retirement eligible

employees; potential additional reduction-in-force policies; contracted services opportunities in lieu of city staff provided services; adjustments to benefit providers and offerings; and, particularly health insurance policies and other post-employment benefit cost reduction measures; etc.].

## BALANCING THE FY 2017-2018 PROPOSED BUDGET

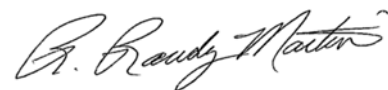
To balance the proposed budget for FY 2017-2018, management has adjusted departmental expenditure requests and revenue estimates by \$3.8 million or 14.6% of the total General Fund requests. The budget message and summary that follows reference some of the various challenges faced in this budget preparation exercise and improved circumstances in this cycle for goal development and prioritization which management committed to ensuring in future budget years. Included in this proposed budget summary are the priorities established by Council following a strategic planning retreat as well as the updated 2030 city vision statement. Management is committed to completing identified next steps resulting from the Council's efforts as described in greater detail later in this budget document.

## SUMMATION

Included in the budget document that follows is a listing of FY 2016-2017 Highlights and Accomplishments of the various City departments which is evidence of the City's ongoing commitment to provide outstanding service to the citizens and customers of the City of Franklin Further details about the proposed budget and insights into the City of Franklin's financial outlook are addressed in the various sections of the budget that follow. Considering economic forecasting for next year, budget estimates are again being conservatively projected in an effort to improve overall financial reliability and outcomes. It deserves emphasis that the proposed spending plan and tax rates are preliminary. Following review by the City Council, the proposal is scheduled for public hearing on May 15, 2017 and further Council consideration until adopted.

I sincerely appreciate the opportunity afforded me to continue serving the citizens and customers of this wonderful community and my being entrusted with the enormous responsibility for preparation of the recommended City budget. Preparation of this budget proposal resulted from a concerted team effort, and I extend to all parties involved my sincere thanks. I especially recognize and commend Interim Director of Finance Tracy Gregory for her professionalism, skill and dedication to this important project and Administrative Assistant Teresa Rose-McQuay for her dedicated efforts as well.

Respectfully submitted this the 5th day of May, 2017



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R. Randy Martin, City Manager

# Tax Rates

Real Estate taxes are billed twice per Year. The 1<sup>st</sup> half is due Dec. 5<sup>th</sup> and the 2<sup>nd</sup> half is due June 5<sup>th</sup>. Personal Property taxes are billed once and are due on December 5<sup>th</sup> of each year.

<b>Real Estate Taxes</b> (Per \$100 of assessed value)	
<b>Current City-wide Tax Rate</b>	<b>\$0.99</b>
<b>Proposed Tax Rate</b>	<b>\$0.99</b>
<b>City Council -Adopted Tax Rate</b>	<b>TBD</b>
Downtown Business District-Current	\$0.24
<b>Personal Property Taxes</b>	
Vehicles	\$4.50
PPTRA rate – 50% (Current rate – 52%)	
Boats	\$4.50

<u>Business License Tax Rates</u> (Per \$100 of gross receipts)	
Financial, Professional and Real Estate Services	\$.58
Personal, Business and Repair Services	\$.30
Retail Sales	\$.20
Contractors	\$.15
Wholesale Purchases	\$50.00 on 1 <sup>st</sup> \$10,000 purchases

The City of Franklin requires that all persons doing business in this city file for and obtain a business license prior to beginning business. A Business License tax is based upon the gross receipts of the business and are Due March 1<sup>st</sup>

Personal property, other than motor vehicles, used in a trade or business is subject to local taxation as Business Personal Property. Returns are due no later than February 1<sup>st</sup> for property in use as of January 1 of a tax year.

<u>Business Personal Property</u>
Rate - \$4.50 per \$100 (Based on 25% of original cost)

<u>Machinery and Tools</u>
Rate - \$2.00 per \$100 of assessed value (Based on 30% of cost)

Machinery and Tools tax applies to equipment used in the manufacturing and processing of its goods. Returns are due no later than February 15<sup>th</sup> for equipment in use as of January 1 of a tax year.

<u>Meals Tax</u>
Rate - 6.5%

<u>Lodging Tax</u>
Rate - 8%

<u>Cigarette Tax</u>
Rate- \$0.60 per pack

Registration for the collection of Meals, Lodging, and Cigarette tax is required with the Commissioner of the Revenue's Office prior to beginning business. This tax must be remitted by the 20<sup>th</sup> day of each month.



## *Highlights & Accomplishments*

Although local funds for many initiatives have been limited for a number of years, progress on efforts to stabilize and then grow reserve fund levels in recent years has been accomplished while completing or commencing a number of major activities and capital projects listed as follows: {Due to space limitations, this is an abbreviated summary of major items}.

### Legislative & General Government Administration

- ❖ Submitted the City's Comprehensive Annual Financial Report to the Government Finance Officers' Association for fifth consecutive time consideration of the Certificate of Achievement in Financial Reporting; received a clean "unqualified" opinion on the June 30, 2016 Financial Report with no General Government Fund findings reported by the auditors.
- ❖ Maintained the AA credit rating from Standard & Poors bond rating agency received in April 2014, an upgrade from an A+ rating received April 2010 and affirmed in September 2013. The City's bond rating with Moody's rating agency stands at A+ as of the date of this report.
- ❖ Achieved a 99.5% collection rate on delinquent real estate taxes and 98.1% on personal property taxes; reduced the amount of outstanding delinquent taxes on the City' books from March 2010 to October 2016 by over \$927,602.
- ❖ The City Treasurer has maintained accreditation as a Master Governmental Treasurer from the University of Virginia Weldon Cooper Center. The Treasurer's office received the Office of Accreditation status from the Treasurer's Association of Virginia a second consecutive year.
- ❖ City's software enhancement project progressed with implementation of the financial modules (Payroll, Accounts Payable, Purchasing & General Ledger) and Human Resources in January 2016. Conversion is currently underway for the implementation of Utility Collections and Billing. Tax Collections and Billing as well as other applications are in the planning stages.
- ❖ Completed refinancing of existing tax supported debt resulting in reduced and leveled payments through 2025.
- ❖ Completed upgrades and improvements to the City's technology infrastructure including both the City's voice (telephone) and data management systems and enhancements to the City's public education government (PEG) channel.
- ❖ Acquired new voter election equipment to replace the obsolete machines as recommended by the State Board of Elections.



## Public Safety

- ❖ Awarded \$13,847 in foundation & charities funding to acquire specialized equipment for the City's Fire and Rescue and Police Departments.
- ❖ A grant in the amount of \$55,254 was received from the E911 Wireless Board to replace the E911 Mapping server and related components critical to enhanced E911 communications in the City. In cooperation with Southampton County, enhanced emergency communication system backup capabilities for both communities utilizing grant funds and resulting in reduced emergency response time.
- ❖ Continued progress by the City's Employee Safety Committee:
  - The City received a third year 5% discount on Workers' Compensation insurance by completing 100% of the VML Risk Management Guidelines.
  - The City realized a reduction in worker's compensation claims/losses which resulted in a decrease in the City's modification rating and consequently lower premiums in FY 17 -18. The City completed a Rubber Meets the Road Program, a VML sponsored safe driving techniques training, in an effort to improve safety and mitigate risks of vehicular accidents.
  - Hosted a VML OSHA at a Glance Class for members of the Employee Safety, Health & Wellness committee to improve safety and mitigate risks of accidents.
  - Implemented a web-based training program that allows employee access to human resources, safety and job related continuing-education training opportunities at no cost to the City.
- ❖ Revised and Council readopted the City's Emergency Operations Plan and the City's Infectious Disease Control Panel.
- ❖ Awarded a \$25,000 USDA grant to assist in the cost of replacing a Police Patrol Vehicle.

## Public Works

- ❖ The City continued its annual street resurfacing activities focused on major thoroughfares to include portions of several downtown area thoroughfares. Successfully applied for and received VDOT state grant funds for significant road improvements.
- ❖ Continuation of Spring Amnesty Days cleanup efforts for the convenience of citizens which helps beautify the community. Successfully planned and conducted Fall Amnesty Days Cleanup activity for a 3<sup>rd</sup> year.

- ❖ In cooperation with Southampton County, completed the grant funded study by a joint management team charged with evaluating the feasibility of future water and wastewater utility needs and collaboration opportunities with a preliminary engineering report completed and presented to elected officials. Next steps have begun to include completion of a jointly funded asset valuation process.

### **Community & Economic Development**

- ❖ Completed an update of the City of Franklin Comprehensive Plan 2025 which was adopted by the City Council. The City/County Joint Community Development Department also completed the Southampton County Comprehensive Plan 2025 which was adopted by the Board of Supervisors.
- ❖ Managed and successfully implemented the 1<sup>st</sup> year of a \$1.6 mil multi-year CDBG grant for the Madison Street Neighborhood Revitalization project to include having 19 income eligible housing units under contract for rehabilitation by July 2017. As of the date of this report, eight (8) rehabs are complete, seven (7) are under contract, and three (3) are ready to go out to bid; four (4) applications are in review.
- ❖ Completion of three (3) housing rehab projects for low and moderate income owner occupied households to HQS standards from grant funds totaling approximately \$125,000 through the Western Tidewater HOME Consortium program.
- ❖ Worked with FRHA to facilitate the alterations and renovations of all 175 Public Housing units in the City.
- ❖ Adopted amended floodplain ordinances as required by FEMA in both the City and County. Increased City freeboard requirements from 0" to 24" and County freeboard from 12" to 18" to improve rating system that results in lower flood insurance premiums.
- ❖ Completed housing data research and developed a draft city ordinance and preliminary plan to implement a rental housing inspection program in targeted areas of the city subject to Council authorization and adoption of an ordinance and map.
- ❖ In collaboration with City IT and other affected departments, completed a comprehensive upgrade of the City's Geographic Information System (GIS), accessible to the public via the updated city website.
- ❖ Continued staff training in the Community Rating System (CRS) program through FEMA seeking to lead inclusion of Franklin in the CRS program.
- ❖ Completed and Council adopted the Regional All Hazards Mitigation Plan for the City of Franklin and Southampton County.

- ❖ The Inspections Department received a Building Code Effectiveness Grading System (BCEGS) rating from ISO of “3” for one and two family construction and a “3: for all other construction for both the City and Southampton County. This rating places the City in the top 5% of the approximately 144 localities in Virginia that participate.

### Parks & Recreation

- ❖ The Department received the Pioneer Field of Excellence national Award for Armory Field for the third consecutive year.
- ❖ New Recreational equipment was acquired and existing facilities improved to enhance the availability and safety of recreational and leisure activities for Franklin City youth.
- ❖ Significant improvements were made to City ball fields and park areas to include surface improvements; the City’s aging skate park infrastructure was removed and the area vastly improved and repurposed for other needed departmental activities in the future.
- ❖ Completed an upgrade of the decking at the boat ramp and the first phase of maintenance on the Barrett’s Landing River Walk.

### Schools

- ❖ Continued increased base funding for the school operating fund for a second year which was the first such increase over the prior seven years.
- ❖ Major technology and other improvements in the schools were made using \$1.70 mil in prior year QZAB funds to include mobile classroom and HVAC upgrades.

### Airport Fund

- ❖ Airport enhancements completed during the last two fiscal years include a weather system upgrade and runway lighting which were 95 – 98% state and federal funded with minimal support from local revenue sources. The parallel runway project engineering and design was also completed primarily with grant funding. The Tree obstruction project also progressed with an aerial survey of the problem areas.

### Electric Fund

- ❖ Continued in house LED street lighting replacement project to improve vehicular and pedestrian safety and overall lighting levels which is expected to have significant public safety benefits while lowering maintenance cost and energy consumption.

### Water & Sewer Fund

- ❖ The Water & Sewer Division and other Public Works staff coordinated completion of street extension improvements to provide Providence Agriculture access off the Pretlow Industrial Park entrance road and completed a utility line extension to serve this and other future prospective businesses locating in the Park.
- ❖ Made significant progress toward completing negotiations for issuance of a ten year Groundwater Withdrawal permit from DEQ. Also, initiated efforts to comply with a consent order issued by DEQ concerning maintenance and compliance requirements at the City's aging Wastewater Treatment Plant.

### Economic Development Fund

- ❖ Renamed and rebranded the Franklin Business Incubator as the Franklin Business Center to help market the City's premier location for prospective businesses.

As stated, this is a condensed listing of several major items addressed in FY 2015 – 2016 and FY 2016 - 2017. As evidenced, the City continued its history of (1) seeking grant funds for public safety and community improvements, (2) utilizing resources to provide quality governmental services to Franklin Citizens, (3) expanding technology to improve operational efficiencies and control costs, (4) promoting safety and wellness throughout all City departments, (5) maintaining sound financial management and (6) improving activities and programs to enhance overall quality of life. These highlights and accomplishments are consistent with the priorities established by City Council.

Updated: May, 2017



*City Council Members*



*Frank M. Rabil, Mayor (At Large)*



*Barry W. Cheatham, Vice-Mayor, Ward 1*



*Benny D. Burgess, Ward 2*



*Gregory McLemore, Ward 3*



*Linwood W. Johnson, Ward 4*



*Mary E. Hillard, Ward 5*



*Robert L. Cutchins, Ward 6*



*The Vision Statement for the City outlines what Franklin wants in the future. The preferred future is defined in value based principles that can guide policies, decisions and operations*

## **Vision Statement**

***By the year 2030, the City of Franklin, Virginia will maintain our small city identity, heritage, and beauty while being a regional hub for economic opportunities, top-class education, a job-ready workforce, and balanced housing options.***

Adopted by Franklin City Council this 8<sup>th</sup> day of June, 2015

Mayor  
Raystine Johnson-Ashburn



*3 Year Priorities*  
January 31, 2015

*During a retreat, Council Members were asked to identify Priorities that would be most critical to achieving the Vision and Target Areas over the next 3 years. Council used a process of discussion and consensus to arrive at the Priorities. Staff was charged with the responsibility to develop a Strategic Plan to address the Priorities. including timetable and responsibility, and regularly update Council on progress. Priorities have been numbered consecutively for reference only and do not indicate priority order.*

❖ **Economic Development**

1	<p>Develop a plan with the Downtown Franklin Association (DFA) to aggressively market Franklin’s Downtown</p> <ul style="list-style-type: none"> <li>● Examine/pursue strategies that will enable us to become more marketable</li> <li>● Use best management practices in assisting businesses that may locate here</li> <li>● Consider work session with DFA after Council develops its priorities; have a unified strategy and work together with DFA on relevant priorities</li> </ul>
2	<p>Develop a strategy for making Franklin a retail center for northeast North Carolina and western Tidewater Virginia</p> <ul style="list-style-type: none"> <li>● Consider new types of businesses as target businesses</li> <li>● Confer/have dialogue with FSEDI on how to market the area as a regional economic center and to address obstacles for new retail</li> <li>● Solidify our shared service agreements and expand those (will need to collaborate with a broader set of localities)</li> </ul>
3	<p>Prepare the Route 58 corridor including enhancements and industrial site readiness</p> <ul style="list-style-type: none"> <li>● Consider and adopt Comprehensive Plan recommendations to enhance the corridor</li> <li>● Continue to find funding strategies for deficiencies identified by FSEDI to ensure site readiness at Pretlow Industrial Park</li> <li>● Consider and adopt zoning ordinance changes and additional utility extensions and road extensions as required</li> </ul>
4	<p>Work with Southampton Memorial Hospital to improve the quality of health care and to make Franklin a specialty health care option for the region</p>
5	<p>Develop a brand that epitomizes what Franklin has to offer and conduct a targeted marketing effort that will attract people to our city</p>

## ❖ Education

6	<p>Develop a strategy to improve communication and rapport with the School Board and school officials to achieve greater agreement and trust regarding 1.) desired results (i.e. academic performance) and 2.) Accountability for results and funding</p> <ul style="list-style-type: none"> <li>● Consider a joint retreat to initiate this priority</li> <li>● Ongoing strategies to maintain a positive working relationship</li> </ul>
7	<p>Develop and implement a plan to work with public school leaders on a strategic plan for top class public education (i.e. vision, facilities, programs, alternative education, how we enhance the value for education within the community, parental involvement)</p>
8	<p>Develop and implement a well-structured strategy with the public schools and PDCCC for achieving a trained workforce for our community</p> <ul style="list-style-type: none"> <li>● Implement a strategy to develop a common workforce development vision</li> <li>● Clarify our needs</li> <li>● Meet with the School Superintendent and President of PDCCC to learn their vision/plans for workforce development in order to find common themes and plans</li> <li>● Develop a curriculum for career/technical dual enrollment at FHS and PDCCC</li> <li>● Improve coordination of all resources</li> </ul>

## ❖ Housing

9	<p>Implement the rental inspection program (to include all components)</p> <ul style="list-style-type: none"> <li>● Housing stock assessment</li> <li>● Funding strategies</li> <li>● Ordinance revision</li> <li>● Adopt and implement regulatory tools</li> </ul>
10	<p>Develop a balanced housing plan and strategy that matches needs and demands</p> <ul style="list-style-type: none"> <li>● Define “balanced” and issues to be explored prior to planning</li> <li>● Investigate alternatives for millennial housing</li> <li>● Encourage more one and two bedroom apartments</li> <li>● Modify zoning to enable mixed uses (i.e. residential with commercial, upper floor housing)</li> <li>● Maintain preservation of historic areas</li> <li>● Consider redevelopment needs and potential throughout Franklin</li> <li>● Support the Housing Authority’s efforts to continue moving forward with “In, Up, and Out” to promote self-sufficiency and home ownership</li> </ul>
11	<p>Develop and implement a plan to market existing housing stock as an asset offered by this community, including as a high value option for prospective home owners (consider how this relates to the branding effort)</p>



## ❖ Regionalism and Partnerships

12	Develop a relationship with Isle of Wight to work on joint projects <ul style="list-style-type: none"><li>• Consider an incentive package to present to Isle of Wight to assist in filling the Airway Shopping Center</li></ul>
13	Conduct research on already identified areas in which the City collaborates with Southampton County in order to expand opportunities
14	Identify regional opportunities in the Hampton Roads area of which the City may not be currently taking advantage and explore new partnerships <ul style="list-style-type: none"><li>• Pursue stronger efforts to acquire foundation funding on a regional basis</li></ul>
15	Lead and develop a regional transportation planning strategy for the Route 58 Corridor to enhance economic development and improve linkages to the Hampton Roads area
16	Continue to pursue regional long range plans for solid waste management
17	Pursue stronger initiatives in the medical services area to promote them on a regional basis (i.e. hospital, health department, health care services)

## ❖ Citywide Infrastructure

18	Develop and commit to a water and wastewater long range utility plan <ul style="list-style-type: none"><li>• Improve water quality and availability</li><li>• Enhance program to address aging water and wastewater systems</li></ul>
19	Continue City beautification initiatives <ul style="list-style-type: none"><li>• Clean up South Street Corridor and beautify it</li></ul>
20	Continue updating of public buildings, including schools
21	Update our IT capabilities and maintain state of the art media (i.e. PEG, website, telephones)

## ❖ Public Services

22	Determine need, feasibility, and alternatives for a grant writer and pursue this strategy (consider whether to serve Franklin City only or to have a regional focus)
23	Implement training to enhance customer service and diversity awareness for all City personnel
24	Develop and implement a strategy to have appropriate staffing and succession for key positions
25	Develop and implement a manpower plan for public safety (i.e. preparedness, training, diverse work force reflective of the community, response)
26	Update our personnel policies
27	Update the plan for emergency management response (i.e. to include preparedness for disasters, public health concerns, and haz-mat situations)
28	Update the City's transportation project priorities list, including those that have regional significance
29	Consider new options to enhance public transportation (i.e. Uber, LIFT, I-Ride)

## **Review of City Council Priorities 2015 – 2018**

**Prepared: March, 2017**

### **Summary**

Council identified priorities believed to be critical to achieving the Council's adopted vision. Management was charged with developing a strategic plan to address established priorities. Consistent with the planning process, management was also charged with updating Council on the progress achieved thus far on each of six major categories of established priorities. The following are highlights of progress at the mid-point of the three year plan adopted in June, 2015:

### **Economic Development**

1. Although substantial work remains, the city has made significant progress in cooperation with DFA, FSEDI, the Chamber of Commerce, downtown business interests and property owners to aggressively market downtown. The grant funded start-up Franklin program is a highlight achievement thus far. The Comprehensive Plan changes allowing mixed uses has also enhanced private investment downtown. A number of other lesser initiatives have also resulted in noticeable progress including specifically the Franklin Business Center rebranding. Also, a major success story downtown was the relocation of Highground Services to the former city utility building site on Mechanic Street.
2. Efforts to develop a strategy to market Franklin as a regional retail center for the Western Tidewater areas of Virginia and portions of North Carolina have progressed. FSEDI has taken the lead with a study of target markets for new businesses and progress to redevelop properties on Armory Drive (e.g. the former industrial site near the College Drive intersection). Outreach efforts to targeted business markets have been a major focus.
3. Industrial site readiness and infrastructure enhancements have also been a focus with targeted improvement achieved. The 58 corridor has been a priority and the associated City/County Comprehensive Plan updates adopted. Completed improvements needed to locate the first new private development to Pretlow in decades. (i.e. Pinnacle Ag project).
4. Progress in the area of improving healthcare specifically with the hospital has been limited, but initiatives such as the Village at Woods Edge expansion and other third party clinics opening has been impactful.
5. Following the example of the success realized with the Business Center and Start-up Franklin efforts downtown, the process of rebranding Franklin has begun; however, in a broader sense, rebranding the City as a whole needs to be further emphasized. The City's status in the region has improved to a significant degree through the City's recently enhanced and more active roles in regional organizations and initiatives (e.g. SPSA, WTRJ, HRPDC, HRTPO, HRTAC, Opp. Inc., Senior Services, City/County Shared Services, etc.).

## **Education**

1. Council made concerted efforts to improve communication with the School Board. Joint meetings were held focused on achieving greater consensus and trust regarding desired results in academic performance and accountability for academic results and fiscal responsibility. Subsequent events resulted in deteriorating conditions in these areas culminating in a call for Board resignations which resulted in all members submitting resignations and Council's recent actions to fill all seats.
2. A number of efforts by City, School Division, community organizations, volunteers, citizens and state agencies including community college partners have been considered with varying degrees of success to support School Division achievement goals. Obviously, progress has been made particularly on communication between the stakeholders, but full accreditation of all schools has not been achieved as yet.

## **Housing**

1. Housing stock data has been updated with an assessment of conditions completed throughout the city with areas identified that are in need of the greatest improvements. The 2016 completed comprehensive planning process resulted in the evaluation of updated data and other criteria necessary to assess housing conditions and needs.
2. FRHA upgraded their entire aged subsidized housing stock. The City successfully competed for and received a CDBG grant to improve a priority neighborhood identified as needing housing rehabilitation program assistance and infrastructure upgrades. The first successful year of this grant funded program has been completed with the City meeting targeted progress goals. Rental inspection program consideration and assessment efforts were completed and a public hearing held.
3. Zoning ordinance provisions were modified to be consistent with the Comprehensive Plan changes which provide for mixed uses in the downtown and other designated commercial districts. Funding in the form of tax credits has been endorsed by Council for a new FRHA program for development of a "rent to ownership" housing option.

## **Regionalism and Partnerships**

1. One of the areas of greatest accomplishment has been in the category of regional cooperation and partnerships. Southampton County and the City have partnered successfully on a number of initiatives with several more in process. This has produced efficiencies in operations and other benefits with no identified short comings on major issues thus far. Outreach efforts with Isle of Wight have vacillated with changes in leadership resulting in lesser significant successes, but efforts continue and remain a priority. The most significant success has been the collaboration in the area of economic development specifically on the ST Tissue industrial expansion. The City and Southampton County have recently been invited to participate in the Isle of Wight Utility

Task Force discussions. Likewise, the City and Southampton have invited Isle of Wight to participate in the Highway 58 corridor study that recently began. These are encouraging signs with the current county leadership.

2. As for the greater Hampton Roads region, the City and Southampton County successfully negotiated a resolution of the HRTAC highway funding dilemma and both jurisdictions recently became full voting members of the HRTPO. Several provisions were agreed upon to the benefit of the two jurisdictions not the least of which is a regional commitment to the Highway 58 corridor. The City and County are for the first time positioned to lead this effort in cooperation with Suffolk, VDOT and the HRTPO. The City also worked collaboratively with its partners in Suffolk and Isle of Wight to improve Regional Jail operations and financial stability over the past two years.

### **Citywide Infrastructure**

1. The City has successfully completed a grant funded long range study in cooperation with Southampton County, for its water & wastewater utility operations. Next steps are currently underway to implement study recommendations. The City has also made significant progress on renewal of its Groundwater Withdrawal Permit with the State. Southampton County is supporting the City's efforts. The City has also emphasized efforts to improve the efficiency of its water distribution and wastewater collection system elements. Major rehabilitation projects have been completed.
2. The City has had success in improving the South Street gateway with significant public and private investment and beautification efforts.
3. The City has developed an energy efficiency plan for improvements to aging City buildings. The schools have already completed an energy efficiency capital project. The Council also approved substantial debt issuances to upgrade school facilities and enhance technology instruction in the schools.
4. Another area in which the city has had major success is updating IT capabilities by replacing aged voice and data systems and converting outdated financial system software and hardware which once complete this year will greatly improve customer service and efficiency of operations. The City also upgraded its PEG Channel with digital equipment and launched its modern website with the recent edition of a state of the art GIS application offering enhanced public access and transparency.

### **Public Services**

1. As noted above, public access to information and data has been greatly enhanced. City employees as a group were trained to enhance customer service and diversity awareness. Updating of personnel policies will be a priority focus for the new, soon to be hired City/County HR professional.

2. The Council recently culminated with approval of a yearlong effort to update city emergency management response and hazard mitigation plans. For the first time, the City's plan is incorporated as part of the Hampton Roads Regional Plan.
3. The City, as noted above, has taken an active role in developing regional and localized transportation priorities through membership and active participation in the HRTAC, HRTPO, etc.
4. Council has provided financial support and endorsed recent upgrades to the improved I-Ride services provided by Senior Services.

Respectfully Submitted,



R. Randy Martin  
City Manager



## Strategic Work Plan

### OVERVIEW

As directed by Council, City Management with input from staff “will continue to develop a strategic work plan to address Council’s priorities to include a timetable and responsibility and provide for Council’s endorsement”. Attached are administrative planning principles aimed at complimenting and supporting the Council’s approved Vision and Priorities. These administrative support comments are grouped by service area or related departmental activities. To assist in developing these administrative planning principles, management solicited input from each city department. The list is not intended to be all inclusive. Rather, it is a summation of specific areas of responsibility for which city resources should be prioritized and focused on achieving the Council established priorities while meeting all administrative responsibilities for governmental operations. Next steps for administrative staff will be further refinement of the draft plan then development of an administrative responsibility assignment plan and refined timetable for action as applicable.

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- ❖ Communicate and interact with citizens and customers utilizing available technology and other more traditional cost-effective means focused on being as citizen, customer and business friendly as possible – continue efforts to evaluate and improve information technology capabilities and resources to further City interests in all service areas
- ❖ As a governmental entity, implement legally compliant policies that ensure fairness in the treatment of citizens and customers in as professional and business-like an environment as is practical; update and maintain legally compliant personnel policies that ensure fairness in the treatment of city employees while adequately protecting the city’s fiduciary responsibilities and interests.
- ❖ Evaluate municipal operations with a balanced approach aimed at providing as high a quality of designated services as possible while minimizing the costs necessary to provide priority services – pursue initiatives to illicit and promote volunteerism as a citizen engagement and cost reduction technique
- ❖ When evaluating and developing service priorities, apply as a “litmus test” the impact and potential to preserve or improve on all aspects of the community’s quality-of-life.



- ❖ Maintain a financial management system with established Council benchmarks and performance standards which ensure the long-term financial well-being of the City and its essential funding obligations
- ❖ Promote intergovernmental and interagency cooperation with neighboring counties and through regional partnerships – pursue cost-effective “win-win” opportunities to promote optimum service levels at minimal cost
- ❖ Support Community Organizations such as Downtown Franklin Association and other community based civic entities that promote the City through their sponsorship of major public events which showcase the community and provide services that enhance the general quality-of-life of residents and visitors or otherwise accomplish a city goal
- ❖ Maintain a qualified and capable municipal work force focused on the efficient delivery of services – promote a safe working environment where the well-being of employees is valued – implement a locally competitive compensation package that attracts and retains employees dedicated to public service
- ❖ Implement adopted Comprehensive Plan particularly components on regional collaboration within designated revenue sharing zones outside the City in cooperation with neighboring counties
- ❖ Enhance economic development efforts and community readiness to promote private investment and job creation (e.g. regulatory, utility infrastructure, educational achievement, other key competitiveness criteria)
- ❖ Broaden economic development focus to ensure inclusion of not only diversified industrial development, but also commercial business recruitment and retention efforts as a regional center; governmental & service industry investment; health care industry expansion interests; tourism opportunities; and, cultural/heritage possibilities
- ❖ Streamline services of the City-County Consolidated Community Development Planning & Inspections departments to meet needs as cost efficiently as possible while maintaining quality customer service and regulatory compliance at all levels; plan and consider implementation of rental housing inspection program efforts as directed by Council.
- ❖ Develop and maintain a comprehensive Capital Improvements Program (CIP) to meet and finance capital outlay needs of the City in all service responsibility areas for at least five years into the future





## Public Safety

- ❖ Provide as well-trained and professional a police agency as possible that is adequately equipped and staffed to reasonably ensure the delivery of high quality and reliable community policing services to meet the City's public health, welfare and safety responsibilities and needs as determined by the City Council
- ❖ Provide as well-trained and professional a Fire & Emergency Medical Services (EMS) response agency as possible that is adequately equipped and staffed to reasonably ensure the delivery of high quality and reliable emergency services to meet the City and service response area's public health, welfare and safety responsibilities and needs as determined by the City Council-position resources strategically to optimize emergency response times
- ❖ Ensure the safety of citizens and public safety providers by maintaining an efficient and reliable emergency communications system
- ❖ Protect citizens and property through development and maintenance of a well- organized Emergency Operations Plan (EOP) outlining resources, procedures, mutual aid arrangements and designating responsibilities for emergency preparedness and response

- Provide a safe, reliable, cost-effective and efficient electric utility power supply system to ensure the provision of essential regulatory compliant electric service to all customers served within and outside the city limits – evaluate the long-term value of the system and its service obligations including a peer provider alternatives analysis component
- Provide a cost-effective and efficient public water supply system to ensure the provision of essential, safe, reliable and regulatory compliant potable water for customer consumption and to meet fire protection and economic development needs – assess capabilities, feasibility and needs for regional water supply approaches
- Provide an efficient and reliable public wastewater collection and treatment system to ensure the public health and safety while protecting environmental quality of the receiving stream through regulatory compliance efforts – assess long term alternatives for meeting wastewater needs including regional treatment options
- Provide for and regulate the efficient and cost-effective collection and disposal of solid waste within the City in an effort to protect the public health and welfare – manage the volume of waste disposal to minimize the flow of waste to the landfill including promotion of recycling and



## Public Utilities / Public Works

reuse opportunities – emphasizing the benefits and opportunities of continued regional cooperative for solid waste disposal options – study privatization alternatives for solid waste collection services

- Develop and manage a safe and efficient multi-modal system of highways, streets and associated appurtenances for vehicles, non-motorized transportation alternatives and pedestrians
- Implement and maintain a safe and reliable stormwater utility management system for collecting stormwater runoff to protect public health, welfare and safety
- Pursue federal/state assistance to study (i.e. required cost-benefit analysis criteria evaluation) viable alternatives which might mitigate impacts of flooding and related natural disasters on public and private property or otherwise pose a threat to citizens
- Evaluate prioritize and provide for comprehensive parks, recreational and leisure opportunities in terms of facilities and programs for all segments of the population; adequately maintain facilities to ensure safe and reliable continuation of leisure services to citizens and visitors.
- Provide safe and FAA regulatory compliant municipal airport facilities and services to customers utilizing the service
- Maintain a system of public infrastructure and buildings, as well as, a fleet of vehicles and equipment to facilitate the safety of employees and others and the provision of services to citizens in as cost-efficient a manner as possible – manage resources by promoting and pursuing energy efficiency opportunities in the provision of City services when determined to be cost-effective alternatives



## *Agency Support*

- ❖ Provide support for City Constitutional Officers (i.e. Commissioner of Revenue, Treasurer) and Election Registrar responsibilities and functions to meet City obligations and the needs of the citizenry
- ❖ Cooperatively provide for shared Constitutional Office Support functions with Southampton County including: Judicial System, Sheriff, Commonwealth’s Attorney and Clerk of the Court to meet the City’s obligations and the needs of the citizens.
- ❖ Provide City funding, as determined by the City Council, to satisfy local responsibilities to provide the City share of essential School System funding to meet operating and capital needs – assist the Council in efforts to identify and appoint School Board members committed to high caliber student achievement and educational system accountability
- ❖ Provide sufficient resources, as determined by the Council, to satisfy local responsibilities for the City’s share of Department of Social Services funding to meet operating and capital requirements

and community assistance needs while optimizing the leverage of federal and state resources for the benefit of citizen beneficiaries.

- ❖ Provide the City share of funding, as determined by the Council and contractual obligations, for other important services and agencies including: Blackwater Regional Library, Western Tidewater Regional Jail, CSA, Senior Services, Boys & Girls Club, Smart Beginnings, Paul D. Camp Community College, Franklin- Southampton Economic Development, Inc., Hampton Roads Planning District Commission, Western Tidewater Community Services Board, etc. Excluding obligations for juvenile and adult detention care, the City contributes nearly \$550,000 annually to community agencies and organizations.

**October, 2015**  
**[Updated May, 2016]**  
**(Updated May, 2017)**



**R. Randy Martin**  
**Franklin City Manager**

*Adjustments to City  
Manager's Proposed Budget*

**GENERAL FUND**

**Expenditure Adjustments**

Detail		
Page #	Budget Item	Amount
1	City Council - Contributions Community Organizations	\$ 2,623
34	School Fund Transfer	\$ 50,000
1	City Council - Advertising	\$ (500)
1	City Council - Miscellaneous	\$ (1,000)
1	City Council - Contingency Fund	\$ (33,000)
2	City Manager - Retirement - VRS	\$ (1,123)
3	City Attorney - Salaries & Wages	\$ (2,000)
16	Police - Clothing/Education Allowance	\$ (1,000)
16	Police - Vehicle Supplies - Fuel	\$ (1,000)
16	Police - Supplies - Ammunition	\$ (1,000)
17	E-911 - Salaries & Wages - Part-time	\$ (1,000)
17	E-911 - Computer Equipment	\$ (1,000)
18	Emergency Management Services - Contractual Services	\$ (2,000)
18	Emergency Management Services - Contributions Hunterdale VFD	\$ (2,000)
20	Building Inspections & Code Enf. - Advertising	\$ (500)
20	Building Inspections & Code Enf. - Maint. Service Contracts	\$ (500)
21	Animal Control - Other Operating Services	\$ (500)
24	Public Works & Garage - Maint. Service Contracts	\$ (500)
26	Public Works Bldg. Maint. - Health Department	\$ (1,000)
28	Recreation - Armory Drive Swimming Pool	\$ (1,000)
28	Recreation - M.L. King Center	\$ (500)
28	Recreation - Mowing Equipment	\$ (500)
28	Recreation - Day Care Scholarship Field Trips	\$ 2,000
28	Cemeteries - Contractual Services	\$ (1,000)
28	Cemeteries - Repairs & Maintenance Supplies	\$ (1,000)
31	Planning & Zoning - Travel - Conventional Education	\$ (500)
31	Planning & Zoning - Miscellaneous	\$ (500)
	<b>Total Expenditure Adjustments</b>	<b>\$0</b>

**Revenue Adjustments**

Page #	Budget Item	Amount
	NO REVENUE ADJUSTMENTS RECOMMENDED	\$0
	<b>Total Recommended Revenue Increases</b>	<b>\$0</b>

City Manager Recommended Budget	\$ 23,209,056
Net Revenue & Expenditure Adjustments	\$ -
<b>Revised General Fund Budget</b>	<b>\$ 23,209,056</b>





# **FY 2017-2018 Budget**

## **Section 1**

### **INFORMATION ON ALL BUDGETED FUNDS**

- ❖ Description of Budgeted Funds
- ❖ Fund Structure
- ❖ Summary of Budgeted Funds
- ❖ Proposed Budget by Fund (Prior Year Comparison)
- ❖ Total Budgeted Funds Graph

This section includes a brief description of each fund and explains its purpose. Following the schedule is a summary of the budgeted funds including revenues and expenditures for each Fund.



## FY 2016-2017 Budget

# DESCRIPTION OF BUDGETED FUNDS

The descriptions below explain the purpose of each of the funds listed in the “Summary of Budgeted Funds” pages.

### GOVERNMENTAL-TYPE FUNDS

The City’s adopted budget contains appropriations for four major and three non-major governmental fund types. The General Fund, Debt Service Fund, School Fund, and Social Services Fund are considered the major governmental funds. Non-major funds presented in the budget are the Economic Development Fund, the Comprehensive Services Act Fund and the Capital Improvement Fund.

- ❖ **General Fund** - The General Fund accounts for all revenues and expenditures that are not required to be accounted for in a special purpose fund. The sources of revenue for the General Fund are taxes and fees generated at the local level, such as real estate, personal property, utility taxes, fiduciary taxes, permits, charges for services, etc. The General Fund finances most of the regular day-to-day operations of the City. The following descriptions refer to the individual General appropriations and transfers to other funds within the City.
- ❖ **Debt Service Fund** is a fund that accounts for the accumulation of resources for and the payment of general long-term debt principal and interest of the City. Primary resources of the Debt Service fund are derived from transfers from the General Fund and the proceeds from refinancing of existing bonds. The City maintains a separate debt service fund inclusive of principal and interest payments for School related projects. General and school debt is considered tax supported.
- ❖ **Social Services Fund** (Virginia Public Assistance (VPA) accounts for revenues and expenditures related to services provided by the Department of Social Services. Most revenues are derived from the Commonwealth of Virginia and the federal government. A State required local contribution is provided by the City for administration of certain services.

### Component Unit Fund

- ❖ **Education** – The City’s School Fund is reported in financial statements as a discretely presented component unit. The City’s total budget includes the funds of the Franklin City Public Schools. The primary sources of revenues, exclusive of the transfer from the City’s General Fund, are basic school aid, sales tax revenue, grants and federal revenues that fund certain programs. The **School Operating Fund** is the General Fund of the School Board. It includes the City’s local appropriation to the schools referred to as an annual base appropriation. Additional appropriations, in the form of prior year carryover as identified in audited financial statements, are funded at City Council’s discretion. The Cafeteria Fund of the Schools, supports the school breakfast and lunch program. It is a self-funded operation supported through cafeteria sales and federal and state reimbursements.

## Non Major Funds

- ❖ **Economic Development Fund** was created in 2004 to support activities of the Franklin Business Incubator.
- ❖ **Comprehensive Services Act Fund (CSA)** was established in response to legislation enacted in 1993 that establishes a single state pool of funds to purchase services for at-risk youth and their families. The City pays a required local match rate on all eligible expenditures.
- ❖ **Capital Improvement Fund** accounts for financial resources to be used for the acquisition or major construction and/or maintenance of capital assets such as building renovations and improvements, major equipment, technology improvements, etc. In order for expenditures to be eligible for inclusion in the capital budget, they must cost over \$30,000 and have a life expectancy of five or more years. Projects funded in the current budget year are included in the general operating budget, “the capital improvement budget”, as capital outlay.

### BUSINESS TYPE ACTIVITIES FUNDS

The departments within these Funds are accounted for on a similar basis as a private business in which operating expenses are completely or partially covered from income collected from user fees charged to the general public. The City maintains a Proprietary Fund type known as the Enterprise Funds which are as follows: Solid Waste, Water & Sewer, Electric and Airport. They are presented under the Enterprise Fund section of this document.

**Solid Waste Fund**, created in 2013, is an enterprise fund which pays for such services as refuse collection, disposal and recycling. Revenue for this fund is derived from predominantly residential customers and a limited number of commercial customer user fees.

**Water & Sewer Fund** is an enterprise fund where revenues derived from user fees and connection fees are earmarked for water and sewer improvements and management of the City’s waste water treatment facilities.

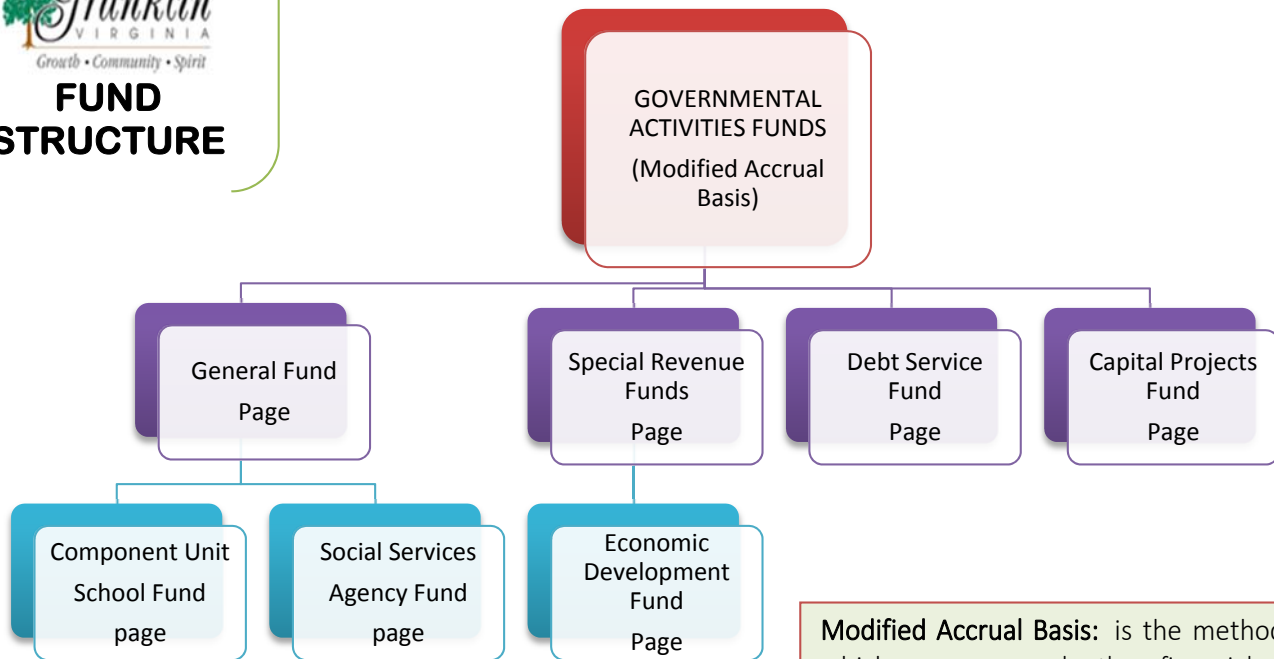
**Electric Fund** - Franklin Municipal Power and Light is the electricity provider in the City of Franklin and parts of the City of Suffolk, Southampton and Isle of Wight Counties. Established in 1892, Franklin Municipal Power and Light provides reliable and efficient energy and energy-related services for Franklin and the surrounding service area with funding entirely from user fees.

**Airport Fund** – The Franklin Municipal Airport is a vital component of economic development in the City. The Fund receives revenue from tie down fees, sale of gasoline and jet fuel and support from General Fund revenues.





# FUND STRUCTURE



**Modified Accrual Basis:** is the method under which revenues and other financial resource increments are recognized when they become both “measurable” and “available to finance expenditures in the current period.” “Available” means collectable in the current period or soon enough thereafter to be used to pay the liabilities of the current period.

## BUSINESS TYPE ACTIVITIES FUNDS (Accrual Basis)



**Accrual Basis:** indicates revenues are recorded when they are earned (whether or not cash is received at the time) and expenditures are recorded when goods and services are received (whether cash disbursements are made at the time or not).



**FY 17-18  
BUDGET**

**SUMMARY OF ALL BUDGETED FUNDS**

**TOTAL BUDGET SUMMARY**

REVENUE	2017-18 PROPOSED	EXPENDITURES	2017-18 PROPOSED
General Property Tax	\$ 7,457,635	Legislative	\$ 190,003
Other Local Taxes	\$ 5,543,300	General Gov't	\$ 2,606,242
Permits, Fees, Licenses, Etc.	\$ 547,604	Judicial	\$ 1,257,383
Fines and Forfeitures	\$ 37,000	Public Safety	\$ 6,909,642
Use of Money and Property	\$ 243,496	Public Works	\$ 3,182,699
Charges for Services	\$ 1,433,821	Health & Welfare	\$ 146,958
Miscellaneous Revenue	\$ 1,270,237	Recreation & Culture	\$ 789,372
Recovered Costs	\$ 404,400	Community Develop.	\$ 375,856
Shared Expenses	\$ 188,804	Misc.-Non Departmental	\$ 755,000
Non-Categorical Aid: State	\$ 1,643,897		\$ 16,213,155
Categorical Aid: State	\$ 2,196,826		
Categorical Aid: Federal	\$ 41,595	Transfer To Funds	\$ 6,995,901
Transfers From Electric Fund	\$ 1,439,393		
Transfer from Solid Waste Fund	\$ 112,345		
Transfer from Water & Sewer Fund	\$ 139,960		
Use of Restricted Fund Balance	\$ 58,743		
Use of Unassigned Fund Balance	\$ 450,000		
<b>TOTAL GENERAL FUND</b>	<b>\$ 23,209,056</b>	<b>TOTAL GENERAL FUND</b>	<b>\$ 23,209,056</b>
<b>General Fund Net of Transfers</b>	<b>\$ 16,213,155</b>	<b>General Fund Net of Transfers</b>	<b>\$ 16,213,155</b>
Schools - Operations -Local Funds	\$ 196,770		
Schools - Operations -Local Appropriation -Base	\$ 4,987,395		
Schools - Operations -State & Federal Aid	\$ 10,727,241	Education Fund	\$ 15,911,406
Subtotal - School Operating Fund	<b>\$ 15,911,406</b>	Cafeteria	\$ 823,000
Schools- Cafeteria & Textbook Fund - State, Federal & Local	\$ 937,770	Textbook	\$ 114,770
<b>SCHOOL OPERATIONS</b>	<b>\$ 16,849,176</b>	<b>SCHOOL OPERATIONS</b>	<b>\$ 16,849,176</b>
Social Services Fund - State Aid	\$ 518,216	Administrative, Foster Care, Eligibility and Other Social Services Functions	\$ 1,797,143
Social Services Fund - Federal Aid	\$ 781,722		
Transfer from General Fund	\$ 497,205		
<b>SOCIAL SERVICES</b>	<b>\$ 1,797,143</b>	<b>SOCIAL SERVICES</b>	<b>\$ 1,797,143</b>
State Aid	\$ 121,699	Mandated Services	\$ 180,000
Transfer from General Fund	\$ 104,663	Local Medicaid Match	\$ -
<b>COMPREHENSIVE SERVICES</b>	<b>\$ 226,362</b>	Administrative	\$ 46,362
		<b>COMPREHENSIVE SERVICES</b>	<b>\$ 226,362</b>



**FY 17-18  
Budget**

**SUMMARY OF ALL BUDGETED FUNDS**

	2017-2018 PROPOSED	2017-2018 PROPOSED
REVENUE		EXPENDITURES
User Fees - Residential	1,414,750	Water Operations 1,050,195
User Fees Commercial	1,864,750	Sewer Operations 759,512
Sewage Treatment Fees	88,000	Wastewater Treatment Operations 732,353
Miscellaneous	5,000	Transfers to General Fund 464,206
<b>TOTAL WATER &amp; SEWER FUND</b>	<b>3,372,500</b>	Debt Service 366,234
		<b>TOTAL WATER &amp; SEWER FUND 3,372,500</b>
Waste & Collection Disposal Fees	1,333,279	Waste Collection & Disposal 465,000
Prior Year Reserves	87,618	Other Operating Expense 628,142
Miscellaneous Revenue	4,000	Transfers to General Fund 325,307
<b>TOTAL SOLID WASTE FUND</b>	<b>1,424,897</b>	Debt Service 6,448
		<b>TOTAL SOLID WASTE FUND 1,424,897</b>
Local Revenue	128,000	Operating Expenses 221,210
Federal & State Revenue	3,000	Transfers to General Fund 27,235
Transfer from General Fund	117,445	Capital Outlay -
<b>TOTAL AIRPORT FUND</b>	<b>248,445</b>	<b>TOTAL AIRPORT FUND 248,445</b>
Sale of Energy Fuel Adjustment	1,104,300	Operating Expenses 1,683,545
Slae of Electric Energy	14,045,013	Cost of Energy 10,992,453
Miscellaneous Revenue	256,473	Capital Outlay 530,677
<b>TOTAL ELECTRIC FUND</b>	<b>15,405,786</b>	Transfers to General Fund 1,922,412
		Debt Service 276,699
		<b>TOTAL ELECTRIC FUND 15,405,786</b>
Transfers from General Fund - School Debt	651,734	School Fund Debt Principal 543,275
Transfers from General Fund - General Debt	452,164	School Fund Debt Interest 134,959
Interest Income	30,000	School Fund Debt Administrative Fee 3,500
Debt Service Reserves	-	General Fund Debt Principal 194,000
<b>TOTAL DEBT SERVICE FUND</b>	<b>1,133,898</b>	General Fund Debt Interest 255,664
		General fund Debt Administrative Fee 2,500
		<b>TOTAL DEBT SERVICE FUND 1,133,898</b>
Rents & Program Fees	127,500	Operating Expenses 188,025
Transfer from General Fund Operations	60,525	Payments for Economic Develop 125,000
Transfer from GF-Joint Economic Develop	125,000	
<b>TOTAL ECONOMIC DEVELOP</b>	<b>313,025</b>	<b>TOTAL ECONOMIC DEVELOP 313,025</b>
<b>TOTAL CITY FUNDS</b>	<b>\$ 63,980,288</b>	<b>TOTAL CITY FUNDS \$ 63,980,288</b>



**FY 17-18**

**FY 2017-18 BUDGET BY FUND  
PRIOR YEAR COMPARISON**

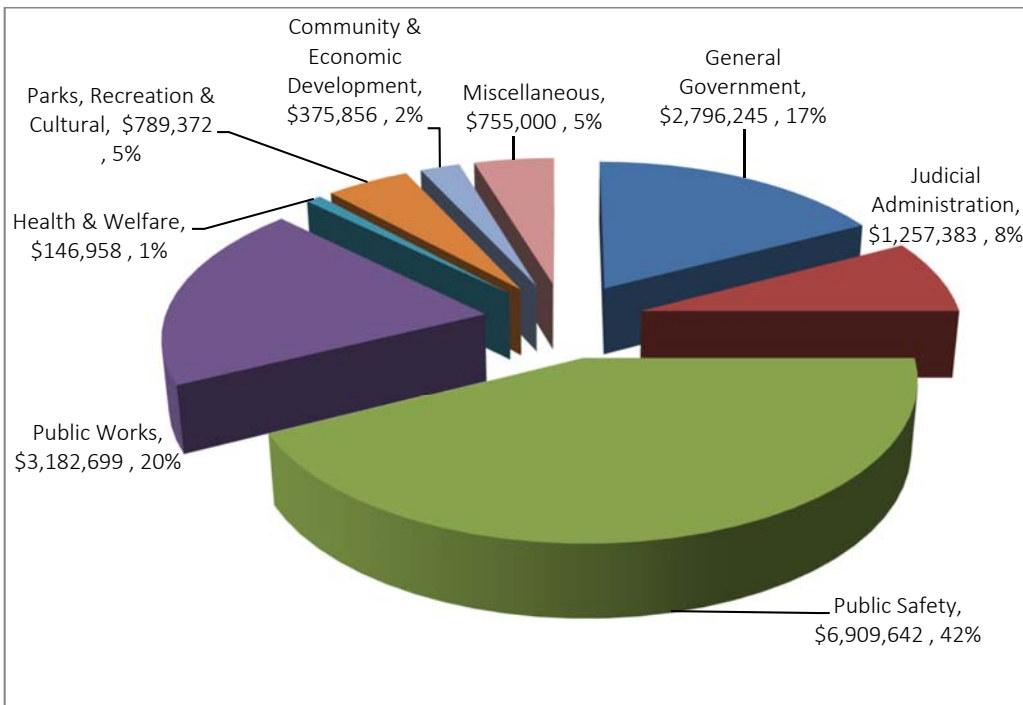
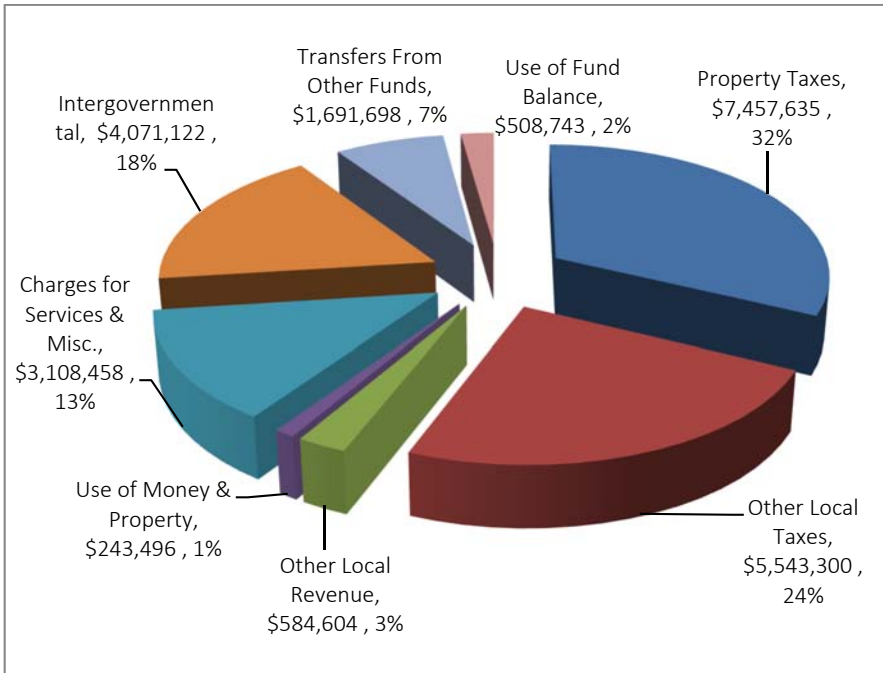
<b>AS OF 3/20/17</b>	<b>FY 16-17 ADOPTED</b>	<b>FY 16-17 AMENDED</b>	<b>City Manager Recommended FY 17-18</b>	<b>Variance over FY 16-17 Amended</b>	<b>Variance (%)</b>	<b>Variance Over FY 16-17 Adopted</b>	<b>Variance (%)</b>
General Fund*	\$ 15,442,674	\$ 16,307,166	\$ 16,213,155	\$ (94,011)	-0.58%	770,481	4.99%
Water & Sewer Fund	\$ 3,448,250	\$ 3,717,147	\$ 3,372,500	\$ (344,647)	-9.27%	(75,750)	-2.20%
Airport Fund	\$ 406,841	\$ 406,841	\$ 248,445	\$ (158,396)	-38.93%	(158,396)	-38.93%
Electric Fund	\$ 15,260,769	\$ 15,242,969	\$ 15,405,786	\$ 162,817	1.07%	145,017	0.95%
Solid Waste Fund	\$ 1,534,872	\$ 1,534,872	\$ 1,424,897	\$ (109,975)	-7.17%	(109,975)	-7.17%
Economic Dev. Fund	\$ 314,695	\$ 304,695	\$ 313,025	\$ 8,330	2.73%	(1,670)	-0.53%
School Fund	\$ 15,592,927	\$ 15,592,927	\$ 15,911,406	\$ 318,479	2.04%	318,479	2.04%
School Cafeteria Fund	\$ 792,339	\$ 792,339	\$ 823,000	\$ 30,661	3.87%	30,661	3.87%
School Textbook Fund	\$ -	\$ -	\$ 114,770	\$ 114,770	-	114,770	-
Social Services	\$ 1,683,196	\$ 1,715,266	\$ 1,797,143	\$ 81,877	4.77%	113,947	6.77%
Comprehensive Services	\$ 252,900	\$ 252,900	\$ 226,362	\$ (26,538)	-10.49%	(26,538)	-10.49%
School Debt Service	\$ 678,096	\$ 678,096	\$ 681,734	\$ 3,638	0.54%	3,638	0.54%
General Fund Debt Service	\$ 455,114	\$ 455,114	\$ 452,164	\$ (2,950)	-0.65%	(2,950)	-0.65%
<b>TOTAL</b>	<b>\$ 55,862,673</b>	<b>\$ 57,000,332</b>	<b>\$ 56,984,387</b>	<b>\$ (15,945)</b>	<b>-0.03%</b>	<b>\$ 1,121,714</b>	<b>2.01%</b>

\*Budget is prior to transfers to other funds

<b>2016-17 Primary Budget Major Amendments – General Fund</b>	<b>Amount</b>
Gateway Enhancement	\$8,336
Capital Projects Carryover	302,542
Justice Assistance Grant	6,000
Arts Grant	5,000
Liter Control Grant	6,192
Donations	13,847
Street and Highway Maintenance Funds	55,690
VDOT Road Improvement Project Funds	246,781
<b>TOTAL</b>	<b>\$644,388</b>

# WHERE THE MONEY COMES FROM

# GENERAL FUND SUMMARY



# WHERE THE MONEY GOES



# **FY 2017-2018 Budget**

## **Section 2**

### FINANCIAL POLICIES & POSITION SUMMARY

- ❖ General Fund Financial Policies (Fund Balance, Revenue, Budget and Debt Administration)
- ❖ Table of Authorized Positions
- ❖ Analysis of Personnel Changes



The City of Franklin has a responsibility to its citizens to account for public funds, to manage finances wisely, and to allocate resources efficiently and effectively in order to provide the services desired by the public. The primary objective of establishing Financial Management Policies is to provide a framework within which sound financial decisions may be made for the long term betterment and stability of the City.

#### OVERALL GOALS

- ❖ To ensure the City's sound financial condition at all times in:

Cash Solvency – the ability to pay bills

Budgetary Solvency – the ability to annually balance the budget

Long Term Solvency – The ability to pay future costs

Service Level Solvency – The ability to provide needed and desired services

- ❖ Adherence to City Charter and Code and the Code of the Commonwealth of Virginia.
- ❖ Adherence to the best accounting and management practices in conformity with generally accepted accounting procedures as applied to governmental units.

#### DEFINITIONS

**Assigned Fund Balance:** amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Fund Balance may be assigned either through the encumbrance process as a result of normal purchasing activity (which includes the issuance of a purchase order), or by the City Manager or his/her designee.

**Capital Project Fund:** Accounts for capital improvements financed from bond issues, special assessments and certain grants.

**Cash Balance:** The sum of cash and investments of an accounting fund.

**Committed Fund Balance:** amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of City Council. Formal Council action includes designations of funds to be held for a specific purpose in future fiscal years and budget amendments to carry forward appropriations that were unexpended at fiscal yearend.

**Debt Service Fund:** Accounts for repayment of debt.

**Enterprise Funds:** Account for activities for which a fee is charged to external users for goods and services. The Solid Waste Fund, Water & Sewer Fund, Airport Fund, and the Electric Fund are enterprise funds.

**General Fund:** The City's primary operating fund that accounts for City services not otherwise accounted for in a separate fund.

**Non-spendable Fund Balance:** Non-spendable Fund Balance includes amounts that cannot be spent because they are either not in spendable form such as inventories, pre-pays, or receivables that are reasonably expected to not be collected in the next year; or they are legally or contractually required to be maintained intact.

**Restricted Fund Balance:** Restricted fund balance includes amounts that have constraints placed on their use by external sources such as creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

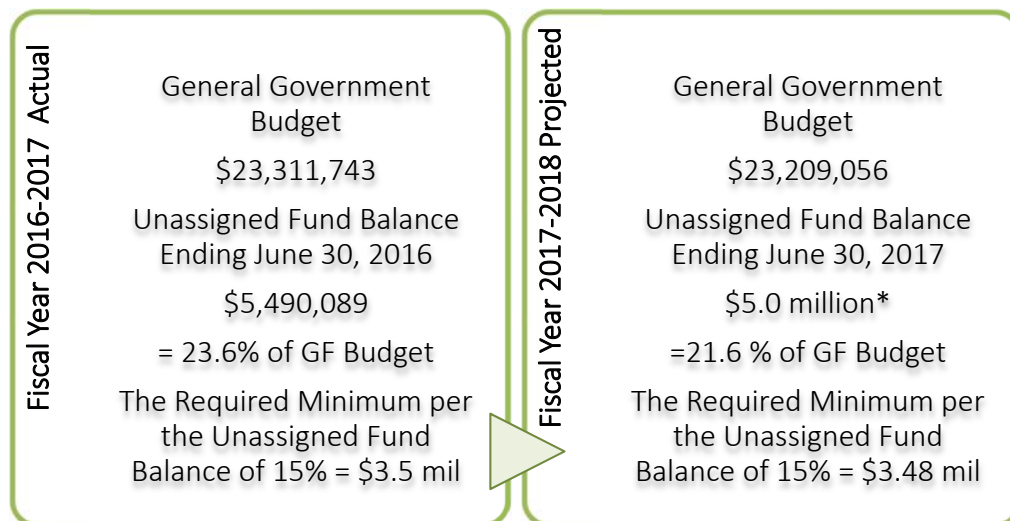
**Special Revenue Funds:** Account for proceeds of designated revenue sources used to finance specific activities.

**Temporary Borrowing:** Loan from one fund to another fund due to temporary cash shortage with the expectation of repayment within 12 months. Not considered legal debt.

**Unassigned Fund Balance:** The portion of fund balance, calculated in accordance with generally accepted accounting principles that is not in another category.

#### MINIMUM UNASSIGNED FUND BALANCE (NET ASSETS) POLICY

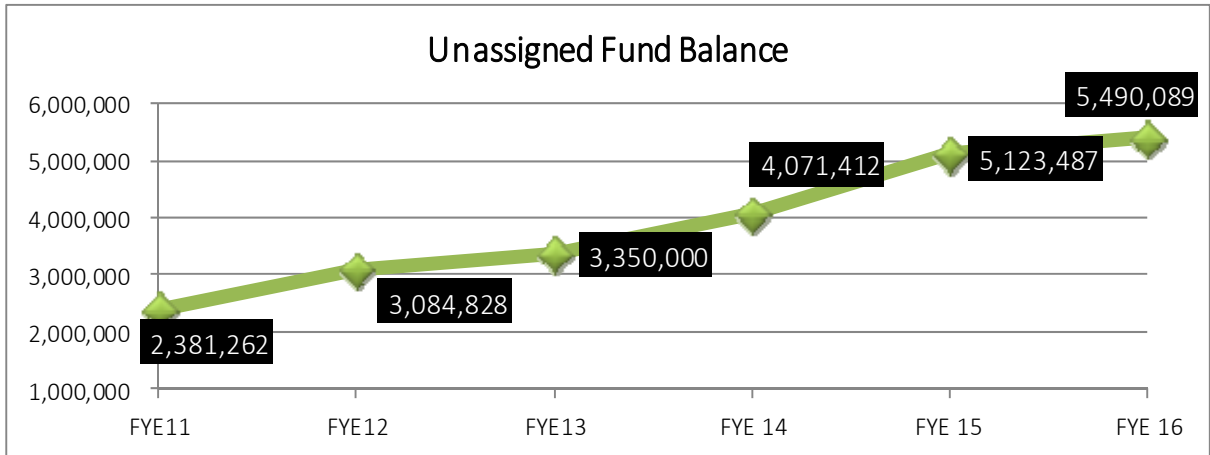
In order to avoid service disruptions that otherwise could arise from revenue shortfalls or unanticipated expenditures, the following range for unassigned fund balances (or unrestricted net assets) should be maintained at the end of each quarter. For the purpose of policy compliance evaluation, the below is shown as of the end of the fiscal year:



\*Policy Evaluation: The FY 2016-2017 projected unassigned fund balance at June 30, 2017 is yet to be determined but is expected to exceed the minimum policy guidelines as illustrated.



Below is a history of the City's Unassigned Fund Balance from June 30, 2011 through June 30, 2016. Since FY 2011, the City's unassigned fund balance has grown from \$2.38 million to a balance of \$5.49 mil at June 30, 2016.



#### **RESTORATION OF MINIMUM CASH OR UNASSIGNED FUND BALANCES**

Should the cash balance or the unassigned fund balance fall below the target levels, the City Manager will prepare and present a plan for restoration to the targeted levels. If a target level is not met or anticipated not to be met, a line item will be included in the fund's expense section to budget a minimum of 2% of the upcoming projected budget revenues until the targeted levels are met.

#### **EXCESS UNASSIGNED FUND BALANCES (NET ASSETS)**

In the event the unassigned fund balance exceeds any established maximum balance requirements in the General Fund or Enterprise Funds at the end of a fiscal year, the excess may be used in one or a combination of the following ways: (a) Retirement of existing debt; (b) One-time expenditures that do not increase recurring operation costs that cannot be funded through current revenues; [An example would be replacement of capital equipment or payment to a capital improvements project that would reduce the future debt of the City. Another example of a one-time expenditure would be refunds of a portion of specific revenue collected]; and, (c) Establishment of reserves for risk management, equipment replacement, capital projects, emergencies or disaster recovery.

#### **POLICY ON THE ORDER OF SPENDING RESOURCES**

The City considers restricted fund balance to be spent when expenditure is incurred for purposes for which restricted and unrestricted fund balance are available unless prohibited by legal documents or contracts. When expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

## REVENUE POLICIES

- ❖ Reassessment of real property will be made every two years
- ❖ The City will monitor all taxes to ensure they are equitably administered and are collected in a timely manner
- ❖ User Fees and Charges will be reviewed and updated on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as changes in the method and levels of service delivery.
  1. Rental of City Properties will be reviewed annually and compared to market rates.
  2. Building permit and inspection fees will be reviewed annually.
  3. Recreation program charges will be reviewed annually.
- ❖ Where possible the City will institute user fees and charges for specialized programs and services based on the cost of a particular service. Rates will be established to recover operational as well as capital or debt service costs.
- ❖ Revenue Shortfalls: In the event it is determined that revenues for the fiscal year will fall short of anticipated amounts, the City Manager shall provide Council with a plan for expenditure reductions and/or revenue enhancements in the current year to mitigate the anticipated shortfall.
- ❖ Revenues from fees and charges will be reviewed annually and compared with surrounding localities to determine whether they are fair and equitable and in-line with services provided.

## DEBT MANAGEMENT POLICIES

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling on the amount of general obligation borrowings a municipality may incur. While this is the legal limitation, the City is well aware it cannot take on expenditures beyond its fiscal means of affordability.

- ❖ General Debt Service Expense should not exceed 10% of the General Fund Expenses.
- ❖ Net general debt as a percent of taxable real estate valuations should not exceed 5%.
- ❖ Debt Service for Enterprise Funds should not exceed 20% of the Funds' annual expenses.

In determining general obligation debt limitations, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, general obligation bonds payable from a specified revenue producing undertaking [as long as the undertaking is self-supporting], and capital leases and revenue bonds. The City's enterprise operations for Electric Fund and Water and Sewer Fund bonded debt are a combination of self-supporting, general obligation and revenue bonds.

When the City finances capital improvements or other projects through bonds or capital leases, it will repay the debt within a period not to exceed the expected useful life of the projects.

**2016 General Debt Service as a Percentage of**

**\*General Fund Expenses = 5.0%**

\*calculation represents payment of annual principal and interest obligation

**2017 Projected General Debt Service as a Percentage of**

**\*General Fund Expenses =5.0%**

\*calculation represents payment of annual principal and interest obligation

2016 Net Bonded Debt as a **Percentage of Taxable Real Estate – 2.50%**

**Enterprise Funds**

Debt Service as a percentage of annual expenses for the Water & Sewer, Electric and Solid Waste Funds is less than 2.0%, well below the minimum policy guideline.

Policy Evaluation: The City is in compliance with its debt management policy guidelines for all debt funds.

## **BUDGET DEVELOPMENT AND BUDGETARY CONTROLS**

The City utilizes the following procedures in establishing the budgetary data reflected:

- ❖ The budget is formulated from estimates of revenues and expected expenditures from various departments. Line item detail of the various local, state and federal revenue sources is used to project current year estimated actual revenue, and anticipated revenue for the following year. Trend analysis, evaluation of current economic conditions and actions by the State legislature serve as the basis for projecting the ensuing year budget.
- ❖ The City also develops a Five Year Capital Improvement Plan to adequately address capital needs in the City and a proposed plan for financing projects. A recommended CIP is presented to City Council during presentation of the Operating Budget and adopted simultaneously. The first year of the CIP is incorporated into the City Manager's proposed operating and capital budget.
- ❖ At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The budget submitted to Council must be in balance, meaning expenditures recommended by the City Manager must not exceed the estimated revenue.
- ❖ Budget work sessions are held in which the various departmental proposed budgets are presented to City Council. This is a process which enables Council to make informed budgetary and financial planning decisions.
- ❖ City Council then holds a public hearing(s) on the proposed budget. Notice of such public hearing is advertised in the local newspaper not less than seven days prior to the hearing.
- ❖ The budget must be approved by a majority vote of City Council and legally adopted before July 1. A budget resolution is approved by City Council that formally adopts the budget by the various funds, levies the tax rates for the new fiscal year and sets various fees for City services.
- ❖ Additional appropriations may be made by City Council only if there is an undesignated fund balance or additional funding becomes available.
- ❖ Department Heads are responsible for managing departmental budgets within the total appropriated budget. Department heads shall prepare budget amendments for expenditures over a budgeted line item by more than \$20,000. The City Manager is authorized to transfer budgeted amounts within departments up to \$20,000. Expenditures over the original budget of any department must be approved by City Council. Transfers over \$20,000 must also be approved by City Council. The School Board is authorized to transfer budgeted amounts within the school system's categories. However, amendments to the School System budget (additional appropriations) require approval of City Council.
- ❖ Appropriations lapse on June 30 for all city units.



## Budget Process

Aug-Sept

- City Departments prepare goals and objectives

Oct-Nov

- Goal/Budget Work sessions held with City Council

Dec-Jan

- Budget packages distributed to Departments, agencies & organizations
- Finance staff and department directors begin to formulate preliminary revenue estimates
- Capital Improvement Project (CIP) request forms are submitted to departments

Feb

- City Manager & Finance review department budget submissions and CIP requests.
- Finance Staff compile preliminary revenue estimates

Mar

- City Manager & Finance meet with City Department heads on Budget Submissions

Apr

- Joint Work Sessions are held with School Board and City Council
- School Board Presents Budget Requests to City Council
- Agencies & Organizations present requests for funding to City Council
- City Manager presents Budget Requests to City Council
- City Council holds departmental budget work sessions to review operating & CIP requests

May

- City Manager presents Preliminary Recommended Budget & Draft Municipal Goals to City Council
- City Council holds work sessions to discuss the City Manager's proposed budget, Five Year CIP and review municipal goals.
- City Manager Presents Consolidated Budget to Council for consideration at public hearing
- Public Hearing Advertisement on City Manager's Proposed Budget

June

- Public hearing is conducted on City Manager Proposed Budget to receive taxpayer input
- City Council holds final work session(s)
- City Council takes formal action to adopt the Consolidated Budget as revised by Council; Budget Resolutions, Five Year Capital Improvement Plan, Municipal Goals and set the tax rates for the new year



*Position  
Summary*

## TABLE OF AUTHORIZED POSITIONS

Function/Program	FY 2017-2018 Proposed	FY 2016-2017 Adopted	Net FTE Change
<b>GENERAL FUND</b>			
City Manager	2	2	0
City Attorney	1	1	0
Human Resources	2	2	0
Treasurer	5	4.5	0.5
Commissioner of Revenue	5	5	0
Finance	5	5	0
Finance-Utility Billing	3	3	0
Registrar	1.5	1.5	0
Information Technology	<u>1</u>	<u>1</u>	0
<b>Total General Government Administration</b>	<b>25.5</b>	<b>25</b>	<b>0.5</b>
Police	33	33	0
E-911 Communications	10.5	9.5	1
Animal Control	1.5	1.5	0
Fire & Rescue - EMS	27	27	0
Inspections	<u>7</u>	<u>7</u>	0
<b>Total Public Safety Administration</b>	<b>79</b>	<b>78</b>	<b>1</b>
Public Works-Streets	16	16	0
Public Works - Garage	4	4	0
Public Works - Refuse collection	0	0	0
Public Works-Bldgs & Grounds	<u>10</u>	<u>10</u>	0
<b>Total Public Works Administration</b>	<b>30</b>	<b>30</b>	<b>0</b>
Park and Recreation	3.5	3.5	0
Senior Program	1	1	0
Library	0.5	0.5	0
<b>Total Parks &amp; Recreation</b>	<b>5</b>	<b>5</b>	<b>0</b>
Community Development & Stormwater Mgt.	2	2	0
Downtown Development	1	1	0
<b>Total Community Development</b>	<b>3</b>	<b>3</b>	<b>0</b>
<b>TOTAL GENERAL FUND</b>	<b>142.5</b>	<b>141</b>	<b>1.5</b>
Social Services	23	23	0
Economic Development - Incubator	0.5	0.5	0
Water & Sewer	13	13	0
Solid Waste	8	8	0
Electric Fund	16	16	0
Airport	<u>2</u>	<u>2</u>	0
<b>TOTAL NON GENERAL FUND</b>	<b>62.5</b>	<b>62.5</b>	<b>0</b>
<b>TOTAL POSITIONS - ALL FUNDS</b>	<b>205</b>	<b>203.5</b>	<b>1.5</b>



*Position  
History*

PERSONNEL CHANGE ANALYSIS

The Fiscal Year 2017-2018 Proposed Budget calls for an increase of 1.5 in total net full time equivalent positions. An 11 year history of the City’s budgeted full time positions is shown below in table 1.

HISTORY OF FULL TIME EQUIVALENT POSITIONS AS OF JUNE 30

*Table 1.*

FUND	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General	142.5	141	141	144	142	145	139	132	129	130	134	146
Social Services	23	23	23	22	22	20	20	19	19	20	18	19
Electric	16	16	16	16	16	16	14	14	16	15	20	20
Water & Sewer	13	13	13	13	16	13	13	16	14	14	16	16
Airport	2	2	2	2	2	2	2	2	2	2	2	2
Solid Waste	8	8	8	8	8	0	0	0	0	0	0	0
Economic Development	.5	.5	.5	1	1	1	1	Na	Na	Na	Na	Na
<b>TOTAL</b>	<b>205</b>	<b>203.5</b>	<b>203.5</b>	<b>206</b>	<b>207</b>	<b>197</b>	<b>188</b>	<b>183</b>	<b>178</b>	<b>182</b>	<b>185</b>	<b>204</b>



# FY 2017-2018 Budget

## ANALYSIS OF THE GENERAL FUND

- ❖ Revenue Assumptions, Analysis & Descriptions
- ❖ Summary of Revenue Changes from Prior Year
- ❖ Expenditure Assumptions, Analysis & Descriptions
- ❖ Summary of Expenditure Changes from Prior Year
- ❖ General Fund Highlights by Function
  - Legislative, General & Financial Administration
  - Judicial Administration
  - Public Safety
  - Public Works
  - Health & Welfare
  - Parks & Recreation
  - Community Development
  - Non Departmental





*Revenue*  
*Assumptions*

## GENERAL FUND REVENUE ANALYSIS FY 2017-18 ANNUAL OPERATING BUDGET

### INTRODUCTION

There are numerous revenue items in the General Fund Budget. This section summarizes the revenue categories and offers insight on the items that are the major producers of City resources. There are many economic and structural factors that determine the amounts of revenue that the City can expect to receive in any fiscal year. Economic variables that drive many of the revenues include short and long term interest rates, consumer confidence, retail sales, housing demands, and fuel prices. Other determinants include policies and formulas developed by the State to distribute educational, public safety, social service, and other funds as well as regulations on the establishment and administration of local taxes and fees.

Several factors were considered as part of the revenue projections for the upcoming fiscal year. Economic conditions are projected to show moderate recovery in select areas of the local economy. The City has been in a conservative mode in budgeting for revenues indicative of the economy such as meals, lodging and sales taxes and business license fees. Some of these revenue sources are showing signs of growth that are consistent with the performance of the current fiscal year.

While the State in large part recognizes its obligation to reimburse localities for State responsible functions, it does not provide the necessary funding nor reduce the service requirements. Even though the State eliminated the “Reduction in State Aid to Localities” beginning in FY 2015-2016, funding required by localities to adequately fund state supported operations continue to grow without a corresponding equivalent increase in state funding. The City receives little funding from the Federal Government outside of general government grant related activities and support for Social Services and Education programs (non General Fund).

	FY 2016- 2017	FY 17-18 Proposed	Change	FY 17-18 Percent of Budget
Property Taxes	\$ 7,478,693	\$ 7,457,635	\$ (21,058)	-0.3%
Other Local Taxes	\$ 5,481,000	\$ 5,543,300	\$ 62,300	1.1%
Permits, Fees, Fines & Licenses	\$ 204,970	\$ 584,604	\$ 379,634	185.2%
Use of Money & Property	\$ 244,046	\$ 243,496	\$ (550)	-0.2%
Charges for Service	\$ 1,458,967	\$ 1,433,821	\$ (25,146)	-1.7%
Miscellaneous & Revenue Sharing	\$ 1,535,079	\$ 1,674,637	\$ 139,558	9.1%
State & Federal	\$ 4,073,114	\$ 4,071,122	\$ (1,992)	0.0%
Transfers From Other Funds	\$ 1,603,196	\$ 1,691,698	\$ 88,502	5.5%
Use of Debt Service Reserve	\$ 454,415	\$ -	\$ (454,415)	-100.0%
Use of Restricted Fund Balance	\$ 98,743	\$ 58,743	\$ (40,000)	.
Use of Unassigned Fund Balance	\$ 212,135	\$ 450,000	\$ 237,865	112.1%
<b>TOTAL REVENUE</b>	<b>\$ 22,844,358</b>	<b>\$ 23,209,056</b>	<b>\$ 364,698</b>	<b>1.6%</b>

Approximately 56% of General Fund revenues are derived from taxes; 32% from real estate and personal property taxes and 24% from other local taxes such as meals, sales, cigarette, lodging and license taxes. The next largest source is revenue from the State (both categorical and non-categorical aid such as state reimbursement for shared expenses, HB 599 funds for police, street and highway maintenance funds and the state PPTRA reimbursement). A complete analysis of all revenue sources is included in the following section (Revenue Analysis and Descriptions).

The General Fund provides for the basic services extended to all residents and businesses in the City, including public safety, streets, recreation, library, court services, community development and general administration. It also includes significant contributions to the operation of the Franklin City Public School System, constitutional offices and other community organizations. Most General Fund Services are non-revenue producing, thereby requiring the use of ad valorem property taxes and other General Fund related revenue sources to provide funding. The Electric Fund provides significant support of General Fund operations through an inter-fund transfer in lieu of taxes and a City Council established appropriation of \$1.439 million annually which reduces pressure on the property tax.

The General Fund revenues are divided into the following categories: property taxes, other local taxes, licenses, permits and fees, fines and forfeitures, revenue from use of money & property, charges for services, transfers from other funds, miscellaneous revenue and recovered costs, non-categorical state aid, and categorical aid (shared expenses), other state and federal grants and prior year surplus and transfers.



*Revenue Analysis  
& Descriptions*

**General Property Taxes** are one of the major revenue sources for the General Fund and include *real estate, public service, personal and business property taxes*, and taxes on *machinery & tools*. Analyzing the cumulative tax values of all types of property on which the City levies a tax, the total City tax base for 2017 is projected to be \$626,805,264. A history of total property values by type is shown in Table 1.

**2017 PROJECTION OF TAXABLE PROPERTY VALUES**

Real Estate	Personal Property	Machinery & Tools	Public Service	Total
\$ 549,919,346	\$ 68,995,362	\$ 994,840	\$ 6,895,716	\$ 626,805,264

**Assessed Value of Taxable Property  
Last Ten Fiscal Years Ended June 30th**

Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporations		Total
				Real Estate	Personal Property	
2016	550,548,631	61,007,684	970,081	6,771,272	14,362	619,312,030
2015	546,840,453	60,195,857	928,666	6,551,183	43,818	614,559,977
2014	571,544,231	59,269,598	3,136,696	6,588,695	77,003	640,616,223
2013	550,495,439	55,575,941	2,993,303	6,927,392	13,914	616,005,989
2012	606,470,410	55,398,273	3,032,569	7,371,365	16,575	672,289,192
2011	629,410,310	57,061,332	3,018,957	7,761,879	42,224	697,294,702
2010	671,857,100	59,307,993	2,909,231	7,646,642	27,151	741,749,017
2009	561,634,400	57,716,863	573,729	8,480,797	39,340	628,445,129
2008	567,081,965	62,652,410	703,167	6,596,676	21,591	637,055,809
2007	418,087,841	56,659,923	738,901	8,611,442	39,123	484,137,230

Source: Franklin City Annual Financial Report 6/30/16 and 2017 Projections from the Commissioner of the Revenue

Table 1

FY 2017-2018 TAX RATE RECOMMENDATION			
Tax (per \$100 of assessed value)	FY 16-17	FY 17-18 Proposed	Prior Year Change
Real Estate	\$0.99	\$0.99	\$0.00
Real Estate (Downtown Tax District)	\$1.24	\$1.24	\$0.00
Personal Property	\$4.50	\$4.50	\$0.00
Machinery & Tools	\$2.00	\$2.00	\$0.00
Public Service(Real Estate & Personal Property)	\$1.00/\$4.50	\$1.00/\$4.50	\$0.00 Real Estate
Personal Property Tax Relief Percentage	52%	50%	(2.00%)

Table 2

**PROPOSED TAX RATE:**

The current real estate tax rate is \$0.99 per \$100 of assessed value. The FY 2017-2018 budget proposes the rate remain unchanged. This will be a third consecutive year is approved that the rate has been maintained at the current level. The City’s ten year tax rate history is depicted on the table that follows:

**10 Year Tax Rate History  
(per \$100 of assessed value)**

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Downtown District*</b>	<b>Personal Property</b>	<b>Machinery &amp; Tools</b>	<b>Public Service (RE/PP)</b>
<b>2016-17</b>	\$0.99	\$1.24	\$4.50	\$2.00	\$0.99/\$4.50
<b>2015-16</b>	\$0.99	\$1.24	\$4.50	\$2.00	\$0.99/\$4.50
<b>2014-15</b>	\$0.96	\$1.20	\$4.50	\$2.00	\$0.96/\$4.50
<b>2013-14</b>	\$0.90	\$1.14	\$4.50	\$2.00	\$0.90/\$4.50
<b>2012-13</b>	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
<b>2011-12</b>	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
<b>2010-11</b>	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
<b>2009-10</b>	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
<b>2008-09</b>	\$0.90	\$1.14	\$4.50	\$2.00	\$0.90/\$4.50
<b>2007-08</b>	\$0.85	\$1.09	\$4.50	\$2.00	\$0.85/\$4.50

*Table3. \*The Real Estate Tax Rate for the Downtown District is \$0.24 in addition to the City’s tax rate.*

**Real Estate Tax Relief Program for the Elderly or Disabled** - To counter the cost of real estate taxes for eligible citizens with fixed incomes, the City has established a program to fully or partially exempt elderly or disabled homeowners in Franklin based upon income limits and age. In Tax Year 2016, the tax relief amount for the elderly was \$29,248 and \$17,365 for qualifying disabled veterans.

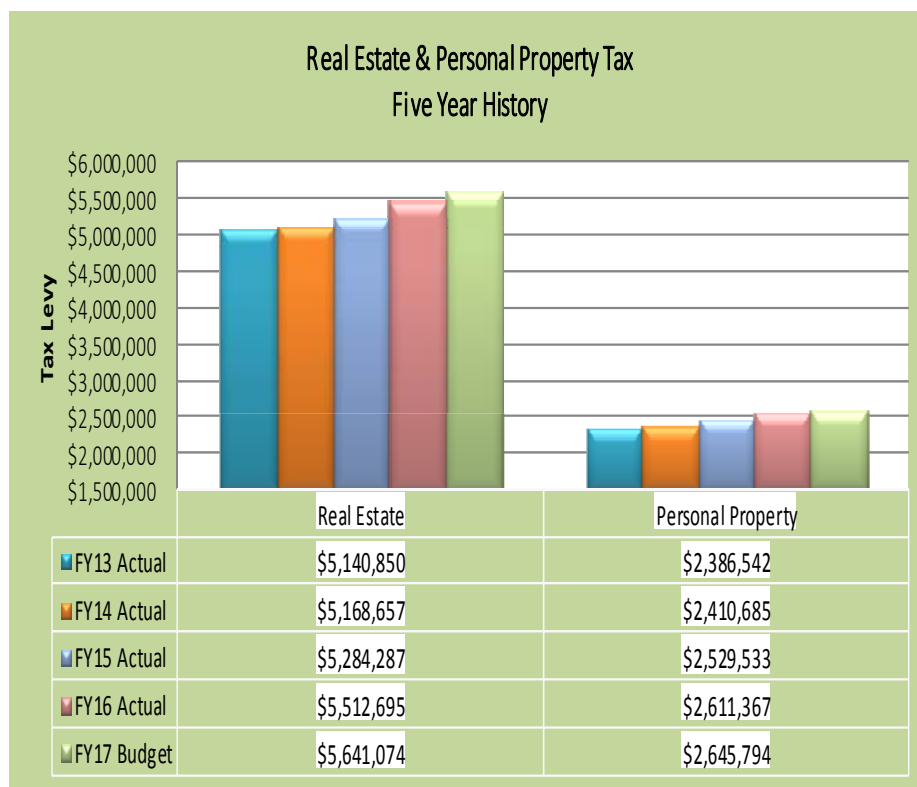
**Personal property tax** revenue is budgeted at \$1,596,897, an increase of 3.4% or \$51,897 above the FY 2016-2017 budget based on the current tax rate of \$4.50 per \$100 of assessed value. Since 1999, the Commonwealth of Virginia has reimbursed localities in Virginia for a portion of the levy included in the personal property tax on vehicles as authorized by the Personal Property Tax Relief Act (PPTRA). Beginning in 2006, the State began to reimburse localities a fixed amount based on the 2004 level of State reimbursement. For the City of Franklin, this totals \$1,048,897. The PPTRA rate for FY 2017-2018 personal use vehicles is estimated to be 50% down from 52% in FY 2016-2017. In essence, since the City receives a set value from the State for the Personal Property Tax Relief reimbursement, the City must annually adjust the relief percentage to maintain revenue neutrality.

**Disabled Veteran Personal Property Tax Exemption** – For the first time in FY 2017 – 2018, the City will exempt qualified disabled veterans from tax on one vehicle.

**Public Service Corporation Taxes** constitute the assessment value for all property owned by Public Service Corporations in the City and subject to local taxation. Revenue for FY 2018 is budgeted at \$68,614, a slight increase above current year projections.

**Machinery & Tools** tax is assessed to machinery and equipment used in manufacturing and processing. The City currently receives a marginal amount of revenue from this tax type. The FY 2017-2018 budget of \$21,050 is slightly lower than current year based on projected actual revenue.

**Penalties & Interest – Property Taxes** revenue is budgeted at \$130,000, a decrease of \$25,000 or 16.1% below the FY 2016-2017.



**Other Local Taxes** -This category consists of consumer utility taxes, sales and use taxes, business license fees, cigarette taxes, meals taxes, and lodging taxes.

Every person or business in the City that sells or furnishes a utility service must collect a consumer utility tax from the purchaser of the service. Utility tax is based on residential and commercial usage and is budgeted at \$535,000 for FY 2017-2018, in line with prior year actual revenue. However, of this amount, \$75,000 is remitted to Southampton County, City of Suffolk and Isle of Wight County for the utility taxes paid by utility customers located in these jurisdictions but serviced by Franklin City’s electrical utility company.

Sales & Use Tax is the retail sales and use tax charged and collected by certain businesses on behalf of the Commonwealth of Virginia. The City collects one percent of the 5.0% imposed by the Commonwealth on gross receipts from retail merchants in the City. Sales are indicative of consumer confidence and spending. Collections are estimated at \$1.873 million, a \$50,000 increase over the current budgeted amount. Sales projections are received from the Commonwealth, and are largely predicated upon regional economic growth estimates.

Business license revenue is projected at \$950,000, the same as the current fiscal year budget. This tax is generally assessed on the gross receipts of businesses in the City depending on the category of the business. A new business must obtain a business license from the Commissioner of Revenue before conducting business in Franklin.

Lodging tax is imposed and levied by the City in the amount of 8% of the total paid for lodging, by or for any transient, to any hotel. The budget for FY 2017-2018 is \$130,000, the same as the current year's budget.

Restaurant/Meal Tax is assessed on the sales price of prepared food and beverages sold at food establishments in the City. The City imposes a tax of 6.5%. Revenue from meals tax is budgeted at \$1.44 million for FY 2017-2018, a \$20,000 or 1.4% increase from budgeted revenue in FY 2016-2017 based on a full year of new business activity.

Cigarette Tax – The code of Virginia, Section 58.3830 allows for local taxation on the sale or use of cigarettes. The City of Franklin charges \$0.60 per pack of cigarettes. The FY 2017-2018 budget of \$330,000 is \$15,000 or 4.3% lower than the prior year budget based on projected actual receipts for the current fiscal year budget.

Other local tax collected is the remaining local taxes not previously mentioned including bank stock, motor vehicle licenses, local electric consumption tax, right of way use, local probate and recordation taxes as well as penalties and interest. The combined total for these revenues is \$360,300, a \$7,300 increase from the current year budget. The table below provides a history of revenue received from various local taxes.

Local Tax	FY 11-12 Actual	FY 12-13 Actual	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Projected	Percent Growth since FY 11-12
Sales	1,722,471	1,801,159	1,722,799	1,800,368	1,815,000	5%
Meals	1,330,207	1,262,429	1,294,882	1,439,601	1,400,000	5%
Lodging	198,481	152,875	149,854	149,166	130,000	-35%
Cigarette	244,959	356,358	342,433	373,904	345,000	41%
Business License	925,843	924,748	951,518	920,118	950,000	3%
Motor Vehicles	180,859	174,012	172,449	195,333	180,000	0%

### **License, Permit & Privilege Fee**

These revenues are generated from various activities within the City primarily from the issuance of building, electrical and plumbing permits for the City and Southampton County. Other fees are collected for animal licenses, zoning and land use activities and charges. The projected revenue for this category totals \$547,604, a \$382,884 increase from the previous year budget. The increase is primarily attributable to the increased permit fees associated with the solar farm project in Southampton County and is based on projected fees expected in the current year in addition to known factors regarding inspections activity. The City collects all fees under the Shared Services agreement with Southampton County and a portion of the fees are remitted to the County for their applicable share of expenses less fees collected for services provided in the County. The shared percentage of these revenues is estimated at 65% County and 35% City in typical years, but the County share is expected to increase significantly in FY 2017 – 2018 related to the solar project impact.

### **Fines and Forfeitures**

These collections are the result of charges ordered by the courts for violations of City ordinances, and is projected at \$37,000 for FY 2017-2018, a \$3,250 decrease from FY 2016-2017 budget.

### **Revenues from Use of Money & Property**

Interest earned on investments and revenue received from the rental of City property comprises the category of revenue generated from the use of money and property (agency rental of M. L. King, Jr. Center and Health Department). However, the majority of this revenue source is received from the Department of Social Services under the current Memorandum of Understanding for the reimbursement of building rental and facility operations. The City also receives annual rental payments from the use of City owned land. The FY 2016-2017 proposed budget is \$243,496, a \$550 decrease from current year's budget.

### **Charges for Services**

This category consists of revenues from fees charged by ambulance services, fire and EMS fees charged to Southampton County, recreation fees, charges for general administrative services provided on the behalf of the City's Enterprise Funds (Water & Sewer, Electric, Airport, and Solid Waste), and other miscellaneous charges. Charges for services will see a slight decrease in FY 2016-2017 based on the City's most recent Cost Allocation calculation.

The City's Emergency Medical Services (EMS) Cost Recovery program is designed to obtain reimbursement for the cost of emergency medical services associated with transporting citizens to the hospital by ambulance. Charges for Ambulance Service Fees are based on premiums paid by Medicare, Medicaid and other private insurance for ambulance transport. Charges vary based on the type of service provided and the distance traveled to the hospital. Franklin, along with nine other jurisdictions in the Tidewater Region, uses Fidelis to administer the EMS Recovery Program. FY 2016-2017 projected revenue from this source is \$325,000 consistent with the prior year projections.

As discussed previously, management recommends a review in the new fiscal year of policies on collection efforts for pursuing and improving outstanding billed but unpaid ambulance service fees. Given the cost of providing emergency medical services, this is one means of lowering the taxpayer burden necessary to provide this important service. User fees are a more fair and equitable means of distributing costs in the fire and emergency services arena. Management also is committed to further

pursuing potential jurisdictional partnerships with neighboring localities to also positively impact on city costs without compromising service obligations.

**FEES FOR AMBULANCE BILLING SERVICES**

	Current Year	Proposed Rates	Change
Advanced Life Support (1)	\$ 550.00	\$ 550.00	\$ -
Advanced Life Support (2)	\$ 800.00	\$ 800.00	\$ -
Basic Life Support	\$ 450.00	\$ 450.00	\$ -
Mileage Rate to Hospital	\$ 13.00	\$ 13.00	\$ -

**Miscellaneous Revenue and Recovered Cost**

This category includes primarily revenue sharing received under the City’s Revenue Sharing Agreement with Isle of Wight County. It also includes donations, proceeds from the sale of property, and other unanticipated miscellaneous revenue. Reflected in recovered cost are proposed payments received from Southampton County under the consolidated shared services agreement. The City is slated to receive an average reimbursement of 65% or \$270,000 for all services (personnel and operating) provided to the County as administered by the City net of fees collected from services strictly provided to County residents and businesses. The FY 2016-2017 budget also includes a projected \$310,000 in utility billing fees associated with late payments in accordance with billing and collection policies established in February 2014.

Under a revenue sharing (annexation) agreement, the City receives a percentage of the taxes, primarily machinery & tools, from operations at the International Paper plant site located in Isle of Wight County. Prior to the closure of the mill in 2009, the City consistently received revenue sharing benefits in excess of \$1.0 million annually. This amount was significantly reduced beginning in FY 2010-2011 as a result of the closure. In 2012, a portion of the mill was repurposed and other business interests have located on the campus which results in partial revenue recovery as evidenced by the FY 2016-2017 payment and the projected payment for FY 2017-2018 projected at \$720,000.

**History of Revenue Sharing Payments from Isle of Wight County**

Fiscal Year	Payment
2008-2009	\$ 1,274,706
2009-2010	\$ 1,283,291
2010-2011(1)	\$ 409,232
2011-2012	\$ 1,193,025
2012-2013	\$ 227,529
2013-2014	\$ 540,850
2014-2015	\$ 699,141
2015-2016	\$ 709,170
2016-2017 (2)	\$ 710,000

*(1) The City took a hit in FY 2010-2011 to correct the accounting for the receipt of the revenue sharing payment to agree with Isle of Wight distribution period; this helped the City to realize revenue in the year subsequent to the plant closing in which a significant reduction of revenue occurred.*

*(2) Reflects current year payment from Isle of Wight County.*



## Shared Expenses

This category consists of reimbursement for shared expenses in which the State provides funding assistance for salaries as determined by the State Compensation Board on an annual basis for specified local officials. The affected offices in this category are the Commissioner of Revenue, Treasurer and Voter Registrar. In FY 2017-2018 the City is expected to receive reimbursements of \$80,715, \$73,089, and \$35,000 respectively for the Commissioner, Treasurer and Registrar offices for a total of \$188,804 in categorical aid. This is a \$1,309 increase over FY 2016-2017. State support for constitutional officers overall continues to fall short of adequately funding their fair share of operating expenses for FY 2017-2018. The City must fund the remainder of these operating expenses with local resources.

The following table shows the estimated reimbursement along with the FY 2017-2018 recommended budget amount for each office, and the City cost for each:

Department	FY 2017-18 Revenue	FY 2017-2018 Budget	City Costs	City Cost as a % of Budget
Comm of Revenue	\$ 80,715	\$ 268,915	\$ 188,200	70%
Treasurer	\$ 73,089	\$ 333,344	\$ 260,255	78%
Registrar	\$ 35,000	\$ 176,400	\$ 141,400	80%
<b>Total</b>	<b>\$ 188,804</b>	<b>\$ 778,658</b>	<b>\$ 589,854</b>	<b>76%</b>

## State Revenues (Non-Categorical Aid)

This category includes funding for PPTRA tax reimbursement, communication taxes, recordation taxes, stock taxes, and auto rental taxes. The FY 2017-2018 budget is \$1,643,897, a decrease of \$25,000 compared to the current year budget.

## State Revenues (Categorical Aid)

This section includes funding for a variety of city functions and state grants, the largest being *street and highway maintenance funds* followed by *599 funds for Law Enforcement*. Revenue for street & highway maintenance is received from the Virginia Department of Transportation for the City's maintenance of primary and secondary roads based on a formula including reimbursement rate and locally maintained lane miles. The street and highway maintenance budget for FY 2017-2018 is \$1.697 million, a \$6,841 increase from the current year budget. The City's police department recovers some of its costs from the "599 funds" distributed by the Commonwealth of Virginia. The budget for these funds for FY 2017-2018 remains unchanged at \$417,544.

## Federal Revenue

Federal revenue represents monies received by the City from various federal grant programs. Grants associated with the General Fund are normally appropriated upon notification and/or receipt of the grant award. The amount of federal funds for FY 2016-2017 is minimal based on the completion of the SAFER grant funds included in a previous three year budget cycle.

## Use of Restricted & Unassigned Fund Balance

A fund balance is created when revenue exceeds expenditures in prior fiscal years and should not be considered a continuing income source and particularly not for recurring operating expenditures. A portion of fund balance may be appropriated in subsequent years to meet expenditure requirements. Due to reductions in unassigned fund balances or reserves experienced in prior years, management has consistently recommended that the City refrain from significant appropriation of unassigned fund balance except for debt reserve funds created for that purpose, restricted revenues and capital expenditures particularly until reserve levels comfortably exceed minimum policy requirements. In uncertain or difficult times, the value of adequate reserve funds to either meet unexpected needs or take advantage of opportunities cannot be overstated. These funds can also be utilized when balances exceed minimum policy requirements to reduce costs by funding major items on a “pay-as-you-go” basis rather than relying entirely upon borrowing funds in the case of capital projects. This is also a good source for matching funds when grant opportunities are identified. This spending plan is consistent with the long-term goal of maintaining an acceptable minimum reserve while avoiding fluctuations in rates and charges. The budget proposal for FY2017-2018 is built with these principles in mind and does not inappropriately supplement the operating budget. Alternatively, recommendations are typically limited to committed or restricted use funds and unassigned funds for capital items as reflected in the proposed Capital Improvement Budget.

The FY 2017-2018 Budget includes an appropriation of \$450,000 unassigned fund balance which is a \$436,300 decrease from the \$886,300 appropriated in the current fiscal year. There is also an appropriation of \$58,743 of restricted fund balance for previously identified capital outlay expenditures.



*General Fund Expenditures*

**INTRODUCTION**

The General Fund is comprised of the following categories: Legislative & General Government Administration, Judicial Administration, Public Safety, Public Works, Health & Welfare, Parks, Recreation & Cultural, Planning & Community Development and Non-Departmental.

Provided below are brief highlights of major expenditure adjustments incorporated into the FY 2017-2018 Recommended Operating Budget. Preceding the categorical highlights are “items of interest” that affect the entire general fund budget and may not be necessarily mentioned in the

highlights sections:

- ❖ **Virginia Retirement System (VRS)** - The City currently provides equitable deductions to all groups of employees since the VRS phase in on longer term employees was completed in a prior year.

*Approximately 91% of the City's full time employees participate in the City's Health Insurance Plan*

- ❖ **Health Care Insurance** – The City currently participates in the State’s Local Choice Program for health insurance. The Local Choice is a pooled program whereby localities similar in size are grouped together. This is intended to increase purchasing power, which reduces cost while shared claims experience offers some protection in years when jurisdictions experience high claims. Trend estimates tend to track lower than the commercial health care market. Overall, the City will experience a 6.1% increase in health insurance costs effective July 1, 2017. Given the amount of the premium increase for FY 2017-2018, management recommended and Council has approved that the impact be shared with the City absorbing 5.3% of the impact.

<b>G-F Increase in City Share of Health Insurance Cost (Includes Early Retirees)</b>	<b>\$52,366</b>
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- ❖ **Worker’s Compensation** - The City participates in the Virginia Municipal League Insurance Program (VMLIP) for its worker’s compensation coverage. VMLIP is a self-insurance pool in the Commonwealth of Virginia and provides auto, property, liability, and workers’ compensation coverage to political subdivisions across Virginia. The FY2016-2017 budget for Worker’s Compensation reflects updated premium amounts based on the most recent evaluation of rates for each class of worker by VML. The City experienced a “good” year in terms of its worker’s compensation claims experience. As a result, the actual budget for most departments will see a decrease.
- ❖ **Salary Adjustments** – The proposed budget does not recommend any layoffs, furloughs or pay reductions but does require some provision for vacancy savings in certain departments with current unfilled positions. No salary increase in the form of a COLA is proposed for FY 2017-2018 in the General Fund. The annualized funding for the increase effective December 1, 2016 does impact on the FY 2017-2018 budget however. The chart that follows provides a history of salary adjustments for the past eleven years.

**TOTAL ANNUAL Cost to Provide 2.0% COLA \$113,485**  
**Effective 12/1/16 (\$32,597 over FY 16-17)**

*The net impact to  
the General Fund of  
these salary and  
fringe benefit  
changes as outlined  
is  
**\$159,851***

FY 06-07	4.0%	7/1/2006			
FY 07-08	4.0%	7/1/2007			
FY 08-09	2.0%	7/1/2008			
FY 09-10	0.00%				
FY 10-11	0.00%				
FY 11-12	1.5%	8/1/2011			
FY 12-13	0.0%		\$500	12/18/2012	1.1%
FY 13-14	2.0%	7/1/2013			1.1%
FY 14-15	0.0%		\$500	12/16/2014	1.1%
FY 15-16	2.0%	9/1/2015			1.1%
FY 16-17	2.0%	12/1/2016			1.1%

Excludes Any Additional State Raises for Applicable Employees



<b>FUND - GENERAL</b>	<b>ACTUAL FY 15-16</b>	<b>BUDGET AS AMENDED FY 16-17</b>	<b>BUDGET PROPOSED FY 17-18</b>	<b>VARIANCE \$</b>	<b>VARIANCE %</b>
CITY COUNCIL	\$158,844	\$190,518	\$190,003	\$(515)	-0.3%
CITY MANAGER	\$183,377	\$209,138	\$218,426	\$9,288	4.4%
CITY ATTORNEY	\$191,961	\$190,580	\$164,248	\$(26,332)	-13.8%
MANAGEMENT SERVICES & HR	\$142,036	\$138,854	\$175,847	\$36,993	26.6%
COMMISSIONER OF REVENUE	\$253,857	\$265,609	\$268,915	\$3,306	1.2%
REAL ESTATE ASSESSOR	\$102,554	\$60,725	\$122,405	\$61,680	101.6%
TREASURER	\$264,456	\$301,342	\$333,344	\$32,002	10.6%
FINANCE	\$575,502	\$674,298	\$689,167	\$14,869	2.2%
INSURANCE	\$158,175	\$178,159	\$195,232	\$17,073	9.6%
ELECTIONS	\$123,076	\$159,043	\$176,400	\$17,357	10.9%
INFORMATION TECHNOLOGY	\$700,473	\$270,021	\$262,258	\$(7,763)	-2.9%
<b>TOTAL</b>	<b>\$2,854,311</b>	<b>\$2,638,287</b>	<b>\$2,796,245</b>	<b>\$157,958</b>	<b>6.0%</b>

### FY 2017-2018 Highlights

**City Council** – The FY 2017-2018 budget reflects an appropriation in the Contingency Fund of \$50,000, which is less than 1% of the total general fund budget and slightly above the FY 2016-2017 budget of \$45,599. Transfers to other departments totaling \$42,026 were made from the Contingency Fund in the current fiscal year. The FY2017-2018 budget for contributions to various agencies and organizations in the City is \$44,898. Management’s recommendation for FY 2017-2018 is \$5,041 lower than the current fiscal year for all agencies.

**City Manager** - The FY 2017-2018 budget anticipates increased net costs associated with filling a vacancy.

**City Attorney** – The FY 2017-2018 budget reflects a decrease of \$30,000 over the prior year budget for professional services.

**Human Resources** – This department anticipates filling a vacancy and the FY 2017-2018 budget includes an additional \$50,607 cost. Other operational savings of \$13,614 are anticipated in the proposed budget.

**Commissioner of the Revenue** – The increase in the FY 2017-2018 budget is primarily associated with personnel costs related to salaries and fringe benefits changes.

**Real Estate Assessor** – The 2017-2018 budget reflects the increase in professional services for the upcoming bi-annual property reassessment to be completed in FY 2017-2018.

**City Treasurer** - The FY2017-2018 budget includes a \$22,371 net increase in salaries & benefits primarily associated with personnel changes related to converting a part time employee position to a full-time position, \$5,200 net increase in contractual services largely attributable to carrier services for cash transportation services, \$3,200 increase in costs associated with E-ZPasses, and \$1,231 increase in other general operating expenses.

**Finance** – The FY 2017-2018 budget includes increased funding for a temporary part time assistance for succession planning for anticipated retirement.

**Insurance** – The budget includes increased cost for early retirees not eligible for Medicare on the City's Health Insurance Plan. For all employees covered by the health care plan, the City elected to cover 5.3% of the increase in the employee only cost which is paid by the City. Currently, 25 early retirees are enrolled in the City's health insurance plan. The estimated annual cost to the City is \$174,000. The budget also includes the cost of retirement benefits at 10.98% of base salaries for all full time employees.

**Elections** – The FY 2017-2018 budget includes net increased maintenance service contract costs of \$3,624 related to firmware & hardware for voting machines, \$3,500 increase in printing & binding costs, \$6,290 increase in special payments to officers related to the general elections & dual primaries and \$3,943 net increase in other operating expenses. In addition, the proposed capital improvement budget includes \$44,405 for year two of a 0% interest charge two year lease purchase to cover the costs for new elections equipment. The obsolete equipment in each polling district was replaced with Optical Digital scanners as recommended by the State Board of Elections and first used in the City's May 2016 election.

**Information Technology** – The FY 2017-2018 budget includes a net increase of \$26,612 in salaries & benefits due to personnel changes, \$4,975 net decrease in professional & maintenance contracts that were no longer needed by the City, \$33,500 net decrease in capital expenses primarily related to the software upgrade project which was completed in the current year, and \$4,100 net increase in other operating expenses.



*Judicial  
Administration*



FUND - GENERAL	ACTUAL FY 14-15	ADOPTED FY 15-16	PROPOSED FY 16-17	Variance \$	Variance %
GENERAL DISTRICT COURT	11,956	15,075	18,091	3,016	20%
JOINT OPERATIONS	268,345	259,947	253,857	(6,090)	-2%
DISTRICT COURT/JUVENILE	158,928	85,503	57,882	(27,621)	-32%
WESTERN TIDEWATER REGIONAL JAIL	851,235	922,091	921,980	(111)	0%

### FY 2017-2018 Highlights

**Joint Services** – The City shares the cost of court services with Southampton County based on an agreed upon distribution formula of 30% of the total cost. FY 2017-2018 cost increased by 2.5% largely based on shared personnel costs in the Clerk of Circuit Court and Sheriff’s function.

**District Court-Juvenile** - Includes cost incurred for juvenile detention. No significant changes in total detention expenditures. Actual costs can fluctuate dramatically from year to year based upon services rendered.

**Western Tidewater Regional Jail** – The City’s cost for FY 2017-2018 for adult prisoner remained the same as the current fiscal period. Participating localities of Franklin, Isle of Wight and Suffolk proportionately absorb their applicable share of jail administration costs.



FUND - GENERAL	ACTUAL FY 14-15	BUDGET FY 15-16	PROPOSED FY 16-17	Variance \$	Variance %
POLICE	2,863,274	2,839,223	3,022,600	183,377	6%
E911 COMMUNICATIONS	738,797	630,506	511,862	(118,644)	-19%
ANIMAL CONTROL	92,632	101,223	105,308	4,085	4%
FIRE & EMERGENCY SERVICES	2,327,394	2,263,303	2,335,450	72,147	3%
CIVIL DEFENSE & SAFETY	66,673	70,916	-	(70,916)	-100%
BUILDING INSPECTIONS	474,980	510,281	522,862	12,581	2%
<b>TOTAL</b>	<b>5,824,953</b>	<b>5,784,946</b>	<b>6,498,082</b>	<b>201,274</b>	<b>3%</b>

### FY 2017-2018 Highlights

**Police Department** - The increase in funding is primarily attributed to prior year personnel commitments and other applicable personnel adjustments to include fringe benefits. The budget includes \$17,800 for a Department Policy & Training Development Project and \$10,000 for radio repeater equipment for enhanced radio coverage. The FY2017-2018 Capital Improvement Program includes \$91,000 for vehicles.

**E911 Communications** – The FY2017-2018 budget includes the cost of a new dispatcher at \$27,999. In addition, the FY2016-2017 budget included the one-time funding of \$175,480 for E911 dispatcher consoles.

**Fire & Emergency Services** – The budget for Fire & Rescue increased from FY 2016-2017 primarily due to \$37,510 of increased expenses related to the River Gauge project which are being offset by \$37,400 of revenues from participating agencies.

**Building Inspections** – The \$9,431 increase is largely the result of almost full funding of all personnel changes. These departmental costs are shared with Southampton County.



# Amnesty Week.....

Annually in the Months of April & October



*Public Works  
Administration*

FUND - GENERAL	ACTUAL FY 15-16	BUDGET AS AMENDED FY 16-17	BUDGET PROPOSED FY 17-18	VARIANCE \$	VARIANCE %
PUBLIC WORKS - STREETS	\$1,895,276	\$2,328,028	\$1,962,645	\$(365,383)	-15.7%
PUBLIC WORKS - SNOW REMOVAL	\$10,914	\$16,500	\$13,000	\$(3,500)	-21.2%
PUBLIC WORKS - GARAGE	\$223,676	\$233,442	\$235,102	\$1,660	0.7%
BUILDINGS & GROUNDS	\$990,778	\$1,035,552	\$971,952	\$(63,600)	-6.1%
<b>TOTAL</b>	<b>\$3,120,644</b>	<b>\$3,613,522</b>	<b>\$3,182,699</b>	<b>\$(430,823)</b>	<b>-11.9%</b>

## FY 2017-2018 HIGHLIGHTS

**Public Works Streets** – No general operating highlights. The variance is primarily attributable to funding the FY 2016-2017 Capital Improvement Plan.

**Public Works Garage** – No significant changes in total garage expenditures.

**Building Maintenance** - The decrease of \$63,600 is largely due to the fact that the City will no longer incur the costs to maintain the Armory facility.



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<b>FUND - GENERAL</b>	<b>ACTUAL FY 15-16</b>	<b>BUDGET AS AMENDED FY 16-17</b>	<b>BUDGET PROPOSED FY 17-18</b>	<b>VARIANCE \$</b>	<b>VARIANCE %</b>
HEALTH DEPARTMENT	\$110,000	\$110,000	\$110,000	\$-	0.0%
MENTAL HEALTH DISTRICT	\$35,198	\$35,198	\$36,958	\$1,760	5.0%
<b>TOTAL</b>	<b>\$145,198</b>	<b>\$145,198</b>	<b>\$146,958</b>	<b>\$1,760</b>	<b>1.2%</b>

### FY 2017-2018 Highlights

**Health Department** – The City’s contribution to the Franklin City Health Department remains at \$110,000 for various environmental, family health & nutrition and disease prevention services.

**Mental Health District** – The proposed expenditures reflect the contribution to the Western Tidewater Community Services Board for community mental health services provided to Franklin citizens.



*Parks & Recreation*



FUND - GENERAL	ACTUAL FY 15-16	BUDGET AS AMENDED FY 16-17	BUDGET PROPOSED FY 17-18	VARIANCE \$	VARIANCE %
PARKS & RECREATION	\$361,788	\$374,601	\$388,673	\$14,072	3.8%
CEMETARY MAINTENANCE	\$37,400	\$40,500	\$44,448	\$3,948	9.7%
SENIOR CITIZENS PROGRAM	\$40,044	\$52,338	\$52,148	\$(190)	-0.4%
LIBRARY	\$285,061	\$304,725	\$304,103	\$(622)	-0.2%
<b>TOTAL</b>	<b>\$724,293</b>	<b>\$772,164</b>	<b>\$789,372</b>	<b>\$17,208</b>	<b>2.2%</b>

### FY 2017-2018 Highlights

**Parks & Recreation** – The FY 2017-2018 budget includes a decrease of \$11,800 in contractual services, a decrease of \$3,000 in office equipment and a \$30,000 increase in shared service cost with Southampton County for potential shared recreation services to be determined by mutual agreement and authorized by Council and the Board of Supervisors.

**Cemeteries** – No significant changes in total senior citizens program expenditures.

**Senior Citizens Program** – No significant changes in total senior citizens program expenditures.

**Blackwater Regional Library** – No increase in the City budget based on contract formula applied to determine the City’s share of the regional library budget. No significant changes in total library expenditures. A recommended appropriation item will provide for a summer remedial reading program at the Martin Luther King, Jr. Center if approved by both parties and authorized by Council.

### Parks & Recreation Facilities:

Armory Drive Recreational Park  
 Barrett's Landing Park  
 Bruce Street Park  
 Hayden Sports Complex  
 College Drive Park

Martin Luther King, Jr. Center  
 Memorial Park  
 Paul D. Camp Field  
 High Street Park



FUND - GENERAL	ACTUAL FY 15-16	BUDGET AS AMENDED FY 16-17	BUDGET PROPOSED FY 17-18	VARIANCE \$	VARIANCE %
PLANNING	\$160,230	\$201,553	\$260,856	\$59,303	29.4%
BEAUTIFICATION	\$10,454	\$19,528	\$5,000	\$(14,528)	-74.4%
DOWNTOWN DEVELOPMENT	\$112,661	\$110,230	\$110,000	\$(230)	-0.2%
<b>TOTAL</b>	<b>\$283,345</b>	<b>\$331,311</b>	<b>\$375,856</b>	<b>\$44,545</b>	<b>13.4%</b>

### FY 2017-2018 Highlights

**Planning** –The \$59,303 increase in the Planning budget is primarily due to full year funding of the environmental compliance officer position that was unfunded in the current year. The cost of this department is shared with Southampton County.

**Beautification** – No significant changes to report. Funds are amended to the budget each year for a Litter Control Grant awarded by the State Department of Environmental Quality for litter control activities and programs in the City. Funds have been used in the past to purchase trash receptacles which are strategically placed throughout various areas of the City. The City annually participates in Arbor Day activities as a long standing designated “Tree City USA” community.

**Downtown Development** – A portion of the funding for this budget comes from the collection of the \$.024 real estate tax rate charged in the downtown tax district. The amount anticipated from the tax levy to fund the Downtown Development office is \$55,000. The remainder is the City’s contribution of \$55,000.



*Non-Departmental*

FUND - GENERAL	ACTUAL FY 15-16	BUDGET AS AMENDED FY 16-17	BUDGET PROPOSED FY 17-18	VARIANCE \$	VARIANCE %
REVENUE SHARING PAYMENT	\$763,232	\$700,000	\$700,000	\$-	0.0%
MERCHANT CARD FEES	\$49,188	\$22,000	\$55,000	\$33,000	150.0%
<b>TOTAL</b>	<b>\$812,420</b>	<b>\$722,000</b>	<b>\$755,000</b>	<b>\$33,000</b>	<b>4.6%</b>

### FY 2017-2018 Highlights

**Revenue Sharing Payment** – The revenue sharing payment is based on a series of tax and utility calculations that reflects the City’s share to Southampton County for revenue received along the Industrial Corridor (namely a section of Armory Drive). The City remits the shared portion to Southampton County in the following fiscal year. The amount remains unchanged from the current year and is based largely on the projected payment in the current fiscal year.

**Merchant Card Fees** –Currently, the City pays 100% of the costs of the various fees charged by the credit card companies and the associated bank fees. The Treasurer with assistance from Finance has pursued alternatives that will lower monthly credit card service charges. It is recommended that City Council adopt a fee that passes a portion of the costs (convenience fee) to citizens who elect to pay using a credit card which has a cost. The recommended amount is 50% of the total fee charged. In essence, a portion of the costs would be incurred by credit card users only as opposed to costing all citizens. A convenience fee in addition to negotiated lower rates will reduce costs. This change is recommended to become effective upon completion of the update of the computer software conversion process with affected modules.



# Section 4

## ENTERPRISE FUNDS

- ❖ Water & Sewer
- ❖ Solid Waste
- ❖ Airport
- ❖ Electric



The Department of Public Utilities is responsible for the operation, maintenance, and expansion of the City of Franklin's public water and sanitary sewer systems. Water and wastewater services are provided to the residents and businesses in the City as well as portions of the surrounding localities of Isle of Wight and Southampton Counties. The department's primary mission is to ensure the delivery of potable water and the collection and treatment of wastewater that meets all State and Federal regulations. The Department of Public Utilities operates as a self-sustaining enterprise fund (Water & Sewer Fund) utilizing the revenues (charges for services) generated from the City's water and sanitary sewer system operations without the support of General Fund revenues. The fund consists of the following divisions: Water Services, Sewer Operations and Waste Water Treatment Plant. The Fund's revenues support both the department's capital improvements and operating budget. Revenue in the fund for FY 17-18 has increased by 9.27%. This is the result of the rate increase effective July, 2016 that was designed based upon demand at the time to generate 10% in additional revenue as recommended by the 2013 Engineer's Rate Study. Prior to the change in FY 2016-2017, rates had remained unchanged since July 2008. FY 2017-2018 projected revenue is \$3,372,500, and is based on rates remaining unchanged for FY 2017-2018.

As verified by a 2016 statewide rate analysis annual report completed by Draper Aden Associates, the City Water and Sewer rates are currently well below median statewide utility system rates and do not generate revenues sufficient to adequately address capital needs of an aging utility system or qualify the City for various federal and state revenue assistance programs which require a minimum rate to income ratio.

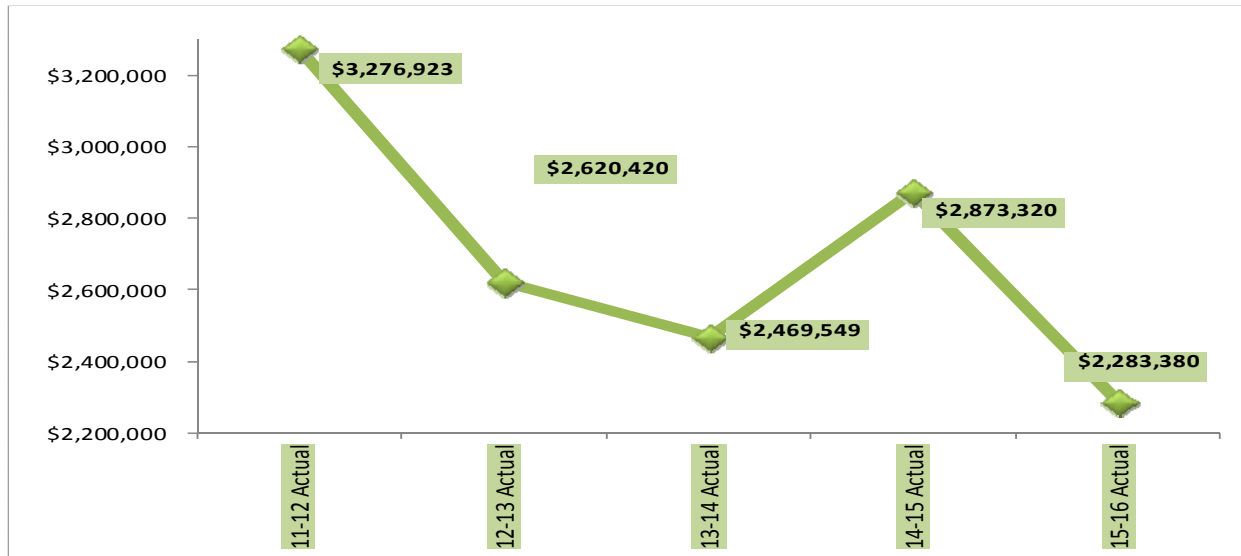
The City has wisely invested approximately \$1.6 million to address the maintenance needs of the aging wastewater collection system over the last five years utilizing available reserve funds, which is not sustainable without depleting reserve levels below policy minimums. Additional revenue is needed in the immediate future to expand efforts to rehab the City's aging wastewater and water collection, treatment and distribution systems. Wastewater collection system improvements needed total \$8.67 million alone. Without future increases in the current rates, needed expenditures will take decades to complete. This will place added pressure on the City from state regulatory agencies to upgrade the wastewater treatment plant (WWTP), when the City wastewater discharge permit renewal date arrives again by 2019 upon expiration of the current permit. Improving the efficiency of the collection system can help defer the necessity for expensive WWTP upgrades further into the future regardless of the treatment option selected when a decision is made based upon the results of a recently completed City/County Utility Study.

As referenced, the City is actively engaged in evaluation of the recommendation from a completed engineering study with Southampton County of water and sewer utility options particularly for long-term wastewater treatment needs that will have significant cost and rate implications in future years. Regardless of the WWTP options available and the selected method of treatment, the City will undoubtedly have to incur substantial debt to consistently maintain compliance with state standards and meet future needs. Strategic maintenance of the utility collection and treatment systems as noted helps defer capital expenditures. The process allows more current debt to be retired in the process

before new debt is incurred which helps minimize the burden on customer rates. The proposed budget, like GY 2016-2017, includes additional funding to complete the necessary next steps to allow the elected officials of the City & County to make informed utility shared services decisions in the years ahead.

Graph 1 shows a five year trend of actual expenditures in the Water & Sewer Fund.

Graph 1. - Water & Sewer Fund Expenditure History



FY 2017-2018 revenues of \$3,372,500 are allocated among Water, Sewer and Wastewater Operations as noted in Table 1 on the following page. The transfer to the General Fund includes transfers for administrative services (\$297,786), payments in lieu of taxes (\$26,460), and operational general fund support (\$139,960).

**Proposed Budget**

Table 1

	Water	Sewer	Wastewater	All Operations	Total	Percent of Budget
Personnel	370,821	95,408	259,505		725,734	21.52%
Operating Expenses	462,374	187,837	363,848		1,014,059	30.07%
Capital Outlay	217,000	476,267	109,000		802,267	23.79%
General Fund Transfers	-	-	-	464,206	464,206	13.76%
Debt Service	-	-	-	366,234	366,234	10.86%
<b>Total</b>	<b>1,050,195</b>	<b>759,512</b>	<b>732,353</b>	<b>830,440</b>	<b>3,372,500</b>	<b>100.00%</b>

FY 2017-2018 Highlights:

- ❖ The transfer to the General Fund for administrative services increased from \$291,908 to \$ 297,786 based on a recent cost allocation analysis of services provided by the General Fund.
- ❖ The FY 2017-2018 Budget includes 5th year funding to provide for the on-going water tank maintenance program. This contracted service authorized and begun in FY 2013-2014 allows the



City to have performed ongoing timely contracted maintenance of wells and water tanks to avoid significant increases in expenditures for replacements, maintenance or repairs including tank painting in a single fiscal year, and in doing so, reduce long-term costs.

### History of Expenditures in the Water & Sewer Fund by Category

Table 2.

Fiscal Year	Personnel	Operating	Capital Outlay	GF Transfer	Debt(1)	Total
2011-12 Actual	762,832	713,730	940,060	772,235	88,066	3,276,923
2012-13 Actual	693,850	707,954	532,957	530,736	154,923	2,620,420
2013-14 Actual	734,119	714,876	627,321	283,765	109,468	2,469,549
2014-15 Actual	726,972	798,993	907,085	312,380	127,890	2,873,320
2015-16 Actual	690,091	911,696	208,727	366,682	106,183	2,283,380
2016-17 Budget	729,120	1,028,784	1,163,368	428,828	80,047	3,430,147

(1) Excludes payment of principal per financial statements where interest only is expensed



The City provides waste collection and disposal services to approximately 2730 residential customers and 108 commercial customers. The City formally structured the budget for solid waste as an “Enterprise Fund” effective July 1, 2013 which better enables the City to plan for future needs as the use and support agreement between the Southeastern Public Service Authority (SPSA) and its member jurisdictions expires January 2018. With SPSA debt being retired by 2018, the recent success in negotiating a new SPSA agreement and the expected efficiencies of an alternative disposal method, the opportunity is realistic to further reduce user charges as post 2018 costs are finalized and the new agreement takes effect.

An analysis of the Fiscal Year 2016-2017 Budget for the Solid Waste Fund (revenues and expenditures) follows:

### Revenue Analysis

No Rate Change – The proposed budget includes the current residential rate of \$38.00 per month. Since FY 2011-2012, cumulative reductions in solid waste fees total \$8.36 or a decrease of 18%. Table 1 below shows the history of monthly residential solid waste collection rates.

Table 1

#### FY 2017 – 2018 Highlights

Fiscal Year	Residential Rate	Net Change
06-07	\$26.45	
07-08	\$31.00	\$4.55
08-09	\$32.00	\$1.00
09-10 (SPSA increase)	\$46.36	\$14.36
10-11	\$46.36	\$ -0-
11-12	\$43.41	\$2.95
12-13	\$42.24	\$1.17
13-14	\$39.74	\$2.50
14-15	\$39.74	\$ -0-
15-16	\$38.00	\$1.74
16-17	\$38.00	\$ -0-
17-18 Proposed	\$38.00	\$ -0-
<b>Net Change Since 10-11</b>		(48.36) or 18% reduction
<b>Net Change Since 06-07</b>		\$11.55 or 43.6% increase

- ❖ The budget reflects no SPSA change in the cost of landfill tipping fees. This is expected to change significantly in the ensuing months as SPSA finalizes its budget and when the new Use & Support Agreement begins in January, 2018. A recommendation will be made regarding rate adjustment once all contingencies are determined.
- ❖ The Fund continues to benefit from strategic measures regarding solid waste management which were implemented by the City in 2012 to lower the overall cost. The FY 2016-2017 budget anticipates no other significant change in solid waste collection and disposal costs.
- ❖ The budget includes the planned use of reserve funds for a capital outlay solid waste collection equipment purchase totaling \$165,000. This is consistent with the City’s financial policy to “pay-as-you-go” for capital purchases as opposed to reliance on indebtedness as had been the case in past solid waste equipment replacement purchases before the solid waste fund was created.

Fund reserves, despite the planned equipment replacement in the proposed budget, are projected to remain sufficient to meet planned future capital equipment replacement needs.

Waste collection and disposal fees account for the revenues for solid waste services. Revenue projected in fiscal year 2017-2018 based on the recommended rate is \$1,333,279. Total revenues for the fund are projected at \$1,424,897.

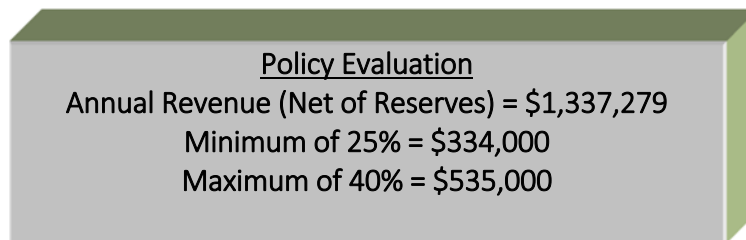
**Minimum Cash Balance Policy**

- o In order to provide liquidity adequate to address future unexpected revenue reductions and anticipated capital expenditures or unanticipated expenditures, the minimum cash balance in the Solid Waste Fund, by Council policy, was approved at 25%. The suggested range between minimum and maximum is 25%-40% due to the expensive nature of replacement equipment purchases and the size of the fund. Adherence to this policy will realistically allow the City to avoid debt into the future in this fund.

**Restoration of Minimum Cash Fund Balances**

Should the cash balance fall below the target levels, the City Manager is required by policy to prepare and present a plan for restoration to the targeted level. If a target level is not met or anticipated not to be met, a line item will be included in the fund's expense section to budget a minimum of 5% of the upcoming solid waste operations fund in the projected budget revenues until the targeted levels are met.

Table 2



<p><b><u>Policy Evaluation</u></b> Annual Revenue (Net of Reserves) = \$1,337,279 Minimum of 25% = \$334,000 Maximum of 40% = \$535,000</p>
---

Cash in the Fund for FY 2017-2018 is expected to remain relatively unchanged from the beginning of the fiscal year even after factoring in the acquisition of capital equipment purchased. The recommendation for no change to the rate is not anticipated to adversely impact the City's Solid Waste Cash Balance Policy going forward as additional capital equipment replacement needs remain necessary.

## Cash Balance History

Table 3

<u>Month</u>	<u>Cash Balance</u>	<u>Cash Balance</u>
July	\$500,732	\$410,551
August	\$516,372	\$425,486
September	\$516,226	\$420,154
October	\$523,758	\$416,155
November	\$576,078	\$422,723
December	\$526,270	\$411,298
January	\$505,773	\$418,851
February	\$553,646	\$445,948
March	\$394,249	\$252,699*
April	\$428,223	
May	\$428,088	
June	\$409,400	

\*Cash in fund lower due to planned Equipment Purchase of \$214,000 Cash is expected to return to minimum policy range by fiscal end. Policy compliance has been maintained since the first year of creation of the solid waste fund.

## History of Expenditures in Solid Waste Fund

Table 4

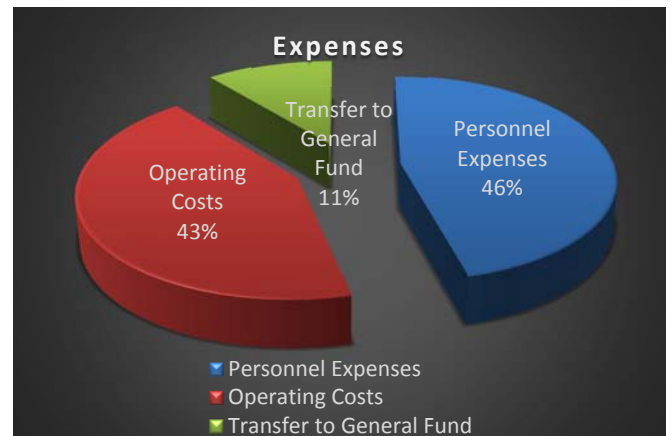
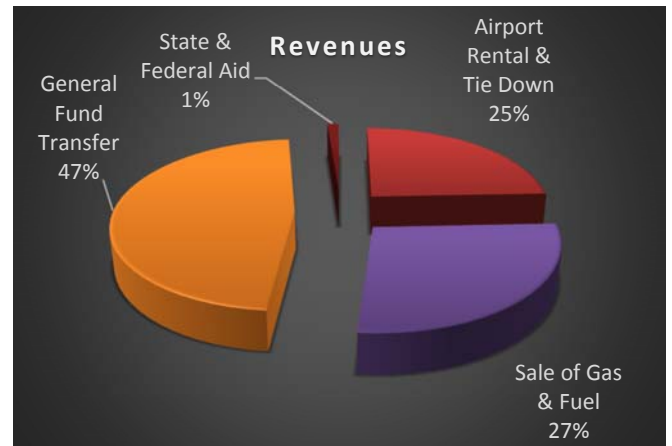
	FY 2014-2015 Actual	FY 2015-16 Actual	FY 2016-2017 Budget	FY 2017-2018 Proposed
REVENUE	1,365,620	1,310,207	1,534,872	1,424,897
Personnel Expense	294,586	291,875	328,939	326,665
Operating Expense	88,772	94,374	95,441	96,477
Waste Collection & Disposal Cost	455,947	455,865	458,000	465,000
Capital Outlay & Reserves	238,503	89,647	340,000	205,000
Transfer to Other Funds	225,389	270,899	293,405	325,307
Debt Service	28,057	12,800	19,087	6,448
<b>Total Expenses</b>	<b>1,331,254</b>	<b>1,215,460</b>	<b>1,534,872</b>	<b>1,424,897</b>
Net Income (Loss)	34,366	94,747	-	-



Franklin Municipal Airport situated in Isle of Wight County and owned by the City of Franklin is located two nautical miles from the City’s central business district. The Airport Fund is an Enterprise Fund, but receives annual financial support from the city’s General Fund to sustain operations. The majority of the revenue supporting the fund (outside of federal and state revenue that may be slated for aviation projects) is derived from the sale of aviation gas and jet fuel. Airport rental and tie down fees make up the balance of the revenue sources for the fund. The Budget for FY 2017-2018 is \$248,445, \$158,396 lower than FY 2016-2017 budget. Table 1 provides a breakdown of the revenue for the Airport Fund by the various sources and the expenditures by area.

Table 1

	Proposed Budget
Airport Rental & Tie Down	60,500
Sale of Gas & Fuel	67,500
General Fund Transfer	117,445
State & Federal Aid	3,000
<b>Total Revenue</b>	<b>248,445</b>
Personnel Expenses	114,603
Operating Cost	106,607
Transfer to General Fund	27,235
Airport Improvements	-
<b>Total Expenses</b>	<b>248,445</b>



FY 2017-2018 Highlights:

- ❖ The transfer from the General Fund is budgeted for FY 2017 – 2018 at \$117,445 which is down from \$133,249 in FY 2016 -2017.
- ❖ The transfer to the General Fund for administrative services decreased from from \$36,511 to \$27,235 based on the most recent cost allocation analysis of services provided by the General Fund.
- ❖ Fuel sales comprise 2.0% of the total projected operating revenue. Expenditures for fuel purchases are adjusted based on need (i.e. if revenue is less, then correspondingly expenditures will be reduced).
- ❖ Operating and Personnel expenses combined comprise 89% of the total proposed budget. Operating expenses primarily include the purchase of fuel sales.
- ❖ Table 2 provides a history of the Airport Fund by area of expenditure.

### History of Expenditures in Airport Fund

Table 2

Fiscal Year	Personnel	Operating	Capital Outlay	GF Transfer	Debt	Total
2010-11 Actual	104,596	152,633	146,030	2,020	1,853	407,132
2011-12 Actual	106,921	167,309	42,728	2,020	309	319,287
2012-13 Actual	102,372	123,563	180,033	2,222	20,000	428,190
2013-14 Actual	105,840	118,595	101,824	17,833	-	344,092
2014-15 Actual	103,998	95,309	1,147,792	18,864	-	1,365,963
2015-16 Actual	<b>108,762</b>	<b>82,403</b>	<b>7,738</b>	<b>20,749</b>	-	219,652
2016-17 Actual	<b>116,885</b>	<b>102,205</b>	<b>151,240</b>	<b>36,511</b>	-	406,841



The City of Franklin purchases wholesale electric power from the Virginia Municipal Electric Association (VMEA), who in turn, purchases power from Dominion Virginia. The complexity of the Electric Fund necessitates an understanding of the Fund’s rate history, the impact on Cash balance and City Council actions taken regarding rates over time. Historical data is included herein to assist in developing such an understanding among all interested parties.

**FY 2017-2018 BUDGET RECOMMENDATION**

Based upon information provided to the City by Dominion Virginia Power to date, electric utility user fees are projected to remain unchanged at this time. The proposed budget is based upon no anticipated increase in Dominion Virginia Power’s wholesale power cost. No increase is proposed in the basic monthly charge.

**Fuel Factor Charge**

The fuel factor charge by Dominion is a direct pass thru from the City to Franklin Power & Light customers. Dominion makes rate announcements on the fuel charge usually on an annual basis effective April 1<sup>st</sup> each year. For April 1, 2017, Dominion announced a substantial increase in the fuel factor charge from \$2.25 per month to \$8.26 per month per 1,000 KWH for a monthly increase to customers of \$6.01.

*Table 1*

Table 1 below provides a history of the fuel charges that are a direct pass through from Dominion to Franklin Power & Light residential customers using an average of 1000 kwh per month. An increase in the fuel rate charge negatively impacts customer’s electric bills causing an increase in the charges for use of electricity. Conversely, a decrease positively affects customer total bills.

Year	Fuel Charge per kWh	Dollar Change
2006	\$0.01330	
2007	\$0.01216	-1.14
2008	\$0.02279	10.63
2009 Apr.	\$0.01096	-11.83
2009 Nov.	\$0.00556	-5.4
2010	\$0.01241	6.85
2011	\$0.01723	4.85
2012	\$0.00931	-7.92
2013	\$0.01177	2.46
2014	\$0.01604	4.27
2015	\$0.00927	-6.77
2016	\$.00225	-7.02
2017	\$.00826	6.01
Net Change Since 2006		-5.01

## Rate History

The following table (Table 2) provides a history of the wholesale power cost increases experienced by the City from Dominion between January 2011 to July 2016 compared to the rate changes passed onto the customers by the City and the average dollar impact to a residential customer. While Dominion's wholesale power rate increases totaled **54.21%** during this period, the City's cumulative retail rate increases to offset Dominion's rate increases total only 33.8% including the 8.0% increase in the rate recommended effective July 1, 2016.

Table 2

Date	Dominion Wholesale Rate/KWh	Annual Percent Change	City Rate Change	Dollar Impact to Residential Customer	Notes
Fiscal Year					
09-10	\$0.04118	-	-	-	
10-11	\$0.04874	+18.36%	None	None	1/1/11 Beginning of New Wholesale Power Contract
11-12	\$0.06089	+24.92%	7.0%	\$7.95	Annual change in wholesale rate from Dominion and City rate adjustment applied to usage effective 9/1/11
12-13	\$0.06001	-1.45%	10.0%	\$9.46	Annual change in wholesale rate from Dominion and City rate adjustment applied to usage
13-14	\$0.06168	+2.78%	2.8%	\$2.70	Annual change in wholesale rate from Dominion and City rate adjustment applied to usage; the city did a two-tiered increase with 0.8% deferred until January 1, 2014.
14-15	\$0.06404	+1.99%	2.0%	\$1.89	Annual change in wholesale rate from Dominion and City rate adjustment applied to usage
15-16	\$0.06715	+4.86%	4.0%	\$-2.91	Annual change in wholesale rate from Dominion and City rate adjustment applied to usage
16-17 Proposed	\$0.0690	+2.75%	8.0%	\$1.07	Annual change in wholesale rate from Dominion And City rate adjustment applied to usage
<b>Cumulative Change Since 2010</b>	<b>\$.0278</b>	<b>54.21%</b>	<b>33.8%</b>	<b>\$12.07*</b>	

\*calculation based upon 1,000 KWh usage which is the industry standard utilized for comparison purposes. The Franklin average residential customer utilizes 1,300 KWh per month.





**Minimum Cash Balance Policy**

In order to provide liquidity adequate to address future unexpected revenue reductions or unanticipated expenditures, the minimum cash balance in the Electric Fund, by Council policy, should be 10% of annual revenue net of the fuel adjustment at the end of each quarter.

**Restoration of Minimum Cash Fund Balances**

- o Should the cash balance fall below the target levels, the City Manager is required by policy to prepare and present a plan for restoration to the targeted level. If a target level is not met or anticipated not to be met, a line item will be included in the fund’s expense section to budget a minimum of 2% of the upcoming projected budget revenues until the targeted levels are met. The recommendation for FY2017-2018 meets this requirement as further detailed in this budget proposal.

**FY 2015-2016 Cash Balance as a Percentage of Annual Revenues (excluding fuel adjustment) at 6/30/16 = \$343,328 or 2.51%.**

	<b>BUDGET FY 17-18</b>
<b>FUND - ELECTRIC</b>	
<b>ELECTRIC FUND REVENUE</b>	
Sale of Energy Fuel Adjustmen	\$ 1,104,300
Sale of Electric Energy	14,164,142
Cycle & Save	(119,129)
Meter Connection Fee	10,000
Pole Attachment Fees	77,933
Cut-On Fees and Penalties	150,000
Sale Of Electric Supplies	8,540
Miscellaneous Revenue	10,000
<b>TOTAL REVENUE</b>	<b>\$ 15,405,786</b>
Less Fuel Adjustment	(1,104,300)
Budget Basis for Policy	\$ 14,301,486
<b>10% of Annual Revenue</b>	<b>\$ 1,430,149</b>

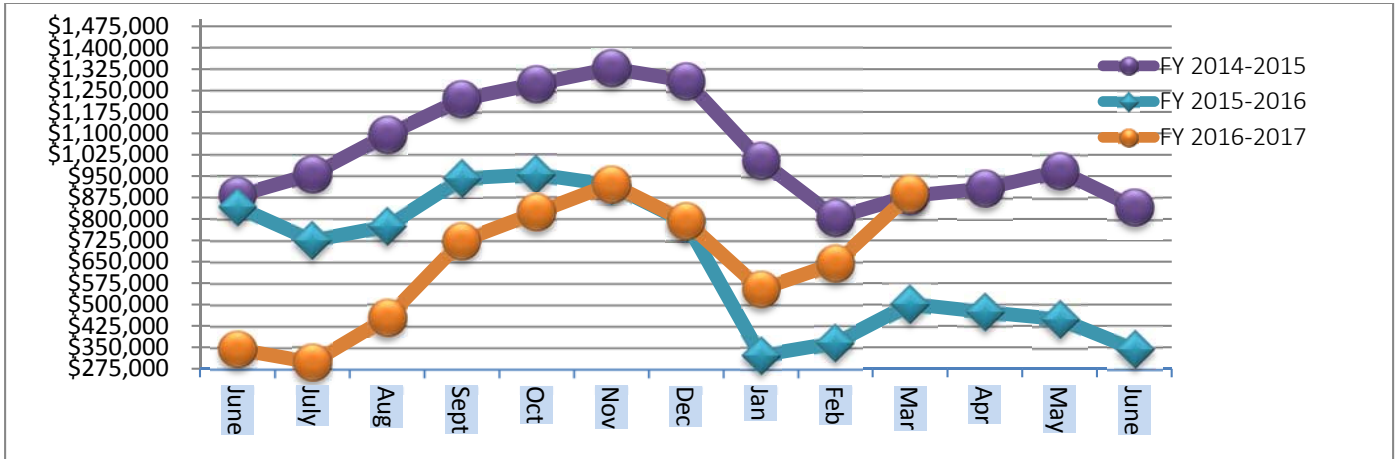
Table 3

**FY 2016-2017 Projected Cash Balance as a Percentage of Annual Revenues (excluding fuel adjustment) at 3/30/17 = \$818,414 or 5.8%.**

**Policy Evaluation: Below policy guideline with overall improvement since corrective action initiated in 2012. Also shows further improvement thus far since FY 2016-2017 began.**

The FY 2016-2017 budget included \$400,000 in cash balance replenishment reserves, or 3% of the budgeted revenues, net of fuel adjustment, as required via the policy to restore cash balances to meet the minimum requirement. Two percent of net projected revenue is budgeted for FY 2017-2018

Table 4



**ELECTRIC FUND CASH TREND ANALYSIS  
 COMPARES FY 2014-2015 TO FY 2016-2017(through March 31, 2017)**

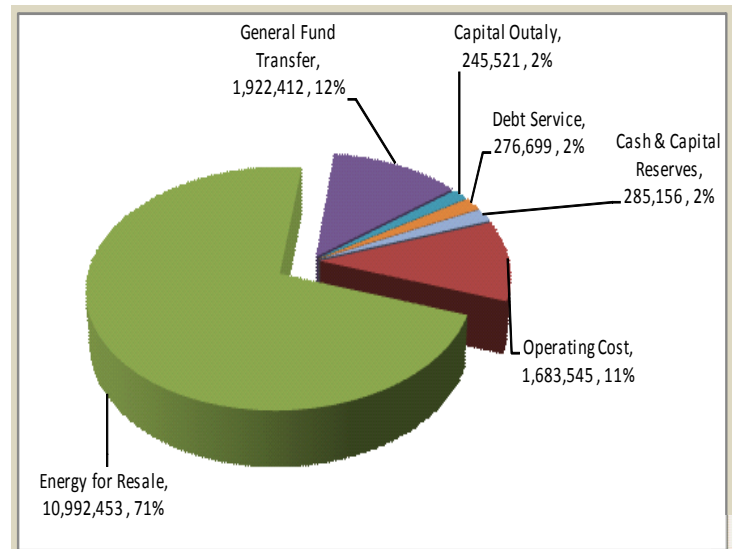
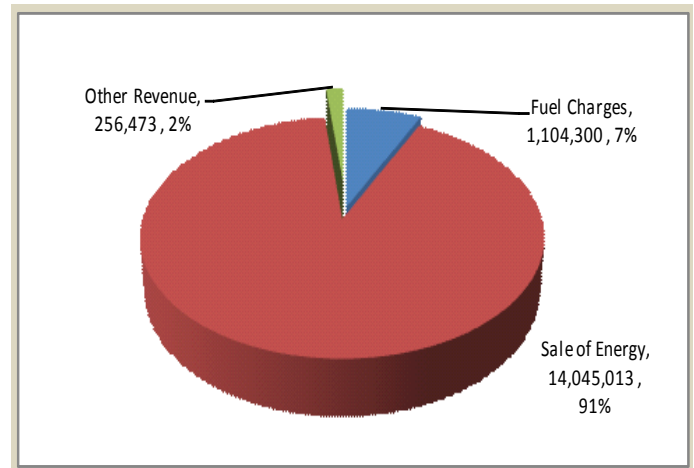
Based on annual revenues (net of fuel adjustment) the minimum cash balance in accordance with the established policy guidelines for FY 2016-2017 is \$1,430,149. Based on the assumption of the relationship between revenue and operating costs remaining relatively constant, it was projected in FY 2012-2013 that it could take up to four additional years for the fund to reach the policy guideline and meet the level of cash balances required at the end of each quarter depending upon how much capital reserve funding is set aside and expended. The projections also assumes that the City will pass through future major changes in fuel adjustments and wholesale power charges to customers in a timely manner. The current trend, however, shows slower than expected improvement overall in cash position over the time period. The elimination of the summer/winter rate structure in FY 2016-2017 was approved to minimize cash flow inconsistencies. The improvement in Cash thus far appears to have been positively influenced from this change, but a full fiscal year cycle will be necessary to fully evaluate the impact. It is also important to note that the absence of major commercial industry has an adverse impact on power purchase costs when compared to the amount of revenue needed to generate adequate cash flow. The Fund's cash position is closely monitored by management and will continue to be a priority consideration until reserves meet policy requirements.



*Electric Fund  
Proposed Budget*

The Proposed budget for the Electric Fund is \$15,405,786 comprised of the following revenue sources and expenditures:

	FY 16-17 Proposed Budget
Revenue from Sale of Energy	14,045,013
Revenue from Fuel Charges	1,104,300
Other Revenue*	256,473
<b>Total Revenue</b>	<b>15,405,786</b>
Operating Expenses	1,683,545
Energy for Resale	10,992,453
Capital Expenses	245,521
General Fund Transfer	1,922,412
Debt Service	276,699
Cash Reserve	<u>285,156</u>
<b>Total Expenses</b>	<b>15,405,786</b>
*Other revenue consists of pole attachment fees, cut on fees and penalties, sale of supplies (all net of cycle and save reductions)	
Revenue Less Fuel Adjustment	14,301,486
Cash Balance Minimum Policy Level (10%)	\$1,430,149



**Budget Highlights:** The largest change in the FY 2017-2018 budget when compared to the current year is reflected in the fuel for resale and fuel adjustment costs. Due to the significant increase in the fuel adjustment rate effective April, 2017, the fuel adjustment portion of the City’s budget is projected to increase by \$790,922. This increase is partially offset by a projected decrease of \$597,029 or 5.7% in operating expenses to purchase energy for resale.



# **FY 2017-2018 Budget**

## **Section 5**

### OTHER CITY FUNDS

- ❖ Debt Service Fund
- ❖ School Fund
- ❖ Social Services Fund
- ❖ Comprehensive Services Act Fund
- ❖ Economic Development Fund
- ❖ Capital Projects Fund



The **Debt Service Fund** is used to account for the payment of general long term debt (principal and interest) used to finance capital needs of the City. General fund debt is comprised of debt related to general government activity and school projects. Business activity related debt stems from Water & Sewer, Solid Waste and Electric Fund activity.

**Debt Administration.** Per the audit statement, the City’s total outstanding general obligation debt at June 30, 2016 was \$20,053,619 down from \$20,540,399 at the end of June 30, 2015. This includes \$7,297,000 in general government debt and \$8,576,619 in School related debt. Of the total outstanding, the general and school debt combined total of \$15,873,619 is considered to be tax supported debt. The balance of the total debt amount is \$4,180,000 and is related to Enterprise Fund (water & sewer, solid waste and electric) debt, which is directly supported by revenues generated from enterprise operations and not supported by taxes (see chart below).

State statutes limit the amount of general obligation debt a government may issue to 10% of its total assessed valuation of real property and public service corporations. The ratio of the City’s net bonded debt to assessed value totals 2.50%.

**Audited Financial Statement Comparison of Outstanding Debt at June 30<sup>th</sup>\***

	FY 2016	FY 2015
<b>General Government Activities:</b>		
<b>Bonds Payable - General</b>	\$ 7,297,000	8,872,600
<b>School Related Bonds &amp; Notes</b>	8,576,619	7,016,399
<b>Total Tax Supported Debt(*)</b>	\$ 15,873,619	15,888,999
<b>Business-type Activities:</b>		
<b>Total Long -Term Debt</b>	\$ 4,180,000	4,651,400
	\$ 20,053,619	20,540,399
<b>Per Capita Tax Supported GO Debt</b>	\$ 1,870	1,851
<b>Total Per Capita Debt</b>	\$ 2,362	2,393

\*The City restructured certain portions of its Tax Supported debt in December of 2015. This strategy to level the City’s debt obligations over the next nine fiscal years to reduce ensuing year debt obligations, mitigated the need for an increase on the tax rate.

No new debt was issued for Business type activities and debt obligations.

**Activity Impacting the FY 2017-2018 Debt Service Fund**

- ❖ The FY 2017-2018 total net debt service requirement for the General Fund will be \$688 more than FY 2016-2017. The debt service requirement for school related debt will increase by \$3,638 while the General Government portion will decrease by \$2,950.



The following tables outline the City’s debt outstanding at the end of FY 2016 and through final maturity for the Governmental and Business type activities. Information is also included on specific debt instruments, interest rates and projects funded with the use of debt proceeds.

**General Fund Totals**

FY	Principal	Interest	Total	Outstanding
	\$7,297,000	\$3,053,179	\$10,350,179	
2017	178,000	261,965	439,965	7,119,000
2018	194,000	255,664	449,664	6,925,000
2019	153,000	247,023	400,023	6,772,000
2020	170,000	242,217	412,217	6,602,000
2021	222,000	235,443	457,443	6,380,000
2022	313,400	227,657	541,057	6,066,600
2023	318,000	216,820	534,820	5,748,600
2024	333,200	205,123	538,323	5,415,400
2025	364,800	193,063	557,863	5,050,600
2026	434,200	180,220	614,420	4,616,400
2027	587,600	164,823	752,423	4,028,800
2028	608,600	143,970	752,570	3,420,200
2029	645,200	122,377	767,577	2,775,000
2030	669,600	99,378	768,978	2,105,400
2031	659,800	75,591	735,391	1,445,600
2032	640,600	51,619	692,219	805,000
2033	100,000	32,941	132,941	705,000
2034	105,000	28,408	133,408	600,000
2035	110,000	23,843	133,843	490,000
2036	115,000	19,068	134,068	375,000
2037	120,000	14,069	134,069	255,000
2038	125,000	8,828	133,828	130,000
2039	130,000	3,069	133,069	-

Source: City Financials, City Finance Office, Bond Documents.



*Debt Service*

**School Fund Totals**

<b>FY</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Outstanding</b>
	\$5,362,190	\$1,200,910	\$6,563,100	
2017	369,673	148,320	517,993	4,992,517
2018	373,270	134,958	508,228	4,619,247
2019	382,092	124,377	506,469	4,237,155
2020	482,155	112,986	595,141	3,755,000
2021	368,000	103,922	471,922	3,387,000
2022	487,000	136,731	623,731	2,900,000
2023	496,000	86,499	582,499	2,404,000
2024	502,000	75,260	577,260	1,902,000
2025	487,000	64,516	551,516	1,415,000
2026	279,000	53,315	332,315	1,136,000
2027	154,000	41,421	195,421	982,000
2028	161,000	34,262	195,262	821,000
2029	155,000	27,296	182,296	666,000
2030	158,000	21,736	179,736	508,000
2031	153,000	16,232	169,232	355,000
2032	115,000	10,561	125,561	240,000
2033	120,000	6,390	126,390	120,000
2034	120,000	2,130	122,130	-

Source: City Financials, City Finance Office, Bond Documents.



**Water & Sewer Fund Totals**

FY	Principal	Interest	Total	Outstanding
	\$2,501,000	\$383,449	\$2,884,449	
2017	287,000	80,047	367,047	2,214,000
2018	294,000	72,234	366,234	1,920,000
2019	302,000	64,053	366,053	1,618,000
2020	311,000	55,086	366,086	1,307,000
2021	321,000	44,869	365,869	986,000
2022	333,000	33,824	366,824	653,000
2023	343,000	22,374	365,374	310,000
2024	310,000	10,962	320,962	-

Source: City Financials, City Finance Office, Bond Documents.

**Electric Fund**

FY	Principal	Interest	Total	Outstanding
	\$1,431,000	\$177,609	\$1,608,609	
2017	207,000	45,100	252,100	1,224,000
2018	214,000	39,554	253,554	1,010,000
2019	220,000	33,652	253,652	790,000
2020	222,000	27,234	249,234	568,000
2021	234,000	19,254	253,254	334,000
2022	241,000	10,780	251,780	93,000
2023	93,000	2,037	95,037	-

Source: City Financials, City Finance Office, Bond Documents.

**SOLID WASTE**

FY	Principal	Interest	Total	Outstanding
	\$248,000	\$91,816	\$339,816	
2017	-	6,448	6,448	248,000
2018	-	6,448	6,448	248,000
2019	-	6,448	6,448	248,000
2020	-	6,448	6,448	248,000
2021	-	6,448	6,448	248,000
2022	600	6,448	7,048	247,400
2023	9,000	6,432	15,432	238,400
2024	9,800	6,198	15,998	228,600
2025	14,200	5,944	20,144	214,400
2026	6,800	5,574	12,374	207,600
2027	6,400	5,398	11,798	201,200
2028	6,400	5,231	11,631	194,800
2029	4,800	5,065	9,865	190,000
2030	5,400	4,940	10,340	184,600
2031	48,200	4,800	53,000	136,400
2032	136,400	3,546	139,946	-

Source: City Financials, City Finance Office, Bond Documents.



Description	Issue Date	Final Maturity	Interest Rate	Authorized and Issued	Outstanding June 30, 2016
<b>General obligation bonds:</b>					
Public Improvement and Refunding Series 2010-Refunding of the 2006 to Refund the 2003A	12/30/14	01/15/26	2.25-4.50	885,000	785,000
Public Improvement Series 1999A	05/28/99	07/15/19	3.97	2,041,330	389,190
Public Improvement Series 2008	02/15/08	01/15/18	3.56	400,000	92,000
Virginia General Obligation Qualified Zone Academy Bond, Series 2005	12/29/05	12/20/20	-	2,214,429	2,214,429
Virginia General Obligation Qualified Zone Academy Bond, Series 2003	12/31/03	12/31/17	-	1,000,000	1,000,000
Southampton county debt assumed*	01/01/96	06/30/14	N/A	N/A	-
General Obligation Refunding Bond, Series 2013	04/04/13	10/01/38	3.65	2,075,000	1,925,000
General Obligation School Bonds, Series 2013A	04/12/13	07/15/33	3.05-5.05	1,695,000	1,585,000
Public Improvement and Refunding-Series2015B Taxable to Refunding of 2010 Bond to Refund 1998A to Refund 2006 Bond to Refund the 2003A	10/9/15	1/15/28	3.90	328,000	328,000
Virginia General Obligation Qualified Zone Academy Bond, Series 2014	12/30/14	12/30/24	-	1,816,000	1,816,000
Public Improvement and Refunding-Series2015A-Tax Exempt Refund of 2010 to the 2006 Bond to Refund the 2003A Bond	10/9/15	1/15/30	2.60	191,000	191,000
Public Improvement and Refunding-Series2015B-Taxable Refund of 2012A to the 2001B Bond	10/9/15	1/15/31	3.90	318,000	318,000
Public Improvement and Refunding-Series2015B-Refund of 2012A to the 2001B Bond	10/9/15	1/15/31	3.90	1,398,000	1,398,000
Public Improvement and Refunding-Series2015B-Refund of 2012A to the 2003C Bond	10/9/15	1/15/31	3.90	432,000	432,000
Public Improvement and Refunding-Series2015B-Refund of 2001C	10/9/15	1/15/31	3.90	452,000	452,000
Public Improvement and Refunding-Series2010 Bond to Refund of 2001B	10/9/15	1/15/31	3.90	621,000	621,000
Public Improvement and Refunding-Series2015A Tax Exempt to Refunding of 2010 Bond to Refund 2001B	10/9/15	1/15/30	2.60	1,089,000	1,089,000
Public Improvement and Refunding-Series2015A Tax Exempt to Refunding of 2010 Bond to Refund 1998A to Refund 1992 Bond	10/9/15	1/15/22	2.60	296,000	296,000
Public Improvement and Refunding-Series2015A Tax Exempt to Refunding of 2012B Bond –New Money Portion	10/9/15	1/15/32	2.60	1,240,000	1,240,000
<b>Total general obligation bonds</b>					<b>15,586,619</b>
<b>Capital lease obligations:</b>					
Fire Truck	06/13/11	08/20/20	3.74	217,020	72,473
<b>Total capital lease obligations</b>					<b>72,473</b>

*This table represents the various debt instruments for the City's Tax Supported General Obligation Debt. Projects associated with the debt acquisition include both are not limited to the following for both general government and school improvements: City Hall & Other governmental facility improvements, Cemetary improvements, School Roof, Gym, and Bleacher Repairs/Replacement, Oven Replacements, General Government & School Technology Improvements (to include mobile classroom initiative), School Buses, HVAC upgrades, General Government Roof Repairs, public works equipment, police vehicles, and the High School Breezay enclosure.*

Description	Issue Date	Final Maturity	Interest Rate		Authorized and Issued	Outstanding June 30, 2016
Water and Sewer Fund:						
General obligation bonds - Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	\$	3,435,000	\$ 605,000
Taxable General Obligation Refunding Bond, Series 2012A	12/20/12	01/15/24	3.05		1,387,000	1,311,000
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05		907,000	585,000
Total Water and Sewer Fund						\$ 2,501,000
Electric Fund:						
General obligation bonds - Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	\$	3,435,000	\$ 820,000
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05		844,000	611,000
Total Electric Fund						\$ 1,431,000
Solid Waste Fund:						
Tax General Obligation Refunding Bond Series, 2012A						\$ 241,400
Total Proprietary Funds						\$ 4,173,400

*This table represents the various debt instruments for the City's Business Type Activities Debt. Debt proceeds were used to upgrade, acquire and/or replace various equipment such as backhoes, dump trucks, utility truck, trencher, solid waste collection truck, electric utility emissions improvements and other equipment.*



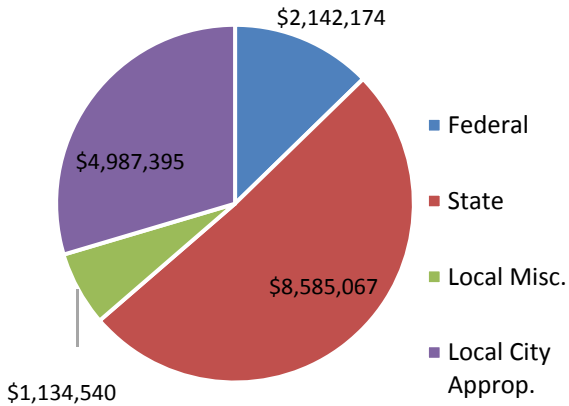
The Franklin City Council appropriates funds for the operation of the City's Public School System. It is the responsibility of the Superintendent and the School Board to develop an annual budget request reflecting the needs of the school division. The budget is transmitted to the City Manager for consideration with the City's Operating Budget. Details of the FY 2017-2018 School System Budget are available in a separate document maintained by the School Board. The recommended allocation to the School System Operating, Cafeteria & Textbook Fund for FY 2017-2018 is \$16,849,176.

The graphs below depict the revenue by source and the expenditure plan by category.

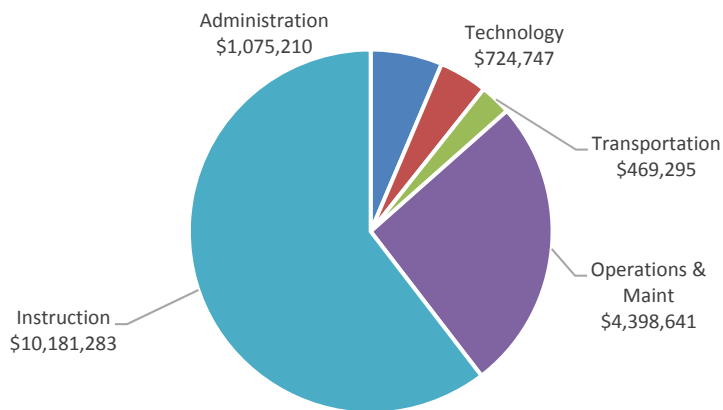
### **FY 2017-2018 Budget Highlights**

- ❖ Increased state funding resulting from an increase in enrollment and other State funding sources for small divisions with historically declining enrollment. Revenue from the State is expected to increase by \$374,125 more than FY 2016-2017.
- ❖ The recommended local appropriation to the School Division is \$4,987,395 and remains unchanged from the current year local appropriation. [The School Division had requested an additional \$350,000 increase in the local appropriation; this requested amount would equate to a 6.5 cent property tax rate increase].
- ❖ No carryover funds were available for appropriation in FY 2017-2018 for capital projects. Due to operating budget needs, the School Division did not request any capital budget items for FY 2017-2018.
- ❖ The School Division operating budget sources of revenue are depicted on the following charts:

### Revenue by Source



### Expenditure by Category\*\*



\*\*As for expenditures by category, the City appropriation reduction of \$350,000 below the Superintendent’s request is not category specific, so the school division will need to adjust their categorical requested amounts to balance the total revenues of \$15,911,406 for the operating fund.



The Franklin City Department of Social Services is responsible for administering a variety of services to meet the needs of Franklin citizens. Services include but are not limited to: Supplemental Nutrition Assistance Program (SNAP), Medicaid, Temporary Assistance to Needy Families (TANF), energy assistance and other benefits, Virginia Initiative for Employment not Welfare (VIEW), child protective services, foster care and adoption, adult protective services and other adult services. The agency is funded by revenue received from the state and federal government and an annual appropriation from the City.

- ❖ The proposed City appropriation for FY 2017-2018 is \$497,205, \$30,148 more than the FY 2016-2017 budgeted appropriation and represents 27.6% of the total revenue needed to fund the various programs administered by the department.

*Table 1. Revenue by Source*

Revenue by Source		
State	493,795	27.5%
Federal	781,722	43.5%
Local City Approp.	497,205	27.6%
Cost Allocation	24,421	1.4%
<b>TOTAL</b>	<b>1,797,143</b>	<b>100%</b>

While the budget for the City DSS is \$1.79 million (See Table 1), Franklin City residents were provided benefits from the state and federal government of over \$29.8 million via pass through funding from Medicaid,

Family Access to Medical Insurance Security (FAMIS), SNAP, Energy Assistance, Foster Care & Adoption and TANF in SFY 2016. (See Table 2) This is a \$1.3 million increase over actual benefits distributed in SFY2015.

*Table 2. 2015 DSS Spending Profile (Source: Virginia Department of Social Services)*

Social Services Spending, SFY 2016 Franklin City	Federal	State	Local & NER (comb)	All Sources
<b>Administrative Costs</b>	<b>\$733,670</b>	<b>\$315,768</b>	<b>\$482,946</b>	<b>\$1,532,392</b>
<b>Staff and operations</b>	\$712,645	\$315,768	\$425,799	\$1,454,212
<b>Other expenses</b>	\$21,033	\$0	\$57,147	\$78,180
<b>Admin costs - % by Funding Source</b>	48%	21%	32%	100%
<b>Admin costs -% of Total SS spending</b>	0%	0.2%	1.3%	0.2%
<b>Services purchased for clients</b>	<b>\$17,708</b>	<b>\$22,586</b>	<b>\$7,424</b>	<b>\$47,719</b>
<b>Services - % by Funding Source</b>	37%	47%	16%	100%
<b>Services - % Total SS spending</b>	0%	0.2%	1.3%	0.2%
<b>Client Benefits Spending</b>	<b>\$16,174,619</b>	<b>\$12,016,235</b>	<b>\$70,814</b>	<b>\$28,261,668</b>
<b>Medicaid &amp; FAMIS</b>	\$12,008,613	\$11,723,032	\$2,449	\$23,734,365
<b>SNAP</b>	\$3,708,458	\$0	\$0	\$3,708,458
<b>TANF</b>	\$71,902	\$94,640	\$0	\$166,541
<b>Energy Assistance</b>	\$268,344	\$0	\$0	\$268,344
<b>Foster care/adoption</b>	\$2,411	\$8,903	\$0	\$11,314
<b>Comprehensive Services (Title IV-E)</b>	\$0	\$96,860	\$56,524	\$153,384
<b>Child Care</b>	\$114,891	\$45,168	\$0	\$160,059
<b>Other benefits</b>	\$0	\$47,362	\$11,840	\$59,202
<b>Benefits - % by Funding Source</b>	57%	43%	0%	100%
<b>Benefits - % Total SS spending</b>	96%	97%	13%	95%
<b>Total SS Spending</b>	<b>\$16,926,005</b>	<b>\$12,354,589</b>	<b>\$561,185</b>	<b>\$29,841,778</b>
<b>SS Funding - % by Funding Source</b>	57%	41%	2%	100%



*Comprehensive Services Act Fund*

The Comprehensive Services Act for At-Risk Youth and Families (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for at-risk youth and their families. The state funds, combined with local community funds, are managed by local interagency teams who plan and oversee services to youth. “The mission of the CSA is to create a collaborative system of services and funding that is child-centered, family-focused and community-based when addressing the strengths and needs of troubled and at-risk youth and their families in the Commonwealth” ([www.csa.virginia.gov](http://www.csa.virginia.gov)). The CSA coordinator for the City of

Franklin also services Isle of Wight and the City of Suffolk. The City pays a portion of the salary for the CSA coordinator. Representatives from social services, court services, the health department, school division and community services boards serve as members on the Community Policy Management Team (CPMT). The team is responsible for recommending the proper level of treatment and services needed by children and their families and determines eligibility for funding for services through the state pool of funds. CSA also requires the establishment of a Family Assessment and Planning Team (FAPT) to address the needs of communities. CPMT makes referrals to FAPT to handle disciplinary cases involving troubled youth and families.

**FY 2017-2018 BUDGET & FUNDING**

Funding for the Comprehensive Service Act Fund is provided by a state pool of resources combined with a local match requirement based on a state formula. The City submits quarterly financial reports to the State CSA office requesting reimbursement of the state funds.

The CSA budget for FY 2017-2018 is \$226,362 of which \$104,663 is the City’s local funding requirement. Overall, this is a \$6,567 decrease from FY 2016-2017. State aid is projected to be \$19,971 less which reduced the necessity of additional local match funding. Expenditures for the program are largely based on anticipated community need per the State Comprehensive Services Act Department projections. The City also reviews historical trends of CSA expenditures to determine budget estimates. FY 2017-2018 proposed administrative cost, shared by Franklin City, Isle of Wight and Suffolk are 25%, 25% and 50% respectively.

COMPREHENSIVE SERVICES ACT FUND	ACTUAL FY 15-16	BUDGET FY 16-17	City Manager's Recommended 17-18	Variance 16-17 to 17-18
<b>REVENUE</b>				
State Aid	93,733	141,670	121,699	(19,971)
Patient Income	273	-	-	-
Transfers from General Fund	96,154	111,230	104,663	(6,567)
<b>Total Revenue</b>	<b>190,160</b>	<b>252,900</b>	<b>226,362</b>	<b>(26,538)</b>
<b>EXPENDITURES</b>				
Mandated Services	153,611	207,740	180,000	(27,740)
Non-Mandated Services				-
Other Purchased Services				-
Administrative Services	45,089	45,160	46,362	1,202
Local Medicaid Match				-
<b>Total Expenses</b>	<b>198,700</b>	<b>252,900</b>	<b>226,362</b>	<b>(26,538)</b>



*Economic  
Development Fund*

The City of Franklin, along with Southampton County and local charities, supports the mission of Franklin Southampton Economic Development, Inc. (FSEDI) aimed at “diversification of the economy and job creation through partnerships with existing businesses, attraction of new businesses, and promotion of entrepreneurship and tourism” (www.franklinsouthamptonva.com). The City, County and Charities equitably share the total budget for FSEDI which is independent of the City. The FY 2017-2018 Budget includes a city contribution, as a portion of the jointly funded total budget, to support the initiatives of FSEDI in the amount of \$125,000, the same as FY 2016-2017.

FSEDI manages, as a service to the City, the rental of spaces in the **Franklin Business Center** which is owned by the City. In addition to the joint contribution, the City’s general fund provides for the maintenance and upkeep of the facility (i.e. janitorial services, utilities, insurance, etc.). A portion of the cost is derived from rental income paid by the business tenants that occupy the facility and other fees.



City support is \$60,525 or 19.4% of the total proposed budget, up only \$230 from the FY 2016-2017 budget. This minimal change is encouraging considering the recent relocation of a large primary tenant to another location in the Downtown area. FSEDI has done an exceptional job in marketing the facility to new tenants thus preventing a major decline in revenue which would increase the transfer.

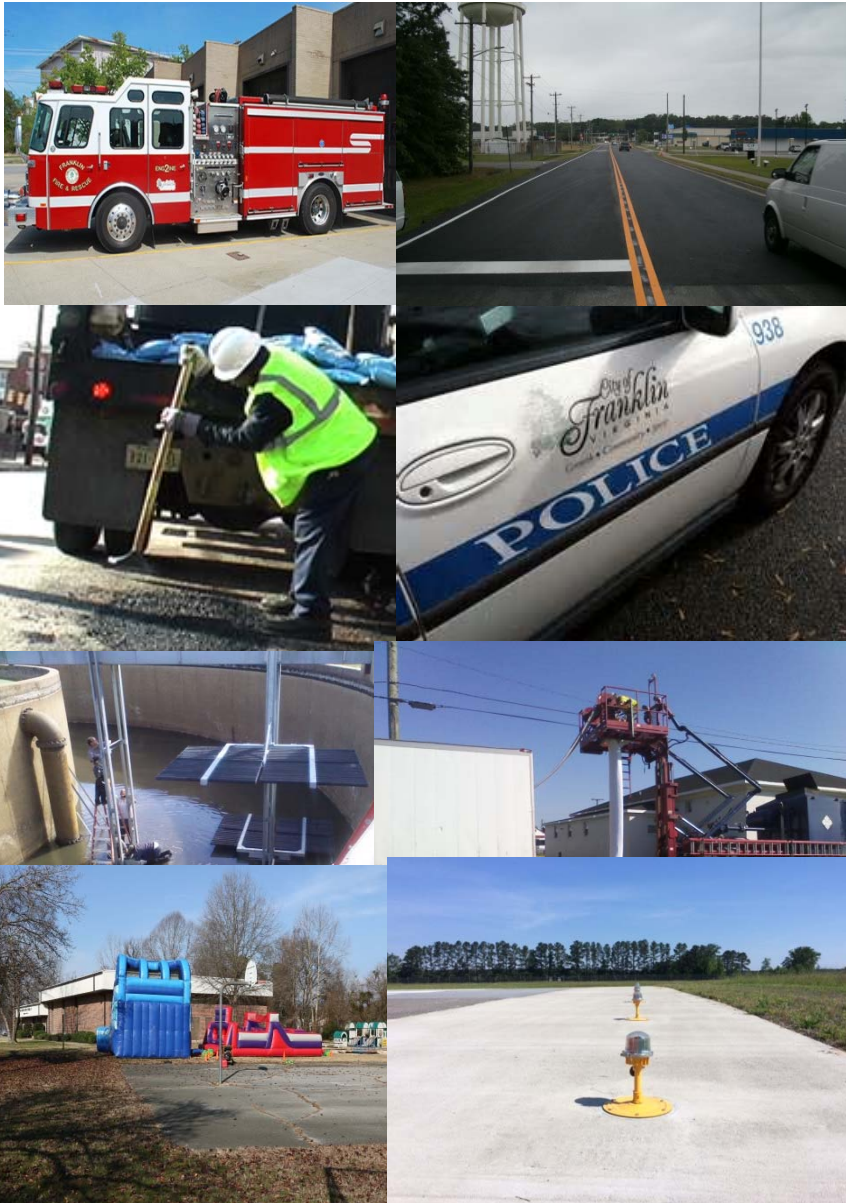
FY 2017-2018 Revenue	
Rental Income	120,000
Misc. Fees	7,500
Use of Fund Balance	0
Transfer from General Fund	60,525
Joint Contribution	<u>125,000</u>
<b>Total Revenue</b>	<b>313,025</b>
FY 2017-2018 EXPENSES	
Personnel	17,495
Operating Expenses	170,530
Joint Payment	<u>125,000</u>
<b>Total Expenses</b>	<b>313,025</b>

*Franklin Business  
2016 Economic*

*Center  
Impact*

# of Full Time Employees	112
# of Part Time Employees	61
Average Salary FT Employees	\$56,533
Taxes paid to Franklin	\$42,328
Rents Paid to City in FY 15-16	\$133,854
Total Business Profits	\$1.697 million

## Five Year Capital Improvement Plan



**Fiscal Year  
2017-2018 through  
FY 2021-2022**





## CAPITAL IMPROVEMENT PROGRAM

### Introduction

Capital Improvement Programming is a method of planning for the effective and efficient provision of public facilities, infrastructure improvements, road improvements, major maintenance requirements, and acquisition of property and equipment. Preserving and upgrading these investments, along with planning for future infrastructure needs of the City represents an ongoing challenge, given existing revenue streams and the growth in demand for City services. In past years, the City Council, through its actions, has demonstrated a firm commitment to, and investment in the City's Capital Improvement Plan.

The purpose of this document is not to present a complete and detailed financial plan for each individual project listed on the CIP project list, but rather to outline the estimated cost, timing and anticipated revenue sources available for each of the projects.

A five-year CIP allows the City Council and citizens an opportunity to view both the five-year capital construction and infrastructure maintenance needs of the City and the Franklin Public Schools. The CIP is not a static document which fixes the community improvement projects which the City "must" complete during the next five years. Instead, it should be viewed as a planning document or guide to what the City "believes" it will be able to accomplish in the future. As time passes, changes beyond the City's control may affect the timing and magnitude of the projects listed in the CIP. Therefore, the CIP will be reviewed annually during the budget process and updated as necessary to reflect the changed circumstances that may occur over time. Viewing these needs enables the City to better plan a financing strategy for capital improvements and annual operating requirements. A five-year CIP also allows for programming of multi-year projects. The first year of the *Capital Improvement Program (CIP)* represents the City Manager's proposal to the City Council as the Capital Improvement Budget.

### Definition of a Capital Improvement

A capital improvement results in a permanent addition to the City's assets resulting from the nonrecurring expenditure of public funds. This is accomplished through: 1) acquisition of property or easement; 2) construction; 3) renovation or replacement of physical assets of the city which extends the useful life or increases the usefulness or capacity, and 4) studies which are an integral part thereof. Capital improvements are large-scale endeavors in cost, size, and benefit to the community and typically have a service life in excess of five years and cost in excess of \$30,000. This definition differs from capital expenditures, which are requested as part of the operating budget. A capital expenditure is a fixed asset, which will benefit current and future budget years, is of a tangible nature, has a value between \$5,000 and \$30,000, and typically has a service life of 5 years or less. All projects included in the General Fund CIP are classified in six categories: General Government Administration, Public Works, Public Safety, Street Maintenance, Facility Improvements, and Parks & Recreation Improvements. Other funds include: Solid Waste, Water & Sewer, Electric Utility, Airport and Education.

### Guiding Principles

Basic principles are used to help shape the Capital Improvement Program. These principles include, but are not limited to developing a balanced capital plan that funds projects in a variety of program areas which meet the highest priority needs; ensuring the CIP will be the platform for development in the City and business

community and preserving the existing tax base. To further guide the CIP decision-making process, projects to be included in the CIP are evaluated on the degree to which they meet the following objectives:

- ✓ Meet a legal obligation or federal or state mandate
- ✓ Outside funding is available through a match of federal or state funding
- ✓ Address health concerns, safety or emergency needs
- ✓ Produce positive community impact and garner broad community support
- ✓ Meet prior commitments
- ✓ Can be funded within the parameters of established debt financial policies

#### **Benefits of Capital Improvement Programming**

The principal benefit of Capital Improvement Programming is that it requires the City to plan its capital needs in concert with available financing over a five-year period. This process contributes to a responsible fiscal policy. Other benefits of Capital Improvement Programming include:

- ✓ Fostering a sound and stable financial program over a five-year period given a set of revenue and expenditure assumptions based on current economic trends;
- ✓ Coordinating various City improvements so that informed decisions can be made and joint programs initiated among City departments in an effort to avoid duplication;
- ✓ Enabling private businesses and citizens to have some assurances as to when certain public improvements will be undertaken so they can plan more efficiently and effectively;
- ✓ Focusing on the goals and needs of the community through the provision of new facilities and infrastructure improvements;
- ✓ Evaluating annually the infrastructure needs of the City to provide for the public health and safety of the citizens of the City; and
- ✓ Providing a logical process for assigning priorities to the various projects based on their overall importance to the City in concert with the Comprehensive Plan.

#### **CIP Process & Discussions**

The annual CIP process commences during the normal budget proceedings. City departments identify potential CIP projects on a Capital Project Budget Requests form. The Finance Department compiles a listing of all the capital project requests submitted by the various City departments. The list is reviewed by the City staff and projects are prioritized for inclusion in the five-year plan. The City conducts a public hearing on the budget, at which time the recommended CIP is presented. After all public comments have been received and discussion satisfied, the CIP is then adopted. This is normally done in conjunction with the hearing and adoption of the annual operating budget. The first year of the CIP is incorporated into the City Manager's Recommended Budget as the Capital Improvement Budget for the upcoming fiscal year.

This CIP is a document dedicated to a process designed to identify both the capital improvement needs and priorities of the City over a five-year period in conjunction with projected funding levels and the City's vision and principles, largely in concert with the City's Comprehensive Plan. Actual programming of projects is dependent upon the financial resources available. Funding constraints may preempt the actual inclusion of projects in the current CIP but may be listed as priorities for funding should resources become available. While every need is not addressed, the CIP intends to serve as a critical planning tool and a good foundation for future decision making.

**Funding Sources**

A distinction must be made between the revenue sources available for a CIP project and the method of financing used to provide some of those revenues. For this CIP, the primary revenue sources are: proceeds from general obligation bonds, general fund reserves, federal and state government grants and proceeds from short term lease financing agreements. The term “Unfunded” is used to identify projects that have been placed on the City’s radar for possible future funding, but no source has been considered.

**General Obligation Bonds**

The issuance of bonds is a method used by many localities to fund capital projects. Bond issuances are governed by state laws and regulations. A loan is issued to the City on the basis of credit worthiness by demonstrating the current level of debt, revenue and savings or City reserves in exchange for the promise to repay the loan with interest. The repayment of the bond is usually long-term, 15 or 20 years. Typically, government regulations require that the proceeds from bond issues be expended on one-time capital projects within a certain time frame after the issuance. Bond proceeds have been used to finance numerous City and School projects. The level of debt that the City incurs is governed by City Council approved financial policies.

**Contributions from the General Fund (Assigned Fund Balance)**

The General Fund receives taxes and fees including real estate and personal property taxes which are collected to support the general operation of the City. Where current financial policies do not dictate a certain percentage of use of estimated General Fund revenues each year for the Capital Budget, a certain amount of funds are allotted based on the availability of prior year unassigned fund balance. In other words, funds that remain unspent from the operating budget from year to year may be used to finance certain capital projects on a “pay as you go” basis. This has enabled the City to pay for certain projects such as annual street paving and maintenance.

**Federal and State Government**

The federal and state governments provide funding primarily in the arena of state and federal supported grants. In Franklin’s case, for example, federal funds (USDA) have been used for the purchase of police vehicles and the Federal Aviation Administration to support vast improvements to the City’s Airport. It is important to note that funding received from these sources *may* require a local match from the City. State and federal funds support certain highway maintenance and road improvement projects and are utilized to help the City provide the required match for airport improvement projects.

**Lease Financing Agreements**

Lease financing is a solution that is used when cost effective financing is sought for equipment and other fixed assets. This alternative allows the lessee, in this case, the City of Franklin, to preserve capital and reduce borrowing capacity because it offers (1) 100% financing, (2) favorable tax treatment, (3) low to no closing costs and (4) lower monthly payments than traditional borrowing. This financing alternative is subject to all the local and state laws and regulations. The City has, in past years, utilized lease financing agreements to acquire funding for public safety equipment (fire engine), electric department equipment (bucket truck) and public works equipment (garbage trucks).

Other: User fees generated from various Enterprise Funds are intended to pay for the majority of capital projects within the Electric, Solid Waste and Water & Sewer Funds. Pay as you go (PAYGO) has become a more preferable option than lease arrangements for equipment purchases particularly for Enterprise Fund operations when adequate reserve funds are available

***FISCAL YEAR 2017-2018  
Capital Improvement Budget  
\$2,363,803***

***FISCAL YEAR 2018-2022  
Capital Improvement Plan  
\$65,060,968***

**Capital Improvement Budget for Fiscal Year 2017-2018**

The first year of the Capital Improvement Program is identified as the Capital Improvement Budget. The projects outlined herein have been programmed in year 2017-2018. The total amount is \$2,363,803 comprised of capital improvements proposed in the following funds:

<b>FY 17-18 Capital Improvement Budget by Fund</b>	
General Fund	\$ 1,392,536
Solid Waste	\$ 165,000
Water & Sewer	\$ 806,267
<b>Total CIP Budget</b>	<b>\$ 2,363,803</b>

<b>Funding Source - FY 17-18 Capital Improvement Budget</b>	
G-F Operating Revenue	\$ 736,000
G-F Grant Revenue	\$ 533,000
G - F Unassigned Fund Balance	\$ 123,536
Solid Waste Operating Revenue	\$ 165,000
Water & Sewer Operating Revenue	\$ 806,267
<b>TOTAL CIP REVENUE</b>	<b>\$ 2,363,803</b>

- **General Fund Operating Revenue:** The primary source of funds to pay for Capital Improvement Projects included in the current year budget; these projects are usually paid for via local tax revenue generated. (Fiscal Year 2017-2018, **\$736,000**)
- **Enterprise Fund Operating & Cash Reserves:** The Capital Improvement Program relies on a number of additional financing sources for particular projects. Their sources include user fees and cash reserves set aside in prior years for funding of future projects. (Fiscal Year 2017-2018, **\$971,267**)

- **Federal & State Grants:** The city actively pursues Federal & State grants to help reduce the amount that must be bonded. Many grants require matching participation by the City through current revenues. (Foundation funding & donations are included when available.) (Fiscal Year 2017-18, **\$533,000**)
- **School Fund Carryover (Fund Balance) – (FY 2017-2018 - \$-0-)** - Restricted balances from reserve funds or unspent bond proceeds. Unrestricted/unencumbered balances used to supplement other revenue sources and reduce the potential debt burden. The City strongly encourages the use of prior year fund balance to fund one-time non-recurring expenses.

- **Restricted Fund Balance:** Restricted represents funds received in the current fiscal year that have been set aside “restricted” for use for a specific purpose. (Fiscal Year 2017-2018, **\$-0-**)
- **Unassigned Fund Balance:** A portion of the City’s cash reserves that have accumulated over time to fund one time capital project expenditures in accordance with recommended financial policies. (Fiscal Year 2017-2018, **\$123,536**)

- **Street Improvement Projects**

Projects dedicated to convenient public transportation through the widening, re-grading and upgrading of the City's streets, sidewalks and other infrastructure projects; budgeted projects are less in scope than the major transportation/street projects that entail widening of major streets (North High, Hunterdale, Fairview Drive & Bobwhite Lane) and intersection improvements.

- **Municipal Facilities Upgrades**

Protection of the community's investment in City- owned buildings through renovation, acquisition and construction (HVAC, Back Up Generator, Ceiling Tile Replacements and Painting for FY 17-18); other projects have included roof repairs to various city buildings and HVAC replacement.

- **General Administration**

Projects related to general administration of governmental operations such as voting machine replacement (FY 17-18); other projects have included the financial system software upgrade, PEG channel improvement, and telephone system replacement.

- **Education**

Dedicated to providing upgrades to City schools and facilities and transportation needs. For FY 17-18, no capital projects are funded with the focus on the operating fund. Prior year projects include roof repairs to each school, track resurfacing, gym roof replacement, major technology improvements (mobile classroom initiative), new buses, bleacher replacement, cafeteria ovens replacement, and other improvements.

- **Water & Sewer Utility**

Replacement and rehabilitation of water and sewer lines in various locations throughout the City and to maintain compliance with DEQ on the City's water quality and wastewater treatment plant operations.

- **Public Safety**

Projects are related to the safety of Franklin citizens in the areas of fire and rescue, police and E911 Communications. Projects for FY 17-18 include vehicle replacement for adequate emergency response and other emergency equipment replacement. Prior projects include records room improvement, police vehicle acquisition, and fire/rescue medic vehicle replacement.

- **Parks, Recreation & Cultural Projects**

Replacement and construction of recreational and cultural projects that enrich the quality of life for citizens and visitors to the community.

- **Solid Waste**

Replacement of aging equipment used in solid waste collection. The City has replaced three collection equipment vehicles in the last five years using user fees and cash reserves to replenish aging equipment in accordance to the planned replacement schedule.

- **Major Transportation/Streets**

Improvements to major City streets to include widening and intersection improvements; projects are unfunded until such time a funding source can be identified.

- **Electric Utility**

Projects identified that will significantly improve the electrical infrastructure City wide and provide the necessary electrical services for major industrial and commercial business in the City.

- **Airport**

Improvements to Airport infrastructure to include Parallel Taxiway Extension to Runway 27 and Tree Clearing encroaching near Runway approach. Prior year projects include weather station upgrade and runway lighting construction. Projects are reviewed by the Federal Aviation Administration and are primarily federally funded (95%), state funded (3%) and with the City contributing (2%) for most projects.

## IMPACT OF CAPITAL PROJECTS ON OPERATING BUDGET

The chart below summarizes annual capital projects included in the City’s general fund operating budget and funded with operating revenue:

Project name, Operating - GENERAL FUND	Operating	Where Budgeted
<b>Drainage Improvements (Streets)</b>	200,000	<b>Public Works-Streets</b>
<b>Annual Street Paving (Streets)</b>	500,000	<b>Public Works-Streets</b>
<b>Annual Traffic/Signal Improvements</b>	36,000	<b>Public Works-Streets</b>
<b>Total General Fund Operating Budget</b>	<b>736,000</b>	<b>0</b>

❖ **Drainage System Improvements**

Improvements and replacements of the City Storm Water Conveyance Systems - The City contracted to perform a citywide drainage study which was completed with recommendations for system improvements. The monies allotted will allow for system upgrades and replacement of defective appurtenances in accordance with the study. Funds expended on these projects are credited towards the money received from VDOT for maintenance of streets.

❖ **Street Improvements**

Provides for maintenance of the City’s transportation system - These funds are primarily used to resurface city streets. These funds are expended for maintenance only and cannot be used for new construction. Funds expended on these projects are credited towards the money the City receives from VDOT for maintenance of streets.

❖ **Intersection Signal Upgrades**

Provides for the upgrade of controls and signal head upgrades to traffic signals located in the city. Some of the traffic signal controllers located in the city are 20 years old. This technology is outdated and parts are not available. These funds will allow for controllers to be replaced with current technology and help keep the signals from malfunctioning. Also, signal head replacements will help cut down on electrical utility costs by upgrading to LED bulbs.

**GENERAL FUND CAPITAL PROJECTS (PAY AS YOU GO) – Capital Improvement Budget - \$936,885**

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❖ **Voter Machine Replacement(\$44,405)**

In 2007, the General Assembly banned the purchase of Direct Recording Equipment (DRE) in which the City previously used. The FY 16-17 budget included the state contract pricing to upgrade the City’s voting equipment initially acquired in 2005. Nine (9) optical scanning machines along with applicable software, training and service warranties were purchased at a total cost of \$88,809.85. The equipment will be paid for over a two year period at a cost of \$44,405 with the final payment included in FY 17-18.

❖ **Vehicle Replacement (Patrol Vehicles)(\$91,000)**

The FY 16-17 operating budget includes \$91,000 to replace two police patrol vehicles. The City plans to replace high mileage/less fuel efficient vehicles as maintenance costs increase on a periodic basis as funds are available. One of the vehicles being replaced in FY 17-18 is being partially funded with a matching USDA grant of \$25,000.

**❖ Police Taser Equipment (\$64,971)**

Police taser equipment is outdated and no longer supported by the provider. Funds are included to replace with repayment over five years at 0% interest.

**❖ Emergency Generator Replacements, 911 Center, High School Emergency Shelter (\$400,000)**

Funds from an energy efficiency financing and grant sources are being pursued to fund these items. Funds for these items are not included in the budget until approved and committed.

**❖ Medic 2 Replacement Ambulance (\$200,000)**

Grant funding from the State & County are being sought for this item. Funds are not included for appropriation until approved.

**❖ Energy Efficiency Projects**

Funds are not included until final project scope is determined, but will be financed with repayment from energy savings generated. A general fund project is being developed.

**❖ Parks & Recreation (\$141,000)**

The City expects to receive donations & grant funding to complete much needed facility enhancements at Armory Park and the M. L. King, Jr Center, as listed in the CIP. Funds will not be appropriated until received.

***SCHOOL FUND CAPITAL PROJECTS (PAY AS YOU GO) – Capital Improvement Budget***

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**❖ School Capital Projects(\$-0-)**

It is good financial management practice to pay for one-time capital projects from reserves as opposed to utilizing “carryover” to fund ongoing operational expenses. In the case of the School Fund, no one time carryover funds were available from FY 2015-2016 so no funds are included for the FY 2017-2018 to cover the cost of one time capital projects (Buses, classroom replacements, storage facility, etc. as outlined in the document).

***SOLID WASTE FUND CAPITAL PROJECTS***

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**❖ Equipment Vehicle (\$165,000)**

The budget includes the cost to replace a 2005 rear loader solid waste collection vehicle to comply with the proposed equipment replacement schedule. A portion of the Fund’s cash balance reserves will be used to cover the costs.

***WATER & SEWER FUND CAPITAL PROJECTS***

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**❖ Sewer System Improvements (\$476,267)**

Funds for sewer system improvements will be utilized to rehabilitate failing system appurtenances by means of slip lining sewer mains and recoating of sanitary manholes in order to reduce the amount of inflow/infiltration entering the system. Also engineering services for GIS updates and project design will be accomplished using these funds.

**❖ Wastewater Treatment Plant Upgrades (\$100,000)**

Needed maintenance, compliance and upgraded technology improvements at the Wastewater Treatment to remain compliant with regulatory requirements are included.

**Water Line Rehabilitation (\$150,000)**

- ❖ Rehabilitation and upgrades to the City Potable Water System. Funds for water system improvements will be utilized to rehabilitate failing system appurtenances by means of replacing old water mains and upgrading existing infrastructure. Also engineering services for GIS updates and project design will be accomplished using these funds.
- ❖ **Engineering Shared Services next steps (\$50,000)**  
For a second consecutive year, funds are included to complete next steps on the City/County shared Utility Study recommendations

**AIRPORT CAPITAL PROJECTS**

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- ❖ **Parallel Taxiway Extension (\$-0-)**  
This project is the design phase for the Partial Parallel Taxiway Extension to Runway 27. The existing taxiway to Runway 27 from the terminal area intersects the runway approximately 1,000 feet from the end therefore requiring that aircraft back-taxi for approximately 1,000 feet to have full runway length. The FAA has determined this to be a safety concern and has requested that the airport build a partial parallel taxiway. A Short Form Environmental Assessment was completed in 2013 resulting in a Finding of No Significant Impact. The design phase has been completed as the next step in the process of building the parallel taxiway. Funding for the project is 98% Federal and State funded. The city provides a 2.0% local match. The City has applied but no funding commitment has been received to fund the actual project.
- ❖ **Tree Clearing Project - \$31,240**  
Over the last 30 years trees have grown to a height that is beginning to encroach the runway approach zones. The first step in removing the trees is to identify the area that needs to be cut via an aerial survey. The cost of the survey is approximately \$31,240.00. The City has undertaken and completed the survey. The City has applied but no funding commitment has been received to fund the actual project. Funding for the project will be 80% state funded by the Virginia Department of Aviation and the City local match requirement is 20% when it is funded.



CITY OF FRANKLIN, VA – PROPOSED  
CAPITAL IMPROVEMENT PROGRAM  
FY 2017-18 TO FY 2021-22

Project Description		Revenue Assigned	FY 17/18 Proposed	FY 18/19 Request	FY 19/20 Request	FY 20/21 Request	FY 21/22 Request	Unfunded	
<b>GENERAL GOVERNMENT</b>									
1	Voter Machine Replacement	Fund Balance	44,405					0	44,405
	TOTAL GENERAL GOVERNMENT		44,405	0	0	0	0	0	44,405
<b>PUBLIC SAFETY</b>									
2	Station 1 Improvement Preliminary Design Year 1	Local		20,000	500,000			520,000	520,000
3	Public Safety Building Improvement-Engineering Study	Local				50,000		50,000	50,000
4	Engine 3 Replacement	Financing		450,000				450,000	450,000
5	Ladder 1 Replacement	Financing			1,250,000			1,250,000	1,250,000
6	Medic 2 Replacement	Grant	200,000					0	200,000
7	Medic 5 Replacement	Grant				250,000		250,000	250,000
8	Fire Command Vehicle Replacement	Local					45,000	45,000	45,000
9	E911 Communications Radio Systems Replacement	Local		450,000	371,382			821,382	821,382
10	E911 Communications Monopole Tower	Local				300,000		300,000	300,000
11	E911 Communications Generator	Financing*	200,000					0	200,000
12	Emergency Shelter Generator (@ Franklin High School)	Grant	200,000					0	200,000
13	Police Vehicle Replacement	Federal Grant & Local	91,000	54,000	54,000	54,000		162,000	253,000
14	TASER Replacement	Financing	13,131	12,960	12,960	12,960	12,960	51,840	64,971
	TOTAL PUBLIC SAFETY		704,131	986,960	2,188,342	666,960	57,960	3,900,222	4,604,353
<b>PUBLIC WORKS</b>									
15	Drainage System Improvements	Local	200,000	300,000	300,000	300,000	300,000	1,200,000	1,400,000
16	Street Improvements	Local	500,000	500,000	500,000	500,000	500,000	2,000,000	2,500,000
17	Traffic Signal Upgrades	Local	36,000	36,000	36,000	36,000	36,000	144,000	180,000
18	Vehicle Replacement (Streets Division)	Local		40,000		40,000		80,000	80,000
19	City Buildings HVAC Replacement – City Hall, Police/Courts, EMS Facility, Business Center	Financing*	540,000					0	540,000

\* Related to Energy Efficiency Project for the General Fund

\*\* Related to Energy Efficiency Project for the Electric Fund

\*\*\* If "New Delivery 4" project is constructed, other projects will be removed from CIP.

20	Ceiling Tile Replacement & Painting (City Hall, Police/Courts, EMS Facility, Health Dept., DSS)	Financing*	128,200					0	128,200
21	Generator Acquisition-City Hall	Financing*	220,000					0	220,000
22	Basement Abandonment	Financing*	165,000					0	165,000
23	Backhoe	Local		135,000				135,000	135,000
<i>Transportation Safety/Street Projects</i>									
24	Intersection Improvements Per Comp Plan	Local & State		220,000	220,000	220,000	220,000	880,000	880,000
25	North High Street Widening	Local & State		3,200,000	3,200,000	3,200,000	3,200,000	12,800,000	12,800,000
26	Hunterdale Road Widening	Local & State		3,600,000	3,600,000	3,600,000	3,600,000	14,400,000	14,400,000
27	Fairview Drive Widening	Local & State		1,200,000	1,200,000	1,200,000	1,200,000	4,800,000	4,800,000
28	Bobwhite Lane Connector to High Street	Local & State		1,600,000	1,600,000	1,600,000	1,600,000	6,400,000	6,400,000
	<b>TOTAL PUBLIC WORKS</b>		1,789,200	10,831,000	10,656,000	10,696,000	10,656,000	42,839,000	44,628,200
COMMUNITY DEVELOPMENT									
29	Gateway Enhancement	Local, State & Grant Funds		40,000	40,000	75,000	75,000	230,000	230,000
	<b>TOTAL COMMUNITY DEVELOPMENT</b>		0	40,000	40,000	75,000	75,000	230,000	230,000
PARKS & RECREATION									
30	Playground Equipment at College Drive, MLK, Jr. Community Center and Bruce Street Parks	Local		50,000	50,000	50,000		150,000	150,000
31	Playground Equipment at Armory Park	Grant & Donations	108,000					0	108,000
32	Resurface Basketball Courts – College Park	Local					100,000	100,000	100,000
33	Hayden Sports Complex Lighting	Local					150,000	150,000	150,000
34	MLK Jr. Center Improvements	Local		90,000				90,000	90,000
35	MLK Jr. Center - Painting & Tile Replacement	Financing*	33,100					0	33,100
36	Paul D. Camp Community College Athletic Complex	Local		100,000	500,000	400,000		1,000,000	1,000,000
	<b>TOTAL PARKS &amp; RECREATION</b>		141,100	240,000	550,000	450,000	250,000	1,490,000	1,631,100
SOLID WASTE FUND									

37	Collection Truck Replacements	User Fees	165,000		175,000		230,000	405,000	570,000
	TOTAL SOLID WASTE FUND		165,000	0	175,000	0	230,000	405,000	570,000
	ELECTRIC FUND								
38	New Delivery Point 4 ***	User Fees		3,000,000				3,000,000	3,000,000
39	Reconductor to Delivery 2 from Dominion's Station***	User Fees			510,000			510,000	510,000
40	New Circuit out of Delivery 3***	User Fees			100,000	150,000		250,000	250,000
41	Digger Truck Replacement	User Fees		230,000				230,000	230,000
42	Automated Meter Infrastructure	Financing	1,400,000					0	1,400,000
43	LED Energy Efficiency Project	Financing**	704,000					0	704,000
44	SCADA Replacement	Financing**	225,000					0	225,000
	TOTAL ELECTRIC FUND		2,329,000	3,230,000	610,000	150,000	0	3,990,000	6,319,000
	WATER & SEWER FUND								
45	Sewer System Rehabilitation	User Fees	476,267	250,000	250,000	250,000	250,000	1,000,000	1,476,267
46	Engineering Shared Services Next Steps	Shared Services	50,000					0	50,000
47	Service Vehicle Replacement	User Fees	30,000					0	30,000
48	Water System Improvements	User Fees	150,000	150,000	150,000	150,000	150,000	600,000	750,000
49	Hunterdale Generator	User Fees		30,000	30,000	30,000	30,000	120,000	120,000
50	Pretlow Generator	User Fees		30,000	30,000	30,000	30,000	120,000	120,000
51	SCADA Replacement WWTP	User Fees		128,000				128,000	128,000
52	Wastewater Treatment Plant Upgrades	User Fees	100,000					0	100,000
	TOTAL WATER & SEWER FUND		806,267	588,000	460,000	460,000	460,000	1,968,000	2,774,267
	AIRPORT FUND								
53	Parallel Taxiway Project	Fed, State, & Local		650,000				650,000	650,000
54	Drainage Rehabilitation	Fed, State, & Local				85,000	560,000	645,000	645,000

55	Obstruction Removal - Trees	Federal, State & Local		250,000	75,000	500,000		825,000	825,000
	TOTAL AIRPORT FUND		0	900,000	75,000	585,000	560,000	2,120,000	2,120,000
	EDUCATION FUND								
56	S.P. Morton-Architectural/Engineering	Reserves		125,000	50,000	25,000		200,000	200,000
57	S. P. Morton-Classroom Replacement (32)	Reserves				1,230,643		1,230,643	1,230,643
58	Bus Replacement	Reserves		195,000	194,000	80,000	80,000	549,000	549,000
59	Division Vehicles	Reserves		60,000				60,000	60,000
60	Storage Facility	Reserves		100,000				100,000	100,000
	TOTAL EDUCATION		0	480,000	244,000	1,335,643	80,000	2,139,643	2,139,643
	TOTAL ALL FUNDS		5,979,103	17,295,960	14,998,342	14,418,603	12,368,960	59,081,865	65,060,968



## **FY 2017-2018 Budget**

## **Section 6**

- ❖ Budget Resolution
- ❖ Electric Rate Ordinance



FY 2017-2018  
BUDGET RESOLUTION



**PROPOSED BUDGET RESOLUTION  
SETTING THE TAX RATES, ADOPTING THE BUDGET AND  
APPROPRIATING FUNDS FOR FY 2017-2018**

**WHEREAS**, it is mandated by law that the governing body of this City adopt a City budget for fiscal planning purposes and fix the respective local tax rates each year and;

**WHEREAS**, the Franklin City Council has complied with the law by preparing a proposed budget, holding the required public hearings on May 15, 2017 after proper and legal notice and having deliberated;

**Section I.**

***Council does hereby propose to set and adopt, pursuant to Virginia Code Section 58.1-3524, the rate of tax relief at such a level that is anticipated to fully exhaust PPTRA relief funds provided to the City by the Commonwealth as follows:***

Personal Use vehicles valued at \$1,000 or less	Eligible for 100% tax relief
Personal Use vehicles valued at \$1,001 to \$20,000	Eligible for tax relief at 50% (down from 52%)
Personal Use vehicles valued at \$20,000 or more	Eligible for tax relief at 50% on the first \$20,000 of value and taxed fully on the balance (down from 52%)

**THE FOLLOWING TAXES AND FEES ARE PROPOSED TO REMAIN UNCHANGED:**

Real Estate Tax Rate	\$0.99/\$100 of assessed value
Personal Property & Business Property	\$4.50/\$100 of assessed value
Downtown District Tax Rate	\$0.24/\$100 of assessed value
Machinery & Tools	\$2.00/\$100 of assessed value
Meals Tax	6.5%
Lodging Tax	8.0%
Cigarette Tax	\$0.60 per pack
<b>Ambulance Service Fees:</b>	
Basic Life Support	\$450.00
Advanced Life Support 1	\$550.00
Advanced Life Support 2	\$800.00
Mileage Rate to Hospital	\$13.00

<b>Water Service Fees</b>	
\$14.22 base rate plus \$3.20 per 1,000 gallons per month (metered usage – inside city)	
\$17.98 base rate plus \$3.96 per 1,000 gallons per month (metered usage – outside city)	
\$30.25 base rate per month – (unmetered usage – inside city)	
\$37.57 base rate per month – (unmetered usage – outside city)	

<b>Sewer Service Fees</b>
\$19.01 base rate plus \$4.43 per 1,000 gallons per month (metered usage – inside city)
\$22.94 base rate plus \$5.67 per 1,000 gallons per month (metered usage – outside city)
\$41.00 base rate per month – (unmetered usage – inside city)
\$50.95 base rate per month – (unmetered usage – outside city)

<b>Trash Collection Fees</b>
\$38.00 per month - (residential – inside city)
\$76.00 per month - (residential outside city)
\$52.61 per month - commercial 1 box
\$61.90 per month - commercial 2 boxes

**SECTION II:** The following amounts as stated are hereby appropriated in the General Fund for the operation of the City Government and its activities for and during the fiscal year beginning July 1, 2017 and ending June 30, 2018:

***EXPENDITURE SUMMARY – GENERAL FUND***

CITY COUNCIL	158,126
CITY MANAGER	217,303
CITY ATTORNEY	162,248
HR	175,847
COMMISSIONER OF THE REVENUE	268,915
REAL ESTATE ASSESSOR	122,405
TREASURER	333,344
FINANCE	689,167
INSURANCE	195,232
INFORMATION TECHNOLOGY	262,258
ELECTIONS	176,400
JUDICIAL ADMINISTRATION	1,257,383
PUBLIC SAFETY	3,879,554
EMERGENCY SERVICES	2,379,811
INSPECTIONS	518,173
ANIMAL CONTROL	121,604
PUBLIC WORKS-STREETS	1,975,645
PUBLIC WORKS-GARAGE	234,602
MAINTENANCE OF BUILDINGS & GROUNDS	970,952
HEALTH & WELFARE	146,958
RECREATION	388,673
CEMETERIES	42,448
SENIOR CITIZENS PROGRAMS	52,148
LIBRARY	304,103
PLANNING/ZONING	259,856
BEAUTIFICATION	5,000
DOWNTOWN	110,000
NON DEPT: REV. SHARING/MERCHANT FEES	755,000
<b>TOTAL</b>	<b>\$ 16,163,155</b>
TRANSFERS	7,045,901
<b>TOTAL EXPENDITURES</b>	<b>\$ 23,209,056</b>



<b>REVENUE SUMMARY</b>	
LOCAL	16,937,493
STATE	4,029,527
FEDERAL	41,595
<b>SUBTOTAL - OPERATING REVENUE</b>	<b>21,008,615</b>
OTHER FINANCIAL SOURCES	1,691,698
FUND BALANCE	508,743
<b>TOTAL GENERAL FUND REVENUES</b>	<b>23,209,056</b>

**SECTION III:** The following amounts as stated are hereby appropriated in the **Water and Sewer Fund** for the operation of the Enterprise and its activities for and during the fiscal year beginning July 1, 2017 and ending June 30, 2018:

SALE OF WATER	1,414,750
SALE OF SEWER	1,864,750
MISCELLANEOUS	93,250
<b>TOTAL WATER &amp; SEWER FUND REVENUE</b>	<b>3,372,750</b>

OPERATING EXPENSE	1,815,793
DEBT SERVICE	366,234
CAPITAL OUTLAY	726,267
TRANSFER TO GENERAL FUND	464,206
<b>TOTAL WATER &amp; SEWER FUND EXPENSES</b>	<b>3,372,500</b>

**SECTION IV:** The following amounts as stated are hereby appropriated in the **Solid Waste Fund** for the operation of the Enterprise and its activities for and during the fiscal year beginning July 1, 2017 and ending June 30, 2018:

SOLID WASTE COLLECTION FEES	1,333,279
FUND BALANCE - RESERVES	87,618
MISCELLANEOUS	4,000
<b>TOTAL SOLID WASTE REVENUE</b>	<b>1,424,897</b>

OPERATING EXPENSE	888,142
DEBT SERVICE	6,448
CAPITAL OUTLAY	205,000
TRANSFER TO GENERAL FUND	325,307
<b>TOTAL SOLID WASTE FUND EXPENDTURES</b>	<b>1,424,897</b>

**SECTION V:** The following amounts as stated are hereby appropriated in the **Airport Fund** for the operation of the Enterprise and its activities for and during the fiscal year beginning July 1, 2017 and ending June 30, 2018:

AIRPORT RENTAL FEES	60,500
SALE OF GAS AND FUEL	67,500
STATE & FEDERAL AID	3,000
TRANSFER FROM GENERAL FUND	117,445
<b>TOTAL AIRPORT FUND REVENUE</b>	<b>248,445</b>

OPERATING EXPENSES	221,210
CAPITAL OUTLAY	-
TRANSFER TO GENERAL FUND	27,235
<b>TOTAL AIRPORT FUND EXPENSES</b>	<b>248,445</b>

**SECTION VI:** The following amounts as stated are hereby appropriated in the **Electric Fund** for the operation of the Enterprise and its activities for and during the fiscal year beginning July 1, 2017 and ending June 30, 2018:

REVENUE FROM SALE OF ENERGY	14,045,013
REVENUE FROM FUEL CHARGES	1,104,300
OTHER REVENUE	256,473
<b>TOTAL ELECTRIC FUND REVENUE</b>	<b>15,405,786</b>

FUEL ADJUSTMENT	1,114,922
OPERATING EXPENSES	1,683,545
CAPITAL IMPROVEMENTS	196,643
DEBT SERVICE	276,699
CASH RESERVE REPLENISHMENT	285,156
CAPITAL RESERVE	48,878
TRANSFER TO GENERAL FUND	1,922,412
<b>TOTAL ELECTRIC FUND EXPENSES</b>	<b>15,405,786</b>

**SECTION VIII:** The following amounts as stated are hereby appropriated in the **Social Services Fund** for the operation of the fund and its activities for and during the fiscal year beginning July 1, 2017 and ending June 30, 2018:

STATE REVENUE	518,216
FEDERAL REVENUE	781,722
TRANSFER FROM GENERAL FUND	497,205
<b>TOTAL SOCIAL SERVICES FUND REVENUE</b>	<b>1,797,143</b>

SOCIAL SERVICES EXPENSES	1,797,143
<b>TOTAL SOCIAL SERVICES EXPENSES</b>	<b>1,797,143</b>

**SECTION IX:** The following amounts as stated are hereby appropriated in the **Comprehensive Services Act Fund** for the operation of the fund and its activities for and during the fiscal year beginning July 1, 2017 and ending June 30, 2018:

STATE REVENUE	121,699
TRANSFER FROM GENERAL FUND	104,663
<b>TOTAL COMPREHENSIVE SERVICES REVENUE</b>	<b>226,362</b>

MANDATED SERVICES	180,000
LOCAL MEDICAID MATCH	-
ADMINISTRATIVE SERVICES	46,362
<b>TOTAL COMPREHENSIVE SERVICES EXPENSES</b>	<b>226,362</b>

**SECTION X:** The following amounts as stated are hereby appropriated in the **Education Fund (Schools & Cafeteria)** for the operation of the funds and its activities for and during the fiscal year beginning July 1, 2017 and ending June 30, 2018:

LOCAL REVENUE	196,770
CAFETERIA FUND (STATE, FEDERAL & LOCAL)	823,000
TEXTBOOK FUND (STATE, FEDERAL & LOCAL)	114,770
STATE	8,585,067
FEDERAL	2,142,174
TRANSFER FROM GENERAL FUND (BASE APPROP)	5,037,395
<b>TOTAL SCHOOL, CAFETERIA &amp; TEXTBOOK REVENUE</b>	<b>16,899,176</b>

CAFETERIA FUND EXPENSES	823,000
TEXTBOOK FUND EXPENSES	114,770
SCHOOL OPERATING FUND EXPENSES	15,961,406
<b>TOTAL SCHOOL, CAFETERIA &amp; TEXTBOOK EXPENSES</b>	<b>16,899,176</b>

**SECTION XI:** The following amounts as stated are hereby appropriated in the **Debt Service Fund** for the operation of the fund and its activities for and during the fiscal year beginning July 1, 2017 and ending June 30, 2018

TRANSFER FROM GENERAL FUND-GENERAL DEBT	452,164
TRANSFER FROM GENERAL FUND-SCHOOL DEBT	651,734
INTEREST INCOME - SCHOOL DEBT	30,000
<b>TOTAL GENERAL &amp; SCHOOL DEBT REVENUE</b>	<b>1,133,898</b>

GENERAL FUND DEBT SERVICE	452,164
SCHOOL DEBT FUND	681,734
<b>TOTAL GENERAL &amp; SCHOOL DEBT EXPENSE</b>	<b>1,133,898</b>

**SECTION XII:** The following amounts as stated are hereby appropriated in the **Economic Development Fund** for the operation of the fund and its activities for and during the fiscal year beginning July 1, 2017 and ending June 30, 2018:

PROGRAM FEES & RENTAL INCOME	127,500
TRANSFER FROM GENERAL FUND-JOINT ACTIVITY	125,000
TRANSFER FROM GENERAL FUND - OPERATING APPROP	60,525
<b>TOTAL ECONOMIC DEVELOPMENT FUND</b>	<b>313,025</b>

GENERAL OPERATING COST	188,025
PAYMENT TO JOINT ECONOMIC DEVELOPMENT	125,000
<b>TOTAL ECONOMIC DEVELOPMENT FUND</b>	<b>313,025</b>

**SECTION XIII: AUTHORIZATION & LIMITATIONS**

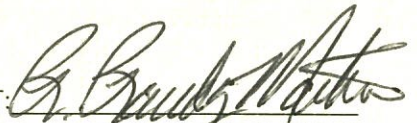
A. The City Manager is authorized to transfer budgeted amounts within departments up to \$20,000. Expenditures over the original budget of any department or transfers over \$20,000 must be approved by City Council.

B. No amount between funds nor any contingency appropriation may be transferred within any fund without approval from the City Council.

EFFECTIVE DATE: The budget hereby adopted and the respective tax rates so fixed shall be effective July 1, 2017:

DONE THIS 5<sup>th</sup> day of June, 2017, in the CITY OF FRANKLIN, VIRGINIA

  
\_\_\_\_\_  
Frank M. Rabil, Mayor

ATTEST:   
\_\_\_\_\_  
R. Randy Martin, Clerk



FY 2017 - 2018  
ELECTRIC RATE ORDINANCE

# Proposed Amendment to City Ordinance 8-14(a) To Maintain Electrical Rates

(Based on No Increase Effective July 1, 2017)

## Motion

The Council of the City of Franklin does ordain that the Franklin City Code 8-14 (a) shall be amended to set the monthly electrical rates for the non-fuel charge component for the kWh energy charge and the kW demand charge for all billings after July 1, 2017 in the following categories of users:

Sec. 8-14. Electrical rates and deposits.

(a) The monthly electrical rates are hereby established for the following category of users:

### Residential Rate – “Schedule RS-401” :

	<u>July 1, 2017</u>
A. Basic Customer Charge:	\$7.98
B. Plus KWH charge	
First 800 KWH	\$0.10851 per KWH
Excess over 800 KWH	\$0.10851 per KWH
C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.	

### Small General Service Rate – “Schedule SGS 405” :

	<u>July 1, 2017</u>
A. Basic Customer Charge:	
Single Phase	\$12.61
B. Plus kWh charge:	\$0.08939 per kWh
C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.	

### Small General Service Rate – “Schedule SGS 406” :

	<u>July 1, 2017</u>
A. Basic Customer Charge:	
Three Phase	\$22.42
B. Plus kWh charge:	\$0.08939 per kWh
C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.	

**Medium General Service-I Rate– “Schedule MGS-I 451/551” :**

- A. Basic Customer Charge: **July 1, 2017**  
Single Phase \$49.50
- B. Plus kWh Charge: \$0.07320 per kWh
- C. Plus kW demand charge: \$6.80 per kW
- D. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

**Medium General Service-I Rate – “Schedule MGS-I 453/553” :**

- A. Basic Customer Charge: **July 1, 2017**  
Three Phase \$99.00
- B. Plus kWh Charge: \$0.07320 per kWh
- C. Plus kW demand charge: \$6.80 per kW
- D. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

**Medium General Service-D Rate – “Schedule MGS-D 404/504” :**

- A. Basic Customer Charge: **July 1, 2017**  
Single Phase \$45.00
- B. Plus kWh Charge: \$0.04846 per kWh
- C. Plus kW demand charge: \$14.97 per kW
- D. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

**Medium General Service-D Rate – “Schedule MGS-D 407/507” :**

- A. Basic Customer Charge: **July 1, 2017**  
Three Phase \$90.00
- B. Plus kWh Charge: \$0.04846 per kWh
- C. Plus kW demand charge: \$14.97 per kW
- D. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

**Large General Service Rate – “Schedule LGS 403/503” :**

**July 1, 2017**

- |   |                   |
|---|-------------------|
| A. Basic Customer Charge  | \$247.50          |
| B. Plus kWh Charge:   | \$0.04417 per kwh |
| C. Plus kW Charge:  | \$16.39 per kW    |
| D. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier. |                   |

**Municipal Service Rate – “Schedule MS 408” :**

- |   |                            |
|---|----------------------------|
| A. Basic Customer Charge:   | <b><u>July 1, 2017</u></b> |
| Single Phase  | \$16.50                    |
| B. Plus kWh charge:   | \$0.09833 per kWh          |
| C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier. |                            |

**Municipal Service Rate – “Schedule MS 409” :**

- |   |                            |
|---|----------------------------|
| A. Basic Customer Charge:   | <b><u>July 1, 2017</u></b> |
| Three Phase   | \$26.13                    |
| B. Plus kWh charge:   | \$0.09833 per kWh          |
| C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier. |                            |

**Church and Synagogue Rate – “Schedule CS 418” :**

- |   |                            |
|---|----------------------------|
| A. Basic Customer Charge:   | <b><u>July 1, 2017</u></b> |
| Single Phase  | \$12.38                    |
| B. Plus KWH charge:   |                            |
| First 3000 KWH  | \$0.10367 per KWH          |
| Excess over 3000 KWH  | \$0.15355 per KWH          |
| C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier. |                            |



Church and Synagogue Rate – "Schedule CS 419, 429, 440" :

A. Basic Customer Charge:	<u>July 1, 2017</u>
Three Phase	\$22.00
B. Plus KWH charge:	
First 3000 KWH	\$0.10367 per KWH
Excess over 3000 KWH	\$0.15355 per KWH
B. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.	

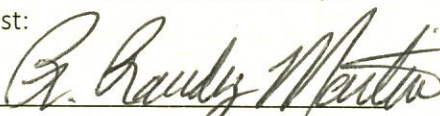
OUTDOOR LIGHTING SERVICE

Rate Schedule: OLS

High Pressure Sodium	<u>July 1, 2017</u>
100 W	\$11.00 per month
150 W	\$13.50 per month
250 W	\$18.75 per month
400 W	\$28.00 per month
1,000 W	\$44.00 per month
Metal Halide	
1,000 W	\$39.25 per month

GIVEN under our hands this 5th day of June 2017.

  
\_\_\_\_\_  
Frank M. Rabil, Mayor

Attest:  
  
\_\_\_\_\_  
R. Randy Martin, Clerk