



*Community*

*Growth*



CITY OF FRANKLIN, VIRGINIA  
ADOPTED BUDGET DOCUMENT  
For the Period July 1, 2016 - June 30, 2017  
Prepared by the Department of Finance



*Spirit*



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SEE INDEX FOR EXHIBIT PAGE NUMBERS



*Departmental  
Listing*

**CITY COUNCIL**

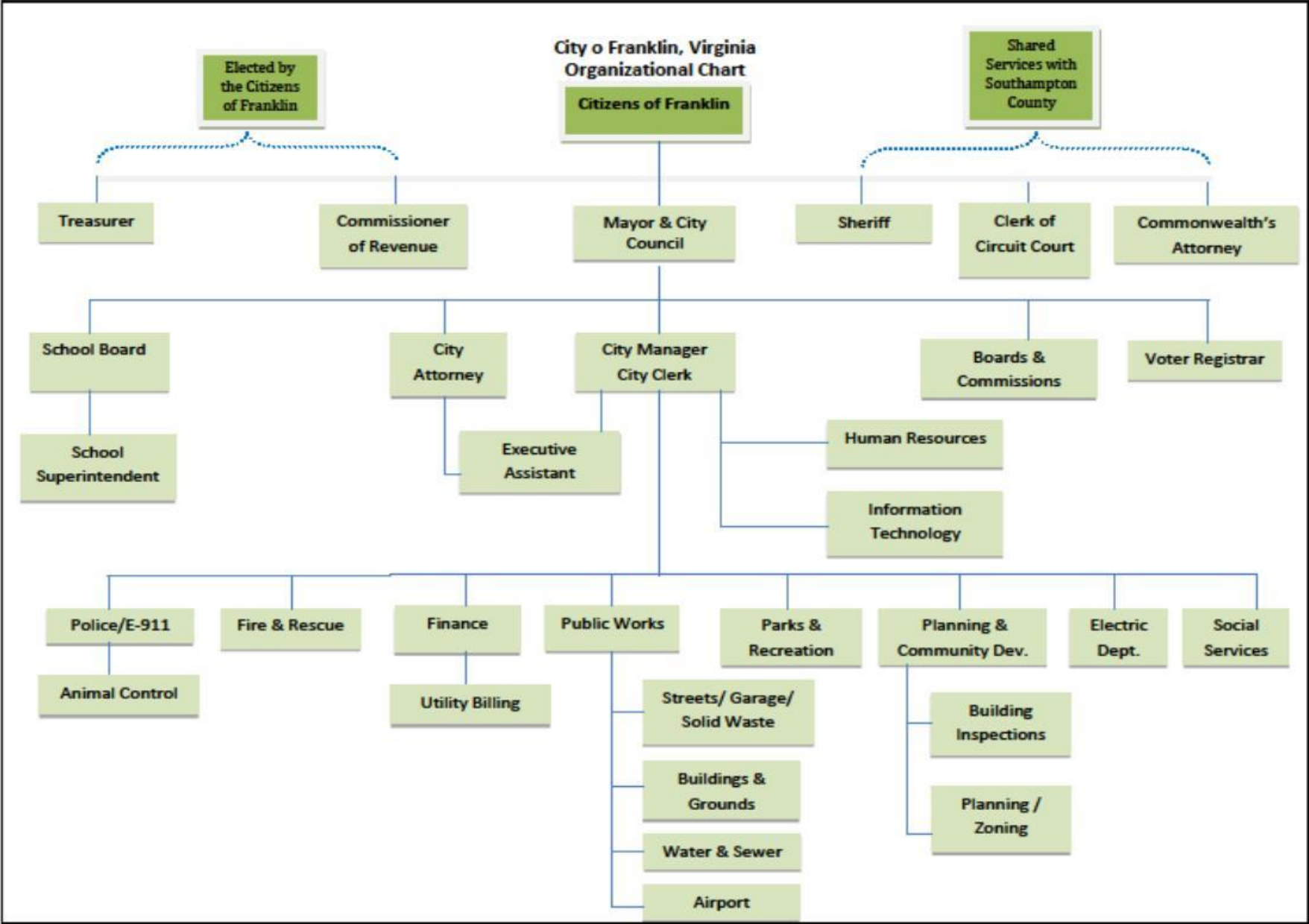
RAYSTINE D. JOHNSON-ASHBURN	MAYOR, AT LARGE
BARRY W. CHEATHAM	VICE-MAYOR, WARD 1
BRENTON D. BURGESS	WARD 2
GREGORY MCLEMORE	WARD 3
MONA L. MURPHY	WARD 4
MARY E. HILLIARD	WARD 5
FRANK W. RABIL	WARD 6

**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
MELISSA D. ROLLINS	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
DR. WILLIE BELL JR.	SUPERINTENDENT OF FRANKLIN PUBLIC SCHOOLS

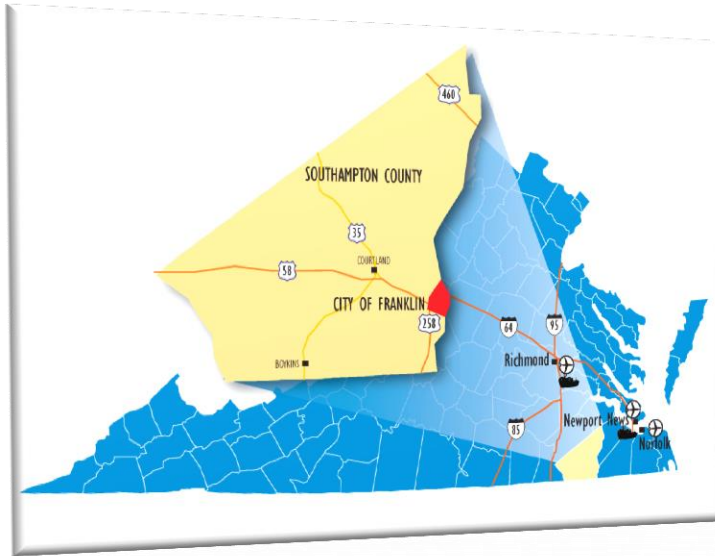




## Community Profile

### Background & Geography

Franklin became an independent City in December 1961 upon annexation from Southampton County. 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 capital, 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 2015	8490	8,382,993
April 2010	8580	8,001,045

<u>Income (1)</u>	<u>Franklin</u>	<u>Virginia</u>
Median Household Income (2010-14)	33,133	64,792
Per Capita Income (2010-14)	19,754	33,598
Persons In Poverty	22.5%	11.8%

<u>Age, Gender &amp; Race (1)</u>	<u>Franklin</u>	<u>Virginia</u>
Persons Over 65 years	17.5%	13.8%
Female Persons	54.9%	50.8%
White	39.2%	70.5%
African American	57.3%	19.7%

<u>Unemployment Rate (2)</u>	<u>Franklin</u>	<u>Virginia</u>
Unemployment Rate (Mar 31, 2016)	6.3%	4.0%
Unemployment Rate (Mar 31, 2015)	7.5%	4.8%

<u>Education (3)</u>	
J.P. Morton Elementary School	591 students
J.P. King Middle Skill	245 students
Franklin High School	296 students
Public School Enrollment March 31 <sup>st</sup> ADM (2015-16)	1132

<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-	5551
Customer Accounts Serviced by Water & Sewer	3450
Customer Accounts Serviced by Solid Waste	2832

Data Sources:

- (1) U.S. Census Bureau
- (2) Bureau of Labor Statistics
- (3) Virginia Department of Education
- (4) Franklin City Public Schools Website
- (5) City Records (April 2016 Reports)



*Fiscal Year*  
*2016-2017 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 2016-2017 Budget:

<b>If the question is.....</b>	<b>See.....</b>	<b>Page #.....</b>
What are the major policy issues in the FY 2016-2017 Budget?	Manager's Message	6-14
What is the real estate tax rates & fees?	Manager's Message City Tax Rate Table	6-14 15
What are some of the departmental highlights & accomplishments?	Highlights & Accomplishments	17-27
What are the City Council Priorities?	City Council Priorities	29-32
What agencies and organizations receive funding support from the City?	City Council Priorities Exhibit C – Budget Detail	29-32 1
What is the personal property tax rate and other local taxes & fees?	City Tax Rate Table & Other Fee Changes	15-16
What are the City's major general fund revenue sources?	Summary of All Budgeted Funds Revenue Source Chart- General Fund	40 42
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What are the City's major general fund expenditures?	Summary of All Budgeted Funds Expenditure Summary by Category	35 62-65
Where can I find information about the Electric Utility rates?	Electric Fund Summary	84-87
Is there a listing of the various types of debt for the City?	Schedule of Debt Service	93-98
How much is allocated in the budget for Schools?	School Fund Summary	99
Is there a capital improvement plan?	Capital Improvement Plan	103-116
Where is the Resolution approving the budget?	Adopted Budget Resolution & Electric Rate Ordinance	117-128



## *City Manager's Message*

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, 2016, 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 2016-2017 PROPOSED BUDGET SUMMARY

The Proposed Fiscal Year 2016 - 2017 Financial Plan for the City of Franklin is comprised of the General Fund, Debt Services Fund, Social Services Fund, Education Funds (School Operating & Cafeteria), 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 below.

Fiscal Year 2015-2016 Financial Plan	
Fund	Proposed Budget
General Fund	\$15,476,075
Debt Service Fund (School & General Debt)	\$1,133,210
Education (School Operating Fund)	\$15,592,927
Education (School Cafeteria Fund)	\$792,339
Social Services & CSA Fund	\$1,936,096
Economic Development Fund	\$304,695
Enterprise Funds	\$20,650,732
<b>TOTAL FINANCIAL PLAN</b>	<b>\$56,886,074</b>
Capital Improvement Budget (Incorporated into General & Enterprise Funds)	\$2,732,596

### 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 \$700,000 or approximately 64% of the funds in the FY 2016-2017 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 2015-16 and a reduced amount will be used to balance the FY 2016-2017 budget. This is critical to efforts aimed at minimizing the tax rate increase. 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 2017-2018 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) stagnant real estate property tax revenues resulting from another real estate reassessment that continues to show declining values although at a much slower rate and (3) increasing per pupil school expenditures resulting from declining school enrollment. The balanced budget proposal was achieved without eliminating direct services to Franklin residents and with the minimum responsible 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 an increase of \$367,878 or 2.43% from the FY 2015-2016 Adopted Budget prior to Interfund transfers and is \$900,527 or 5.5% less than the amended FY 2015-2016 Budget before Interfund transfers. The proposed General Fund Budget is \$22.47 million after 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 inspections, planning & community development, public works and parks & recreation. A primary goal is to operate a more efficient and effective government at the least cost possible. To this end, no new positions are proposed for FY 2016-2017 despite growing demands on staff.

## **RECOMMENDED TAX RATES**

In consideration of the aforementioned, management recommends the real property tax rate be established at one dollar [\$1.00] per \$100.00 of real property valuation for FY 2016-2017. This is one cent over the current tax rate of \$0.99 cents. At this rate, the City remains among the lowest city tax rates in the region as illustrated in the table that follows. The increase is necessary to maintain a revenue neutral tax rate based upon the results of the recently completed reassessment process. In essence the rate change is projected to produce only slightly more in revenue than the current rate produced in FY 2015-2016. A goal of City Council is certainly to minimize the tax burden. An increase of one cent over 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 which is also described in the detail.

Locality	Real Estate Tax Rate
Virginia Beach	\$ 0.99
Chesapeake	\$ 1.05
Norfolk	\$ 1.15
Portsmouth	\$ 1.30
Suffolk	\$ 1.07
Hampton	\$ 1.24
Newport News	\$ 1.22
Southampton County	\$ 0.82
Emporia	\$ 0.87
Isle of Wight County	\$ 0.85
<b>Franklin - Proposed</b>	<b>\$1.00</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 when the new SPSA use and support agreement takes effect in January, 2018. The proposed budget includes a recommendation to increase the City's monthly water and sewer rates effective July 1, 2015. Based upon demonstrated need for additional capital funding to address aging utility infrastructure needs, management recommends comprehensive water and sewer rate changes. The strategy is to generate ten percent more revenue in the fund for addressing additional wastewater collection system and water distribution system upgrades. The City's Water & Sewer Rates have not been increased since 2008. Not surprisingly, 2015 statewide comparison data verifies that the City's water and sewer rates are well below the median for comparable utility systems in Virginia at this time. Even with the recommended rate changes city rates will remain below the statewide median rates. Proposed adjustments to the electric utility user fees will result in a minimal overall net electric utility bill increase for most classes of customers despite a 6.9% projected increase in wholesale electric utility costs imposed by the City's power provider, Dominion Virginia Power. The recommended 8% retail rate increase is necessary to adequately address the Dominion increase and help meet city goals for cash balance replenishment to policy minimums.

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.

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 2016-2017 budget includes only a couple of changes to the City's current fee structure which are 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 be increased to effectively “pass through” to customers a portion of the increased cost of wholesale power purchases. The wholesale rate is slated to increase by 6.9% effective July, 2016. The proposed Electric Fund budget includes a 8.0% corresponding recommended increase in the retail rate effective July 1, 2016. This proposed electric utility rate adjustment is a direct result of yet another expected significant increase in the City’s cost to purchase wholesale electricity from Dominion that by policy must be passed on to electric utility customers for the utility to remain solvent. Be advised that Dominion continues to evaluate this rate adjustment proposal with final action expected in June, 2016. Any significant change will impact upon the proposed rate increase and potentially allow adjustments to be considered before City Council action to establish final rates scheduled for June 20, 2016. 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.

Fortunately for customers, this anticipated retail rate increase is being offset this year by Dominion in the form of an April, 2016 instituted automatic “pass through” 75.7% decrease in the fuel surcharge per month on usage. Since no increase is proposed in the basic monthly charge, the impact on a residential customer for the projected Dominion wholesale rate increase combined with the fuel adjustment change results in a net increase for customers using 1,000 kWh of \$1.07 per month or a net increase of \$1.40 per month based on the City’s average customer usage of 1,300 kWh effective July, 2016.

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 last year by \$150,000. Despite increasing funding made available to the schools annually in the form of one-time carryover funds and significantly increased debt service to fund capital needs in the last three years, the City’s base funding for schools had, prior to the current year budget, remained unchanged since Fiscal Year 2008-2009. The proposed budget also includes allocation of almost all the carryover funds identified in the City’s audit that the school system did not use at June 30, 2015 in the amount of \$480,000. For the first time at the school system’s request, these monies are not appropriated in the operating budget of the schools. The funds are included in the City’s Capital Improvement Plan (CIP) entirely to fund capital items. The School Fund is projecting decreased state funding of \$248,332 primarily as a result of lower enrollment projections. Federal revenues are projected to remain the same at \$2,305,366.

Management is pleased that school officials have wisely 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. 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 2016-2017, 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 at June 30, 2016 for the FY 2017-2018 budget and similarly for future years. Management's recommended operating budget for FY 2016-2017 equals the School Board requested budget presented to Council. It does not, however, include the additional funding desired to boost school system employee compensation in the amount of \$92,769.85. This factor does not lessen the City's commitment to fund education in my opinion. The City's revised 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 \$23,899 for FY 2016-2017 partly due to recently completed new debt for capital projects requested by School System officials. The cumulative local appropriation amount recommended, including the CIP funding and operating budget allocation, when combined with total school related debt service, is \$6,090,707 for FY 2016-2017. This is the equivalent of 39.4% of the General Fund operating budget less transfers of \$15.47 million. For comparison purposes, the total local school funding surpasses the entire amount of budgeted real estate tax revenue expected at the proposed rate of \$1.00 per \$100 of assessed value.

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 the past three 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 this 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 budget includes the fifth and final 1% installment of a phase in of the City funded and state mandated 5% employee contribution into the Virginia Retirement System [VRS]. This will bring the employee contribution to VRS up to 5.0% for all employees. For the past four years new hires were required to begin at 5.0%. Although not mandated, the proposed budget also includes the associated benefit cost of this salary increase to prevent employees from experiencing a net reduction in take home pay resulting from the increase in salary and the corresponding required employee contribution to VRS. The proposed budget also reflects an overall 6.1% increase in health insurance premium costs. Such an increase has in past years been shared by the City and individual employees. To benefit all covered employees, the proposed budget deviates from the past practice 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 is a significant benefit for employees who have seen raises to salary offset by the steady increases in healthcare costs in recent years. The proposed budget also includes a 2.0% COLA adjustment effective December 1, 2016 for City employees coinciding with a state approved 2.0% increase for state funded positions. This will be the first time since 2008 that city employees have received COLA increases in consecutive years if the recommendation is approved by Council.

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 2015-2016 were budgeted at \$8,705,542 which comprised 38.9% of the total general fund budget for all departments. The proposed FY 2016-2017 budget recommends total personnel costs in all funds of \$9,028,690 which comprises 40.2% of the new general fund budget. This total reflects an overall increase in spending for personnel costs of \$323,148 or 3.7% 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 state-mandated VRS, salary COLA 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.

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 FY2016-2017 PROPOSED BUDGET

To balance the proposed budget for FY 2016-2017, management has trimmed departmental requested amounts by \$3.6 million or 14.4% of the total requests. The budget message and summary

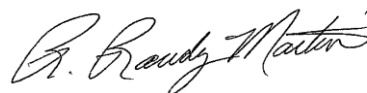
that follows reference some of the various challenges faced in this budget preparation exercise and improved circumstances in this cycle for goal development and prioritization which management committed to ensuring in future budget years. Included in this proposed budget summary are the priorities established this fiscal year 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 2015-2016 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. The budget document also includes analysis on the average impact of proposed rate and fee changes for a typical residential property owner. 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 June 13, 2016 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 Director of Finance Melissa Rollins 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 31st day of May, 2016



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R. Randy Martin, City Manager



June 28, 2016

**To:** The Honorable Members of Franklin City Council

**From:** R. Randy Martin, City Manager

I respectfully transmit to Council the Approved Financial Plan for FY 2016-2017 for the City of Franklin which is comprised of the General Fund, Debt Services Fund, Social Services Fund, Comprehensive Services Act Fund, Education Funds (School Operating & Cafeteria), Economic Development Fund, Capital Projects Fund and the City's Enterprise Funds.

A summary of the Adopted Financial Plan is shown in the table below and reflects City Council adjustments to the City Manager's Recommended Budget. The City Manager's Message and related summaries that follow this transmittal is based on the City Manager's recommended budget and does not reflect the budget adjustments authorized by Franklin City Council. These changes with the exception of a revision to the Capital Projects Fund are outlined on page 33 of the budget document.

Fiscal Year 2016-2017 Financial Plan	
Fund	Proposed Budget
General Fund	\$15,442,674
Debt Service Fund (School & General Debt)	\$1,133,210
Education (School Operating Fund)	\$15,592,927
Education (School Cafeteria Fund)	\$792,339
Social Services & CSA Fund	\$1,936,096
Economic Development Fund	\$314,695
Enterprise Funds	\$20,650,732
<b>TOTAL FINANCIAL PLAN</b>	<b>\$55,862,673</b>
Capital Improvement Budget*	\$2,252,596

*\*(Of this amount, \$636,000 is incorporated into the General Fund Budget, \$1,159,711 is included in the Enterprise Funds Budget and \$456,885 is the the City's Capital Improvement Fund for General Government Projects)*

**Revision to the City Manager's Recommended Capital Improvement Plan**

The City's Capital Improvement Plan was adopted as recommended with the exception of \$480,000 included in the recommended plan for School Projects as outlined on page 114 of the budget document. These funds remain as "unassigned fund balance" at the end of June 30, 2016.

The Adopted FY 2016-2017 Budget is the culmination of initiatives, strategies and tough choices made this year and over the past few budget cycles. Details of the approved budget can be located in the City Manager's Message and the Executive Summary that precede this transmittal. The FY 2016-2017 Budget is structurally balanced, however, the City will need to continue its approach of enhancing and diversifying revenue, reducing expenditures, increasing operational efficiencies, stimulating the local economy and sharing services to address any future budget gaps in ensuing fiscal years.

**Next Steps**

The FY 2016-2017 Financial Plan is a framework by which City Management and staff can work collaboratively to provide essential services to the citizens of Franklin while continuing the challenge of maintaining financial sustainability and operating as efficiently as possible and improving programs and services when practical. I look forward to working with City Council, departments and agencies during the year ahead to strategically plan and implement efforts to address Council established priorities going forward as detailed in the budget document.





# 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.

<u>Real Estate Taxes</u>	
<i>(Per \$100 of assessed value)</i>	
Current City-wide Tax Rate	\$0.99
Proposed Tax Rate	\$1.00
<b>City Council -Adopted Tax Rate</b>	<b>\$0.99</b>
Downtown Business District-Current	\$.24
<u>Personal Property Taxes</u>	
Vehicles	\$4.50
PPTRA rate – 52%	
Boats	\$4.50

<u>Business License Tax Rates</u>	
<i>(Per \$100 of gross receipts)</i>	
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 1st for property in use as of January 1 of a tax year.

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

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

Machinery and Tools tax applies to equipment used in the manufacturing and processing of its goods. Returns are due no later than February 15th 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 20th day of each month.

## AVERAGE IMPACT OF PROPOSED RATE & FEE CHANGES FOR A TYPICAL PROPERTY OWNER

Real Estate Tax	FY 15-16	FY 16-17	Net Change
Value	\$100,000	\$99,450	\$550
Rate	0.99/\$100	1.00/\$100	<b>\$.01</b>
Tax	\$990.00	\$994.50	<b>\$4.50</b>

Net Annual Increase  
\$86.58  
  
This equates to a Monthly Average of \$7.22

Sold Waste	FY 15-16	FY 16-17	Net Change
Month	\$38.00	\$38.00	-0-
Annual	\$456.00	\$456.00	<b>\$0</b>

Real Estate Tax	FY 15-16	FY 16-17	Net Change
Value	\$153,000	\$152,149	\$851
Rate	0.99/\$100	1.00/\$100	<b>\$.01</b>
Tax	\$1,514.70	\$1,521.00	<b>\$6.30</b>

Net Annual Increase  
\$88.38  
  
This equates to a Monthly Average of \$7.37

Electric	FY 15-16	FY 16-17	Net Change
Per 1300 KWH	\$152.96	\$154.36	\$1.40
Annual	\$1,835.52	\$1,852.32	<b>\$16.80</b>

Real Estate Tax	FY 15-16	FY 16-17	Net Change
Value	\$200,000	\$198,900	1,100
Rate	0.99/\$100	1.00/\$100	<b>\$.01</b>
Tax	\$1,980.00	\$1,989.00	<b>\$9.00</b>

Net Annual Increase  
\$91.08  
  
This equates to a Monthly Average of \$7.59

Water & Sewer	FY 15-16	FY 16-17	Net Change
Per 2,000 gallons	\$43.05	\$48.49	\$5.44
Annual	\$516.60	\$518.88	<b>\$65.28</b>

\*Note: This is the average single family residential property value based upon the 2014 Real Estate Reassessment results



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 fourth consecutive time consideration of the Certificate of Achievement in Financial Reporting; received a clean "unqualified" opinion on the June 30, 2015 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 July 2015 by over \$857,291.
- ❖ 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. Planning stages are underway for the implementation of Tax, Collections and Utility Billing.
- ❖ Completed refinancing of existing tax supported debt resulting in reduced and levelized 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 \$95,000 in Camp Foundation Grant Funds to acquire specialized equipment for the City's Fire and Rescue and Police Departments to include CPR assistance devices.
- ❖ 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 second 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 16 - 17. The City enrolled in a Rubber Meets the Road Program, a 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.

### **Public Works**

- ❖ The City continued its annual street resurfacing activities focused on major thoroughfares to include a portion of College Drive. Successfully applied for and received \$485,270 in state grant funds for significant road improvements to South and Clay Streets.
- ❖ 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 2<sup>nd</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.

### 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 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 January 2017. As of the date of this report, four (4) rehabs are complete, one (1) is under contract, and three (3) are ready to go out to bid; 12 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.
- ❖ Continued staff training in the Community Rating System (CRS) program through FEMA seeking to lead inclusion of Franklin in the CRS program.
- ❖ Provided input in the update process of 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 second 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.

## Schools

- ❖ Increased base funding for the school operating fund for the first time in seven years.
- ❖ Several major technology and other improvements 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 fiscal year include a weather system upgrade and runway lighting which were 95 – 98% state and federal funded with minimal support from local revenue sources.

## Electric Fund

- ❖ Initiated 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.

## 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. 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 in sync with the priorities established by City Council.



## *City Council Members*



*Raystine D. Johnson-Ashburn, Mayor (At Large)*



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



*Benny D. Burgess, Ward 2*



*Gregory McLemore, Ward 3*



*Mona L. Murphy, Ward 4*



*Mary E. Hillard, Ward 5*



*Frank W. Rabil, Ward 6*



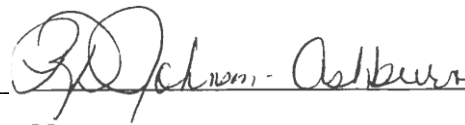


*The Vision Statement for the City outlines what Franklin wants in the future. The preferred future is defined in value based principles that can guide policies, decisions and operations*

## **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   8th   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	<p>Develop a relationship with Isle of Wight to work on joint projects</p> <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	<p>Conduct research on already identified areas in which the City collaborates with Southampton County in order to expand opportunities</p>
14	<p>Identify regional opportunities in the Hampton Roads area of which the City may not be currently taking advantage and explore new partnerships</p> <ul style="list-style-type: none"> <li>• Pursue stronger efforts to acquire foundation funding on a regional basis</li> </ul>
15	<p>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</p>
16	<p>Continue to pursue regional long range plans for solid waste management</p>
17	<p>Pursue stronger initiatives in the medical services area to promote them on a regional basis (i.e. hospital, health department, health care services)</p>

## ❖ Citywide Infrastructure

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

## ❖ 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)



## *Administrative 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 draft 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.



## *Administration & Public Relations*

- ❖ Maintain a financial management system with established Council benchmarks and performance standards that 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 which 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 newly 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 pursue 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



## Public Utilities / Public Works



and 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 citizenry
- ❖ 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 citizens 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]**

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

# *Adjustments to City Manager's Proposed Budget*

## Expenditure Adjustments

Page #	Budget Item	Amount
8	Finance - Professional Services	\$ 10,000
12	Information Techology - Network & Operating Costs	\$ (3,000)
16	Police - supplies & ammunition	\$ (1,500)
16	Police - Gun Allowance	\$ (1,000)
16	Police - Tuition Reimbursement	\$ (1,000)
16	Police - Vehicle Supplies - Fuel	\$ (1,500)
18	Fire & Rescue- Part Time salaries & wages	\$ (2,000)
18	Fire & Rescue - Hose & equipment	\$ (3,500)
20	Inspections - Salaries & Wages - Regular	\$ (1,500)
23	Computer Equipment	\$ (1,000)
23	Utilities - Street & Traffic Lighting	\$ (3,000)
28	Buildng Maintenance General- Maint Contracts	\$ (4,500)
29	Buildng Maintenance -City Hall Maint Contracts	\$ (3,000)
30	Buildng Maintenance -Social Services -Maint Contracts	\$ (2,000)
30	Buildng Maintenance -Health Dept-Maint Contracts	\$ (500)
31	Mosquito Control	\$ (5,000)
38	Downtown Franklin Association	\$ (10,000)
39	City Transfer to Frankin Business Center	\$ 10,000
1	Contingency Fund Increase from \$45,000 to \$45,599	\$ 599
	<b>Total Expenditure Adjustments</b>	<b>\$ (23,401)</b>

## Revenue Adjustments

Page #	Budget Item	Amount
1	Real Estate Taxes-Current	\$ 2,000
1	Real Estate Taxes - Tax Rate from \$1.00 to \$0.99	\$ (54,401)
2	Animal Licenses	\$ 500
2	City Building Permits	\$ 2,000
2	Erosion Control Fees - City	\$ 2,000
4	Interest Earned on Bank Deposits	\$ 500
5	Weed Cutting Charges	\$ 500
6	Auction Proceeds	\$ 2,000
6	Sales of supplies & publications	\$ 500
6	sales of cemetary lots	\$ 2,000
6	sales of cemetary lots-new expansion	\$ 2,000
6	Late Payment Fee Charges	\$ 3,000
6	Returned Check charges	\$ 2,000
7	Taxes on deeds/recordation taxes	\$ 1,000
7	Auto Rental taxes	\$ 1,000
8	Designated Use of Fund Balance	\$ 10,000
	<b>Total Recommended Revenue Increases</b>	<b>\$ (23,401)</b>

City Manager Recommended Budget	\$ 22,470,652
Net Revenue & Expenditure Adjustments	\$ (23,401)
<b>Revised General Fund Budget</b>	<b>\$ 22,447,251</b>



# **Fy 2016-2017 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.

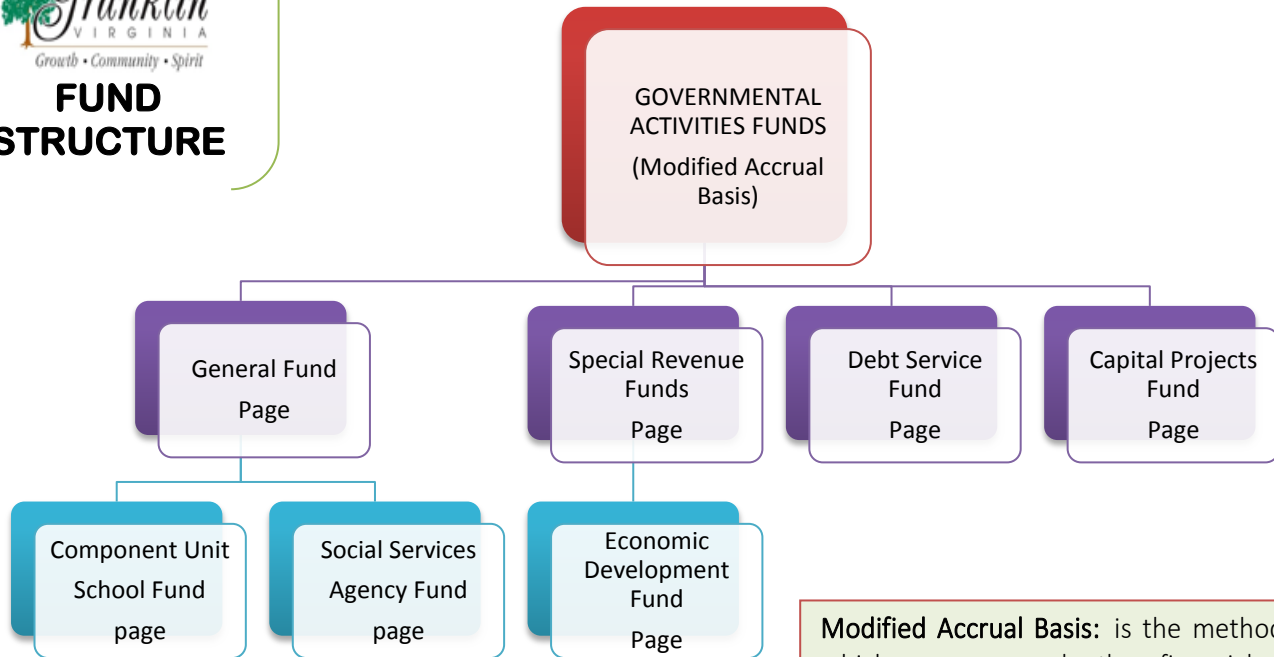
**Water & Sewer Fund** is an enterprise fund where revenues derived from user fees and connection fees are earmarked for water and sewer improvements and management of the City’s waste water treatment facilities.

**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 16-17  
BUDGET**

**SUMMARY OF ALL BUDGETED FUNDS**

	2016-17		2016-2017
REVENUE		EXPENDITURES	
General Property Tax	\$ 7,531,094	Legislative	\$ 184,919
Other Local Taxes	\$ 5,481,000	General Gov't	\$ 2,297,621
Permits, Fees, Licenses, Etc.	\$ 160,720	Judicial	\$ 1,251,810
Fines and Forfeitures	\$ 40,250	Public Safety	\$ 6,618,167
Use of Money and Property	\$ 243,546	Public Works	\$ 3,163,033
Current Services	\$ 1,458,467	Health & Welfare	\$ 150,198
Miscellaneous Revenue	\$ 1,214,732	Recreation & Culture	\$ 772,164
Recovered Costs	\$ 295,000	Community Develop.	\$ 316,163
Non-Categorical Aid: State	\$ 1,666,897	Misc.-Non Departmental	\$ 722,000
Shared Expenses	\$ 187,495		
Categorical Aid: State	\$ 2,127,245	Total General Fund	\$ 15,476,075
Categorical Aid: Federal	\$ 16,595	Transfer To Funds	\$ 6,994,577
Transfers From Electric Fund	\$ 1,409,891		
Transfer from Solid Waste Fund	\$ 82,845		
Transfer from Water & Sewer Fund	\$ 110,460		
Use of Fund Balance-Restricted Debt Reserve			
Use of Unassigned Fund Balance	\$ 444,415		
Non-Revenue Items - Carryover			
<b>TOTAL GENERAL FUND</b>	<b>\$ 22,470,652</b>	<b>TOTAL GENERAL FUND</b>	<b>\$ 22,470,652</b>
<b>General Fund Net of Transfers</b>	<b>\$ 15,476,075</b>	<b>General Fund Net of Transfers</b>	<b>\$ 15,476,075</b>
Schools - Operations -Local Funds	\$ 132,500		
Schools - Operations -Local Appropriation -Base	\$ 4,987,395		
Schools - Operations- Local Carryover			
Schools - Operations -State & Federal Aid	\$ 10,473,032		
Subtotal - School Operating Fund	<b>\$ 15,592,927</b>	Education Fund	15,592,927
Schools- Cafeteria Fund - State, Federal & Local	\$ 792,339	Cafeteria	792,339
<b>SCHOOL OPERATIONS</b>	<b>\$ 16,385,266</b>	<b>SCHOOL OPERATIONS</b>	<b>\$ 16,385,266</b>
Social Services Fund - State Aid	\$ 471,366	Administrative, Foster Care,	
Social Services Fund - Federal Aid	\$ 744,773	Eligibility and Other Social	
Transfer from General Fund	\$ 467,057	Services Functions	
<b>SOCIAL SERVICES</b>	<b>\$ 1,683,196</b>	<b>SOCIAL SERVICES</b>	<b>1,683,196</b>
		Mandated Services	207,740
State Aid	141,670	Local Medicaid Match	-
Transfer from General Fund	111,230	Administrative	45,160
<b>COMPREHENSIVE SERVICES</b>	<b>252,900</b>	<b>COMPREHENSIVE SERVICES</b>	<b>252,900</b>





**FY 16-17  
Budget**

**SUMMARY OF ALL BUDGETED FUNDS**

	2016-2017		2016-2017
	PROPOSED	EXPENDITURES	PROPOSED
REVENUE			
		Water Operations	969,335
User Fees - Residential	2,281,400	Sewer Operations	940,301
User Fees Commercial	1,073,600	Wastewater Treatment Operations	742,739
Sewage Treatment Fees	88,000	Transfers to General Fund	428,828
Miscellaneous	5,250	Debt Service	367,047
<b>TOTAL WATER &amp; SEWER FUND</b>	<b>3,448,250</b>	<b>WATER &amp; SEWER FUND</b>	<b>3,448,250</b>
		Waste Collection & Disposal	463,000
Waste & Collection Disposal Fees	1,318,079	Other Operating Expense	759,380
Prior Year Reserves	212,793	Transfers to General Fund	293,405
Miscellaneous Revenue	4,000	Debt Service	19,087
<b>TOTAL SOLID WASTE FUND</b>	<b>1,534,872</b>	<b>TOTAL SOLID WASTE FUND</b>	<b>1,534,872</b>
		Operating Expenses	219,090
Local Revenue	128,000	Transfers to General Fund	36,511
Federal & State Revenue	145,592	Capital Outlay	151,240
Transfer from General Fund	133,249	<b>TOTAL AIRPORT FUND</b>	<b>406,841</b>
<b>TOTAL AIRPORT FUND</b>	<b>406,841</b>		
		Operating Expenses	1,458,749
		Cost of Energy	11,129,370
Sale of Energy Fuel Adjustment	315,911	Capital Outlay	502,143
Sale of Electric Energy	14,678,450	Transfers to General Fund	1,895,062
Miscellaneous Revenue	266,408	Debt Service	275,445
<b>TOTAL ELECTRIC FUND</b>	<b>15,260,769</b>	<b>TOTAL ELECTRIC FUND</b>	<b>15,260,769</b>
Transfers from General Fund - School Debt	653,096	School Fund Debt Principal	542,178
Transfers from General Fund - General Debt	455,114	School Fund Debt Interest	135,918
Interest Income	25,000	General Fund Debt Principal	178,000
Debt Service Reserves	-	General fund Debt Interest	277,114
<b>TOTAL DEBT SERVICE FUND</b>	<b>1,133,210</b>	<b>TOTAL DEBT SERVICE FUND</b>	<b>1,133,210</b>
Rents & Program Fees	119,400		
Use of Fund Balance	-		
Transfer from General Fund Operations	60,295	Operating Expenses	179,695
Transfer from GF-Joint Economic Develop	125,000	Payments for Economic Develop	125,000
<b>TOTAL ECONOMIC DEVELOP</b>	<b>304,695</b>	<b>TOTAL ECONOMIC DEVELOP</b>	<b>304,695</b>
<b>TOTAL CITY FUNDS</b>	<b>\$ 55,886,074</b>	<b>TOTAL CITY FUNDS</b>	<b>\$ 55,886,074</b>



**FY 2016-17 BUDGET BY FUND  
PRIOR YEAR COMPARISON**

<b>AS OF 5/31/16</b>	<b>FY 15-16 ADOPTED</b>	<b>FY 15-16 AMENDED</b>	<b>City Manager Recomm. FY 16-17</b>	<b>Variance over Admended</b>	<b>Variance (%)</b>	<b>Variance Over Adopted</b>	<b>Variance %</b>
General Fund*	\$ 15,108,197	\$ 16,376,602	\$ 15,476,075	\$ (900,527)	-5.50%	367,878	2.43%
Water & Sewer Fund	\$ 3,137,750	\$ 3,137,750	\$ 3,448,250	\$ 310,500	9.90%	310,500	9.90%
Airport Fund	\$ 322,537	\$ 322,537	\$ 406,841	\$ 84,304	26.14%	84,304	26.14%
Electric Fund	\$ 15,812,638	\$ 15,812,638	\$ 15,260,769	\$ (551,869)	-3.49%	(551,869)	-3.49%
Solid Waste Fund	\$ 1,402,353	\$ 1,402,353	\$ 1,534,872	\$ 132,519	9.45%	132,519	9.45%
Economic Dev. Fund	\$ 307,636	\$ 307,636	\$ 304,695	\$ (2,941)	-0.96%	(2,941)	-0.96%
School Fund	\$ 15,841,262	\$ 15,851,262	\$ 15,592,927	\$ (258,335)	-1.63%	(248,335)	-1.57%
School Cafeteria Fund	\$ 644,004	\$ 644,004	\$ 792,339	\$ 148,335	23.03%	148,335	23.03%
Social Services	\$ 1,686,944	\$ 1,686,944	\$ 1,683,196	\$ (3,748)	-0.22%	(3,748)	-0.22%
Comprehensive Services	\$ 216,686	\$ 216,686	\$ 252,900	\$ 36,214	16.71%	36,214	16.71%
School Debt Service	\$ 659,392	\$ 659,392	\$ 678,096	\$ 18,704	2.84%	18,704	2.84%
General Fund Debt Service	\$ 479,150	\$ 479,150	\$ 455,114	\$ (24,036)	-5.02%	(24,036)	-5.02%
<b>TOTAL</b>	<b>\$ 55,618,549</b>	<b>\$ 56,896,954</b>	<b>\$ 55,886,074</b>	<b>267,525</b>	<b>0.47%</b>	<b>\$ 267,525</b>	<b>0.48%</b>

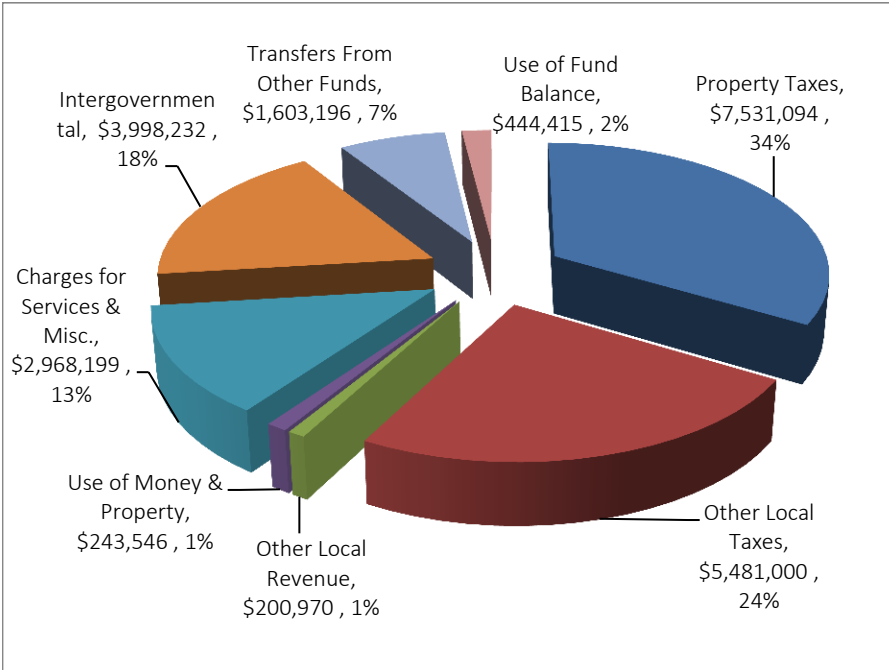
\*Budget is prior to transfers to other funds

<b>2015-16 Primary Budget Amendments – General Fund</b>	<b>Amount</b>
E911 Wireless Grant	55,254
Rescue Squad Assistance Grant	13,508
Capital Projects Carryover	156,673
FY 2014-15 Fund Balance Appropriation-Various Depts.	410,691
Generator Hook Up Grant	22,057
Liter Control Grant	6,427
SAFER Grant	42,942
Street and Highway Maintenance Funds	63,420
VDOT Road Improvement Project Funds	\$485,000
<b>TOTAL</b>	<b>\$1,255,972.00</b>

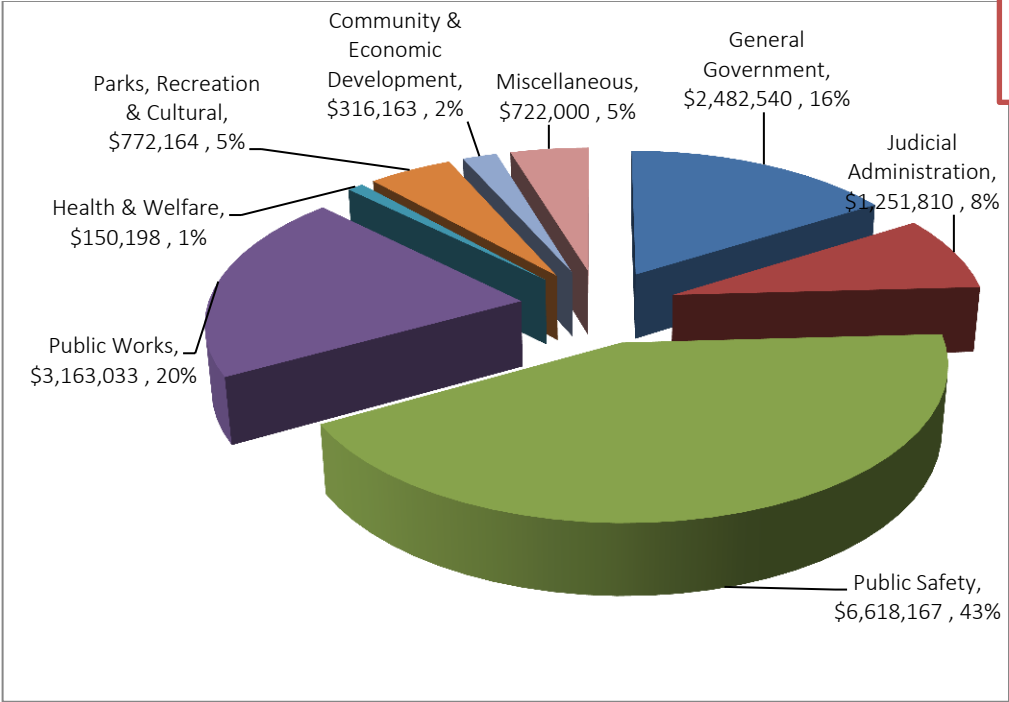


**FY 16-17**

## WHERE THE MONEY COMES FROM



## WHERE THE MONEY GOES





## **Fy 2016-2017 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.

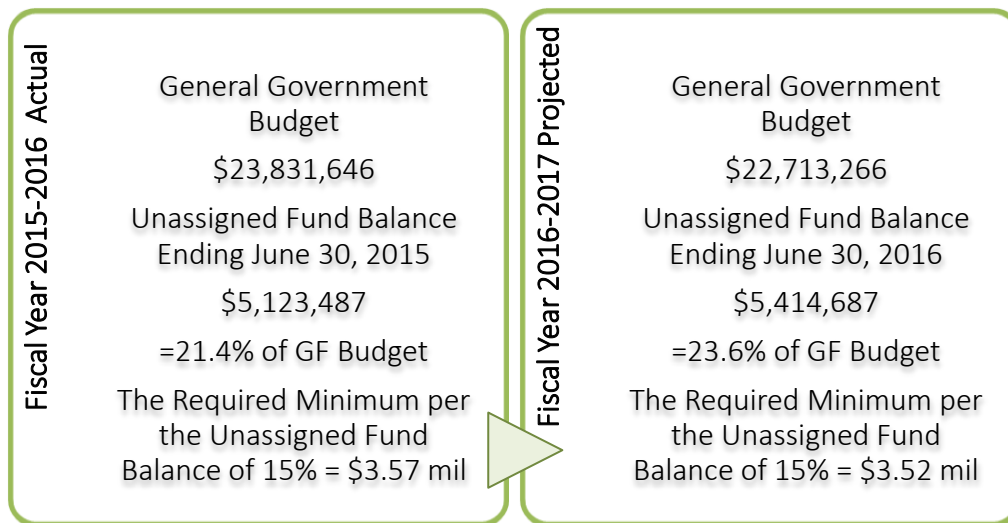
**Special Revenue Funds:** Account for proceeds of designated revenue sources used to finance specific activities.

**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.

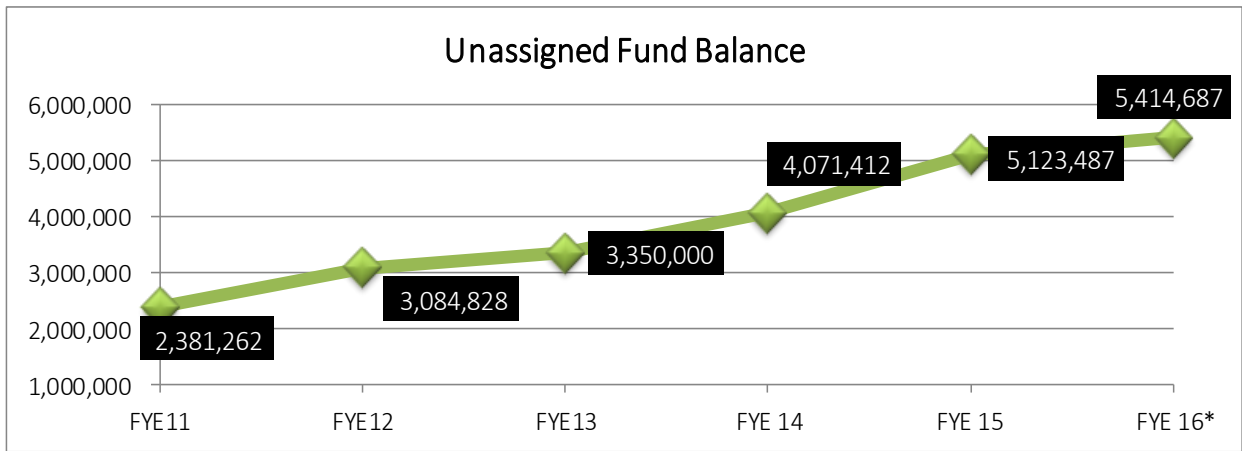
**MINIMUM UNASSIGNED FUND BALANCE (NET ASSETS) POLICY**

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 2015-2016 projected unassigned fund balance at June 30, 2016 is projected to exceed the minimum policy guidelines.

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 projected balance of \$5.4 mil at June 30, 2016.



\*denotes projected

### 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.

**2015 General Debt Service as a Percentage of**

**\*General Fund Expenses = 4.0%**

\*calculation represents payment of annual principal and interest obligation

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

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

\*calculation represents payment of annual principal and interest obligation

2015 Net Bonded Debt as a **Percentage of Taxable Real Estate** – 2.58%

**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

May

- City Manager presents Preliminary Recommended Budget & Draft Municipal Goals to City Council
- City Council holds departmental budget work sessions to discuss the City Manager's proposed budget, Five Year CIP and review municipal goals.
- City Manager Presents Revised 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 Budget to receive taxpayer input
- City Council holds final work session(s)
- City Council takes formal action to adopt the Consolidated Budget, Budget Resolutions, Five Year Capital Improvement Plan, Municipal Goals and set the tax rates for the new year



*Position  
Summary*

Function/Program	FY 2016-2017 Proposed	FY 2015-2016 Adopted	Net FTE Change
GENERAL FUND			
City Manager	2	2	0
City Attorney	1	1	0
Human Resources	2	2	0
Treasurer	4.5	4.5	0
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</b>	<b>25</b>	<b>0</b>
Police	33	33	0
E-911 Communications	9.5	9.5	0
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>78</b>	<b>78</b>	<b>0</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>141</b>	<b>141</b>	<b>0</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>203.5</b>	<b>203.5</b>	<b>0</b>



*Position  
History*

ANALYSIS OF PERSONNEL CHANGES  
FY 2016-17 COMPARED TO FY 2015-2016 ADOPTED BUDGET

The Fiscal Year 2016-2017 Proposed Budget calls for no change in total net full time positions. A 10 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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General	141	141	144	142	145	139	132	129	130	134	146
Social Services	23	23	22	22	20	20	19	19	20	18	19
Electric	16	16	16	16	16	14	14	16	15	20	20
Water & Sewer	13	13	13	16	13	13	16	14	14	16	16
Airport	2	2	2	2	2	2	2	2	2	2	2
Solid Waste	8	8	8	8	0	0	0	0	0	0	0
Economic Development	-0-	-0-	1	1	1	1	Na	Na	Na	Na	Na
<b>TOTAL</b>	<b>203</b>	<b>203</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 2016-2017 Budget**

## **Section 3**

### 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*

## FY 2016-17 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. These revenue sources are showing signs of growth that are consistent with the performance of the current fiscal year, indicating a slow but steady recovery since the onset of the economic downturn which had a negative effect on these revenue sources.

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).

	Adopted 2015-2015	FY 16-17 Proposed	Change	FY 16-17 Percent of Budget
Property Taxes	\$ 7,397,314	\$ 7,531,094	\$ 133,780	1.8%
Other Local Taxes	\$ 5,373,000	\$ 5,481,000	\$ 108,000	2.0%
Permits, Fees, Fines & Licenses	\$ 203,100	\$ 200,970	\$ (2,130)	-1.0%
Use of Money & Property	\$ 270,848	\$ 243,546	\$ (27,302)	-10.1%
Charges for Service	\$ 1,401,742	\$ 1,458,467	\$ 56,725	4.0%
Miscellaneous & Revenue Sharing	\$ 1,405,743	\$ 1,509,732	\$ 103,989	7.4%
State & Federal	\$ 3,954,170	\$ 3,998,232	\$ 44,062	1.1%
Transfers From Other Funds	\$ 1,547,601	\$ 1,603,196	\$ 55,595	3.6%
Use of Debt Service Reserve	\$ 475,028	\$ 444,415	\$ (30,613)	-6.4%
Use of Unassigned Fund Balance	\$ -	\$ -	\$ -	.
Prior Year Carryover	\$ 343,595	\$ -	\$ (343,595)	-100.0%
<b>TOTAL REVENUE</b>	<b>\$ 22,372,141</b>	<b>\$ 22,470,652</b>	<b>\$ 98,511</b>	<b>0.4%</b>

Approximately 58% of General Fund revenues are derived from taxes; 34% 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 \$1.409 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 2016 is projected to be \$627,323,124. A history of total property values by type is shown in Table 1.

**2016 PROJECTION**

Real Estate	Personal Property	Machinery & Tools	Public Service	Total
\$ 552,806,600	\$ 66,835,171	\$ 970,081	\$ 6,711,272	\$ 627,323,124

**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	
2015	555,843,000	65,653,787	928,866	6,595,001	14,362	629,035,016
2014	546,840,453	60,195,857	2,471,371	6,551,183	43,818	616,102,682
2013	571,544,231	58,915,121	3,136,696	6,588,695	77,003	640,261,746
2012	550,495,439	55,575,941	2,993,303	6,927,392	13,914	616,005,989
2011	606,470,410	55,398,273	3,032,569	7,371,365	16,575	672,289,192
2010	629,410,310	57,061,332	3,018,957	7,761,879	42,224	697,294,702
2009	671,857,100	59,307,993	2,909,231	7,646,642	27,151	741,749,017
2008	561,634,400	57,716,863	573,729	8,480,797	39,340	628,445,129
2007	567,081,965	62,652,410	703,167	6,596,676	21,591	637,055,809
2006	418,087,841	59,659,923	738,901	8,611,442	39,123	487,137,230

Source: Franklin City Annual Financial Report 6/30/15 and 2016 Projections from the Commissioner of the Revenue

Table 1

FY 2015-2016 TAX RATE RECOMMENDATION			
Tax (per \$100 of assessed value)	FY 15-16	FY 16-17 Proposed	Prior Year Change
Real Estate	\$0.99	\$1.00	+\$0.01
Real Estate (Downtown Tax District)	\$1.23	\$1.24	+\$0.01
Personal Property	\$4.50	\$4.50	-0-
Machinery & Tools	\$2.00	\$2.00	-0-
Public Service(Real Estate & Personal Property)	\$0.99/\$4.50	\$1.00/\$4.50	+\$0.01 Real Estate
Personal Property Tax Relief Percentage	55%	52%	(-3.0%)

Table 2.

**PROPOSED TAX RATE:**

The current real estate tax rate is \$0.99 per \$100 of assessed value. The FY 2016-2017 budget increases the 2016 Tax Levy on real property by \$0.01 cents to \$1.00 per \$100 of assessed value. This is the revenue neutral rate that is necessary to equalize the amount of tax revenue generated by the current rate. In light of increased expenditures such as COLA recommended pay increases for City employees, increased cost of the City's share of employee health insurance and prior commitments in the areas of new equipment and personnel changes approved by City Council in the current year that require a continuing

financial funding commitment in the ensuing budget years, the proposed one cent tax rate increase is minimal and necessary.

As a result of the proposed tax rate adjustment, the estimated real property tax revenue for FY2016 is \$5,499,516 an increase of \$55,280 above tax year 2015 projected revenue. The following provides illustrative examples of the potential tax rate implication for a taxpayer with property assessed at \$153,000 (example #2) based on the Franklin average single family residential dwelling value prior to the tax rate change and based upon the recommended rate adjustment. [The revised value based on a slight decline of .55% in property values is \$152,159]. The illustrated impact will vary based upon the change in value of each specific property depending upon the reassessment results. Of course, if the value of the property declined as it did overall, the property tax paid would be minimally impacted.

Real Estate Tax	FY 15-16	FY 16-17	Example 1
Value	\$100,000	99,450	
Rate	0.99/\$100	1.00/\$100	
Tax	\$990.00	\$994.50	\$4.50

Real Estate Tax	FY 15-16	FY 16-17	Example 2
Value	\$153,000	152,159	
Rate	0.99/\$100	1.00/\$100	
Tax	\$1,514.70	\$1,521.00	\$6.30

Real Estate Tax	FY 15-16	FY 16-17	Example 3
Value	\$200,000	198,900	
Rate	0.99/\$100	1.00/\$100	
Tax	\$1,980.00	\$1,989.00	\$9.00

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

Fiscal Year	Real Estate	Downtown District*	Personal Property	Machinery & Tools	Public Service (RE/PP)
2015-16	\$0.99	\$1.23	\$4.50	\$2.00	\$0.99/\$4.50
2014-15	\$0.96	\$1.20	\$4.50	\$2.00	\$0.96/\$4.50
2013-14	\$0.90	\$1.14	\$4.50	\$2.00	\$0.90/\$4.50
2012-13	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
2011-12	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
2010-11	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
2009-10	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
2008-09	\$0.90	\$1.14	\$4.50	\$2.00	\$0.90/\$4.50
2007-08	\$0.85	\$1.09	\$4.50	\$2.00	\$0.85/\$4.50
2006-07	\$0.95	\$1.19	\$4.50	\$2.00	\$0.95/\$4.50

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

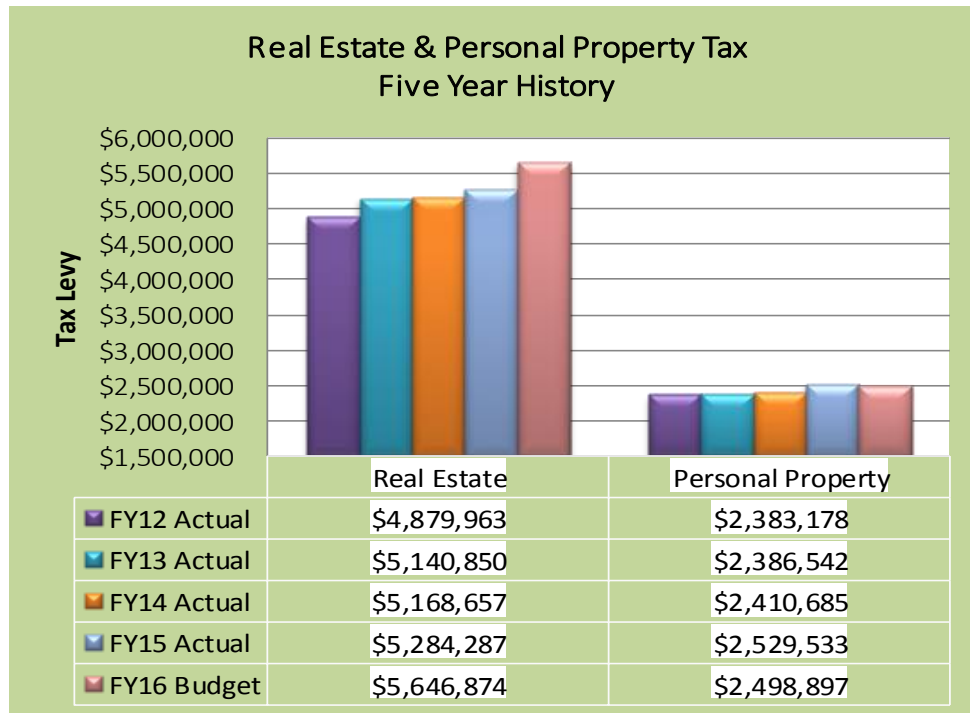
**Real Estate Tax Relief Program for the Elderly or Disabled** - To counter the cost of real estate taxes for eligible citizens with fixed incomes, the City has established a program to fully or partially

exempt elderly or disabled homeowners in Franklin based upon income limits and age. In Tax Year 2015, the tax relief amount for the elderly was \$27,108 and \$11,476 for qualifying disabled veterans.

**Personal property tax** revenue is budgeted at \$2.49 million, an increase of 4.0% or \$50,000 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 2015-2016 personal use vehicles is estimated to be 52% down from 55% in FY 2015-2016. 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.

**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 2016 is projected at \$67,000, 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. However, the FY 2016-2017 projection will increase just slightly above the current year projected actual revenue.



**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 \$525,000 for FY 2016-2017, 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 \$1.823 million, a \$23,000 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 projected revenue for FY 2016-2017 is \$130,000, a \$20,000 or 13% decrease from the FY 2015-2016 budget based upon current year anticipated actual receipts.

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 \$1.42 million for FY 2016-2017, a \$70,000 or 5.1% increase from budgeted revenue in FY 2015-2016 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 2016-2017 projection of \$345,000 is \$20,000 or 5.9% higher than the prior year budget based on projected actual receipts for the current fiscal year surpassing 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, and recordation taxes. The combined total for these revenues is \$345,000 which is unchanged from the current year. This is mostly attributable to slight increases in vehicle licenses and bank stock and recordation taxes. The table below provides a history of revenue received from various local taxes. All sources reflect growth over a five year period since 2012.

	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
Local Tax						
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 \$155,720, a \$7,000 decrease from the previous year budget. This is based on projected fees expected in the current year in addition to known factors regarding inspection 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.

### Fines and Forfeitures

These collections are the result of charges ordered by the courts for violations of City ordinances, and is projected at \$40,200 for FY 2016-2017, and remains unchanged from FY 2015-2016 revenue projections.

### 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 the \$243,546 budgeted for this 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 budget for FY 2016-2017 is less than the prior year largely based on lease payments due to the City based on the amount of land farmed per city agreements.

### 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 2015-2016 payment and the projected payment for FY 2016-2017.

### Five Year 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.

### State Revenues (Non-Categorical Aid)

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 2016-2017 the City is expected to receive reimbursements of \$79,876, \$72,896, and \$34,723 respectively for the Commissioner, Treasurer and Registrar offices for a total of \$187,495 in categorical aid. This is a \$4,399 increase over FY 2015-2016 based largely on a 2.0% salary increase for state employees in December 2016. State support for constitutional officers overall continues to fall short of adequately funding their fair share of operating expenses for FY 2016-2017. The City must fund the remainder of these operating expenses with local resources.

The following table shows the estimated reimbursement along with the FY 2016-2017 Recommended Budget amount for each office, and the City cost for each:

Department	FY 2016-17 Revenue	FY 2016-2017 Budget	City Costs	City Cost as a % of Budget
Comm of Revenue	\$ 79,876	\$ 265,309	\$ 185,433	70%
Treasurer	\$ 72,896	\$ 302,453	\$ 229,557	76%
Registrar	\$ 34,723	\$ 119,246	\$ 84,523	71%
<b>Total</b>	<b>\$ 187,495</b>	<b>\$ 687,008</b>	<b>\$ 499,513</b>	<b>73% State</b>

### 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 estimate for FY 2016-2017 is \$1.634 million, which is no change from FY 2015-2016 actual anticipated revenue, but \$56,000 more than the FY 2015-2016 budget. The City's police department recovers some of its costs from the "599 funds" distributed by the Commonwealth of Virginia. The budget for FY 2016-2017 is \$417,544, a 3.2% increase from the current year based on language approved in the State budget to allocate additional monies to law enforcement program.

## **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 the previous three year budget cycles.

## **Appropriated 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 FY2016-2017 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 2016-2017 Budget includes \$444,415 in unassigned fund balance which is a reduction from the \$475,028 appropriated in the current fiscal year.





## 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 2016-2017 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)** - VRS mandates that all employees contribute a 5% member contribution to VRS for their retirement benefit. The City elected the option to phase in 1.0% of the required contribution over a five year period; employees were granted a 1.1% salary adjustment each year in the past four fiscal years to offset the contribution. Other than new hires, which were required to contribute the full 5.0% at the beginning of their employment, employees will see the final 5<sup>th</sup> year of the 1.0% change in FY 2016-2017. Because these adjustments are universal and mostly offset by a reduced contribution rate to VRS, they are not individually addressed in the highlights as shown. The VRS increase is required to become effective July 1, 2016.

<b>1.1% VRS Increase (General Fund)</b>	<b>\$50,726</b>
Reduction to City Share of VRS Benefit	(\$32,465)
<b>Net Cost of 1.1% Increase</b>	<b>\$18,261</b>

*Approximately 79% 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, 2016. In order to avoid an adverse fiscal impact to employees, City Council elected to absorb 100% of the cost increase by increasing the “Employer” share. Under the revised plan structure, employees electing to participate in the higher deductible plan will see “no” change in their monthly premium while employees choosing the lower deductible plan will benefit from a \$7.00 reduction in the monthly premium for employee only coverage. This equates to an annual savings of \$84.00. Dependant care coverage options will also result in reduced cost share to employees ranging from \$144.00 to \$240.00 annually depending upon coverage option selections when compared to FY 2015-2016 rates.

<b>Increase in City Share of Health Insurance Cost (Includes Retirees)</b>	<b>\$101,328</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. The FY 2016-2017 also includes a 2.0% COLA adjustment for all employees effective December 1, 2016 which coincides with the effective date of the State approved 2.0% salary increase for certain State employees.

*The net impact to the General Fund of all these salary and fringe benefit changes as outlined is*  
**\$199,677**

**Cost to Provide 2.0% COLA Effective 12/1/16 \$80,088**

*10 Year History of Employee Salary Adjustments*

	COLA	COLA Effective Date	Bonus	Bonus Effective Date	VRS Effective July 1st
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%

Excludes Any Additional State Raises for Applicable Employees

❖ **Telecommunications** – The FY 2016-2017 General Fund Budget includes \$64,000 in additional costs over the prior year adopted budget to cover the costs for the City’s new voice/data telephone system. A five year lease agreement covers the equipment and maintenance costs. The cost is divided among the telecommunications line in various budgets (both General and Enterprise Funds).



FUND - GENERAL	ACTUAL FY 14-15	ADOPTED FY 15-16	Proposed FY 16-17	Variance \$	Variance %
CITY COUNCIL	169,919	197,942	184,919	(13,023)	-7%
CITY MANAGER	179,208	224,970	209,138	(15,832)	-7%
CITY ATTORNEY	172,660	139,541	190,580	51,039	37%
MANAGEMENT SERVICES & HR	151,650	161,067	138,854	(22,213)	-14%
COMMISSIONER OF REVENUE	250,877	250,480	264,809	14,329	6%
REAL ESTATE ASSESSOR	51,530	105,055	61,525	(43,530)	-41%
TREASURER	254,783	276,712	304,342	27,630	10%
FINANCE	575,570	621,580	664,298	42,718	7%
INSURANCE	130,896	136,200	178,159	41,959	31%
ELECTIONS	98,043	119,925	114,638	(5,287)	-4%
INFORMATION TECHNOLOGY	176,775	171,824	174,278	2,454	1%
<b>TOTAL LEGISLATIVE &amp; GEN. ADMIN.</b>	<b>2,211,911</b>	<b>2,405,296</b>	<b>2,485,540</b>	<b>80,244</b>	<b>3%</b>

### FY 16-17 Highlights

**City Council** – Reflects an appropriation in the Contingency Fund of \$48,000, which is less than 1% of the total general fund budget and slightly below the FY 2015-2016 Adopted Budget of \$53,121. The budget also includes funding for various agencies and organizations in the City. Management’s recommendation for FY 2016-2017 is the same as the current fiscal year for all agencies. Expenditures totaling \$15,932 were made from the Contingency Fund in the current fiscal year in addition to transfers to other departments totaling \$31,000.

**City Manager** - The budget anticipates reduced funding of \$15,832 mostly as a result of budgeted vacancy savings anticipated prior to filling a vacancy after the beginning of the fiscal year.

**City Attorney** – Reflects an increase of \$41,000 over the prior year adopted budget for professional services. (The FY 15-16 amended budget is projected to be \$40,000 based on actual year costs. Personnel costs also increased by nearly \$7,000 due to inclusion of the City’s share of health insurance benefit.

**Human Resources** - Reflects vacancy savings of \$31,000 resulting from a FY 2015-2016 retirement. The savings will be realized during the first part of the fiscal year until the position is filled.

**Commissioner of the Revenue** – The increase is solely associated with personnel costs related to actual salaries and fringe benefits changes and telecommunications.

**Real Estate Assessor** – Reflects the reduction in professional services for the prior year bi-annual property reassessment to be completed in 2016.

**City Treasurer** - The budget includes costs for minor equipment upgrades, personnel changes as a result of a new employee replacing a retiree and increased overtime associated with new system implementation.

**Finance** – The budget includes increased funding as a result of filling and fully funding one position that was vacant in the prior year budget following a retirement. Increased cost is also noted for professional services and maintenance costs partly associated with the City’s new financial software system. A \$10,000 vacancy savings has been factored into the budget; one full-time position remains vacant.

**Insurance** - The budget includes increased cost for retirees on the City’s Health Insurance Plan. The City elected to cover the 6.1% increase in the employee only cost which is paid by the City. Currently, 23 retirees are enrolled in the City’s health insurance plan. The estimated annual cost to the City is \$144,000. The budget also includes the cost to fund the defined contribution component of the Hybrid Retirement Plan (Hybrid 401(K) Cash Match Plan). VRS Hybrid employees contribute a mandatory 1 percent of their creditable compensation each month to their 401(K) plan account. The City also contributes a mandatory 1 percent as well as matching contributions on any voluntary contribution a member makes. The estimated city cost is \$7,625 based on the annual credible compensation of hybrid plan employees.

**Elections** - The proposed capital improvement budget includes \$44,405 for year one 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 increase results from one-time professional service costs needed to fully integrate the City’s GIS mapping system (Geographical Information System). The cost to acquire a new server to ensure continuance of operations of the City’s network systems is also included. The cost is offset by the elimination of a one-time expenditure in the prior year for upgrading the City’s PEG (Public Education Government) channel and equipment.



*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%
<b>TOTAL</b>	<b>1,290,464</b>	<b>1,282,616</b>	<b>1,251,810</b>	<b>(30,806)</b>	<b>-2%</b>

### FY 16--17 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 2016-2017 cost decreased by 2.0% largely based on shared personnel costs in the Sheriff’s function.

**District Court-Juvenile** - Includes cost incurred for juvenile detention. The decrease is due to the budgeting of a projected reduction in the cost for juvenile detention care and services. The FY 2016-2017 budget is more in line with FY 2015-2016 projected expenditures. Actual costs can fluctuate dramatically from year to year based upon services rendered.

**Western Tidewater Regional Jail** – The City’s cost for FY 2016-2017 for adult prisoner care for the first time in several years remained relatively 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. For Franklin City, this is the first year since 2014 that the City did not experience a huge adverse impact to the operating budget for 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 16-17 Highlights

**Police Department** - The increase in funding is primarily attributed to prior year personnel commitments and other applicable personnel adjustments to include fringe benefits. Other operating expenditures decreased by \$22,000 collectively. The budget includes \$273,000 in anticipated vacancy savings equivalent to four positions (salary and fringe benefits) based on historical budget experience. The budget reflects a \$14,500 or 19% decrease in fuel costs and is more in line with current year expenditures.

**E911 Communications** – The majority of the increase is based on health insurance costs of the newer employees replacing retirees who elected participation in the City’s health insurance plan. The Proposed Capital Improvement Budget includes \$175,480 for console equipment replacements.

**Fire & Emergency Services** – The budget for Fire & Rescue increased from FY 2015-2016 primarily due to the re-allocation of Civil Defense expenditures to Fire & Rescue which had an overall neutral impact on total expenditures. The capital improvement budget includes \$32,000 for a command vehicle replacement.

**Building Inspections** – The \$12,581 increase is largely the result of almost full funding of all personnel changes. However, the proposed budget includes \$7,500 in vacancy savings with the anticipation of a vacant Inspector’s position being filled early into the ensuing fiscal year. These departmental costs are shared with Southampton County.

# Amnesty Week.....

Annually in the Months of April & October



FUND - GENERAL	ACTUAL FY 14-15	ADOPTED BUDGET FY 15-16	Proposed FY 16-17	Variance \$	Variance %
PUBLIC WORKS - STREETS	1,742,935	1,851,089	1,867,539	16,450	1%
PUBLIC WORKS - SNOW REMOVAL	17,355	20,000	16,500	(3,500)	-18%
PUBLIC WORKS - GARAGE	226,717	230,282	233,422	3,140	1%
BLDGS & GROUNDS	978,108	1,010,888	1,045,552	34,664	3%
<b>TOTAL</b>	<b>2,965,115</b>	<b>3,112,259</b>	<b>3,163,013</b>	<b>50,754</b>	<b>2%</b>

## FY 15-16 HIGHLIGHTS

**Public Works Streets** – No general operating highlights. The Capital Improvement Budget contains funding for the Street’s Division share of needed equipment.

**Public Works Garage** – No changes to report.

**Building Maintenance** - The increase of \$34,664 is largely due to increased personnel costs including the filling of vacant positions in the current year; the prior year also included vacancy savings.



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FUND - GENERAL	ACTUAL FY 14-15	ADOPTED BUDGET FY 15-16	Proposed FY 16-17	Variance \$	Variance %
HEALTH DEPARTMENT	110,000	110,000	110,000	-	0%
MOSQUITO CONTROL	-	11,000	5,000	(6,000)	-55%
MENTAL HEALTH DISTRICT	35,198	35,198	35,198	-	0%
<b>TOTAL</b>	<b>145,198</b>	<b>156,198</b>	<b>150,198</b>	<b>(6,000)</b>	<b>-4%</b>

### FY 2016-2017 Highlights

**Health Department** – The City’s contribution to the Franklin City Health Department remains at \$100,000 for various environmental, family health & nutrition and disease prevention services.

**Mosquito Control** – The proposed expenditures for mosquito control were reduced to reflect discontinued funding for aerial spraying services. Funds for mosquito control supplies remain budgeted at the \$5,000.

**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 14-15	ADOPTED BUDGET FY 15-16	Proposed FY 16-17	Variance \$	Variance %
PARKS & RECREATION	296,079	359,223	374,601	15,378	4%
CEMETRY MAINTENANCE	37,727	50,500	40,500	(10,000)	-20%
SENIOR CITIZENS PROGRAM	73,053	40,467	52,338	11,871	29%
LIBRARY	305,173	296,412	304,725	8,313	3%
<b>TOTAL</b>	<b>712,032</b>	<b>746,602</b>	<b>772,164</b>	<b>25,562</b>	<b>3%</b>

### FY 16-17 Highlights

**Parks & Recreation** – Increase is related to enhanced parks maintenance efforts and associated cost and a change in health insurance coverage.

**Cemeteries** – The savings of \$10,000 is a result of a negotiated reduction in contractual services for grounds maintenance.

**Senior Citizens Program** – Increase is related to a maintenance employee transfer that is offset by reduction in building maintenance – City Hall for no significant cost increase overall.

**Blackwater Regional Library** – Increase (\$8,313 or 2.8% ) in the City share based on contract formula applied to determine the City’s share of the regional library budget. No significant changes in total library expenditures.

### Parks & Recreation Facilities:

- Armory Drive Recreational Park
- Barrett's Landing Park
- Bruce Street Park
- College Drive Park
- Hayden Sports Complex
- Memorial Park
- High Street Park
- Paul D. Camp Field
- Dr. Martin Luther King, Jr. Community Center



FUND - GENERAL	ACTUAL FY 14-15	ADOPTED BUDGET FY 15-16	Proposed FY 16-17	Variance \$	Variance %
PLANNING	205,973	169,966	192,023	22,057	13%
BEAUTIFICATION	12,645	5,000	5,000	-	0%
DOWNTOWN DEVELOPMENT	109,671	107,093	110,230	3,137	3%
<b>TOTAL</b>	<b>328,289</b>	<b>282,059</b>	<b>307,253</b>	<b>25,194</b>	<b>16%</b>

### FY 15-16 Highlights

**Planning** –The \$22,057 increase in the Planning budget is primarily due to the full year funding of the recently filled environmental engineer position that was partially vacant in the prior 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 \$55,230. The remainder is the City’s contribution of \$55,000 which is proposed to remain unchanged from the FY 2015-2016 city contribution amount.



*Non-Departmental*

FUND - GENERAL	ACTUAL FY 14-15	ADOPTED BUDGET FY 15-16	Proposed FY 16-17	Variance \$	Variance %
REVENUE SHARING PAYMENT	772,665	700,000	700,000	-	0%
MERCHANT CARD FEES	39,693	21,000	22,000	1,000	5%
<b>TOTAL</b>	<b>812,358</b>	<b>721,000</b>	<b>722,000</b>	<b>1,000</b>	<b>0.1%</b>

**FY 16-17 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 16-17 has increased by 10%. This is based on a proposed rate increase that will generate 10% in additional revenue as recommended by the 2013 Engineer’s Rate Study. Rates have remained unchanged since July 2008. FY 2016-2017 projected revenue is \$3,448,250, and is based on rates as follows:

Current Residential Rates		Proposed New Residential Rates
<b>Water Service</b>		
Monthly Charge – Inside City	\$12.62 plus \$2.83 per 1,000 gallons	\$14.22 plus \$3.20 per 1,000 gallons
Monthly Charge-Outside City	\$16.04 plus \$3.50 per 1,000 gallons	\$17.98 plus \$3.96 per 1,000 gallons
<b>Sewer Service</b>		
Monthly Charge-Inside City	\$16.91 plus \$3.93 per 1,000 gallons	\$19.01 plus \$4.43 per 1,000 gallons
Monthly Charge-Outside City	\$20.23 plus \$5.04 per 1,000 gallons	\$22.94 plus \$5.67 per 1,000 gallons

As verified by a 2015 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. Even with the recommended rate changes proposed, the City water and sewer rates remain below median statewide utility system rates.

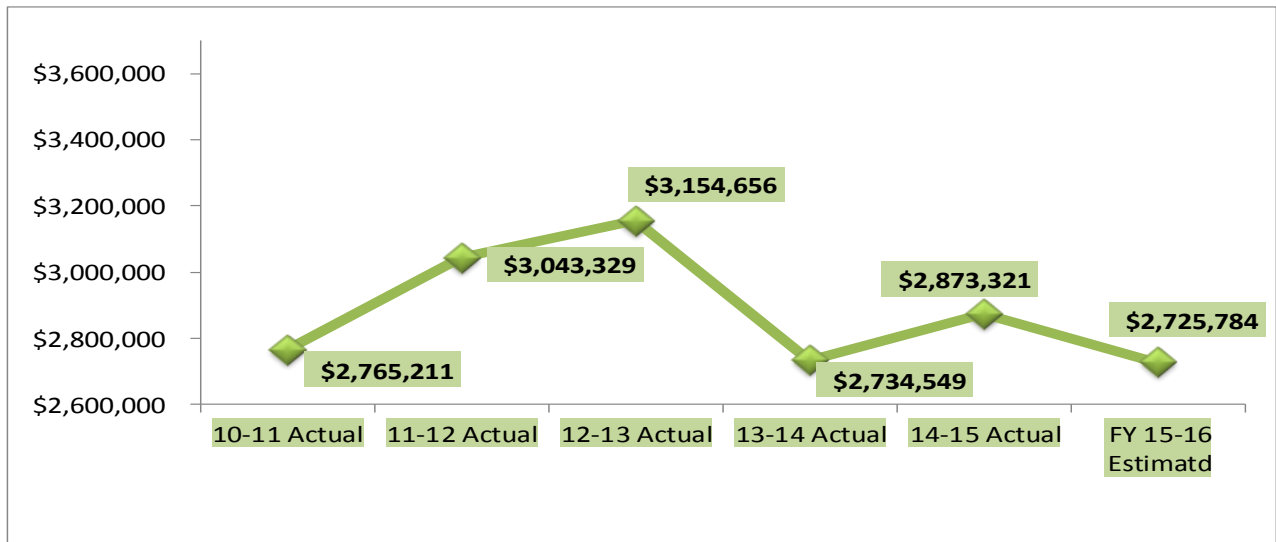
It is important to note that management deferred action on adjustments to the City’s Water & Sewer rates during the prior year until further analysis on rate study recommendations could be completed. The City has wisely invested approximately \$1.6 million to address the maintenance needs of the aging 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 \$9.64 million alone and without an increase 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 recently 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 above helps defer capital expenditures which allows more current debt to be retired in the process before new debt is incurred and helps minimize the burden on customer rates.

Graph 1 shows the current and proposed budget along with a four year trend of actual expenditures in the Water & Sewer Fund.

Graph 1. - Water & Sewer Fund Expenditure History



FY 2016-2017 revenues of \$3,448,250 are allocated among Water, Sewer and Wastewater Operations as noted in Table 1 on the following page. Excluded in the graph are the transfer to the General Fund for administrative services (\$291,908), payment in lieu of taxes (\$26,460), operational general fund support (\$110,460) and debt service (\$367,047).

**Proposed Budget**

(Table 1).

	<b>Water</b>	<b>Sewer</b>	<b>Wastewater</b>	<b>All Operations</b>	<b>Total</b>	<b>Percent of Budget</b>
Personnel	374,015	96,324	258,781		729,120	21.14%
Operating Expenses	509,849	180,977	374,958		1,065,784	30.91%
Capital Outlay	85,471	663,000	109,000		857,471	24.87%
General Fund Transfers	-	-	-	401,288	428,828	12.44%
Debt Service	-	-	-	367,047	367,047	10.64%
<b>Total</b>	<b>969,335</b>	<b>940,301</b>	<b>742,739</b>	<b>768,335</b>	<b>3,448,250</b>	100.00%

FY 2016-2017 Highlights:

- ❖ The transfer to the General Fund for administrative services increased from \$263,042 to \$291,908 based on a recent cost allocation analysis of services provided by the General Fund.
- ❖ The FY 2016-2017 Budget includes 4th 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.

**Five Year History of Expenditures in the Water & Sewer Fund by Category**

Table 2.

<b>Fiscal Year</b>	<b>Personnel</b>	<b>Operating</b>	<b>Capital Outlay</b>	<b>GF Transfer</b>	<b>Debt(1)</b>	<b>Total</b>
2010-11 Actual	783,300	703,079	403,903	793,410	81,519	2,765,211
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 Budget	748,427	985,199	1,308,030	372,128	87,608	3,501,392

(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

Fiscal Year	Residential Rate	Net Change
10-11	\$46.36	
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 Proposed	\$38.00	<b>NO CHANGE</b>
Net Change Since FY 10-11		\$(8.36) or 18% reduction

### FY 2016-2017 Highlights

- ❖ The budget reflects no SPSA change in the cost of landfill tipping fees. 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 \$212,793 of reserve funds for a capital outlay solid waste collection equipment purchase totaling \$230,000. 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 many past solid waste equipment replacement purchases. A grapple truck costing \$161,011 was purchased in FY 2015-2016 using a combination of reserve



Funds and operating revenue. Fund reserves, despite the planned equipment replacement in the proposed budget, are projected to remain sufficient to meet planned future capital equipment replacement needs. Table 3 that follows shows the estimated cash balance at June 30, 2016 which has accumulated since the Fund's inception in 2013.

Waste collection and disposal fees account for the revenues for solid waste services. Revenue projected in fiscal year 2016-2017 based on the recommended rate is \$1,318,079. This is calculated using the number of residential and commercial customers and the applicable monthly rate for waste collection and disposal as shown in Table 2. The fees generated are used to cover the cost of operations. This includes salaries, benefits, tipping fees paid to SPSA, recycling fees, other operating costs, capital reserves and capital expenses.

Table 2.

	# of Customers	Current Rate	Revenue Generated
Residential Customers	2730	\$38.00	\$1,244,880
Commercial 1 Customers	63	\$52.61	\$39,773
Commercial 2 Customers	45	\$61.90	\$33,426
<b>Projected Revenue</b>			<b>\$1,318,079</b>

The transfer to General Fund Services increased by \$22,506, attributed to the 2<sup>nd</sup> year implementation of a General Fund support transfer similar to funds provided by other Enterprise Funds. The methodology used to determine the transfer is based on the amount of revenue generated by one cent on the real estate tax rate. The proposed budget includes a transfer equivalent to one and a half cents or \$82,845.

**Recommended Cash Balance Policy:**

It was recommended and approved last year that City Council establish a cash balance policy for the Solid Waste Fund in similar fashion to policies that had been previously adopted for other Enterprise Funds. The adopted policy follows:

**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.

**Policy Evaluation**

Annual Revenue (Net of Reserves) = 1,322,079

Minimum of 25% = \$330,000

Maximum of 40% = \$528,800

6/30/16 Projection is \$500,000

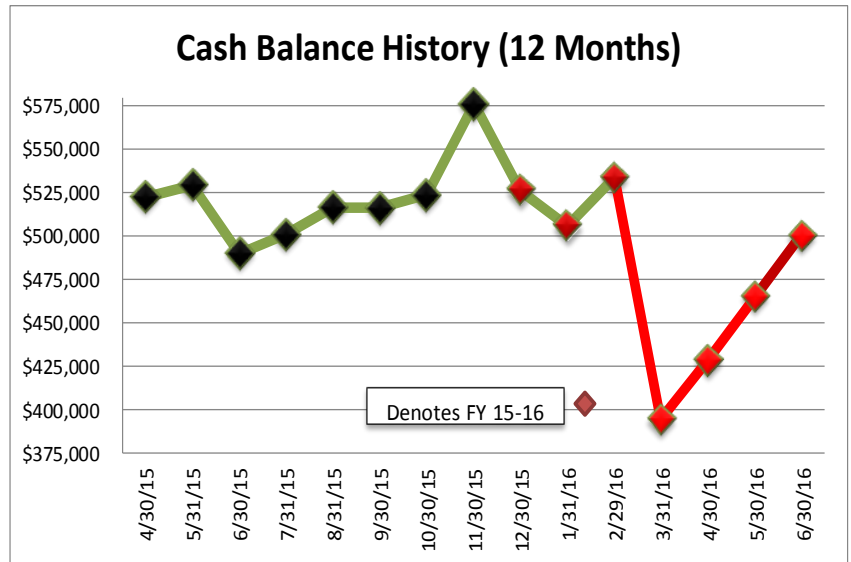
Cash in the Fund for FY 2015-2016 is expected to remain relatively unchanged from the beginning of the fiscal year even after factoring in the acquisition of capital equipment purchased. The recommendation for no change to the rate is not anticipated to adversely impact the City's Solid Waste Cash Balance Policy going forward as additional capital equipment replacement needs remain necessary.

### Cash Balance Analysis

Table 3

Graph 1

FYE 6/30/16		
Month	Cash Balance	Variance
30-Jun	\$489,888	
31-Jul	\$500,732	\$10,844
31-Aug	\$516,372	\$15,640
30-Sep	\$516,226	(\$146)
31-Oct	\$523,758	\$7,532
30-Nov	\$576,079	\$52,321
31-Dec	\$526,270	(\$49,809)
31-Jan	\$505,773	(\$20,497)
28-Feb	\$533,646	\$27,873
31-Mar	\$394,249	(\$139,397)
30-Apr	\$428,223	\$33,974
30-May	\$465,000	\$36,777
30-Jun	\$500,000	\$35,000
<b>Net Change Since July 31, 2015</b>		<b>\$10,112</b>



May & June are Projections

		FY 2013-2014 Actual	FY 2014-2015 Actual	FY 2015-16 Estimated	FY 2016-2017 Proposed	Prior Year Variance
REVENUE		1,343,522	1,365,620	1,402,353	1,534,872	132,519
Personnel Expense		251,941	294,586	294,882	328,939	34,057
Operating Expense		116,860	88,772	106,600	125,441	18,841
Waste Collection & Disposal Cost		441,581	455,947	458,000	458,000	-
Capital Outlay & Reserves		56,651	238,503	235,000	310,000	75,000
Transfer to Other Funds		198,162	225,389	270,000	293,405	23,405
Debt Service		10,109	28,057	28,056	19,087	(8,969)
	<b>Total Expenses</b>	<b>1,075,304</b>	<b>1,331,254</b>	<b>1,392,538</b>	<b>1,534,872</b>	<b>142,334</b>
	Net Income (Loss)	268,218	34,366	9,815	-	(9,815)

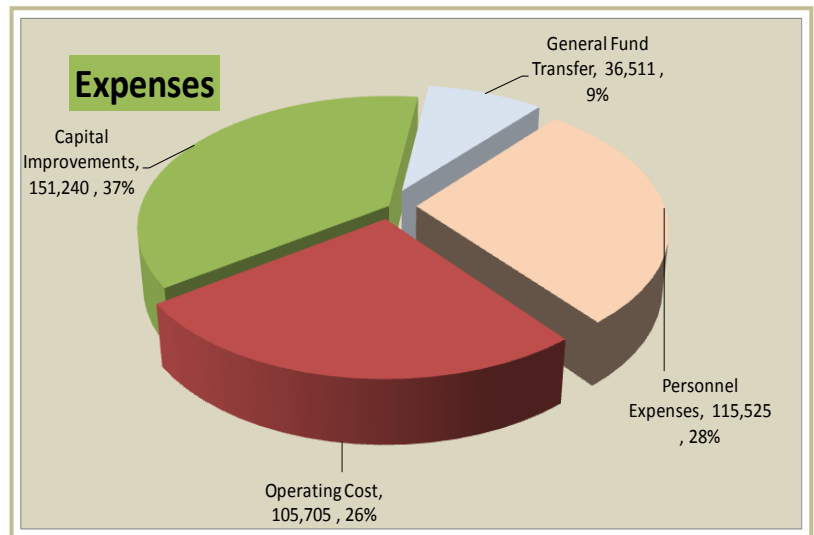
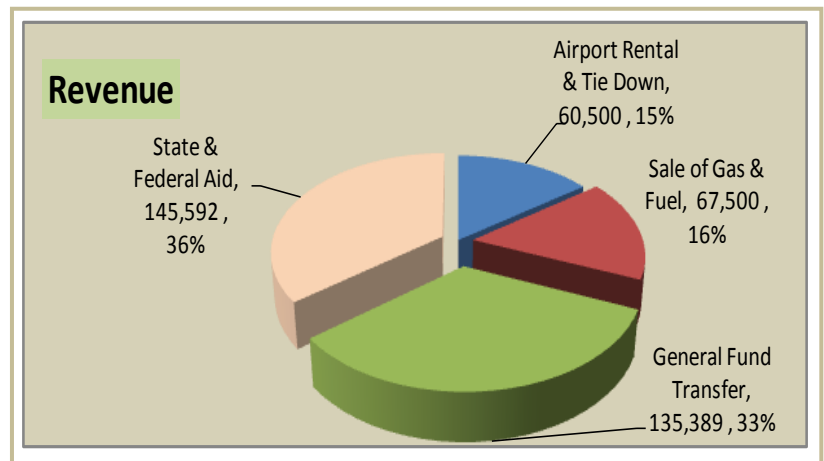


Franklin Municipal Airport situated in Isle of Wight County and owned by the City of Franklin is located two nautical miles from the City’s central business district. The Airport Fund is an Enterprise Fund, but receives annual financial support from the city’s General Fund to sustain operations. The 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 2016-2017 is \$406,841 \$86,000 higher than FY 2015-2016

Adopted 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	133,249
State & Federal Aid	145,592
<b>Total Revenue</b>	<b>406,841</b>
Personnel Expenses	113,385
Operating Cost	105,705
Transfer to General Fund	36,511
Airport Improvements	151,240
<b>Total Expenses</b>	<b>406,841</b>



FY 2015-2016 Highlights:

- ❖ The transfer to the General Fund for administrative services increased from \$20,750 to \$36,511 based on the most recent cost allocation analysis of services provided by the General Fund. This is primarily associated with administration of grant activity for prior year projects and represents 9.0% of the total budget. Table 2 provides a history of the Airport Fund by area of expenditure.
- ❖ Revenue from fuel sales has been adjusted in the proposed budget to reflect more accurate projections based on current year trend; this source can often be indicative of local and regional economic activity. Fuel sales comprise 16.0% of the total projected 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 comprises 54% of the total budget. Operating expenses primarily include the purchase of fuel sales. This cost has been lowered in the FY2016-2017 budget based on historical expenditures over the past few fiscal years.
- ❖ Grant funded capital Improvement projects comprises the majority of the Airport Fund Budget for FY 2016-2017 at \$151,240 or 37%. The FY 2016-2017 includes two proposed projects: (1) parallel taxiway design and (2) an Ariel survey for a tree clearance project. The majority of the cost to fund these projects will be funded by state and federal aid as shown.

**Airport Fund - Prior Year History**

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

Table 2



The City of Franklin purchases wholesale electric power from the Virginia Municipal Electric Association (VMEA), who in turn, purchases power from Dominion Virginia Power. For FY 2016-2017, the recommendation for a change in user rates (excluding the basic monthly charge for all classes) is included in the proposed budget. This increase, consistent with Council established policies, will ensure that the City continues to progress toward compliance and then sustain compliance with cash reserve policies.

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 2016-2017 BUDGET RECOMMENDATION**

The proposed budget accounts for an anticipated 6.9% increase in Dominion Virginia Power's wholesale power cost. A recommended rate increase of 8.0% is proposed to offset the increase in the wholesale power costs from Dominion. No increase is proposed in the basic monthly charge. The impact on a residential customer utilizing 1,000 kWh hours will be \$8.09 for the estimated Dominion wholesale rate increase. This is offset by a 75.7% decrease in the fuel adjustment change for a net increase for customers using 1,000 kWh usage of \$1.07 or a net increase of \$1.40 per month based on the City's average customer usage of 1,300 kWh. The proposed budget also eliminates the City's winter/summer seasonal rate structure.

#### **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, 2016, Dominion announced a decrease in the fuel factor charge from \$9.27 per month to \$2.25 per month per 1,000 KWH for a monthly savings to customers of \$7.02, or a 75.7% decrease.

#### **Rate History**

The following table (Table 1) 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 1

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>\$0.0278</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.

An analysis of the charges for residential service and the monthly average usage is shown below based on the existing rates, the fuel charge decrease effective April 2016 and the revised charges for services based on the recommended 8.0% rate increase effective July 1, 2016.

Table 2

		Average	Current Rate	1-Jul-16 Increase	Change
<b>Rate Class</b>		<b>Usage</b>		8.0%	
RS	Residential Service	1000	\$117.67	\$118.74	\$1.07

In the preceding table, residential customers using 1,000 kilowatt hours per month will see a cumulative rate increase of \$1.07 effective July 1, 2016, to **\$118.74**. Because the fuel charge is a pass-thru cost directly from

the City to the customer, utility cost for electrical services decreased effective with the May 2016 utility billing. In other words, an increase or a decrease in the fuel rate charge by Dominion results in Franklin Power & Light customers receiving a corresponding increase or decrease in fuel rate charges on their utility bills.

Table 3 shows the change of all other rate classes effective July 2016 based on the new fuel adjustment charge and the 8.0% increase in retail power cost based on the proposed Dominion wholesale increase of 6.9% and the 75% reduction to the fuel charge.

			Current	7/1/2016	Change
		Average	Rate	Increase	
Rate Class	Description	Usage		8.0%	
SGS - single	Small General Svc - single phase	1080	\$ 112.01	\$111.58	-\$0.43
SGS - three	Small General Svc - three phase	2397	\$ 243.04	\$242.08	-\$0.96
MGS-I - single	Medium General Svc - single phase	4231	\$ 570.86	\$579.66	\$8.80
MGS-I - three	Medium General Svc - three phase	8138	\$ 952.83	\$957.98	\$5.15
MGS-D - single	Medium General Svc - single phase	15761	\$ 1,563.58	\$1,562.74	-\$0.84
MGS-D - three	Medium General Svc - three phase	31377	\$ 2,952.99	\$2,938.49	-\$14.50
LGS	Large General Svc	244624	\$ 20,302.21	\$20,008.02	-\$294.19
MS -single	Municipal Svc - single phase	1766	\$ 193.67	\$194.13	\$0.46
MS-three	Municipal Svc - three phase	18594	\$ 1,891.48	\$1,896.39	\$4.91
CS - single	Church Svc - single phase	1881	\$ 210.37	\$211.61	\$1.24
CS - three	Church Svc - three phase	3000	\$ 893.15	\$911.09	\$17.94

Table 3.

Table 4 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. As mentioned, a decrease in the fuel rate charge positively impacts customer's electric bills causing a reduction in the charges for use of electricity, while an increase in the fuel rate charge results in an increase in charges for the use of electricity.

Year	Fuel Charge per kWh	Prior Year Change %	Dollar Change
2006	\$0.01330		
2007	\$0.01216	-9.0%	-1.14
2008	\$0.02279	87%	10.63
2009 Apr.	\$0.01096	-52%	-11.83
2009 Nov.	\$0.00556	-49%	-5.4
2010	\$0.01241	123%	6.85
2011	\$0.01723	39%	4.85
2012	\$0.00931	-46%	-7.92
2013	\$0.01177	26%	2.46
2014	\$0.01604	36%	4.27
2015	\$0.00927	-42%	-6.77
2016	\$.00225	-75.7%	-7.02
Net Change Since 2006			-11.02

Table 4.





*Electric Fund  
Cash Balance*

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. (For the purpose of policy evaluation in the budget, cash balance at June 30<sup>th</sup> is reflected).

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 FY2016-2017 meets this requirement as further detailed in this budget proposal.

**FY 2014-2015 Cash Balance as a Percentage of Annual Revenues (excluding fuel adjustment) at 6/30/15 = \$842,112 or 5.8%. (See graph 2)**

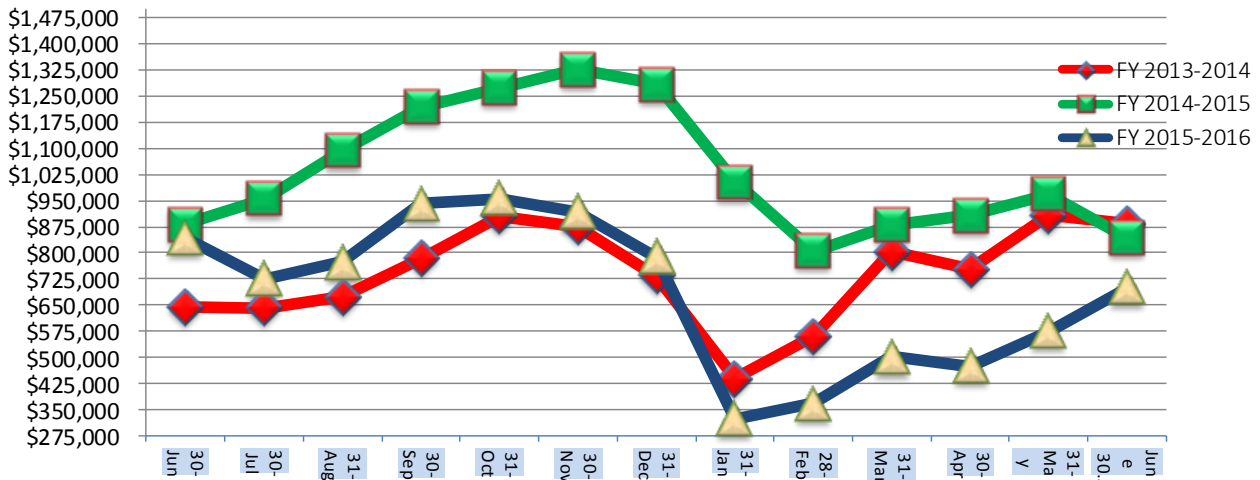
FUND - ELECTRIC	BUDGET FY 15-16
<b>ELECTRIC FUND REVENUE</b>	
Sale of Energy Fuel Adjustment	1,349,299
Sale of Electric Energy	14,353,589
Cycle & Save	(121,000)
Meter Connection Fee	20,000
Pole Attachment Fees	47,250
Cut-On Fees and Penalties	140,000
Sale Of Electric Supplies	11,500
Miscellaneous Revenue	12,000
<b>TOTAL REVENUE</b>	<b>15,812,638</b>
Less Fuel Adjustment	(1,349,299)
Budget Basis for Policy	14,463,339
<b>10% of Annual Revenue</b>	<b>\$ 1,446,334</b>

**FY 2015-2016 Projected Cash Balance as a Percentage of Annual Revenues (excluding fuel adjustment) at 6/30/16 is \$700,000 or 4.8%.**

**Policy Evaluation: Below policy guideline with overall improvement since corrective action initiated in 2012.**

The FY 2015-2016 budget included \$300,000 in cash balance replenishment reserves, or 2.0% 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 2016-2017.

**ELECTRIC FUND CASH TREND ANALYSIS**  
**COMPARES FY 2013-2014 TO FY 2015-2016(projected)**



May through June  
Estimated for FY16

**Future Planning**

*Based on projected annual revenues (net of fuel adjustment) the minimum cash balance in accordance with the established policy guidelines for FY 2015-2016 would be \$1,446,334. 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 assume 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 in cash position over the time period. The proposed elimination of the summer/winter rate structure is one strategy being recommended to minimize the cash flow inconsistencies. 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.*

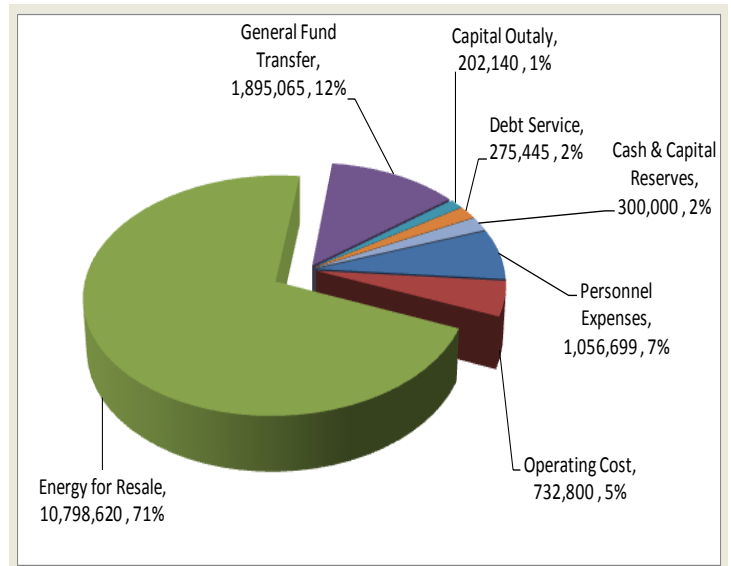
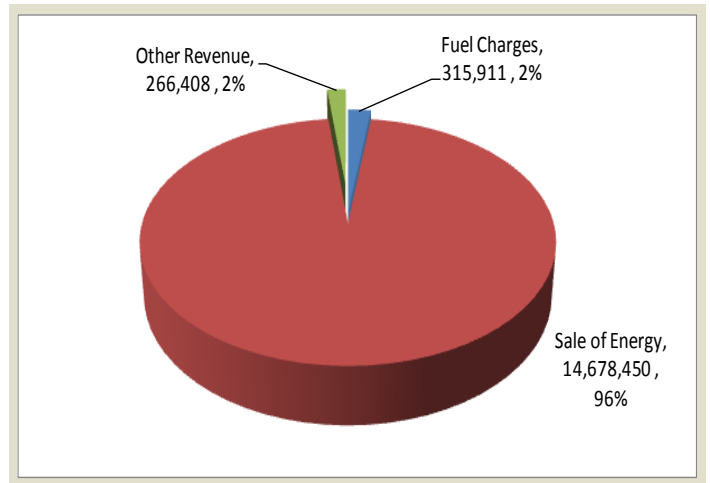


*Electric Fund  
Proposed Budget*

The Proposed budget for the Electric Fund is \$15,260,769 comprised of the following revenue sources and expenditures:

\*Other revenue consist of pole attachment fees, cut on fees and penalties, sale of supplies (all net of cycle and save reductions)

	FY 16-17 Proposed Budget
Revenue from Sale of Energy	14,678,450
Revenue from Fuel Charges	315,911
Other Revenue*	<u>266,408</u>
<b>Total Revenue</b>	<b>15,260,769</b>
Personnel Expenses	1,056,699
Energy for Resale	10,798,620
Operating Expenses	732,800
Capital Expenses	202,143
Transfers to City**	1,895,062
Debt Service	275,445
Cash Reserve	<u>300,000</u>
<b>Total Expenses</b>	<b>15,260,769</b>
**Transfers to the City include General Operating City Council approved transfer (\$1.409 mil), payment in lieu of taxes (\$59,282), and charges for general fund services (\$425,889).	
Revenue Less Fuel Adjustment	14,362,939
Cash Balance Minimum Policy Level (10%)	\$1,436,294



**Budget Highlights:** The largest change in the FY 2016-2017 budget when compared to the current year is reflected in the fuel for resale and fuel adjustment costs. Based on the projected 6.9% Dominion Power increase to the wholesale rates, the budget increase for the sale of energy is \$924,621 or 9.0% more than the current year budget. Due the significant reduction in the fuel adjustment rate in April 2016, the fuel adjustment portion of the City’s power bill will decrease by \$1.03 million or 75%.



## **Fy 2016-2017 Budget**

## **Section 5**

### OTHER CITY FUNDS

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



*Debt Service 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, 2015 was \$20,540,399 up from \$19,609,683 at the end of June 30, 2014. This includes \$8,872,600 in general government debt and \$7,016,399 in School related debt. Of the total outstanding, the general and school debt combined total of \$15,888,999 is considered to be tax supported debt. The balance of the total debt amount is \$4,651,400 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 2.58%.

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

	<u>FY 2015</u>	<u>FY 2014</u>
General Government Activities:		
Bonds Payable - General	\$ 8,872,600	8,412,366
School Related Bonds & Notes	7,016,399	6,321,317
Total Tax Supported Debt(*)	\$ 15,888,999	14,733,683
Business-type Activities:	\$ 4,651,400	4,876,000
Total Long -Term Debt	\$ 20,540,399	19,609,683
Per Capita Tax Supported	\$ 1,851	1,717
Total Per Capita Debt	\$ 2,393	2,285

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. The following objectives were met as a result of Refunding/Restructuring:

- ✓ Freed approximately \$2.01 million in cash flow from FY 2016-2027, including approximately \$105,000 of savings in FY 2016. As a result, the City minimized the potential real estate tax rate increase of up to 4.4 pennies.
- ✓ Maintained a 10-Year payout ratio above 50% after the Refunding/Restructuring.
- ✓ Avoided extending any obligation’s final maturity by more than 4 years or beyond 30 years from its original issuance.

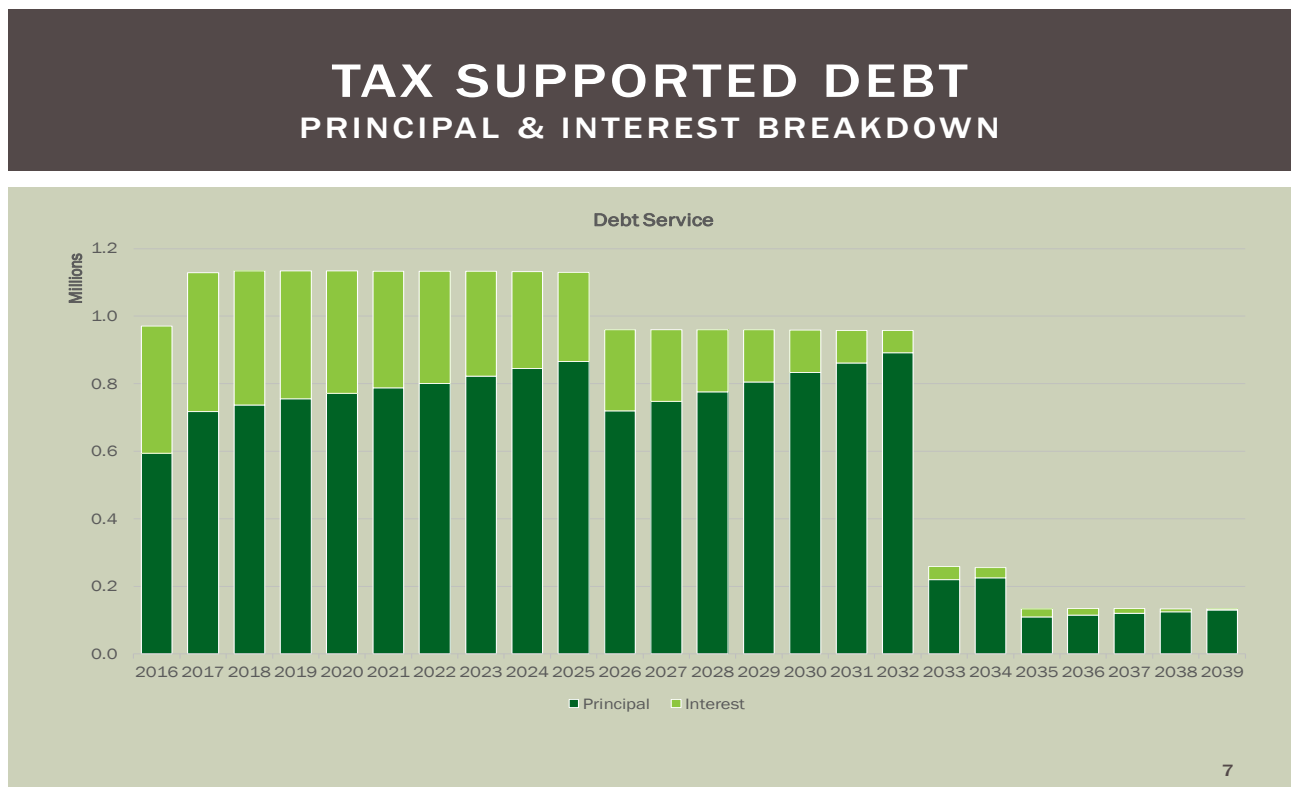
No new debt was issued for Business type activities and debt obligations decreased by \$466,000 in FY 2014-2015.

Activity Impacting the FY 2016-2017 Debt Service Fund

- ❖ The FY 2016-2017 debt service requirement for the General Fund will be \$133,835 more than the FY 2015-2016 actual payment but \$24,000 less than than the current year appropriation. The difference resulted from debt savings realized in the current year due to a 2015 debt refiancing/restructuring plan. The debt service requirement for school related debt will increase by \$24,000. The increase in the general fund debt is a result of first year principal and interest payments on the refunding instruments. School debt is the direct result of the issuance of \$1.816 million in Qualified Zone Academy Bond (QZAB) debt in FY 2014-2015 to fund school technology and building improvements.

The table below reflects the positive impact of the December 2015 restructuring/refinancing by comparing debt requirements for 2016 and beyond (23 years) before and after the restructuring. Prior to the restructuring/refinancing (the budgetary impact due to debt service requirements in FY 2016-2017 would have been \$70,000 higher.

Table 1. Debt Service – General & School Fund



**Outstanding Debt at June 30, 2016** – Net Tax Supported Debt (General Fund & School Debt) at June 30, 2016 is \$13,784,565 (principal) of which \$7,545,000 is the General Fund portion and \$6,239,565 is the School Debt portion. Enterprise Fund debt principal totals \$4,173,400 of which \$2,501,000 is the Water & Sewer Fund debt, \$1,431,000 is the Electric Fund debt and \$241,400 is the Solid Waste Debt. The following pages show the debt service schedules for all funds.

The City defeased debt in FY 2015-2016 as follows: General and School Debt - \$593,785, Water & Sewer Debt, \$278,000 and Electric Fund Debt, \$200,000.

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
	\$7,639,000	\$3,377,159	\$11,016,159	
2016	94,000	224,779	318,779	7,545,000
2017	178,000	274,614	452,614	7,367,000
2018	194,000	262,112	456,112	7,173,000
2019	153,000	254,655	407,655	7,020,000
2020	170,000	248,665	418,665	6,850,000
2021	222,000	241,891	463,891	6,628,000
2022	314,000	234,105	548,105	6,314,000
2023	327,000	223,252	550,252	5,987,000
2024	343,000	211,321	554,321	5,644,000
2025	379,000	199,006	578,006	5,265,000
2026	441,000	185,795	626,795	4,824,000
2027	594,000	170,221	764,221	4,230,000
2028	615,000	149,201	764,201	3,615,000
2029	650,000	127,442	777,442	2,965,000
2030	675,000	104,318	779,318	2,290,000
2031	708,000	80,391	788,391	1,582,000
2032	777,000	55,166	832,166	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**

FY	Principal	Interest	Total	Outstanding
	\$6,739,350	\$1,302,302	\$8,041,652	
2016	499,785	151,912	651,697	6,239,565
2017	539,678	135,918	675,596	5,699,887
2018	543,275	134,958	678,233	5,156,612
2019	602,007	124,377	726,384	4,554,605
2020	601,965	112,986	714,951	3,952,640
2021	565,640	103,922	669,562	3,387,000
2022	487,000	97,969	584,969	2,900,000
2023	496,000	86,499	582,499	2,404,000
2024	502,000	75,669	577,669	1,902,000
2025	487,000	64,516	551,516	1,415,000
2026	279,000	53,549	332,549	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.





*Debt Service  
Enterprise Funds*

**Water & Sewer Fund Totals**

FY	Principal	Interest	Total	Outstanding
	\$2,779,000	\$471,057	\$3,250,057	
2016	278,000	87,608	365,608	2,501,000
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
	\$1,631,000	\$228,061	\$1,859,061	
2016	200,000	50,452	250,452	1,431,000
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
	\$241,000	\$41,837	\$282,837	
2016		5,287	5,287	241,400
2017	13,800	5,287	19,087	227,600
2018	14,200	4,984	19,184	213,400
2019	14,800	4,673	19,473	198,600
2020	15,400	4,349	19,749	183,200
2021	22,000	4,012	26,012	161,200
2022	26,600	3,530	30,130	134,600
2023	27,000	2,948	29,948	107,600
2024	28,000	2,356	30,356	79,600
2025	19,200	1,743	20,943	60,400
2026	19,600	1,323	20,923	40,800
2027	20,200	894	21,094	20,600
2028	20,600	451	21,051	0

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

Description	Issue Date	Final Maturity	Interest Rate	Authorized and Issued	Outstanding June 30, 2016
General obligation bonds:					
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>					<u>15,586,619</u>
<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>					<u>72,473</u>

*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, Cemetery 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
<b>Water and Sewer Fund:</b>					
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
<b>Electric Fund:</b>					
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
<b>Solid Waste Fund:</b>					
Tax General Obligation Refunding Bond Series, 2012A					\$ 241,400
Total Proprietary Funds					\$ 4,173,400

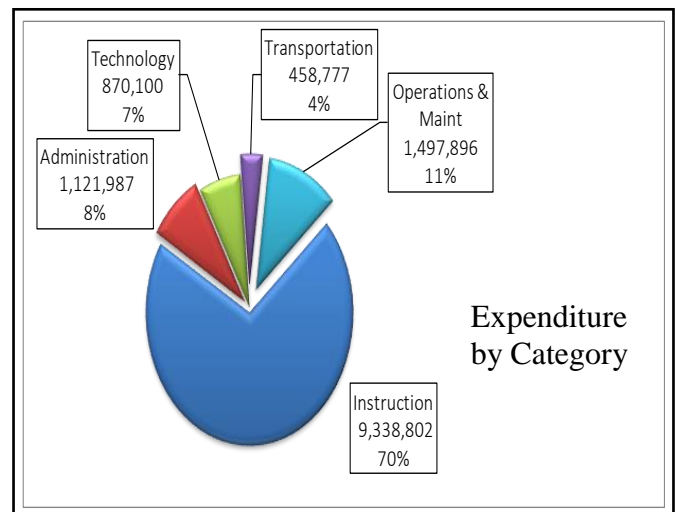
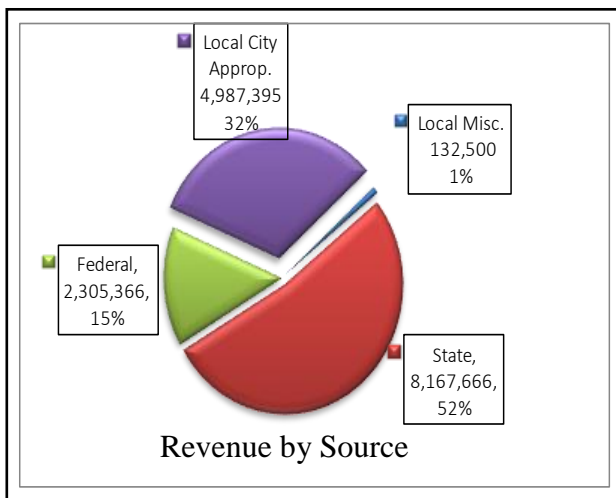
*This table represents the various debt instruments for the City's Business Type Activities Debt. Debt proceeds were used to upgrade, acquire and/or replace various equipment such as backhoes, dump trucks, utility truck, trencher, solid waste collection truck, electric utility emissions improvements 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 2016-2017 School System Budget are available in a separate document maintained by the School Board. The recommended allocation to the School System Operating & Cafeteria Fund for FY 2016-2017 is \$16,385,266. The graphs below depict the revenue by source and the expenditure plan by category. The State funds 51% of the school aid while the proposed budget allocation of City funds totals 30%. Instruction (including federal programs) accounts for 76% of the total budgeted expenditures.

### FY 2016-2017 Budget Highlights

- ❖ Decreased state funding resulting from a decline in enrollment. Revenue from the State is expected to decrease by \$248,000, which is 2.95% less than FY 2015-2016 adopted revenue.
- ❖ 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 \$92,770 increase in the local appropriation; this requested amount would equate to a 1.6 cent property tax rate increase].
- ❖ The recommended capital projects budget includes almost all of the remaining School carryover funds available for appropriation as per the FYE June 30, 2015 audited financial statements. Of the audited statement balance of \$494,643, \$480,000 is included in the proposed allocation to the City’s capital improvement plan for School related projects. It is the City’s recommendation that these funds be used to fund one-time expenditures for the School Division as the City is not obligated to provide the same level of funding in the ensuing fiscal year.
- ❖ The local appropriation of \$4,987,395 accounts for 32% of the total proposed revenue for the School Fund. State revenue accounts for 52% of the total revenue sources and nearly 15% of the budget is funded via federal programs revenue. The remaining 2.0% is from local sources.
- ❖ Miscellaneous local revenues and federal revenues are slated to remain the same.





*Social Services  
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.

**FY 2016-2017 Budget Highlights**

- ❖ The proposed City appropriation for FY 2016-2017 is \$467,057, \$4,236 less than the FY 2015-2016 budgeted appropriation of \$471,293 and represents 28% of the total revenue needed to fund the various programs administered by the department.

*Table 1. Revenue by Source*

Revenue by Source		
State	471,366	28.0%
Federal	744,773	44.2%
Local City Appropriation	467,057	27.7%
<b>TOTAL</b>	<b>1,683,196</b>	<b>100%</b>

While the budget for the City is \$1.68 million, Franklin City residents are provided benefits from the state and federal government of over \$28.5 million via pass through funding from Medicaid, Family Access to Medical Insurance Security (FAMIS), SNAP, Energy Assistance, Foster Care & Adoption and TANF. In SFY 2015, actual benefits distributed to Franklin citizens were \$28,518,985 (See Table 1). This is a nearly 2.0% increase over actual benefits distributed in SFY 2013 (\$27,964,801). The City's investment increased from \$597,753 in SFY 2014 to \$643,047 in SFY 2015.

Social Services (SS) Spending, SFY 2015	Federal	State	Local & NER (comb.)	All Sources
<b>Administrative costs</b>	<b>\$732,265</b>	<b>\$306,869</b>	<b>\$524,037</b>	<b>\$1,563,171</b>
Staff and operations <sup>1</sup>	\$694,952	\$306,869	\$417,036	\$1,418,857
Other expenses <sup>2</sup>	\$37,314	\$0	\$107,000	\$144,314
<i>Admin costs - % by Funding Source</i>	47%	20%	34%	100%
<i>Admin costs - % Total SS spending</i>	4%	3%	81%	5%
<b>Services purchased for clients</b>	<b>\$56,321</b>	<b>\$186,507</b>	<b>\$76,900</b>	<b>\$319,728</b>
Foster care and adoption <sup>3</sup>	\$37,481	\$43,957	\$0	\$81,439
Comprehensive Services (Title IV-E) <sup>4</sup>	\$0	\$127,809	\$70,845	\$198,654
Other Benefits <sup>5</sup>	\$18,840	\$14,740	\$6,055	\$39,635
<i>Services - % by Funding Source</i>	18%	58%	24%	100%
<i>Services - % Total SS spending</i>	0%	1.6%	12.0%	1.1%
<b>Client Benefits Spending</b>	<b>\$15,657,821</b>	<b>\$11,358,334</b>	<b>\$42,110</b>	<b>\$27,058,266</b>
Medicaid & FAMIS <sup>6</sup>	\$11,330,309	\$11,184,164	\$32,956	\$22,547,429
SNAP <sup>7</sup>	\$3,849,753	\$0	\$0	\$3,849,753
TANF <sup>7</sup>	\$89,193	\$96,538	\$0	\$185,731
Energy Assistance <sup>7</sup>	\$279,411	\$0	\$0	\$279,411
Child Care <sup>8</sup>	\$109,155	\$41,015	\$0	\$150,169
Other Benefits <sup>9</sup>	\$0	\$36,618	\$9,154	\$45,772
<i>Benefits - % by Funding Source</i>	58%	42%	0%	100%
<i>Benefits - % Total SS spending</i>	95%	96%	7%	93%
<b>Total SS Spending</b>	<b>\$16,446,408</b>	<b>\$11,851,710</b>	<b>\$643,047</b>	<b>\$28,941,165</b>
<b>SS Funding - % by Funding Source</b>	57%	41%	2%	100%

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



## 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). 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 2016-2017 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 2016-2017 is \$252,990 of which \$111,230 is the City’s local funding requirement. Overall, this is a \$8,414 decrease from FY 2015-2016; state aid is projected to be \$44,628 more which reduced the necessity of additional local match funding even though the total budget increased. 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 2016-2017 proposed administrative cost, shared by Franklin City, Isle of Wight and Suffolk are 25%, 25% and 50% respectively.

FUND - COMPREHENSIVE SERVICES ACT FUND	ACTUAL FY 14-15	BUDGET FY 15-16	City Manager's Recomm.	Variance
<b>REVENUE</b>				
State Aid	97,679	97,042	141,670	44,628
Patient Income	96	-	-	-
Transfers from General Fund	126,444	119,644	111,230	(8,414)
Total Revenue	<b>224,219</b>	<b>216,686</b>	<b>252,900</b>	<b>36,214</b>
<b>EXPENDITURES</b>				
Mandated Services	179,059	154,291	207,740	53,449
Non-Mandated Services				-
Other Purchased Services				-
Administrative Services	45,160	45,160	45,160	-
Local Medicaid Match		17,235		(17,235)
Total Expenses	<b>224,219</b>	<b>216,686</b>	<b>252,900</b>	<b>36,214</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 2016-2017 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 2015-2016.

FSEDI manages, as a service to the City, the rental of spaces in the newly named **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 \$60,295 or 19.7% of the total proposed budget, up nearly \$15,000 from the FY 2015-2016 budget. This is mostly attributable to a decline in rental income to support operations based on the relocation of a primary tenant to another location in the Downtown area.

<b>2016-2017 Revenue</b>	
Rental Income	113,000
Misc. Fees	6,400
Use of Fund Balance	0
Transfer from General Fund	60,295
Joint Contribution	<u>125,000</u>
<b>Total Revenue</b>	<b>304,695</b>
<b>FY 2016-2017 EXPENSES</b>	
Personnel	17,495
Operating Expenses	162,200
Joint Payment	<u>125,000</u>
<b>Total Expenses</b>	<b>304,695</b>

*Franklin Business Center  
2015 Economic Impact*

# of Full Time Employees	119
# of Part Time Employees	49
Average Salary FT Employees	\$49,051
Taxes paid to Franklin	\$33,923
Rents Paid to City in FY 14-15	\$129,833
Total Business Profits	\$1.758 million

**FY 16-17**

**Five Year Capital Improvement Plan**



**Fiscal Year  
2016-2017 through  
FY 2020-2021**





## 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) were 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.

**Capital Improvement Budget for Fiscal Year 2016-17**

The first year of the Capital Improvement Program is identified as the Capital Improvement Budget. The projects outlined herein have been programmed in year 2016-17. The total amount is \$2,732,596 comprised of capital improvements proposed in the following funds:

<b>FY 16-17 Capital Improvement Budget by Fund</b>	
General Fund	\$ 1,092,885
Education	\$ 480,000
Solid Waste	\$ 260,000
Water & Sewer	\$ 748,471
Airport	\$ 151,240
<b>Total CIP Budget</b>	<b>\$ 2,732,596</b>

<b>Funding Source - FY 16-17 Capital Improvement Budget</b>	
Restricted Fund Balance (FY16)	\$ 25,000
School Fund Carryover (FY15)	\$ 480,000
Unassigned Fund Balance	\$ 431,985
General Fund Operating Rev	\$ 644,548
Solid Waste Cash Reserves	\$ 212,793
Solid Waste Operating Rev	\$ 47,207
State & Federal Grants	\$ 142,592
Water & Sewer Cash Reserves	\$ 748,471
<b>TOTAL CIP REVENUE</b>	<b>\$ 2,732,596</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 2016-17 , **\$644,548**)
- **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 2016-17, **\$1,008,471**)
- **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. (Fiscal Year 2016-17, **\$142,592**)
- **School Fund Carryover (Fund Balance) - \$480,000** - 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-reoccurring 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 2016-17 - **\$25,000**)
- **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 2016-17- \$431,985)

***FISCAL YEAR 2016-2017  
Capital Improvement Budget  
\$2,732,596***

***FISCAL YEAR 2017-2021  
Capital Improvement Plan  
\$67,336,103***

- **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 16-17); 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 16-17); 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 16-17, projects include bus acquisition, transportation vehicles, storage facility and engineering costs associated with major classroom additions at S.P. Morton Elementary School. 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 16-17 include upgrades to the City's E911 Dispatch center (communication equipment) and vehicle replacement for adequate emergency response. 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 in the community.

- **Solid Waste**

Replacement of aging equipment used in solid waste collection. The City has replaced two collection equipment vehicles in the last four 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 near Runway in FY 16-17. 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>	400,000	<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>636,000</b>	

❖ **Drainage System Improvements**

Improvements and replacements of the City Storm Water Conveyance Systems - The City contracted to perform a citywide drainage study which has been 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**

In 2007, the General Assembly banned the purchase of Direct Recording Equipment (DRE) in which the City previously used. The FY 16-17 budget includes 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 are included in the total cost of \$88,809.85. The equipment will be paid for over a two year period at a cost of \$44,505.

❖ **Vehicle Replacement (Command Vehicle)**

The FY 16-17 operating budget includes \$32,000 to replace the command vehicle for the Fire & Rescue Department. The unit will replace the current vehicle that has been in operation for over 20 years.

**❖ Vehicle Replacement (Service Vehicle) (General Fund Portion - \$15,000)**

Replacement of an 18 year old vehicle with over 145,000 miles. This is an administrative vehicle used to manage multiple divisions within Public Works. Accordingly, the cost of \$40,000 will be shared with other departments (Solid Waste and Water & Sewer). The vehicle has passed its useful life. Required budget for repair cost is reduced with the replacement of newer equipment.

**❖ Radio Console Upgrade**

Project entails replacement of all E911 Dispatcher consoles both hardware and software components to provide improved radio communications between Emergency Services departments. The current system is 10-12 years old and is no longer supported with the current Windows environment. The replacement cost is \$175,480.

**❖ Skid Steer Loader (General Fund Portion - \$20,000)**

Purchase of a new skid steer loader to be utilized in the streets, water & sewer and solid waste divisions. This is a versatile track machine with many attachments that can be used in asphalt repairs, sidewalk repairs, and drainage repairs as well as utility and solid waste functions. The attachments are available to rent on an as needed basis to reduce the cost of having to purchase the attachments. The total cost is shared by the City's Enterprise Funds - \$20,000 Water and Sewer Fund and \$20,000 Solid Waste Fund.

**❖ Fairview Drive Improvement**

This project will install curb and gutter, drainage improvements, and sidewalk along Fairview Drive in front of the Health Department and Southampton Orthopedic Center. This is a joint project between the City of Franklin and the developer of the Orthopedic Center in which each party pays their portion of the construction cost. This request of \$170,000 will fund the improvements to the city property in front of the Health Department.

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

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**❖ School Capital Projects**

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, \$480,000 in one time carryover funds remaining in FY 15-16 will be used 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 - \$230,000**

The budget includes the cost to replace a 2007 one arm solid waste collection vehicle to comply with a 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 - \$628,000**

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.

**❖ Water Line Rehabilitation - \$85,471**

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.

***AIRPORT CAPITAL PROJECTS***

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**❖ Parallel Taxiway Extension - \$120,000**

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 is 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.

**❖ 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. Funding for the project will be 80% state funded by the Virginia Department of Aviation and the City local match requirement is 20%.



CITY OF FRANKLIN, VA – PROPOSED CAPITAL IMPROVEMENT PROGRAM FY 2016-17 TO FY 2020-21

<i>Project Description</i>		<i>Anticipated Revenue Source</i>	<i>FY 15-16 7/1/15 6/30/16</i>	<i>TOTAL FY 16/17 Proposed</i>	<i>FY 17/18 Request</i>	<i>FY 18/19 Request</i>	<i>FY 19/20 Request</i>	<i>FY 20/21 Request</i>	<i>Unfunded</i>	<i>5-Year CIP Cost FY 16/17-20/21</i>
<b>GENERAL GOVERNMENT</b>										
1	Voter Machine Replacement	Fund Balance		44,405	44,405				44,405	88,810
	<b>TOTAL GENERAL GOVERNMENT</b>			<b>44,405</b>	<b>44,405</b>				<b>44,405</b>	<b>88,810</b>
<b>PUBLIC SAFETY</b>										
2	Vehicle Replacement	Fund Balance		32,000						32,000
3	Station 1 Improvement Preliminary Design Year 1	Local			20,000	500,000			520,000	520,000
4	Engine 3 Replacement	Borrowing				\$450,000			450,000	450,000
5	Ladder 1 Replacement	Borrowing					1,250,000		1,250,000	1,250,000
6	Medic 2 Replacement	Grant			250,000				250,000	250,000
7	Police Vehicle Replacement	Local			50,000	50,000	50,000	50,000	200,000	200,000
8	E911 Communications Console Replacement	Local		175,480		450,000			450,000	625,480
9	Public Safety Building Improvement-Engineering Study	Local			50,000				50,000	50,000
	<b>TOTAL PUBLIC SAFETY</b>			<b>207,480</b>	<b>370,000</b>	<b>1,450,000</b>	<b>1,300,000</b>	<b>50,000</b>	<b>3,170,000</b>	<b>3,377,480</b>
<b>PUBLIC WORKS</b>										
10	Drainage System Improvements	Local	200,558	200,000	120,000	120,000	120,000	120,000	480,000	680,000
11	Street Improvements	Local	644,292	400,000	400,000	400,000	400,000	400,000	1,600,000	2,000,000
12	Traffic Signal Upgrades	Local	36,000	36,000	36,000	36,000	36,000	36,000	144,000	180,000
13	Skid Steer Machine *	Fund Balance		20,000						20,000
14	Vehicle Replacement (Streets Division) *	Local		15,000						15,000
15	City Buildings HVAC Replacement – City Hall, Police/Courts, EMS Facility, Business Center	Financing**			1,090,000				1,090,000	1,090,000
16	Ceiling Tile Replacement & Painting (City Hall, Police/Courts, EMS Facility, Health Dept., DSS	Financing**			135,064				135,064	135,064

**CITY OF FRANKLIN, VA – PROPOSED CAPITAL IMPROVEMENT PROGRAM FY 2016-17 TO FY 2020-21**

	<i>Project Description</i>	<i>Anticipated Revenue Source</i>	<i>FY 15-16 7/1/15 6/30/16</i>	<i>TOTAL FY 16/17 Proposed</i>	<i>FY 17/18 Request</i>	<i>FY 18/19 Request</i>	<i>FY 19/20 Request</i>	<i>FY 20/21 Request</i>	<i>Unfunded</i>	<i>5-Year CIP Cost FY 16/17-20/21</i>
<b>PUBLIC WORKS CONTINUE</b>										
17	Generator Acquisition-City Hall	Financing**			220,000				220,000	220,000
18	Backhoe	Local			130,000				130,000	130,000
<i>Transportation Safety/Street Projects</i>										
18	Intersection Improvements Per Comp Plan				220,000	220,000	220,000	220,000	880,000	880,000
19	North High Street Widening				3,200,000	3,200,000	3,200,000	3,200,000	12,800,000	12,800,000
20	Hunterdale Road Widening				3,600,000	3,600,000	3,600,000	3,600,000	14,400,000	14,400,000
21	Fairview Drive Widening	Fund Balance FY 16-17		170,000	1,200,000	1,200,000	1,200,000	1,200,000	4,800,000	4,970,000
22	Bobwhite Lane Connector to High Street				1,600,000	1,600,000	1,600,000	1,600,000	6,400,000	6,400,000
	<b>TOTAL PUBLIC WORKS</b>			<b>841,000</b>	<b>11,951,064</b>	<b>10,376,000</b>	<b>10,376,000</b>	<b>10,376,000</b>	<b>43,079,064</b>	<b>43,920,064</b>
<b>COMMUNITY DEVELOPMENT</b>										
23	Gateway Enhancement	Local, State & Grant Funds			40,000	40,000	75,000	75,000	230,000	230,000
	<b>TOTAL COMMUNITY DEVELOPMENT</b>				<b>40,000</b>	<b>40,000</b>	<b>75,000</b>	<b>75,000</b>	<b>230,000</b>	<b>230,000</b>
<b>PARKS &amp; RECREATION</b>										
24	Playground Equipment at College Drive, Armory, Dr. MLK, Jr. Community Center and Bruce Street Parks				50,000	50,000	50,000	50,000	200,000	200,000
25	Resurface Basketball Courts – College Park							100,000	100,000	100,000
26	Hayden Sports Complex Lighting							150,000	150,000	150,000
27	Paul D. Camp Community College Athletic Complex					100,000	1,500,000	500,000	2,100,000	2,100,000
28	National Guard Armory Basketball Court Rehabilitation						92,000		92,000	92,000
	<b>TOTAL PARKS &amp; RECREATION</b>				<b>50,000</b>	<b>150,000</b>	<b>1,642,000</b>	<b>800,000</b>	<b>2,642,000</b>	<b>2,642,000</b>

\* Total cost of the project exceeds \$30,000; a portion of the cost is shared by other funds.

\*\*Total Projects = \$1,445,064 – Projects listed are bundled for a proposed Energy Solutions project whereby the savings realized from various energy efficiencies in lighting, heating and cooling will cover the costs.

**CITY OF FRANKLIN, VA – PROPOSED CAPITAL IMPROVEMENT PROGRAM FY 2016-17 TO FY 2020-21**

	<i>Project Description</i>	<i>Anticipated Revenue Source</i>	<i>FY 15-16 7/1/15 6/30/16</i>	<i>TOTAL FY 16/17 Proposed</i>	<i>FY 17/18 Request</i>	<i>FY 18/19 Request</i>	<i>FY 19/20 Request</i>	<i>FY 20/21 Request</i>	<i>Unfunded</i>	<i>5-Year CIP Cost FY 16/17-20/21</i>
<b>SOLID WASTE FUND</b>										
29	Collection Truck Replacement	User Fees	161,014	230,000						230,000
30	Equipment - Skid Steer & Service Vehicle	User Fees		30,000						30,000
	<b>TOTAL SOLID WASTE FUND</b>		<b>161,014</b>	<b>260,000</b>						<b>260,000</b>
<b>ELECTRIC FUND</b>										
30	Reconduct to Delivery 2 from Dominion's Station				510,000				510,000	510,000
31	New Circuit out of Delivery 3				100,000	150,000			250,000	250,000
32	Delivery 4					2,304,000			2,304,000	2,304,000
	<b>TOTAL ELECTRIC FUND</b>				<b>610,000</b>	<b>2,454,000</b>			<b>3,064,000</b>	<b>3,064,000</b>
<b>WATER &amp; SEWER FUND</b>										
33	Skid Steer & Service Vehicle	User Fees		35,000						35,000
34	Sewer System Rehabilitation	User Fees	445,753	628,000	184,000	184,000	184,000	184,000	736,000	1,364,000
	Major Rehab Sewer System Projects								9,644,835	9,644,835
35	Enhancement Replacement – Sewer Cleaning Truck	User Fees						124,800	124,800	124,800
36	Water System Improvements	User Fees	672,297	85,471						85,471
37	Hunterdale Generator	User Fees			30,000	30,000	30,000	30,000	120,000	120,000
38	Pretlow Generator	User Fees			30,000	30,000	30,000	30,000	120,000	120,000
39	SCADA System for Well						100,000		100,000	100,000
	<b>TOTAL WATER &amp; SEWER FUND</b>		<b>1,118,050</b>	<b>748,471</b>	<b>244,000</b>	<b>244,000</b>	<b>344,000</b>	<b>368,800</b>	<b>10,845,635</b>	<b>11,594,106</b>
<b>AIRPORT FUND</b>										
40	Design Cost – Parallel Taxiway	Fed, State, & Local		120,000						120,000
41	Tree Clearing	State & Local		31,240						31,240
	<b>TOTAL AIRPORT FUND</b>			<b>151,240</b>						<b>151,240</b>

	<i>Project Description</i>	<i>Anticipated Revenue Source</i>	<i>FY 15-16 7/1/15 6/30/16</i>	<i>TOTAL FY 16/17 Request</i>	<i>FY 17/18 Request</i>	<i>FY 18/19 Request</i>	<i>FY 19/20 Request</i>	<i>FY 20/21 Request</i>	<i>Unfunded</i>	<i>5-Year CIP Cost FY 16/17-20/21</i>
<b>EDUCATION FUND</b>										
42	S.P. Morton-Architectural/Engineering	Reserves		125,000	50,000	25,000			75,000	200,000
43	S. P. Morton-Classroom Replacement (32)			0	1,230,643				1,230,643	1,230,643
44	Bus Replacement	Reserves		195,000	194,000	80,000	80,000		354,000	549,000
45	Division Vehicles	Reserves		60,000						60,000
46	Storage Facility	Reserves		100,000						100,000
	<b>TOTAL EDUCATION</b>			<b>480,000</b>	<b>1,474,643</b>	<b>105,000</b>	<b>80,000</b>		<b>1,659,643</b>	<b>2,139,643</b>
	<b>TOTAL ALL FUNDS (in millions)</b>			<b>\$2.73</b>	<b>\$14.78</b>	<b>\$14.81</b>	<b>\$13.81</b>	<b>\$11.66</b>	<b>64,730,474</b>	<b>\$67,336,103</b>



## **Fy 2016-2017 Budget**

## **Section 6**

- ❖ Budget Resolution
- ❖ Electric Rate Ordinance
- ❖ Schedule of Fee Changes



FY 2016-2017  
BUDGET RESOLUTION



**PROPOSED BUDGET RESOLUTION  
SETTING THE TAX RATES, ADOPTING THE BUDGET AND  
APPROPRIATING FUNDS FOR FY 2016-2017**

**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 June 13, 2016 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 fully 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 <b>52%</b> (from 55%)
Personal Use vehicles valued at \$20,000 or more	Eligible for tax relief at <b>52%</b> on the first \$20,000 of value and taxed fully on the balance up (from 55%)

**THE FOLLOWING TAXES AND FEES ARE PROPOSED TO CHANGE:**

**Water & Sewer Rates**

Water Service Rate Charges – 2016 (Effective July 1, 2016)	
A. <u>Monthly Service Fees: (Base Rate)</u>	
<u>Inside City</u>	<u>Outside City</u>
Current: \$12.62	\$16.04
<b>Proposed: \$14.22</b>	<b>\$17.98</b>
B. <u>Metered Usage Charges: (Per 1, 000 gallons)</u>	
<u>Inside City</u>	<u>Outside City</u>
Current: \$2.83	\$3.50
<b>Proposed: \$3.20</b>	<b>\$3.96</b>
C. <u>Unmetered Service Fees:</u>	
<u>Inside City</u>	<u>Outside City</u>
Current: \$26.77	\$33.54
<b>Proposed: \$30.25</b>	<b>\$37.57</b>

Sewer Service Rate Charges – 2016	
(Effective July 1, 2016)	
A. Monthly Service Fees: (Base Rate)	
<u>Inside City</u>	<u>Outside City</u>
Current: \$16.91	\$20.23
<b>Proposed: <u>\$19.01</u></b>	<b><u>\$22.94</u></b>
B. Metered Usage Charges: (Per 1, 000 gallons)	
<u>Inside City</u>	<u>Outside City</u>
Current: \$3.93	\$5.04
<b>Proposed: <u>\$4.43</u></b>	<b><u>\$5.67</u></b>
C. <u>Unmetered Service Fees:</u>	
<u>Inside City</u>	<u>Outside City</u>
Current: \$36.56	\$45.43
<b>Proposed: <u>\$41.00</u></b>	<b><u>\$50.95</u></b>

**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

Trash Collection Fees	
	\$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, 2016 and ending June 30, 2017:



**EXPENDITURE SUMMARY – GENERAL FUND**

CITY COUNCIL	185,518
CITY MANAGER	209,138
CITY ATTORNEY	190,580
HR	138,854
COMMISSIONER OF THE REVENUE	264,809
REAL ESTATE ASSESSOR	61,525
TREASURER	301,342
FINANCE	674,298
INSURANCE	178,159
INFORMATION TECHNOLOGY	171,278
ELECTIONS	114,638
JUDICIAL ADMINISTRATION	1,251,810
PUBLIC SAFETY	3,660,547
EMERGENCY SERVICES	2,329,950
INSPECTIONS	510,362
ANIMAL CONTROL	105,308
PUBLIC WORKS-STREETS	1,880,039
PUBLIC WORKS-GARAGE	233,442
MAINTENANCE OF BUILDINGS & GROUNDS	1,035,552
HEALTH & WELFARE	145,198
RECREATION	374,601
CEMETERIES	40,500
SENIOR CITIZENS PROGRAMS	52,338
LIBRARY	304,725
PLANNING/ZONING	200,933
BEAUTIFICATION	5,000
DOWNTOWN	100,230
NON DEPT: REV. SHARING/MERCHANT FEES	722,000
<b>TOTAL</b>	<b>\$ 15,442,674</b>
TRANSFERS	7,004,577
<b>TOTAL EXPENDITURES</b>	<b>\$ 22,447,251</b>

<b>REVENUE SUMMARY</b>	
LOCAL	16,389,408
STATE	3,983,637
FEDERAL	16,595
<b>SUBTOTAL - OPERATING REVENUE</b>	<b>20,389,640</b>
OTHER FINANCIAL SOURCES	1,603,196
FUND BALANCE	454,415
<b>TOTAL GENERAL FUND REVENUES</b>	<b>22,447,251</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, 2016 and ending June 30, 2017:

SALE OF WATER	1,430,000
SALE OF SEWER	1,925,000
MISCELLANEOUS	93,250
<b>TOTAL WATER &amp; SEWER FUND REVENUE</b>	<b>3,448,250</b>

OPERATING EXPENSE	1,794,904
DEBT SERVICE	367,047
CAPITAL OUTLAY	857,471
TRANSFER TO GENERAL FUND	428,828
<b>TOTAL WATER &amp; SEWER FUND EXPENSES</b>	<b>3,448,250</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, 2016 and ending June 30, 2017:

SOLID WASTE COLLECTION FEES	1,318,079
FUND BALANCE - RESERVES	212,793
MISCELLANEOUS	4,000
<b>TOTAL SOLID WASTE REVENUE</b>	<b>1,534,872</b>

OPERATING EXPENSE	912,380
DEBT SERVICE	19,087
CAPITAL OUTLAY	310,000
TRANSFER TO GENERAL FUND	293,405
<b>TOTAL SOLID WASTE FUND EXPENDTURES</b>	<b>1,534,872</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, 2016 and ending June 30, 2017:

AIRPORT RENTAL FEES	60,500
SALE OF GAS AND FUEL	67,500
STATE & FEDERAL AID	145,592
TRANSFER FROM GENERAL FUND	133,249
<b>TOTAL AIRPORT FUND REVENUE</b>	<b>406,841</b>

OPERATING EXPENSES	219,090
CAPITAL OUTLAY	151,240
TRANSFER TO GENERAL FUND	36,511
<b>TOTAL AIRPORT FUND EXPENSES</b>	<b>406,841</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, 2016 and ending June 30, 2017:

REVENUE FROM SALE OF ENERGY	14,678,450
REVENUE FROM FUEL CHARGES	315,911
OTHER REVENUE	266,408
<b>TOTAL ELECTRIC FUND REVENUE</b>	<b>15,260,769</b>

PURCHASE OF ELECTRICITY	10,798,620
FUEL ADJUSTMENT	330,750
OPERATING EXPENSES	1,458,749
CAPITAL IMPROVEMENTS	202,143
DEBT SERVICE	275,445
CASH RESERVE REPLENISHMENT	300,000
CAPITAL RESERVE	-
TRANSFER TO GENERAL FUND	1,895,062
<b>TOTAL ELECTRIC FUND EXPENSES</b>	<b>15,260,769</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, 2016 and ending June 30, 2017:

STATE REVENUE	471,366
FEDERAL REVENUE	744,773
TRANSER FROM GENERAL FUND	467,057
<b>TOTAL SOCIAL SERVICES FUND REVENUE</b>	<b>1,683,196</b>

SOCIAL SERVICES EXPENSES	1,683,196
<b>TOTAL SOCIAL SERVICES EXPENSES</b>	<b>1,683,196</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, 2016 and ending June 30, 2017:

STATE REVENUE	141,670
TRANSER FROM GENERAL FUND	111,230
<b>TOTAL COMPREHENSIVE SERVICES REVENUE</b>	<b>252,900</b>

MANDATED SERVICES	207,740
LOCAL MEDICAID MATCH	-
ADMINISTRATIVE SERVICES	45,160
<b>TOTAL COMPREHENSIVE SERVICES EXPENSES</b>	<b>252,900</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, 2016 and ending June 30, 2017:

LOCAL REVENUE	132,500
CAFETERIA FUND (STATE, FEDERAL & LOCAL)	792,339
STATE	8,167,666
FEDERAL	2,305,366
LOCAL RE-APPROPRIATION	
TRANSFER FROM GENERAL FUND (BASE APPROP)	4,987,395
<b>TOTAL SCHOOL &amp; CAFETERIA REVENUE</b>	<b>16,385,266</b>

CAFETERIA FUND EXPENSES	792,339
SCHOOL OPERATING FUND EXPENSES	15,592,927
<b>TOTAL SCHOOL &amp; CAFETERIA EXPENSE</b>	<b>16,385,266</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, 2016 and ending June 30, 2017:

TRANSFER FROM GENERAL FUND-GENERAL DEBT	455,114
TRANSFER FROM GENERAL FUND-SCHOOL DEBT	653,096
INTEREST INCOME - SCHOOL DEBT	25,000
<b>TOTAL GENERAL &amp; SCHOOL DEBT REVENUE</b>	<b>1,133,210</b>

GENERAL FUND DEBT SERVICE	455,114
SCHOOL DEBT FUND	678,096
<b>TOTAL GENERAL &amp; SCHOOL DEBT EXPENSE</b>	<b>1,133,210</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, 2016 and ending June 30, 2017:

PROGRAM FEES & RENTAL INCOME	119,400
TRANSFER FROM GENERAL FUND-JOINT ACTIVITY	125,000
TRANSFER FROM GENERAL FUND - DOWNTOWN DEV.	10,000
TRANSFER FROM GENERAL FUND - OPERATING APPROP	60,295
<b>TOTAL ECONOMIC DEVELOPMENT FUND</b>	<b>314,695</b>

GENERAL OPERATING COST	179,695
PAYMENT TO JOINT ECONOMIC DEVELOPMENT	125,000
PAYMENT TO DOWNTOWN DEVELOPMENT ACTIVITY	10,000
<b>TOTAL ECONOMIC DEVELOPMENT FUND</b>	<b>314,695</b>

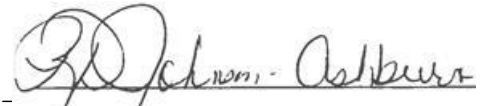
**SECTION XIII: AUTHORIZATION & LIMITATIONS**

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, 2016:

DONE THIS \_\_\_20th\_\_\_ day of June, 2016, in the CITY OF FRANKLIN, VIRGINIA



Raystine D. Johnson-Ashburn, Mayor



ATTEST: \_\_\_\_\_

R. Randy Martin, Clerk



FY 2016-2017  
ELECTRIC RATE ORDINANCE

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

(Based on 8.0% Increase Effective July 1, 2016)

## 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, 2016 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, 2015</u>	<u>July 1, 2016</u>
A. Basic Customer Charge:	\$7.98	\$7.98
B. Plus KWH charge		
First 800 KWH	\$0.10213 per KWH	\$0.10851 per KWH
Excess over 800 KWH	\$0.11572 per 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, 2015</u>	<u>July 1, 2016</u>
A. Basic Customer Charge:		
Single Phase	\$12.61	\$12.61
B. Plus kWh charge:	\$0.08277 per kWh	\$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, 2015</u>	<u>July 1, 2016</u>
A. Basic Customer Charge:		
Three Phase	\$22.42	\$22.42
B. Plus kWh charge:	\$0.08277 per kWh	\$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:	<b><u>July 1, 2015</u></b>	<b><u>July 1, 2016</u></b>
Single Phase	\$49.50	\$49.50
B. Plus kWh Charge:	\$0.06778 per kWh	\$0.07320 per kWh
C. Plus kW demand charge:	\$6.30 per Kw	\$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:	<b><u>July 1, 2015</u></b>	<b><u>July 1, 2016</u></b>
Three Phase	\$99.00	\$99.00
B. Plus kWh Charge:	\$0.06778 per kWh	\$0.07320 per kWh
C. Plus kW demand charge:	\$6.30 per kW	\$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:	<b><u>July 1, 2015</u></b>	<b><u>July 1, 2016</u></b>
Single Phase	\$45.00	\$45.00
B. Plus kWh Charge:	\$0.04487 per kWh	\$0.04846 per kWh
C. Plus kW demand charge:	\$13.86 per kW	\$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:	<b><u>July 1, 2015</u></b>	<b><u>July 1, 2016</u></b>
Three Phase	\$90.00	\$90.00
B. Plus kWh Charge:	\$0.04487 per kWh	\$0.04846 per kWh
C. Plus kW demand charge:	\$13.86 per kW	\$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” :**

	<b><u>July 1, 2015</u></b>	<b><u>July 1, 2016</u></b>
A. Basic Customer Charge	\$247.50	\$247.50
B. Plus kWh Charge:	\$0.04090 per kwh	\$0.04417 per kwh
C. Plus kW Charge:	\$15.18 per kW	\$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, 2015</u></b>	<b><u>July 1, 2016</u></b>
Single Phase	\$16.50	\$16.50
B. Plus kWh charge:	\$0.09105 per kWh	\$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, 2015</u></b>	<b><u>July 1, 2016</u></b>
Three Phase	\$26.13	\$26.13
B. Plus kWh charge:	\$0.09105 per kWh	\$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, 2015</u></b>	<b><u>July 1, 2016</u></b>
Single Phase	\$12.38	\$12.38
B. Plus KWH charge:		
First 3000 KWH	\$0.09599 per KWH	\$0.10367 per KWH
Excess over 3000 KWH	\$0.14218 per 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” :**

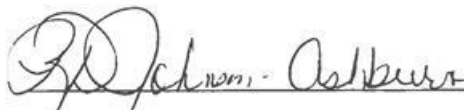
A. Basic Customer Charge:	<b><u>July 1, 2015</u></b>	<b><u>July 1, 2016</u></b>
Three Phase	\$22.00	\$22.00
B. Plus KWH charge:		
First 3000 KWH	\$0.09599 per KWH	\$0.10367 per KWH
Excess over 3000 KWH	\$0.14218per KWH	\$0.15355 per KWH
B. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.		

**OUTDOOR LIGHTING SERVICE**

**Rate Schedule: OLS**

	<b><u>July 1, 2014</u></b>	<b><u>July 1, 2015</u></b>
High Pressure Sodium		
100 W	\$11.00 per month	\$11.00 per month
150 W	\$13.50 per month	\$13.50 per month
250 W	\$18.75 per month	\$18.75 per month
400 W	\$28.00 per month	\$28.00 per month
1,000 W	\$44.00 per month	\$44.00 per month
Metal Halide		
1,000 W	\$39.25 per month	\$39.25 per month

GIVEN under our hands this 20th day of June 2016.



Raystine Johnson-Ashburn, Mayor

Attest:



R. Randy Martin, Clerk



*Photo courtesy of  
Frank A. Davis  
Family Fun Wellness Day – June 26, 2016*



*Photo courtesy of  
Frank A. Davis  
Providence Agriculture Groundbreaking – June 14, 2016*