



*Franklin City Hall
207 W. 2nd Avenue*

City Manager's FY 2013-2014 Proposed Budget

Presented: May 18, 2013

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CITY MANAGER

R. Randy Martin

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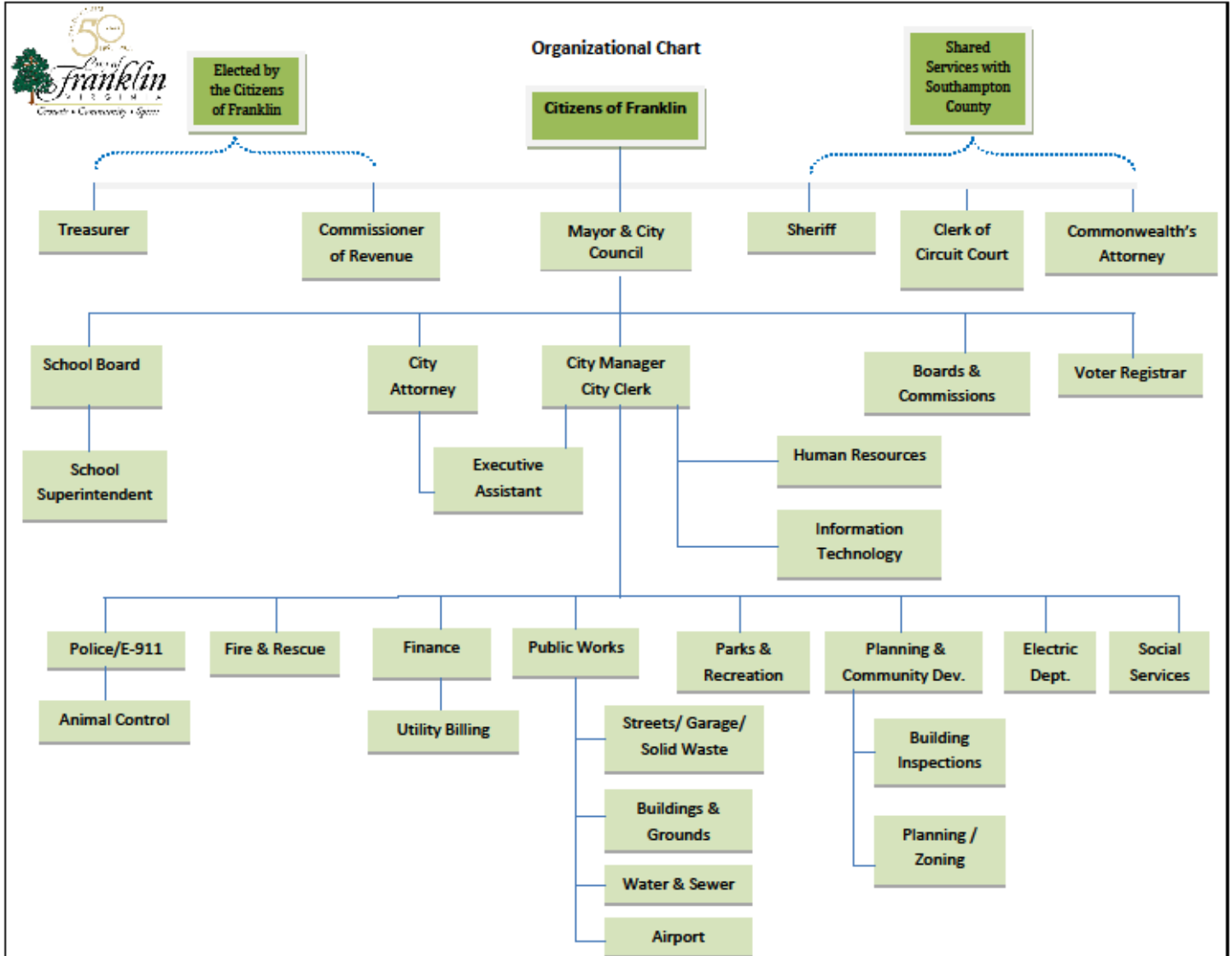
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FRANKLIN CITY PUBLIC SCHOOLS

Dr. Michelle R. Belle, Division Superintendent

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City of Franklin, Virginia







**CITY OF FRANKLIN
BUDGET MESSAGE
FY 2013-2014**

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, 2013, 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.

Maintaining a balance between community needs and available resources is difficult. Meeting the challenge requires cooperation from the entire municipal team. The challenge is compounded during periods of transition among key members of the organization. It is a pleasure to acknowledge that the entire municipal team has risen to the challenge during the past year to complete the transition process necessitated by changes in key members of the City's leadership. Especially appreciated are the City Council's efforts to participate in a significantly revised approach to goal development and budget planning. Unlike the FY 2012-2013 budget development cycle, City Council and management had the opportunity in Fall, 2012 to spend many hours in work sessions discussing potential goals and needs of the organization in preparation for the FY 2013-2014 budget development process. This allowed management to prepare a budget and municipal goal proposal that in large part resulted from input received from Council and department heads during the many work sessions held. A major focus of this planning process was targeted specifically on capital project funding, prioritization and financing, as well as, the City's debt management activities. Going forward, the process will be further refined in deliberate pursuit of a consensus building goal development and financial planning process in advance of the traditional budget cycle.

With these qualifying statements shared, the proposed budget presented by management for Council consideration 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. Based upon assessments thus far, Franklin is in many ways turning the corner to a new day and way of conducting business. 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 the aforementioned goals once finalized by City Council.

GENERAL FUND

In terms of the City's General Fund, I will not belabor the difficulties faced in prior years, but it remains relevant that FY 2012-2013 was the first year the City budget was developed with the expectation of a loss of the entire \$1.1 million budgeted amount previously received annually from a revenue sharing agreement with Isle of Wight County. Based upon the distribution formula, the revenues are shared in arrears and FY 2011-2012 was the last expected year of receipt. Fortunately, the City did receive an unexpected allocation of \$238,835 during FY 2012-2013 that offset unanticipated and unbudgeted operating expense needs. In FY 2013-2014, the City has been advised by Isle of Wight officials to expect a distribution of \$530,000 from the revenue sharing agreement based upon taxable values resulting from the International Paper plant repurposing and other economic investment occurring at the plant and in the revenue sharing zone. This is welcome news in attempting to balance the budget going forward.

Another critical element of balancing budget needs with available revenues 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. At that time, the debt reserve fund was created to lessen the impact of the aforementioned revenue sharing distribution reduction. The debt reserve allowed accumulated funds to be subsequently appropriated beginning in FY 2012-2013 to assist in meeting General Fund obligations as the City's temporarily deferred debt obligations were scheduled to begin their rather rapid ascent back to higher levels established by the restructuring process. This ascent unfortunately was occurring at a much faster rate than the anticipated budget gains in revenue sharing and other economic recovery funding sources and also did not allow for budget resources to address long-deferred capital outlay needs and inevitable increases in other operating expenses. For these reasons, management recommended quick evasive action last summer and Council approved a further debt restructuring effort in late 2012 to take advantage of historically low market interest rates which allowed the debt service ascent schedule to be significantly softened and provided the opportunity to access capital funds for project needs. These budgetary considerations have set the stage for a budgetary process that is reasonably sustainable through FY 2014-2015 when debt reserve funds are scheduled to be completely expended. These reserve funds have been critical to efforts aimed at avoiding a more dramatic variation in debt related costs and available revenues and the resulting necessity for undesirable fluctuating impacts on property tax rates and other revenue sources in future years. It is acknowledged, however, that additional steps will be required over the next two fiscal years in a balanced approach to critically evaluate service levels to further flatten and manage operating expenses combined with revenue enhancement efforts to meet needs into FY 2015-2016 and beyond.

RECOMMENDED TAX RATES

In consideration of the aforementioned, management recommends the real property tax rate be established at ninety cents [\$0.90] per \$100.00 of real property valuation for FY 2013-2014. This maintains the current tax rate for a second fiscal year. This recommendation is consistent with the stated goal of management and a concept embraced by the City Council in approval of the FY 2012-2013 budget which was to establish a tax structure that can be maintained for more than one fiscal year and hopefully multiple years into the future if economic conditions sufficiently trend upward. The justification for the stable real property tax rate

recommendation is detailed throughout the budget proposal that follows. All other tax categories are likewise recommended to remain unchanged.

RECOMMENDED FEES FOR SERVICES

In terms of City assessed service user fees, the budget contemplates a second consecutive reduction in the residential solid waste collection fee that is charged to inside-city customer's monthly utility bills. This recommended reduction will lower the monthly residential customer rate from the FY 2011-2012 rate of \$43.41 to \$39.74 effective July, 2013. This is a cumulative reduction since July, 2012 of \$3.67 or 8.4%. An analysis of the overall impact on typical classes of customers will be further evaluated in the executive summary of the budget that follows, but suffice it to say, management has made a concerted effort to minimize the impacts on utility customers that would result in increased customer bills. The recommended solid waste user fee adjustment, coupled with no across-the-board suggested increase in water or sewer monthly user fees and the necessary adjustments to the electric utility user fees, will result in a modest but necessary net increase for the average residential customer. The proposed budget does accomplish the goal discussed last year of transferring solid waste operations to a separate Solid Waste Utility Fund to better account for the fund's activities, revenues and expenditures consistent with characteristics of an Enterprise Fund.

As for other miscellaneous fees and charges, it is recommended that each fee be evaluated during the upcoming fiscal year to determine if user fees and other charges are adequately producing the desired and expected revenue generation levels to maintain service. With regard to storm water fees, the budget does recommend increasing applicable City fee levels to State mandated amounts to offset the significantly increased costs of providing legislative mandated enhanced service levels during the coming fiscal year. The budget also reflects the efficiencies of merging City-County planning and inspection services into a combined department housed by the City under contract with Southampton County.

ELECTRIC UTILITY FUND

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 incrementally experienced by the City's Power and Light fund over the past thirty month period since the City's new contract with Dominion Virginia Power went into effect. These increases cumulatively total 26.1% in the wholesale electric rate since January 1, 2011. This total includes the 3.6% increase projected to go into effect July, 2013. These Dominion cumulative rate increases were not "passed through" directly to City electric customers in their entirety. Instead, the City absorbed some of the increase and only "passed through" to customers, cumulative increases of 20.6% during the 30-month period. The delayed effective dates and differences in percentage increase of what in hindsight should have been "pass through" rate increases were the primary factors in the \$1.3 million cumulative decline in electric fund cash reserves experienced between January 1, 2011 and June 30, 2012.

It was not until July 1, 2012 when the City budget was adjusted to reverse the trend and begin a prolonged cash reserve replenishment process. Since July 1, 2012, the City has made progress in this effort, but even with the proposed July 1, 2013 increase, it is estimated that it will take several more years to replenish the depleted electric fund cash reserves to again meet

minimum City policy established levels consistent with acceptable financial management standards. This proposed electric utility rate adjustment is a direct result of yet another increase in the City's cost to purchase wholesale electricity from Dominion that must be passed on to the City's electric utility customers for the utility to remain solvent.

Unfortunately for customers, this increase is being compounded this year by Dominion in the form of an April, 2013 instituted automatic "pass through" increase in the fuel surcharge, of approximately \$2.46 per month on 1,000 Kwh of usage, paid by electric customers. The cumulative utility bill impact beginning July, 2013 is a net increase in the residential electric utility customer monthly charges of \$5.78 per 1,000 Kwh of usage and a corresponding recommended decrease in the residential monthly solid waste charges in the amount of \$2.50 for a net average monthly utility bill increase for city residential customers of \$3.28 per month. If the fuel surcharge automatic increase effective with the April, 2013 billing is netted out, and the solid waste fee reduction is considered, the additional net total city resident utility cost increase actually being imposed by adoption of the recommended budget is only \$0.82 for the first 1,000 Kwh of usage per month.

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 study of rates and charges and peer comparison analysis. Results of such an analysis of the water and sewer utility rates will be reported during this budget development process. Similar analysis of electric utility rates and operations is recommended for pursuit in the upcoming fiscal year.

SCHOOL SYSTEM FUNDING

Regarding the essential City financial support for the Franklin City Public Schools, the proposed budget recommends increasing the FY 2012-2013 level of local funding share for FY 2013-2014 to include carryover funds identified in the City's audit that the school system did not use at June 30, 2012 in the amount of \$643,174. The General Assembly recently agreed to also increase the state's share of the total budget for public schools by \$243,619 for a total combined increase above the prior year base budget funded amount of \$886,793. The base budget funded amount is determined as being the total local appropriation less any prior year carryover appropriation. Of course, the state legislature imposed certain unfunded or underfunded mandates as well that increase local municipal costs including the public schools.

Management is recommending the local appropriation with guidance to school system officials that they exercise caution in obligating these additional "one-time" or non-recurring funds for recurring operating expenditures. Given the limitations and uncertainties of future City funding described earlier, school system appropriations will 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 2012-2013, future base operating appropriations will not be automatically increased to include this one-time carryover allocation amount, but instead will be determined by the amount of carryover available at June 30, 2013 for the FY 2014-2015 budget and similarly for future years. The manager's recommended operating budget for FY 2013-2014 is \$142,758

less than the school system requested budget for this reason, because this amount was an appropriation of the June 30, 2011 carryover amount applied to the FY 2012-2013 budget.

The proposed General Fund budget also includes the increase in debt service for the interest only portion for FY 2013-2014 related to the recently authorized Virginia Public School Authority bond financing of approved school system capital needs. Beginning in FY 2014-2015, the City's General Fund debt payments will include annual principal and interest payments for the remaining term on the loan.

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. [Note: For the period ending June 30, 2012, Franklin ranked tenth highest among Virginia cities. The City of Franklin also had a lower tax rate than all the other nine cities with higher per capita spending on education.]

CAPITAL IMPROVEMENTS PROGRAM

A final 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 this fiscal year to address pent up demand for several capital priority needs, but other long-term capital needs remain on the horizon; therefore, CIP planning every year deserves attention. Included in the budget documents are the annual update of the recommended CIP program funding for the requisite period covered by the plan.

SUMMATION

Further details about the proposed budget and insights into the City of Franklin's financial outlook are addressed in the executive summary of the budget that follows. 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 10, 2013 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 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.

Respectfully submitted this the 13th day of May, 2013,



R. Randy Martin, City Manager



PROPOSED CITY TAX RATES – EFFECTIVE JULY 1, 2013

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

<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 st \$10,000 purchases

<u>Real Estate Taxes</u> <i>(Per \$100 of assessed value)</i>	
Current City-wide Tax Rate	\$0.90
Downtown Business District	\$.24
<u>Personal Property Taxes</u>	
Autos	\$4.50
Boats	\$4.50

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 1st

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 sliding scale: 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>
Current Tax \$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.



EXECUTIVE SUMMARY

The Executive Summary provides an overview of the proposed budget commenting on major activities of both the current fiscal year and those proposed for the upcoming budget year. Also highlighted are major changes in each fund and very important factors affecting City operations now and into the future.

INTRODUCTION

The City of Franklin's proposed budget for FY 2013-2014 totals \$54,290,659 which by comparison is \$1,609,949, or 3.0% more than the FY 2012-2013 adopted budget. Comparing the proposed budget for FY 2012-2013 to the amended FY 2012-2013 total budget will reflect a decrease of approximately \$464,935 [including an increase in General Fund Transfers] in spending for the upcoming fiscal year. This nearly 1.0 % actual decrease in total expenditures next year below the amended current year budget can be attributed to overall expense reductions in specific operating costs, and decreased debt service appropriation and capital outlay appropriations in the operating budget. These expense reductions result in part from efforts to manage costs by operating more efficiently and are necessary due to limited overall growth in revenues available for appropriation.

GENERAL FUND

Reflecting upon FY 2012-2013, elements of City finances improved but generally remain at best stagnate when compared to experience prior to the economic downturn of recent years. Despite this observation, as evidenced by finance office projections, the City has reversed the decline experienced since 2010 in unassigned fund balance available for appropriation in the General Fund which is expected to be approximately \$3.35 million or 15.2% of annual expenditures by fiscal year end. This reflects an estimated increase of \$265,172 above the 6/30/12 audited amount of \$3.08 million. It is a pleasure to report that the fund balance projection once again meets city policy standards [minimum 15%]. It is expected to remain stable going forward with a realistic opportunity for continued incremental increases. This expectation of an improved trend of stability results in large part due to the recently approved debt restructuring, continued close scrutiny of discretionary spending and gradual improvement in certain revenue categories. When considering reserves, it is important to note that the City does currently have the advantage of a debt reserve fund which had approximately \$2.5 million available going into the FY 2012-2013 budget cycle to help offset the annual \$1.1 million loss in revenue sharing funds which began in FY 2012-2013. As noted previously, management recommended last year that a multi-year view be taken when utilizing these debt reserve funds to minimize the impact in future budget cycles of lost revenues, slow economic recovery and increasing debt service payment schedules established in the 2010 debt restructuring process. Fortunately, the Council took swift action to address the debt concern with a 2012 debt restructuring that significantly improved the debt repayment schedule. Recent projected success

in increasing revenue sharing funds is also encouraging, but use of debt reserve funds remains necessary to supplement revenue in the city budget. To this end, the FY 2012-2013 budget appropriated \$876,222 from the debt reserve fund. The proposed budget for FY 2013-2014 was initially projected in the multi-year plan presented last year to require the use of \$872,205 of the remaining balance. The impact of the improved numbers in revenue described and efforts to reduce costs and budget requests will allow a reduction in the proposed appropriation to \$689,386 for FY 2013-2014. This would leave the fund with a balance of \$931,426 for subsequent fiscal years as desired.

SOLID WASTE MANAGEMENT

Solid waste operations in Franklin have always been budgeted within the General Fund. In analyzing solid waste rates and expenditures, it is readily apparent that this operation is large enough to justify being budgeted as a separate enterprise fund which will improve financial management of these activities into the future. The transition process necessary for transfer of these activities into a separate enterprise fund has been accomplished in time for budget recommendation in FY 2013-2014. Management is recommending this as a priority goal for implementation effective July 1, 2013. Despite the need for a separate accounting approach to this activity, solid waste operations have improved over the prior year to the extent that a second consecutive rate reduction is recommended and the capital reserve appropriation begun in FY 2012-2013 is recommended to continue. This reserve set aside will be able to address future capital costs as the City develops, evaluates and eventually implements options for further improving waste reduction, collection and disposal activities particularly between now and 2018 as regional contractual obligations evolve and operations adjust accordingly.

ENTERPRISE FUNDS

Even though water and sewer rates have not been adjusted since FY 2004-2005, the **Water & Sewer Fund** continues to meet annual operating needs. However, the system has not previously had a comprehensive multi-year rate analysis taking into consideration capital needs and depreciation factors. Last year, management recommended, as a priority goal, that this analysis be completed in FY 2012-2013 so results could be considered during the FY 2013-2014 budget cycle. The results and recommendations of this multi-year rate analysis will be further discussed during the budget review process.

Also operating as an enterprise fund is the **Airport Fund**. Airport operational costs and revenues remain generally consistent with prior years with predominantly grant funded improvements constituting the only significant change in the proposed budget.

The **Electric Fund**, like the Water and Sewer and Airport Funds, has been separately funded as an enterprise activity for many years. The electric fund operations as detailed elsewhere in this budget proposal did not adequately generate the necessary revenues to meet obligations during either FY 2010-2011 or FY 2011-2012. The City did not adequately pass on to customers, via increased user fees, the substantial rate increases for wholesale power purchases paid over the eighteen month period after the new contract with Dominion Virginia

Power went into effect. During the period, the City kept customer bills lower by absorbing a significant portion of the increased wholesale power costs with utility fund reserves being the source. This fact combined with significantly under budgeted projections for these expenditures in the approved FY 2011-2012 budget appropriation resulted in major depletion of the cash reserves in this fund. This necessitated immediate action to correct this trend and balance the FY 2012-2013 budget. In the last quarter of FY 2011-2012, management identified and reduced expenditures for that fiscal year by \$181,791 to lessen the impact of the reduced reserves.

The Electric Fund ended FY 2011-2012 with a \$384,287 positive cash balance which was well below minimum cash balance requirements. Management was required by previously approved Council policy to develop and recommend a corrective action plan to begin restoring cash reserves to minimum cash balance levels and, despite the slow progress, the pattern has been altered and cash reserves have trended positively thus far during FY 2012-2013.

FY 2012-2013 HIGHLIGHTS & ACCOMPLISHMENTS

Although local funds have been limited in recent years, the described progress on efforts to stabilize and then grow reserve fund levels in the current year has been accomplished while completing or commencing a number of major activities and capital projects listed as follows:

Legislative & General Government Administration

- ❖ Submitted the City's Comprehensive Annual Financial Report to the Government Finance Officers' Association for first time consideration of the Certificate of Achievement in Financial Reporting; received a clean "unqualified" opinion on the June 30, 2012 Financial Report with no findings reported by the auditors.
- ❖ Continued to hold the solid underlying rating of A1 from Moody's bond rating agency (upgraded in 2010 from an A3 rating); recently received notice from Moody's of an upgrade to the City's enhanced rating from Aa3 to Aa2.
- ❖ Achieved a 98.9% collection rate for taxes; reduced the amount of outstanding delinquent taxes on the City's books from 10.31% of tax levy to 9.23% at June 30, 2012.
- ❖ Conducted a series of Strategic Planning and Goal Setting Work Sessions with City Council, which facilitated establishment of priorities for City Council consideration.
- ❖ Participated in numerous SPSA meetings critical to the effective planning of the City's relationship with SPSA post 2018.
- ❖ Held joint work sessions with the Franklin City School Board to foster collaborative relationships and facilitate the planning of capital initiatives for the School System.
- ❖ Restructured/Refinanced existing debt while layering in \$2.5 million in new money for capital projects for the General, Electric and Water & Sewer Funds in light of favorable

low interest rates; savings were achieved via reduced interest rates and shorter maturity periods.

- ❖ Participated in the Virginia Public Service Authority (VPSA) Spring Pool Bond Sale to leverage \$1.89 million to fund critical projects for the school system (See School Fund narrative).
- ❖ Collaborated with elected officials for Southampton and Isle of Wight Counties to promote economic development opportunities benefiting each community collectively.
- ❖ Formed a committee to evaluate Utility Collection & Billing policies aimed to improve collection percentages and provide for equitable policies for customers and the administration thereof.

Public Safety

- ❖ Secured \$902,041 in SAFER grant funds from the federal government for the employment of nine additional fire fighter/medics in Fire & Rescue.
- ❖ Awarded \$65,250 in Camp Foundation Grant Funds to acquire specialized equipment for the City's Fire and Rescue and Police Departments.
- ❖ Replaced one police vehicle to update fleet per schedule and eliminate repair costs of aging vehicles.
- ❖ Successfully completed FEMA closeout procedures with 90% of reimbursement for Hurricane Irene expenses/damages received at the close of the 3rd Quarter in FY 2012-2013.
- ❖ Receipt of federal Byrne Justice Assistance Grant in the amount of \$6,371 to purchase law enforcement equipment.
- ❖ Received a grant in the amount of \$199,532 to make needed repairs to the Fire & Rescue Burn Building/Training Facility.
- ❖ Re-instated the City's Safety Committee. Upon completion of certain safety related processes, the City will be eligible for a 5% discount on its Worker's Compensation insurance for an estimated savings of \$9,000 in future budget years. A wellness component was also added to the committee's charge to promote healthy employees and reduce health care costs.

Public Works

- ❖ Enforced ordinances relative to solid waste collection while implementing a program which adequately segregated yard waste from residential waste; this resulted in substantial savings (approximately 21%) in the city's tipping fee to SPSA for the

environmentally preferred disposal of yard waste at a different facility at approximately 10% of the comparable landfill disposal cost.

- ❖ Acquired a Street Sweeper using loan proceeds borrowed during the 2012 Restructuring/Refinancing; this avoided the need to use operating fund dollars for the required lease payment as originally planned and resulted in improved quality and efficiency of street cleaning costs.
- ❖ Continuation of Spring Amnesty Days cleanup efforts which help beautify the community.

Community Development

- ❖ Receipt of a \$7,216 grant to promote litter control and recycling.
- ❖ Secured a \$119,783 grant from FEMA under the Hazard Mitigation Program to install the necessary equipment to support an 750KW emergency generator at Franklin City High School which serves as an emergency evacuation shelter for the City and surrounding counties; of this amount \$64,682 is the local match requirement (primarily in-kind services).
- ❖ Administration of Neighborhood Stabilization Program grant funds to purchase and rehabilitate vacant foreclosed residential properties.
- ❖ Awarded a \$15,000 Needs Assessment Grant from the Virginia Department of Housing and Community Development to rehab a neighborhood and improve the quality of life to residents.
- ❖ Continuation of funding for Franklin Southampton Economic Development Inc. (FSEDI) to promote economic development in the two jurisdictions and continued support of the Downtown Franklin Association (DFA) and its promotional activities for the downtown area.
- ❖ Received Tree City USA certification for a 27th consecutive year from the National Arbor Day Foundation and the Virginia Department of Forestry.
- ❖ Continued significant progress on the very important City Comprehensive Plan update.

As evidenced, the City continued its history of success in the pursuit of grant funding as well as revenue sharing and other outside agency contributions utilized to enhance, expand and improve the scope, type and quality of services provided at the least possible cost to Franklin taxpayers and customers.

BALANCING THE FY2013-2014 PROPOSED BUDGET

To balance the proposed budget for FY 2013-2014, management has trimmed departmental requested amounts by \$372,975 or 2.5% of the total requests. The FY 2013-2014

proposed budget has been prepared utilizing conservative budget estimates of revenues with close scrutiny of expenditure detail in recognition of ongoing uncertainty of economic recovery timing. This conservative approach emphasizes the importance going forward of maintaining reserve funds at sufficient levels to allow the City to take advantage of unexpected opportunities and/or weather any financial crisis or emergency that may lie ahead. Adherence to this strategy will allow City officials to avoid dramatic fluctuations in rates, fees and charges. To this end, management recommends Council continue the goal of tax rate stability particularly between reassessment years. Of course, future tax rate decisions will depend upon the impact of growth, the overall state of the economy particularly the influence of inflation, regulatory factors, service priorities and demands and other unknown influences on revenue sources and expenditures.

The budget transmittal letter and budget message referenced some of the various challenges faced in this budget preparation exercise and the improved circumstances in this cycle for goal development and prioritization which management had committed last year to ensuring in future budget years. Despite the limitations, included in this proposed budget summary are draft recommended municipal goals for Council's consideration which are deemed relevant to this and future years.

Comments 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. This budget proposal contains a recommendation for an enhancement of salary in the form of a 2.0% cost of living adjustment (COLA). In addition to this recommended COLA salary increase, the budget includes the second 1% installment of City phase in, over a five year period 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 2.0% for all employees except new hires who are 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. The proposed budget also reflects an overall 9.0% increase in health insurance premium costs shared by the City and individual employees. With the City's share capped at 80%, this increases employees' contributions, which further justifies the need for the recommended salary enhancement. The last COLA increase for employees was effective August 1, 2011 and was a 1.5% increase. Prior to that, the last increase was effective July 1, 2008 and was a 2.0% increase. Employees were given a bonus mid-year of \$500 for full time staff in FY 2012-2013 which was much appreciated. However, an analysis completed in 2012 by the Hampton Roads Planning District Commission (HRPDC) showed Franklin at the bottom of the region in terms of salary increases over the previous five years among local governments in the HRPDC.

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 2012-2013 were budgeted at \$7,985,708 which comprises 36% of the total budget for all funds. The proposed FY 2013-2014 budget recommends total personnel costs in all funds of \$8,584,827 which comprises 40% of the new budget. This total reflects an overall increase in spending for personnel costs of \$599,119 or 7.5% in the new year when comparing the budgeted amount to the current fiscal year. Significant among these increased costs are the earlier referenced state-

mandated VRS salary and rate increases plus the cost increase associated with the recommended COLA salary increase and associated increased benefit costs. These changes result most notably from the impact of new grant and locally funded positions in Fire & Rescue and for state mandated storm water rule enforcement. Other less significant changes relate to: unfreezing positions frozen in the current year budget; upgrading of two part-time positions to full-time in administration and the Treasurer's office, and reclassification of one officer position and the vacant 911 Communication Supervisor position in the Police Department. These increased costs are offset, to some degree, by some reduction in costs from: keeping frozen positions vacant for at least a portion of the new fiscal year while impact on service delivery is further assessed; eliminating a position in solid waste resulting from policy changes in the current fiscal year; net salary reductions resulting from retirement of higher salaried employees replaced by lower salaried new hires; and, reductions in part-time work schedules as necessary to comply with new federal healthcare regulation impacts.

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; adjustments to benefit providers and offerings; and, particularly health insurance policies and other post employment benefit cost reduction measures; etc.].



MISSION STATEMENT

In the year 2020, the City of Franklin, Virginia will be known as....

A City that inclusively recognizes and embraces the racial and cultural diversity of its community

A City that is business friendly and invites diversified business development leading to economic opportunity for its citizens

A City that provides its citizens with a high quality public education

A city that acknowledges and finds solutions to the leading social issues that affect the quality of life

A City that encourages its citizens to participate in an open, inclusive and visionary government

A City that is financially sound and responsible while preserving its aesthetic appeal and sustaining quality services to the public provided by committed employees and talented citizens

A City that has meaningful and productive partnerships with agencies and neighboring communities in order to develop more efficient ways to enhance services

A City with progressive growth and development that embraces its history, beauty and sense of community



CITY COUNCIL PRIORITIES FY 2013-2014

OVERVIEW

The following are the municipal goals or priorities for the City of Franklin for FY 2013 – 2014 and beyond as approved by the City Council. Goals are generally grouped by service area or related departmental activities and reflect the established priorities for city operations and activities. Each goal is briefly described in bulleted fashion. In developing these goals, management solicited input from the members of Council during work sessions and from each City Department. The list is not intended to be an all inclusive listing of more detailed information contained in the goal session work books. Rather, it is a summation of specific areas of responsibility for which city resources should be prioritized and focused.

ADMINISTRATION/PUBLIC RELATIONS

- 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 – 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
- Evaluate municipal operations with a balanced approach aimed at providing as high a quality of designated services as possible while minimizing the costs necessary to provide priority services – pursue initiatives to illicit and promote volunteerism as a citizen engagement and cost reduction technique
- When evaluating and developing service priorities, apply as a “litmus test” the impact and potential to preserve or improve on all aspects of the community’s quality-of-life.
- Maintain a financial management system with established Council benchmarks and performance standards 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 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

PLANNING

- Complete required update of the Community’s Comprehensive Plan including a component on regional collaboration particularly 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; governmental & service industry investment; health care industry expansion interests; tourism opportunities; and, cultural/heritage possibilities
- Streamline City-County Consolidated Community Development Planning & Inspections services to meet needs as cost efficiently as possible while maintaining quality customer service and regulatory compliance at all levels
- 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

PUBLIC UTILITIES/PUBLIC WORKS

- 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 portable water for customer consumption and to meet fire protection and economic development needs – assess capabilities, feasibility and needs for regional water supply approaches
- Provide an efficient and reliable public wastewater collection and treatment system to ensure the public health and safety while protecting environmental quality of the receiving stream through regulatory compliance efforts – assess long term alternatives for meeting wastewater needs including regional treatment options
- Provide for and regulate the efficient and cost-effective collection and disposal of solid waste within the City in an effort to protect the public health and welfare – manage the volume of waste disposal to minimize the flow of waste to the landfill including promotion of recycling and reuse opportunities – evaluate and pursue a long-term disposal strategy for the City – 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
- 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 – 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
- 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, Paul D. Camp Community College, Franklin-Southampton Economic Development, Inc., Hampton Roads Planning District Commission, Western Tidewater Community Services Board, etc.

Adopted this _____ day of June , 2013.

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GENERAL FUND FINANCIAL POLICIES

The City of Franklin has a responsibility to its citizens to account for public funds, to manage its finances wisely, and to allocate its 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 year end.

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. Water & Sewer Fund, Airport Fund, and the Electric Fund are enterprise funds. The Solid Waste Fund is recommended for addition as an enterprise fund in FY 2013.2014.

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: Accounts 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.



**GENERAL FUND
FINANCIAL POLICIES**

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:

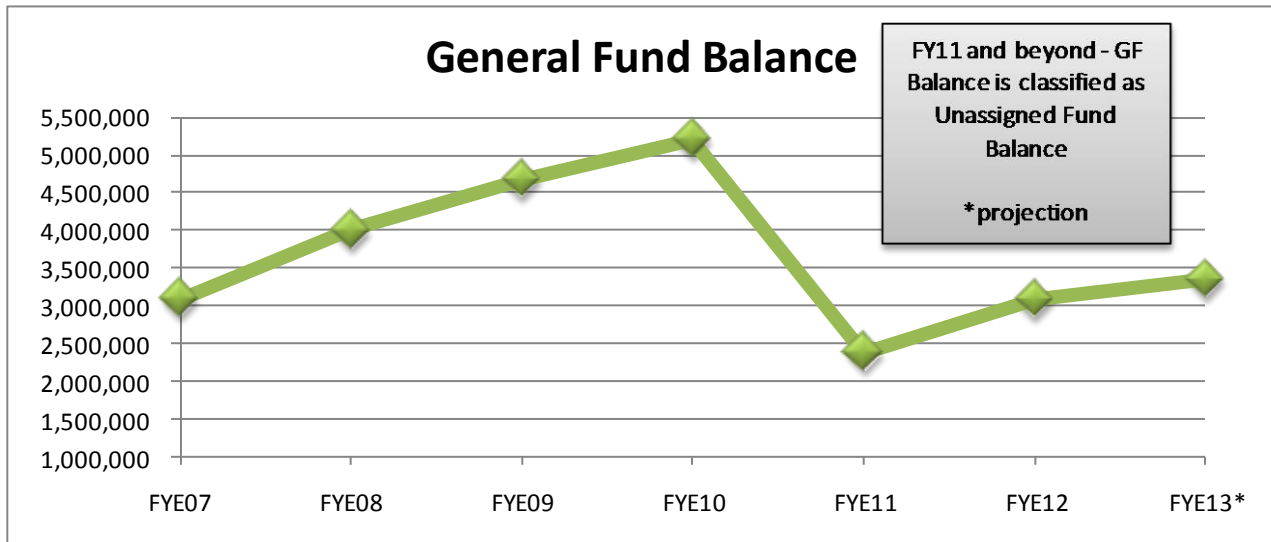
General Fund – 15% to 25% of budgeted annual expenses

ACTUAL FISCAL YEAR 2011-2012	PROJECTED FISCAL YEAR 2012-2013
General Government Budgeted Expenditures \$22,155,782	General Government Budgeted Expenditures \$22,009,505
Unassigned Fund Balance Ending 6/30/12 \$3,084,828 - 13.9%	Projected Unassigned Fund Balance Ending 6/30/13 \$3,350,000 - 15.2%
Required Unassigned Fund Balance Per Policy \$3,323,367 - 15%	Required Unassigned Fund Balance Per Policy \$3,301,426 - 15%
Amount Below Fund Policy Guidelines (\$238,539)	Amount Above Fund Policy Guideline \$48,574

Policy Evaluation: The FY 2012-2013 projected unassigned fund balance at June 30, 2013 is projected to meet policy guidelines.

Below is a history of the City’s General Fund Balance from June 30, 2007 through June 30, 2013. Since FY 2011, the City’s unassigned fund balance has grown from \$2.38 million to a projected balance of \$3.35 million at June 30, 2013.

**GENERAL FUND
FINANCIAL POLICIES**



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 the 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 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. (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.

GENERAL FUND FINANCIAL POLICIES

GENERAL FUND 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.

FINANCIAL POLICIES

DEBT MANAGEMENT

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.

**2012 General Debt Service Expense as Percentage of
General Fund Expenses = 4.5%**

**2013 Estimated General Debt Service Expense as a Percentage of
General Fund Expense = 5.9%**

**2012 Net Bonded Debt as a Percentage of
Taxable Real Estate – 2.09%**

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

FINANCIAL POLICIES

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 \$10,000. The City Manager is authorized to transfer budgeted amounts within departments up to \$10,000. Expenditures over the original budget of any department must be approved by City Council. Transfers over \$10,000 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.

TENTATIVE BUDGET CALENDAR

August/September

- ❖ Departmental goals and objectives due to City Manager

October/November

- ❖ Goal/ Budget Work sessions held with City Council

December/January

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

February

- ❖ City Manager and Finance Staff review department budget submissions and CIP requests
- ❖ Finance Staff compile revenue estimates

March

- ❖ City Manager and Finance Staff continue review of budget requests

April

- ❖ Joint work session with School Board and City Council
- ❖ Agencies and organizations present requests for funding to City Council
- ❖ City Manager presents Preliminary Recommended Budget & Draft Municipal Goals to City Council

May

- ❖ 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 of public hearing
- ❖ Public Hearing Advertisement on City Manager's Proposed Budget
- ❖ Public hearing is conducted on City Budget to receive taxpayer input

June

- ❖ 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

July

- ❖ The new fiscal year commences on July 1st.



FY 2013-2014 PROPOSED BUDGET BY FUND

	FY 2012-2013 Adopted Budget	FY 2012-2013 Amended Budget	FY 2013-2014 Proposed	Variance/ Proposed Over Adopted	Variance (%)	Variance of Proposed Over Amended	Percentage
General Fund*	\$ 14,902,507	\$ 15,389,318	\$ 14,413,022	\$ (489,485)	-3.28%	(976,296)	-6.34%
Water & Sewer Fund	\$ 3,120,500	\$ 3,543,584	\$ 3,120,250	\$ (250)	-0.01%	(423,334)	-11.95%
Airport Fund	579,829	882,485	\$ 346,391	\$ (233,438)	-40.26%	(536,094)	-60.75%
Electric Fund	14,662,599	14,729,873	\$ 15,088,015	\$ 425,416	2.90%	358,142	2.43%
Solid Waste Fund	-	-	\$ 1,391,331	\$ 1,391,331	100.00%	1,391,331	-100.00%
Economic Development Fund	\$ 253,038	\$ 253,494	\$ 308,539	\$ 55,501	21.93%	55,045	21.71%
School Fund	\$ 15,305,578	\$ 16,089,149	\$ 16,147,522	\$ 841,944	5.50%	58,373	0.36%
School Cafeteria Fund	\$ 599,678	\$ 599,678	\$ 599,678	\$ -	0.00%	-	0.00%
Social Services	\$ 1,593,919	\$ 1,604,851	\$ 1,663,145	\$ 69,226	4.34%	58,294	3.63%
Comprehensive Services	\$ 391,894	\$ 391,894	\$ 270,000	\$ (121,894)	-31.10%	(121,894)	-31.10%
School Debt Service (2)	\$ 727,579	\$ 727,579	\$ 444,162	\$ (283,417)	-38.95%	(283,417)	-38.95%
General Fund Debt Service	\$ 543,689	\$ 543,689	\$ 498,604	\$ (45,085)	-8.29%	(45,085)	-8.29%
TOTAL	\$ 52,680,810	\$ 54,755,594	\$ 54,290,659	1,609,849	3.06%	\$ (464,935)	-0.85%

*Budget is prior to transfers to other funds

Primary Budget Amendments – General Fund	Amount
Bonus Payment Adjustment- Applicable Departments	\$71,438
Byrne Justice Grant	6,371
VDOT Highway Funds	27,773
Prior Year Carryover – Street & Highway Maintenance	52,213
Fire & Rescue – Fire Fighter Medic Appropriation	103,480
FY 2011-12 Fund Balance Appropriation-Various Depts.	217,688
TOTAL	\$478,963

Primary Budget Amendments – Other Funds	Amount
Water & Sewer Fund- Prior Year Carryover	\$416,481
Airport Fund – Prior Year Grant Funds Carryover	301,431
Electric Fund – Prior Year Carryover	59,059
School Fund – Prior Year Carryover & Additional Grants	783,571
TOTAL	\$1,560,542



FY 2013-2014 TABLE OF BUDGETED POSITIONS

Function/Program	FY 2012-2013 Adopted	FY 2013-2014 Proposed	Net FTE Change
GENERAL FUND			
City Manager	2	2	0
City Attorney	1	1	0
Human Resources	1.5	2	0.5
Treasurer	4.5	5	0.5
Commissioner of Revenue	5	5	0
Finance	5	5	0
Finance-Utility Billing	3	3	0
Registrar	1.5	1.5	0
Information Technology	0	1	1
Total General Government Administration	23.5	25.5	2
Police	30	30	0
E-911 Communications	9	9	0
Animal Control	1.5	1.5	0
Fire & Rescue - EMS	15	27	12
Inspections	5	5	0
Total Public Safety Administration	60.5	72.5	12
Public Works-Streets	15	15.5	0.5
Public Works - Garage	3	4	1
Public Works - Refuse collection	9	0	-9
Public Works-Bldgs & Grounds	9.5	9	-0.5
Total Public Works Administration	36.5	28.5	-8
Park and Recreation	4.5	4.5	0
Senior Program	2	2	0
Library	0.5	0.5	0
Total Parks & Recreation	7	7	0
Economic Development	0	0	0
Community Development-Stormwater Mgmt.	0	2	2
Downtown Development	1	1	0
Total Community & Economic Development	1	3	2
TOTAL GENERAL FUND	128.5	136.5	8
Social Services	17	22	5
Economic Development - Incubator	0.5	0.5	0
Water & Sewer	14.5	14	-0.5
Solid Waste	0	8	8
Electric Fund	16	16	0
Airport	2	2	0
TOTAL NON GENERAL FUND	50	62.5	12.5
TOTAL POSITIONS - ALL FUNDS	178.5	199	20.5



**ANALYSIS OF PERSONNEL CHANGES
FY 2013-2014 PROPOSED COMPARED TO FY 2012-2013 ADOPTED BUDGET**

- ❖ General Government Administration reflects conversion of two part time employees to full time status and the addition of one full time employee in Information Technology to replace previously contracted services with a full-time staff member for a net change of two additional positions.
- ❖ Public Safety – Three fire fighter/medics were hired mid-year in FY 12-13 and nine additional grant-funded positions are slated to be hired before July 1, 2013; for a net change of 12 additional funded positions.
- ❖ Public Works – Refuse Division employees were transferred to a Solid Waste Enterprise Fund, two part time custodial persons were converted to one full time position, and a position frozen in the Garage Division in FY 12-13 is proposed for reinstatement in FY 13-14 to meet service demands, for a net reduction of 8 positions.
- ❖ Community & Economic Development reflects the inclusion of two positions to manage the City’s state mandated Storm Water Management program of which one-half of the cost will be shared by Southampton County.
- ❖ Social Services Fund was not fully staffed in FY 2012-2013. Vacancies were filled in FY 2012-2013 for a net change in the FY 2013-2014 budget of five positions.
- ❖ Water & Sewer Fund reflects a change of one-half position due to full year funding of one position in the FY 2013-2014 budget.
- ❖ Solid Waste Fund reflects the transfer of positions from the General Fund for a net change of eight positions. This is one position less than previously funded due to efficiencies achieved in service operations.

HISTORY OF FULL TIME EQUIVALENT POSITIONS AS OF JUNE 30

Table 1.

FUND	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General	129	139	132	129	130	134	146	143	141	142	142
Social Services	17	20	19	19	20	18	19	19	19	20	20
Electric	16	14	14	16	15	20	20	20	20	20	20
Water & Sewer	14	13	16	14	14	16	16	16	17	18	18
Airport	2	2	2	2	2	2	2	2	2	2	2
Solid Waste	0	0	0	0	0	0	0	0	0	0	0
TOTAL	178.5	187	183	178	182	185	204	201	199	202	202



REVENUE ASSUMPTIONS FOR THE FY 2014 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. The base assumption is that the recession is expected to continue to mitigate during FY 2014. Economic conditions will show moderate recovery in select areas of the local economy, but the housing market will likely remain relatively unchanged. As a result, no real change in either the City's property values or the taxes levied is projected.

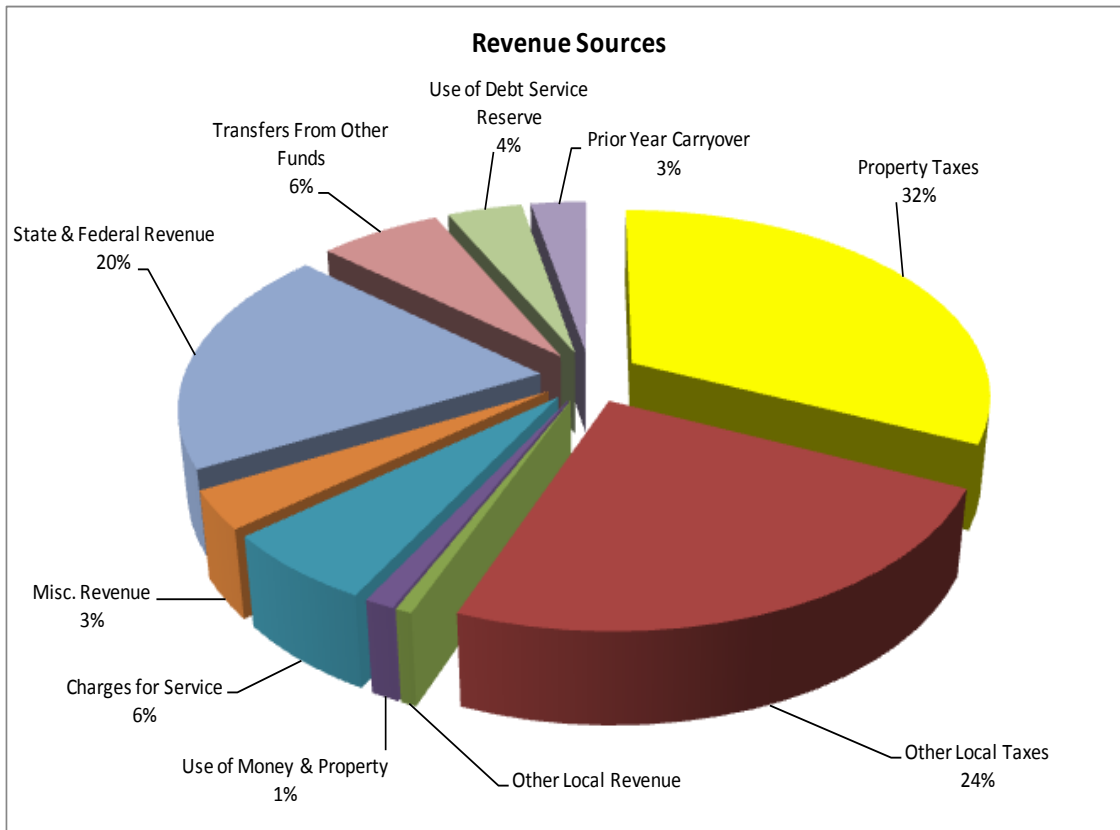
A reduction in consumer spending during the initial recession period resulted in decreased yields from sales, meals, and lodging taxes and other retail oriented taxes. At the onset of the economic downturn there was significant negative effect on these revenue sources. While the City has been in a conservative mode in budgeting these revenues for the recent and past fiscal years, most revenue sources are showing signs of growth that are consistent with the performance of the current fiscal year, indicating a slow but steady recovery in these revenue sources.

State reimbursement for several programs has been a significant source of revenue reductions for five consecutive years. State aid to localities for Human/Social Service programs, HB-599 Public Safety funding and State Compensation Board reimbursements for the Constitutional Officers has been reduced over this time period, both during the fiscal year and again with each new State budget adoption. For the most part, while the State recognizes its obligation to reimburse localities for State responsible functions, it does not provide the necessary funding nor reduce the service requirements. For FY 2013-2014, however, the State has ceased planned reductions to localities in most of these areas.



FY 2013-2014 REVENUE SUMMARY GENERAL FUND

	Adopted FY2012-13	Proposed FY 2013-2014	Change	FY 13-14 Percent of Budget
Property Taxes	\$ 6,966,683	\$ 6,966,432	\$ (251)	32.2%
Other Local Taxes	\$ 5,197,300	\$ 5,183,500	\$ (13,800)	23.9%
Permits, Fees, Fines & Licenses	\$ 125,225	\$ 155,190	\$ 29,965	0.7%
Use of Money & Property	\$ 251,026	\$ 247,757	\$ (3,269)	1.1%
Charges for Service	\$ 2,625,187	\$ 1,316,464	\$ (1,308,723)	6.1%
Miscellaneous & Revenue Sharing	\$ 185,500	\$ 769,312	\$ 583,812	3.6%
State & Federal	\$ 3,797,226	\$ 4,267,173	\$ 469,947	19.7%
Transfers From Other Funds	\$ 1,647,981	\$ 1,409,891	\$ (238,090)	6.5%
Use of Debt Service Reserve	\$ 876,222	\$ 689,386	\$ (186,836)	3.2%
Prior Year Carryover	\$ 337,154	\$ 643,174	\$ 306,020	3.0%
TOTAL REVENUE	\$ 22,009,504	\$ 21,648,279	\$ (361,225)	100.0%



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



**FY 2013-2014
GENERAL FUND
Revenue Analysis and Descriptions**

The General Fund provides for the basic services extended to all residents of 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 the 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 interfund transfer in lieu of taxes.

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.

General Property Taxes are one of the major revenue sources for the General Fund and includes *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 2013 is projected to be \$643,205,546. A history of total property values by type is shown in table 1.

Real Estate	Personal Property	Machinery & Tools	Public Service	Total
\$ 572,873,439	\$ 60,397,495	\$ 2,993,303	\$ 6,941,309	\$ 643,205,546

Table 1.

**Assessed Value of Taxable Property
Last Ten Fiscal Years Ended June 30, 2012**

Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service Corporations		Total
					Real Estate	Personal Property	
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	900	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
2005	413,484,184	55,210,009	-	757,167	8,617,223	39,123	478,107,706
2004	371,050,871	52,890,760	-	1,134,874	9,097,960	57,587	434,232,052
2003	365,657,221	55,879,359	166,080	971,160	8,969,861	38,567	431,682,248
2002	339,435,343	53,684,686	259,368	764,613	11,150,501	12,254	405,306,765

Source: Franklin City Annual Financial Report 6/30/12

FY 2013-2014 TAX RATE RECOMMENDATION			
Tax (per \$100 of assessed value)	FY 12-13	FY 13-14	Prior Year Change
Real Estate	\$0.90	\$0.90	-0-
Real Estate (Downtown Tax District)	\$1.14	\$1.14	-0-
Personal Property	\$4.50	\$4.50	-0-
Machinery & Tools	\$2.00	\$2.00	-0-
Public Service(RE/ PP)	\$0.90/\$4.50	\$0.90/\$4.50	-0-
Personal Property Tax Relief Percentage	62%	64%	(-2.0%)

Table 2.

Real Estate taxes - The City conducts a biennial reassessment in accordance with the provisions of City Code Section 27-45. The City adjusted its real estate tax rate in FY 2013 based on the adverse impact on property values of the 2012 Reassessment. Real estate property reassessments for residential properties are expected to remain relative consistent from last year. No significant new construction is considered in this estimate. The current real estate tax rate is \$0.90 per \$100 of assessed value. The Proposed FY2013-2014 Budget includes a recommendation for no change in the tax rate. The City adjusted its real estate tax rate in FY 2013 based on the adverse impact of the 2012 Reassessment by neutralizing the tax rate to \$0.86 per \$100 of assessed value. An additional four cents (\$0.04) was added onto the rate to enable the City to provide the level of municipal services and programs to meet the needs of the citizens of Franklin. This was the first tax rate adjustment for the City since the rate was lowered in Tax Year 2009 from \$0.90. Each one penny on the real estate tax rate generates approximately \$57,000.

Table 3.

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

Tax Year	Real Estate	Downtown District*	Personal Property	Machinery & Tools	Public Service (RE/PP)
2013	\$0.90	\$1.14	\$4.50	\$2.00	\$0.77/\$4.50
2012	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
2011	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
2010	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
2009	\$0.77	\$1.01	\$4.50	\$2.00	\$0.77/\$4.50
2008	\$0.90	\$1.14	\$4.50	\$2.00	\$0.77/\$4.50
2007	\$0.85	\$1.09	\$4.50	\$2.00	\$0.77/\$4.50
2006	\$0.95	\$1.19	\$4.50	\$2.00	\$0.77/\$4.50
2005	\$0.90	\$1.14	\$4.50	\$2.00	\$0.77/\$4.50
2004	\$0.90	\$1.14	\$4.50	\$2.00	\$0.77/\$4.50

*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 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 2012, the tax relief amount for the elderly was \$36,653 and \$9,452 for disabled veterans.

Personal property tax revenue is budgeted at \$2.37 million, slightly higher than the FY 2012-2013 budget based on the current tax rate of \$4.50 per \$100 of assessed value and anticipated projections for FY 2012-2013. Since 1999, the Commonwealth of Virginia has reimbursed localities in Virginia for part of the vehicle portion of the personal property tax as part of 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 2013-2014 personal use vehicles is estimated to be 62% down from 64% in FY 2012-2013. In essence, the value of personal property vehicles has shown some increase. 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 constitutes the assessment value for all property owned by Public Service Corporations in the City and subject to local taxation. Revenue for FY2014 is projected to remain consistent with FY2013 projections of \$60,000.

Machinery & Tools tax is assessed to machinery and equipment used in manufacturing and processing. The City currently receives a marginal amount of revenue from this tax type. The FY 2013-2014 projection is \$60,000, and remains unchanged from FY 2012-2013. The majority of the revenue in the City comes from Money Mailer. The close of Money Mailer in March, 2013 will not impact revenue in FY 2013-2014 since taxes are not prorated. The City will see an adverse impact in Tax Year 2014 which is the basis for FY 2014-2015 taxes unless another business occupies the facility.

Table 4.



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 \$585,000 for FY 2013-2014. However, of this amount, \$75,000 is remitted to Southampton, 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. Even though \$610,000 was budgeted in FY 2012-2013, actual receipts will be less due to the portion of these taxes remitted to Southampton, Suffolk and Isle of Wight County.

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 most retail merchants in the City. Sales are indicative of consumer confidence and spending. Collections are estimated at \$1.725 million, which is a 3.0% increase over the FY 2012-2013 budgeted amount. Sales projections are received from the Commonwealth, and are largely predicated upon regional economic growth estimates.

Business license revenue is projected at \$930,000 which is \$10,000 less than the current fiscal year level of \$940,000. 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 2013-2014 is \$150,000 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 \$1.250 million for FY 2013-2014, consistent with budgeted revenue in FY 2012-2013.

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 rate was increased from \$0.50 per pack in FY 11-12. As a result, the City will see an estimated 33% increase from revenue received in FY 2011-2012. The FY 2013-2014 projection of \$300,000 is an increase of \$37,100 or 15% over the FY 2012-2013 budget and is based on anticipated revenue for the current fiscal year.

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 \$318,000 which is relatively flat compared to FY 2012-2013 projected revenue. The table below provides a history of revenue received from various local taxes. All sources reflect growth over a four year period since 2009.

Local Tax	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Actual	FY 12-13 Budget	FY 12-13 Estimated Actual	FY 13-14 Projected	Percent Growth since FY 09-10
Sales	1,589,863	1,592,995	1,722,471	1,670,000	1,725,000	1,725,000	8%
Meals	1,203,730	1,154,659	1,330,207	1,250,000	1,275,000	1,250,000	4%
Lodging	138,318	117,911	198,481	140,000	150,000	150,000	8%
Cigarette	230,469	208,592	244,959	262,900	300,000	300,000	30%
Business License	843,227	943,069	925,843	940,000	930,000	930,000	10%
Motor Vehicles	134,264	144,176	180,859	167,000	174,000	172,000	28%

License, Permit & Privilege Fee

These revenues are generated from various activities within the City primarily from the issuance of building, electrical and plumbing permits. Other fees are collected for animal licenses, zoning and land use activities and charges. The projected revenue for this category total \$74,650, a \$17,425 increase over the previous year budget. This is based on the inclusion of revenue from fees anticipated from implementation of the City's storm water management plan.

Fines and Forfeitures

These collections are the result of charges ordered by the courts for violations of City ordinances, and is projected at \$65,500 for FY 2013-2014, a slight reduction from FY 2012-2013.

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 (rental of M. L. King Center and Health Department). However, the majority of the \$247,757 budgeted is received from the department of social services under the current Memorandum of Understanding for the reimbursement of building rental. The City also receives annual rental payments from the use of City owned land. The budget for FY 2013-2014 is relatively consistent with the prior year. Revenue from rental of land increased by nearly 10% due to renegotiating of farm lease on City owned property.

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. *Management proposes to establish an Enterprise Fund for Solid Waste effective July 1, 2013. This would eliminate revenue received for waste collection and disposal fees from the general fund with those funds being reflected in the Solid Waste Fund going forward. Details of this change are outlined in the Solid Waste Management Fund narrative).*

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 are 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 2013-2014 projected revenue from this source is \$290,000, same as FY2012-2013 budgeted and actual projected revenue from service charges.

FEES FOR AMBULANCE BILLING SERVICES

	FY 2012-2013 Rates	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 services agreement for the collection of fees for inspections and reimbursement of one-half shared cost of the personnel expenses.

Under the revenue sharing (annexation) agreement, the City receives a percentage of the taxes, primarily machinery tools, from operations at International Paper 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 which will result in some revenue recovery as evidenced by the FY 2013-2014 budgeted projection. In FY 2011-2012, the City received nearly \$1.2 million in revenue sharing payments. In the following fiscal year (FY 2012-2013), the City received an unexpected payment of \$238,000 as a result of activity at the mill and within the entire revenue sharing zone which includes mill property. For FY 2013-2014, an estimate received from Isle of Wight County reflects \$530,000 in revenue sharing payments.

Five Year History of Revenue Sharing Payments from Isle of Wight County

Fiscal Year	Payment
2008-2009	\$ 1,274,705.70
2009-2010	\$ 1,283,290.97
2010-2011(1)	\$ 409,231.72
2011-2012	\$ 1,193,025.21
2012-2013	\$ 238,835.00
2013-2014(2)	\$ 530,000.00

(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 would have occurred.

(2) Reflects budgeted projection recently received 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 2013-2014, the City is expected to receive reimbursements of \$76,633, \$64,356 and \$34,000 respectively for the Commissioner, Treasurer and Registrar offices for a total of \$174,989 in categorical aid. This is a \$7,500 increase over FY 2012-2013 based on the State’s reimbursement for a 3.0% salary increase for state supported employees effective August 1, 2013. However, State support continues to fail to fully offset operating expenses of these offices. The City funds the remainder of these expenses.

The following table shows the estimated reimbursement along with the FY 2013-2014 Recommended Budget amount for each office, and the City cost for each:

Source	FY 2013-14		FY 2013-14 City	
	Estimated Revenue	FY 2013-14 Proposed Budget	FY 2013-2014 City Cost	Cost as a % of Budget
Comm of Revenue	\$ 76,633	\$ 242,167	\$ 165,534	68%
Treasurer	\$ 64,356	\$ 267,240	\$ 202,884	76%
Registrar	\$ 34,000	\$ 101,937	\$ 67,937	67%
Total	\$ 174,989	\$ 611,344	\$ 436,355	71%

State Revenues (Categorical Aid)

This section includes funding for a variety of city functions and state grants, the largest being street and highway maintenance funds followed by 599 funds for Law Enforcement. Revenue for street & highway maintenance is received from the Virginia Department of Transportation for the City’s maintenance of primary and secondary roads based on a formula including reimbursement rate and locally maintained lane miles. The estimate for FY 2013-2014 is \$1.486 million, which is no change from FY 2012-2013 actual anticipated revenue, but \$27,773 more than FY 2012-2013 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 2012-2013 is \$404,520; however, the City will receive \$385,718 or \$18,802 less due to the Reduction in State Aid to Localities. *(The 2012 Appropriations Act required that state aid to localities be reduced by \$50.0 million state wide in FY 2012-2013. The City’s share of the reduction was \$41,141 of which \$18,802 impacted 599 Police funding).*

Efforts by localities to end the five year program were fruitful in FY 2013 as the governor’s budget for FY 2014 proposed eliminating the onerous “local aid to the Commonwealth program”. The General Assembly agreed, so in FY 2013-2014, the City is expected to receive the full allocation of \$404,250 for police funding and restoration of other revenue applied to various departments under the state aid reduction 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. In FY 12-13, the Franklin City Fire & Rescue Department was successful in its application for a federal SAFER Grant (Staffing of Adequate Fire & Emergency Response) in the amount of \$902,232 to employ an additional nine fire fighter/medics. The grant period is for two consecutive fiscal years. The FY 2013-2014 budget includes the required portion of the grant needed to fund most of the personnel costs for the new positions in the fiscal year. The amount budgeted in FY 2013-2014 for the SAFER grant is \$451,116.

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 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 recommends the City refrain from significant appropriation of unassigned fund balance except for restricted revenues and capital expenditures particularly until reserve levels 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 FY2013-2014 is built with these principles in mind and does not inappropriately supplement the operating budget. Alternatively, recommendations are primarily limited to committed or restricted use funds and/or capital items with the exception of the recommended appropriation of carryover funding to the School System.

The Restricted Fund Balance-Debt Reserve account, which was established in FY2010, contains funds set aside to be used to mitigate debt service obligations in subsequent years. For FY 2013-2014, the estimated revenues transferred from this account are expected to be 689,386.

The following is a summary of the primary reductions and gains in General Fund Revenues from the prior fiscal year:

GENERAL FUND
SUMMARY OF BUDGETED REVENUE CHANGES FROM PRIOR YEAR

Revenue Reductions

Solid Waste Disposal Fees to Enterprise Fund	\$ (1,487,000)
Other Financing Sources-Debt Reserve Transfer	\$ (238,090)
Use of Fund Balance Reserve	\$ (186,836)
Consumer Utility Taxes	\$ (100,000)
Charges for Administrative Services - Water & Fund	\$ (89,056)
Personal Property Taxes	\$ (15,000)
Building Permits	\$ (10,500)
Business License Taxes	\$ (10,000)
Sale of Cemetery Lots	\$ (10,000)
State Aid - Non Categorical	\$ (9,000)
E911 Wireless Grant	\$ (7,250)
Bank Stock Taxes	\$ (7,000)
TOTAL DECREASE IN REVENUE	\$ (2,169,732)

Revenue Gains

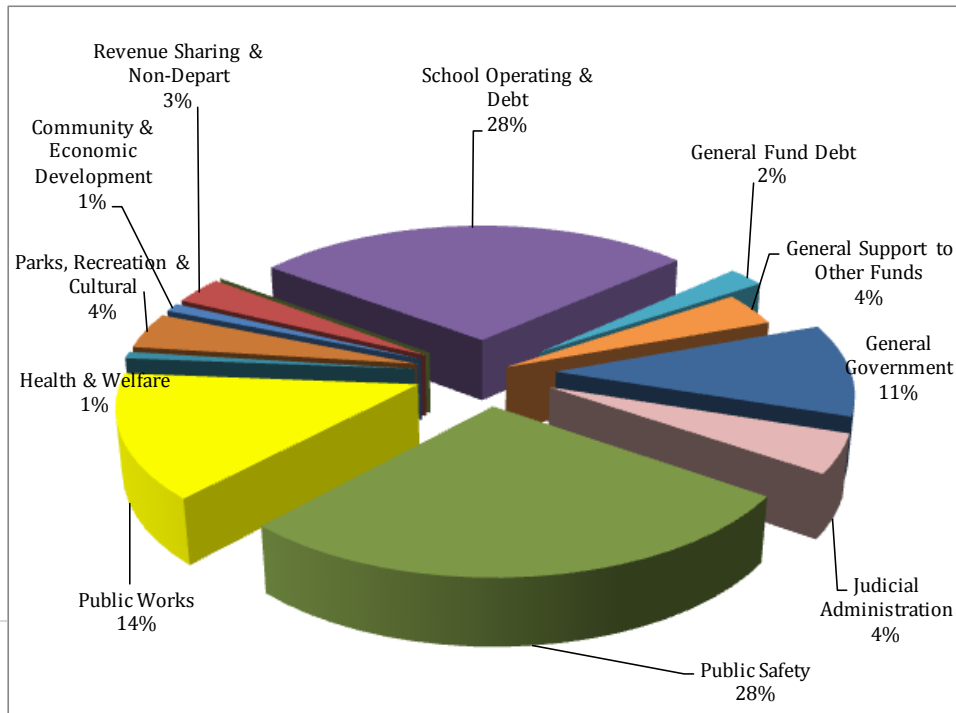
Isle of Wight County Revenue Sharing	\$ 530,000
Federal Grant Funds - SAFER Grant	\$ 451,116
Prior Year Carryover - Primary Use - School Funding	\$ 306,020
Charges for Administrative Services-Solid Waste	\$ 188,162
Charges for Administrative Services - Electric Fund	\$ 63,015
Recovered Cost (Labor from Stormwater Consolidation)	\$ 60,470
Local Sales & Use Taxes	\$ 55,000
Recovered Cost (Stormwater Management Fees)	\$ 41,540
Cigarette Taxes	\$ 37,100
Street & Highway Maintenance Funds	\$ 27,773
Charges for Administrative Services - Airport	\$ 15,611
General Property Taxes (Real Estate & Public Service)	\$ 14,000
Lodging Taxes	\$ 10,000
State Aid - Non Categorical for Shared Expenses	\$ 7,500
TOTAL INCREASE IN REVENUE	\$ 1,807,307
Net Revenue Reduction from Prior Year	\$ (362,425)



FY 2013-2014 EXPENDITURE SUMMARY GENERAL FUND

	FY2012-2013 Adopted	FY2013-2014 Proposed	Variance	Percent of FY 2014 Budget
General Government	\$ 2,207,336	\$ 2,396,437	\$ 189,101	11.1%
Judicial Administration	\$ 967,061	\$ 966,295	\$ (766)	4.5%
Public Safety	\$ 5,264,787	\$ 5,928,403	\$ 663,616	27.4%
Public Works	\$ 4,393,099	\$ 3,102,347	\$ (1,290,752)	14.3%
Health & Welfare	\$ 166,173	\$ 167,198	\$ 1,025	0.8%
Parks, Recreation & Cultural	\$ 863,950	\$ 885,758	\$ 21,808	4.1%
Community & Economic Development	\$ 137,628	\$ 276,590	\$ 138,962	1.3%
Misc. & Revenue Sharing	\$ 660,322	\$ 690,000	\$ 29,678	3.2%
Debt Service Reserve	\$ 242,151	\$ -	\$ (242,151)	0.0%
General Fund Debt	\$ 543,689	\$ 498,604	\$ (45,085)	2.3%
School Operating & Debt	\$ 5,707,732	\$ 5,904,557	\$ 196,825	27.3%
General Fund Support to Other Funds	\$ 855,576	\$ 832,090	\$ (23,486)	3.8%
TOTAL EXPENDITURES	\$22,009,504	\$ 21,648,279	\$ (361,225)	100.0%

CATEGORY	FY 2013-2014 PROPOSED	Percentage of Expenditure
PERSONNEL	\$ 8,584,827	39.66%
OPERATIONS	5,030,840	23.24%
TRANSFERS TO OTHER FUNDS	7,235,257	33.42%
CAPITAL OUTLAY	797,355	3.68%
	<u>\$ 21,648,279</u>	<u>100.00%</u>





EXPENDITURE ASSUMPTIONS FOR THE FY 2014 ANNUAL OPERATING BUDGET

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.

Each category below provides brief highlights of expenditure adjustments incorporated into the FY 2013-2014 Recommended Operating Budget. Since all employees are now required, on a phased in basis selected by the City, to meet the Virginia Retirement System (VRS) mandate to contribute 5% of to VRS, employees were granted a 1.1% salary adjustment in FY 2012-2013 to offset this required contribution. Other than new hires, which are required to contribute the full 5.0%, employees will see the second 1.0% change in FY 2013-2014. 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.

Items of Interest:

- ❖ 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 and 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. While the cost for the employee share increased for FY 13-14, overall City cost is expected to slightly decrease in compliance with the long standing 80% cost share policy of the City.
- ❖ 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. While the City’s auto property and liability coverage is provided by a commercial carrier, the City, on a regular basis, evaluates its current coverage to determine if costs savings can be realized through a different carrier.
- ❖ Training & Conferences - To balance the budget over the years, the City virtually eliminated most travel and training from the budget. In FY 2012-2013, efforts were made by management to begin incorporating minimum training back into the operating budget. The FY 2013-2014 proposed budget slightly increases some of these funds necessary for employees to maintain certifications, to develop professionally, and keep abreast of policy and program changes that impact their prospective departments.



LEGISLATIVE & GENERAL GOV'T ADMINISTRATION

FUND - GENERAL	ACTUAL FY 11-12	BUDGET FY 12-13	Depart Request FY 2013-14	City Manager's Recomm.	Variance - FY2014 Proposed Over FY 2013 Budget	Council Approved
CITY COUNCIL	\$ 125,894	\$ 238,806	358,629	279,236	40,430	
CITY MANAGER	149,596	230,441	232,927	233,803	3,362	
CITY ATTORNEY	136,646	138,212	156,410	158,880	20,668	
MANAGEMENT SERVICES & HR	123,299	129,026	131,848	157,982	28,956	
COMMISSIONER OF REVENUE	229,075	237,080	239,014	242,167	5,087	
REAL ESTATE ASSESSOR	107,849	50,969	113,997	114,029	63,060	
TREASURER	231,843	255,889	252,977	267,240	11,351	
FINANCE	628,862	605,665	603,290	610,649	4,984	
INSURANCE	106,882	105,964	105,000	105,000	(964)	
ELECTIONS	113,165	101,034	98,537	101,977	943	
INFORMATION TECHNOLOGY	111,335	114,250	104,514	125,468	11,218	
TOTAL LEGISLATIVE & GEN. ADMIN.	2,064,446	2,207,336	2,397,143	2,396,431	189,095	

Highlights

City Council – Reflects an appropriation in the Contingency Fund of \$125,000, which is less than 1% of the total general fund budget and \$40,382 more than the FY 2012-13 budget of \$84,000. The budget also includes funding for various agencies and organizations in the City. Management’s recommendation for FY 2013-2014 is the same as the current fiscal year for all agencies with a few minor exceptions.

City Attorney - Includes \$18,000 to update the City’s Codes & Ordinances records. The current publication was last updated in 2005. Outdated records are available to the public and cause confusion and increase the likelihood of mistakes when use of records which have been amended occurs.

Real Estate Assessor – The increase is attributed to professional service fees required for the 2013 bi-annual assessment of real property.

City Treasurer - The budget includes the transition of a part time employee to full time status at a cost of \$10,800; this will allow the city to comply with regulations under the Health Care Act while utilizing additional resources to further improve delinquent tax and utility collections which will generate additional revenue to offset increased costs; other operating decreases helped offset the cost of the personnel increase.

Human Resources – The budget includes the transition of a part time employee to full time status at a cost of \$23,400; this will allow the City to comply with regulations under the Health Care Act.

Finance – The City continues to realize savings as a result of procuring a new auditing firm effective with the FY 2011-2012 audit.

Elections - Minimum increase is noted in the proposed budget due to the August 2013 Special Election. Funding includes a 3.0% increase for the registrar salary as approved by the State effective August 1, 2013.

Information Technology – The reduction results from the employment of a full time network administrator at cost approximately \$15,000 lower than contractual services in prior years. Funding is also included in the proposed budget to upgrade the existing equipment in City Council chambers to improve the visual and audio broadcast and rebroadcast of council meetings.



JUDICIAL ADMINISTRATION

FUND - GENERAL	ACTUAL FY 11-12	BUDGET FY 12-13	Depart Request FY 2013-14	City Manager's Recomm.	Variance - FY2014 Proposed Over FY 2013 Budget	Council Approved
GENERAL DISTRICT COURT	15,592	18,725	17,575	17,575	(1,150)	
JOINT OPERATIONS	219,291	239,828	233,929	233,929	(5,899)	
DISCTRICT COURT/JUVENILE	173,144	137,518	143,801	143,801	6,283	
WESTERN TIDEWATER REGIONAL	522,586	570,990	570,990	570,990	-	
TOTAL	930,613	967,061	966,295	966,295	(766)	

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.

District Court-Juvenile - Includes cost incurred for juvenile detention. The increase is due to the budgeting of the City's local match requirement for the juvenile crime control services.

Western Tidewater Regional – The City's cost for FY 2013-2014 for adult prisoner care will remain the same as FY 2012-2013.



PUBLIC SAFETY ADMINISTRATION

FUND - GENERAL	ACTUAL FY 11-12	BUDGET FY 12-13	Depart Request FY 2013-14	Requested Increase (Decrease)	City Manager's Recomm.	Variance - FY2014 Proposed Over FY 2013 Budget	Council Approved
LAW ENFORCEMENT	3,295,878	3,370,041	3,462,563	\$ 92,522	3,323,423	(46,618)	
ANIMAL CONTROL	110,861	109,804	112,444	\$ 2,640	111,206	1,402	
FIRE & EMERGENCY SERVICES	1,395,802	1,345,605	2,144,331	\$ 798,726	2,050,437	704,832	
CIVIL DEFENSE & SAFETY	51,835	70,945	71,225	\$ 280	72,483	1,538	
BUILDING INSPECTIONS	355,522	368,392	372,628	\$ 4,236	370,854	2,462	
TOTAL	5,209,899	5,264,787	6,163,191	898,404	5,928,403	663,616	-

Highlights

Law Enforcement – Reflects operations of the Police and E911 Communications Department. The decrease in funding is primarily attributed to reprogramming of a vehicle purchase from the operating budget to the capital budget and various other operating decreases which are more in sync with current year anticipated expenditures. Increases occurred in professional IT services. The budget also includes the recommendation of the Police Chief to re-grade an existing position to the rank of Captain. The E911 budget reflects costs (\$10,500) to upgrade the salary of a new communications manager, a position vacated in the current year budget by retirement. This increase is deemed necessary in order to obtain a qualified person in a highly competitive market for similar positions offered in the region. The cost is offset by a \$15,000 reduction in maintenance service contracts.

Fire & Emergency Services – The City’s cost for full year funding of 12 fire/fighter medic positions, of which nine positions (personnel costs) are funded via a federal grant. The new positions will enhance service delivery to Franklin citizens and citizens served outside the city limits in Southampton County covering a 27 square mile response area. Two ambulances will be fully staffed with one stationed at the Hunterdale Fire Station. The City receives \$108,354 from Southampton County as its contribution for services provided by the City.



PUBLIC WORKS

FUND - GENERAL	ACTUAL FY 11-12	BUDGET FY 12-13	Depart Request FY 2013-14	Requested Increase (Decrease)	City Manager's Recomm.	Variance - FY2014 Proposed Over FY 2013 Budget	Council Approved
PUBLIC WORKS - STREETS	1,773,450	1,841,405	1,900,753	\$ 59,348	1,908,981	67,576	
PUBLIC WORKS - GARAGE	227,031	190,400	242,736	\$ 52,336	226,527	36,127	
REFUSE COLLECTION	1,350,797	1,397,709	-	\$ (1,397,709)	-	(1,397,709)	
BLDGS & GROUNDS	926,113	963,585	969,207	\$ 5,622	966,839	3,254	
TOTAL	4,277,391	4,393,099	3,112,696	(1,280,403)	3,102,347	(1,290,752)	-

Highlights

Public Works Streets – The increase of \$54,348 includes funding to acquire a hot mix asphalt trailer and to replace a 1997 service van with over 149,000 service miles which was purchased from public surplus for use by the sign technician. Snow removal increased by \$6,500 to repair plow blades and to purchase a salt spreader for the dump truck.

Public Works Garage - The increase of \$18,000 is associated with unfreezing one position for six months of the fiscal year; this position was frozen in the prior year budget and left vacant until the needs of the department could be evaluated. Funding to replace a 20 year old post lift for the garage is included at \$12,000.

Public Works Refuse – The reduction reflects the transition of solid waste services to the Solid Waste Enterprise Fund.



HEALTH & WELFARE ADMINISTRATION

FUND - GENERAL	ACTUAL FY 11-12	BUDGET FY 12-13	Depart Request FY 2013-14	Requested Increase (Decrease)	City Manager's Recomm.	Variance - FY2014 Proposed Over FY 2013 Budget	Council Approved
HEALTH DEPARTMENT	110,000	110,000	110,000	\$ -	110,000	-	
MOSQUITO CONTROL	10,449	22,000	22,000	\$ -	22,000	-	
MENTAL HEALTH DISTRICT	34,173	34,173	35,198	\$ 1,025	35,198	1,025	
TOTAL	154,622	166,173	167,198	1,025	167,198	1,025	-

Highlights

Health & Welfare – The increase is associated with a 3.0% requested increase from the Western Tidewater Community Service Board.



PARKS, RECREATION & CULTURAL

FUND - GENERAL	ACTUAL FY 11-12	BUDGET FY 12-13	Depart Request FY 2013-14	Requested Increase (Decrease)	City Manager's Recomm.	Variance - FY2014 Proposed Over FY 2013 Budget	Council Approved
PARKS & RECREATION	371,340	388,519	409,126	\$ 20,607	400,802	12,283	
CEMETERY MAINTENANCE	56,570	57,050	57,050		57,050	-	
SENIOR CITIZENS PROGRAM	130,668	134,658	135,631	\$ 973	137,606	2,948	
LIBRARY	275,390	283,723	290,035	\$ 6,312	290,300	6,577	
TOTAL	777,398	806,900	834,792	27,892	885,758	21,808	-

Highlights

Parks & Recreation – The net increase of \$8,607 represents various line items to include additional funding for programs and maintenance associated with the center and fields. While operating expenses increased overall by \$7,300, personnel cost realized savings of \$21,000 as a result of a reduction in the cost of salaried personnel for the department due to a retirement.

Library – Funding increase is recommended per request from the Blackwater Regional Library System for the Ruth Campbell Library in the amount of \$1,600 based upon the City’s contract formula for shared funding. An increase of \$4,000 is associated with maintenance service contracts not previously reported in this department’s budget. These costs were transitioned from Building Maintenance to properly reflect the cost of library building maintenance.



PLANNING & COMMUNITY DEVELOPMENT

FUND - GENERAL	ACTUAL FY 11-12	BUDGET FY 12-13	Depart Request FY 2013-14	Requested Increase (Decrease)	City Manager's Recomm.	Variance - FY2014 Proposed Over FY 2013 Budget	Council Approved
PLANNING	32,644	26,992	162,883	\$ 135,891	162,883	135,891	
BEAUTIFICATION	2,617	5,120	5,000	\$ (120)	5,000	(120)	
DOWNTOWN DEVEL.	105,837	105,516	113,707	\$ 8,191	108,707	3,191	
TOTAL	141,098	137,628	281,590	143,962	276,590	138,962	-

Highlights

Planning – Of the \$135,891 budget increase from the prior year, \$120,941 represents the personnel cost to implement the City’s Storm Water Management Program per the consolidation services arrangement with Southampton County. This is the City’s share of two positions; 50% of the cost will be funded by Southampton County. An additional \$9,150 is associated with the operating cost.

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 \$53,707. The remainder is the City’s proposed contribution of \$55,000 which reflects a \$5,000 increase over the FY 2012-2013 city contribution.



NON-DEPARTMENTAL

FUND - GENERAL	ACTUAL FY 11-12	BUDGET FY 12-13	Depart Request FY 2013-14	Requested Increase (Decrease)	City Manager's Recomm.	Variance - FY2014 Proposed Over FY 2013 Budget	Council Approved
REV. SHARING PAYMENT	638,738	650,000	675,000	\$ 25,000	650,000	-	
MERCHANT CARD FEES	41,283	10,322	40,000	\$ 29,678	40,000	29,678	
DEBT RESERVE TRANSFER	-	242,151	-	\$ (242,151)	-	(242,151)	
TOTAL	680,021	902,473	715,000	(187,473)	690,000	(212,473)	-

Highlights

Revenue Sharing Payment – The FY 2012-2013 revenue sharing payment to Southampton County totaled \$644,894. The revenue sharing payment is based on a series of tax and utility calculations that reflects the City’s share to Southampton for revenue received along the Industrial Corridor (namely a section of Armory Drive). The City remits the shared portion to Southampton in the following fiscal year.

Merchant Card Fees – The FY 2012-2013 budget for merchant card services fees will require a supplemental appropriation to cover the cost of accepting payments from credit card customers for taxes, licenses, fees and utility bills. The expected expenditure at June 30 is \$45,000. 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 consider adopting 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. In essence, the costs would be incurred by credit card users as opposed to all citizens. A convenience fee in addition to negotiated lower rates will reduce the costs in the FY 2013-2014 budget.

**GENERAL FUND
SUMMARY OF BUDGETED EXPENDITURE CHANGES FROM PRIOR YEAR**

Expenditure Increases

Funding of Fire Fighter Medics & Other Personnel Changes	\$ 644,080
Transfer to School - FY 2012 Unspent Carryover	\$ 643,174
Stormwater Management Consolidation (Positions & Operating Cost)	\$ 130,000
Real Estate Reassessment	\$ 60,000
Conversion of two part time positions to full time	\$ 34,000
Transfer to Economic Development Fund	\$ 33,000
Position Reclassifications (Public Safety)	\$ 30,500
Increase for Merchant Card Fees	\$ 29,678
City Council Chambers Technology Improvements	\$ 20,000
Update of City Code	\$ 18,000
Increase in Contingency Fund	\$ 15,000
Line of Duty Act Contribution	\$ 9,000
Local Contribution to Various Agencies	\$ 6,895
Support of Downtown Development	\$ 5,000
Parks & Recreation - Various	\$ 2,700
Total Expenditure Increases	\$ 1,681,027

Expenditure Reductions

Reallocation of Solid Waste from General to Enterprise Fund	\$ (1,397,709)
Reduction to Transfer for School Debt Requirement	\$ (303,417)
Debt Service Reserve Transfer	\$ (242,061)
Reduction in Transfer to Comprehensive Services	\$ (58,834)
Reduction to Transfer for General Debt Requirement	\$ (41,185)
Reprogrammed police vehicle purchase to capital funding	\$ (33,750)
Total Expenditure Decreases	\$(2,076,956)
NET DECREASE IN GENERAL FUND FROM PRIOR YEAR	\$ (395,929)



ENTERPRISE FUNDS

Water & Sewer.....	60
Solid Waste.....	63
Airport.....	67
Electric.....	69



**FY 2013-2014
WATER & SEWER FUND ANALYSIS**

The Department of Public Utilities is responsible for the operation, maintenance, and expansion of the City of Franklin’s water and sanitary sewer systems. Its 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. Rates for the fund have remained unchanged since July 2008. FY 2013-2014 projected revenue is \$3,120,250, and is based on current FY2013 rates as follows.

Proposed FY 2013-2014 Residential Rates	
Water Service	
Monthly Charge –Inside City	\$12.62 plus \$2.83 per 1,000 gallons
Monthly Charge- Outside City	\$16.04 plus \$3.50 per 1,000 gallons
Sewer Service	
Monthly Charge- Inside City	\$16.91 plus \$3.93 per 1,000 gallons
Monthly Charge- Outside City	\$20.23 plus \$5.04 per 1,000 gallons

The overall Fund has increased since FY 2009-2010 from \$2.76 million to \$3.120 million projected for FY2013-2014 as shown in Table 1.

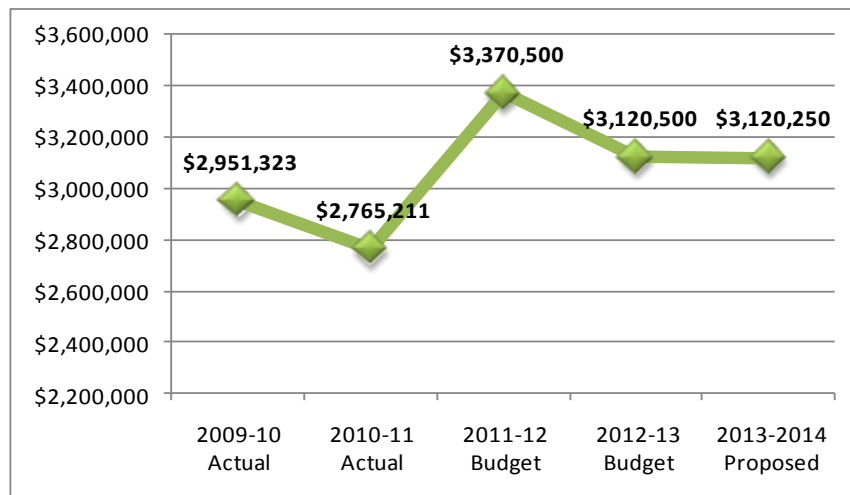


Table 1. Five Year Trend – Water & Sewer Fund



**FY 2013-2014
WATER & SEWER FUND ANALYSIS**

The City of Franklin owns and operates a public water and wastewater system, including a wastewater treatment facility. The City provides water and wastewater services to the residents and businesses in the City as well as portions of the surrounding localities of Isle of Wight and Southampton.

FY 2013-2014 projected revenues of \$3,120,250 are allocated among Water, Sewer and Wastewater Operations as follows: Excluded in the graph is the transfer to the General Fund for administrative services (\$257,305), payment in lieu of taxes (\$26,460), and debt service (\$366,124).

FY 2013-2014 Highlights:

- ❖ The transfer to the General Fund for administrative services decreased from \$346,361 to \$257,305 based on a recent cost allocation analysis of services provided by the General Fund. Transfer to General Fund for debt restructuring ended with the FY 2012-2013 budget.
- ❖ Debt Service in the fund will increase by \$228,063 from the prior year due to principal payments that will become due in FY 2013-2014.
- ❖ The City conducted a Water & Sewer Rate Study in FY 2012-2013 in order to develop a water and sewer rate structure that provides adequate funding to properly maintain infrastructure, reduce long-term replacement costs through systematic rehabilitation, payback existing debt and provide quality services to the City of Franklin. Recommendations from the study are currently being finalized for review during the budget process.
- ❖ The FY 2013-2014 Budget includes funding to provide for a water tank maintenance program. This will allow the City to perform ongoing maintenance of its wells and water tanks in order 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.

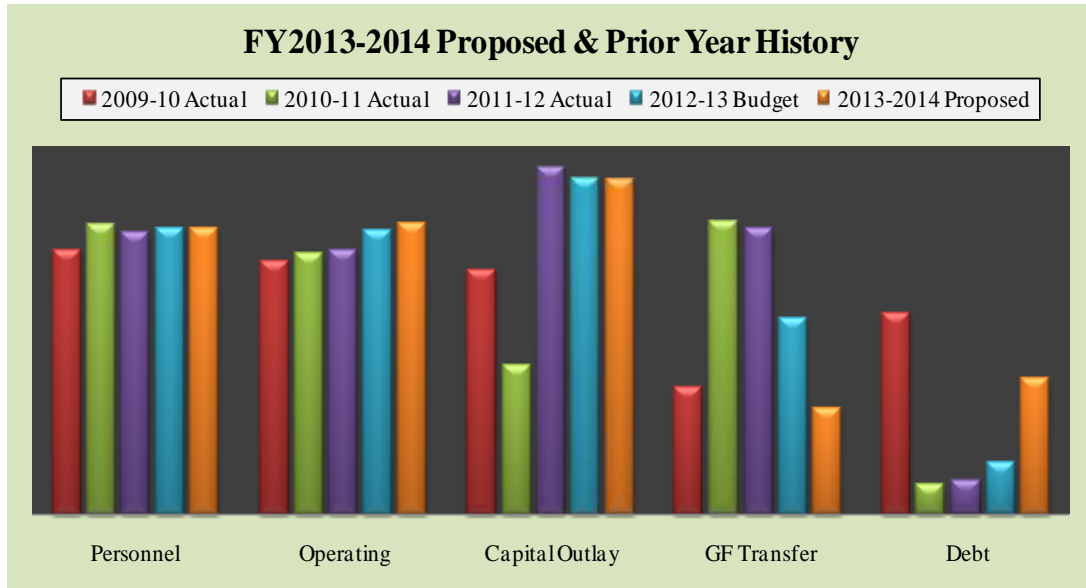
PROPOSED FY2013-2014 BUDGET (Table 1).

	Water	Sewer	Wastewater	All Operations	Total	Percent of Budget
Personnel	324,936	176,774	286,195		787,904	25.25%
Operating Expenses	310,261	127,100	351,408		788,769	25.28%
Capital Outlay	532,765	254,923	106,000		893,688	28.64%
General Fund Transfer	-	-	-	283,765	283,765	9.09%
Debt Service	-	-	-	366,124	366,124	11.73%
Total	1,167,962	558,797	743,603	649,889	3,120,250	100.00%



**FY 2013-2014
WATER & SEWER FUND ANALYSIS**

Table 2.



Note: General Fund (GF) Transfer Includes Transfer to GF for Debt Service Restructuring. Due to the Debt restructuring in 2010, the transfers significantly increased in fiscal years 11 and 12. The requirement ended in FY 12-13.

Table 3. (Excludes Depreciation)

Fiscal Year	Personnel	Operating	Capital Outlay	GF Transfer	Debt	Total
2009-10 Actual	715,116	686,820	662,998	341,334	545,055	2,951,323
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 Budget	771,536	768,083	912,084	530,736	138,061	3,120,500
2013-14 Proposed	787,904	788,769	893,688	283,765	366,124	3,120,250



FY 2013-2014 SOLID WASTE FUND ANALYSIS

The City provides waste collection and disposal services to nearly 2800 residential customers and 105 commercial customers. In previous years, the operation of solid waste services had been an integral component of the City's General Fund budget whereby the revenue collected from fees were used to fund personnel, operating and capital expenses of the Public Works – Refuse Division. These fees, until recent fiscal years, were insufficient to cover the cost of operations. In essence, general fund tax dollars went towards supporting a “fee based” collection system. Hence, in FY 2011-2012, the City began the process to structure the budget for solid waste in an “Enterprise Fund” manner in which fees collected would equate to the cost of services in preparation for creation and implementation of a separate Solid Waste Enterprise Fund effective July 1, 2013.

The following provides additional support for the recommendation of management to create an Enterprise Fund for Solid Waste & Disposal services:

- ❖ Cost of solid waste collection and disposal has had significant increases over time. A financial tracking mechanism existed which documented the cost of the services and estimates needed for future budget years to continue providing these services
- ❖ The City's future with the Southeastern Public Service Authority (SPSA) is being deliberated as the use and support agreements with its member jurisdictions expire January 2018.
- ❖ At present, residents and businesses pay for waste collection and disposal services through user fees as opposed to general fund taxes. In this aspect, a component of enterprise accounting is utilized.
- ❖ Since citizens and businesses are charged a user fee, there should be an incentive to reduce the use of this service and hence, reduce the waste stream through recycling and other measures (i.e. the separation of yard debris from garbage) which could over time, reduce the user charges.

An analysis of the Fiscal Year 2013-2014 Proposed Budget for the Solid Waste Fund (revenue and expenditures) follows:



**FY 2013-2014
SOLID WASTE FUND ANALYSIS**

Revenue Analysis

Waste collection and disposal fees account for the majority of the revenue for solid waste services. Revenue anticipated in the current year is \$1,473,831. This is based on the number of residential and commercial customers and the applicable monthly rate for waste collection and disposal as shown in Table 1. The fees generated are used to cover the cost of operations. This includes salaries, benefits, tipping fees paid to the Southeastern Public Service Authority (SPSA), recycling fees, other operating costs, capital reserves and other capital expenses.

	# of Customers	Current Rates	Revenue Generated
Residential Customers	2767	\$42.24	\$1,402,537
Commercial 1 Customers	60	\$52.61	\$37,879
Commercial 2 Customers	45	\$61.90	\$33,426
FY12-13 Projected Actual			\$1,473,842

Table 1.

The FY 2013-2014 proposed budget includes a recommendation to reduce the current residential waste collection monthly fee to \$39.74. This is a \$2.50 reduction over the FY 2012-2013 rate. The reduction will help offset an increase in monthly electric services based on an increase in the fuel charge by Dominion Virginia Power (more discussion is provided in the Electric Fund Analysis). The rate of \$39.74 is \$3.67 or 8.4% lower than the FY 2011-2012 residential rate of \$43.41 per month. Based on the proposed rate, the FY 2013-2014 budget is based on a revenue projection of \$1,390,832 (Table 2). This is \$83,010 less than the prior year (the impact to revenue based on each \$1.00 change in the rate is \$33,000).

	# of Customers	Proposed Rates	Revenue Generated
Residential Customers	2767	\$39.74	\$1,319,527
Commercial 1 Customers	60	\$52.61	\$37,879
Commercial 2 Customers	45	\$61.90	\$33,426
FY13-14 Projected Revenue			\$1,390,832

Table 2.



**FY 2013-2014
SOLID WASTE FUND ANALYSIS**

	FY 2012-2013 Budget*	FY 2012-2013 Projected	FY 2013-2014 Requested	FY 2013-2014 Recommended	Prior Year Variance
REVENUE	1,471,237	1,450,000	1,474,341	1,391,331	(79,906)
Personnel Expense	333,891	295,615	308,761	307,835	(26,056)
Operating Expense	90,400	90,000	92,600	92,600	2,200
Waste Collection & Disposal Cost	697,500	535,000	535,000	500,507	(196,993)
Capital Outlay & Reserves	275,918	171,918	321,762	274,171	(1,747)
Transfer to General Fund	-	-	188,162	188,162	188,162
Debt Service	-	-	28,056	28,056	28,056
Total Expenses	1,397,709	1,092,533	1,474,341	1,391,331	(6,378)
Net Income (Loss)	73,528	357,467	-	-	(73,528)

**For comparative purposes, the FY 2012-2013 Budget as shown in the General Fund is provided.*

FY 2013-2014 Highlights:

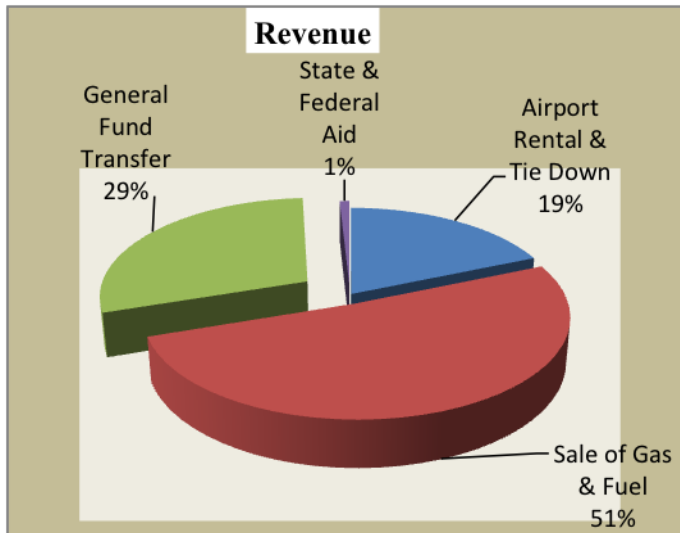
- ❖ The FY 2013-2014 budget reflects a reduction in the cost of tipping fees due to strategic measures implemented to lower the overall cost. Effective August 2012, the City’s monthly cost to SPSA was significantly reduced as a result of actions by Public Works to separate yard waste from residential household waste. This will result in an overall reduction of \$192,500 or 34% in the budgeted expense for tipping fees from \$562,500 in FY 2012-2013 to \$370,000 in FY 2013-2014.
- ❖ The efficiency savings realized from the separation of yard waste provided opportunity to reduce the residential waste stream. Other efficiencies in operation were realized by discontinuing alley collections allowing a collection position to be eliminated.
- ❖ The FY 2013-2014 budget includes a reserve appropriation for capital expenditures and replacements in the amount of \$100,000. This does not include anticipated reserves that will be remaining in the current year budget cycle for capital outlay or recycling container reserves. These reserves, \$104,000 and \$88,000 respectively, will be earmarked as restricted fund balance and transferred subsequent to July 1, 2013 in which the Solid Waste effectively becomes an enterprise fund. This will enable the City to plan for expenditures of capital items (i.e. garbage trucks/containers) on a pay as you go basis as opposed to incurring additional debt.

- ❖ The reserve fund was established in 2010 to accumulate funds equal to the difference between the SPSA (\$3.47) and AVES (\$2.66) monthly recycling rates per customer. The difference of \$0.81 was placed in a separate account to be used for the maintenance and replacement of recycling containers. It is recommended that this separate reserve be discontinued in FY 2013-2014, since an enterprise fund for solid waste will be established, and the funds not restricted to recycling containers but used for general capital outlay as necessary including all types of cart replacement.



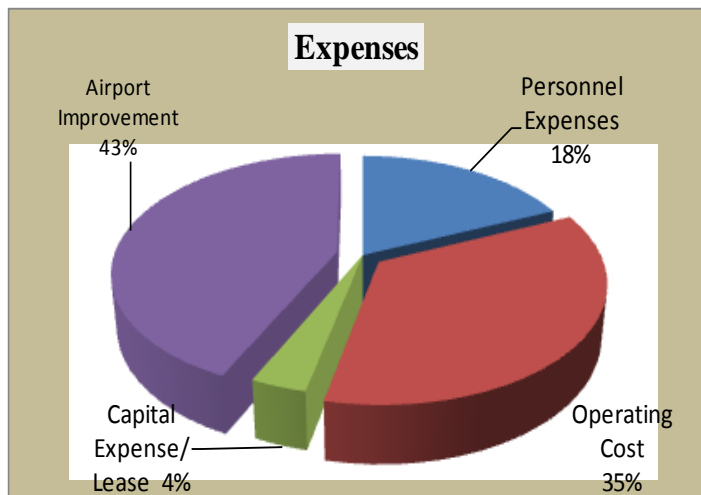
**FY 2013-2014
AIRPORT FUND ANALYSIS**

Franklin Municipal Airport located 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 total revenue sources for the fund. The proposed budget for FY 2013-2014 is \$330,780. Table 1 provides a breakdown of the revenue for the Airport Fund by the various sources and the expenditures by area.



	FY 13-14 Proposed Budget
Airport Rental & Tie Down	64,700
Sale of Gas & Fuel	177,232
General Fund Transfer	86,897
State & Federal Aid	3,000
Total Revenue	331,829
Personnel Expenses	108,653
Operating Cost	185,343
Capital Expenses/Lease	20,000
Transfer to General Fund	17,833
Airport Improvements	-
Total Expenses	331,829

Table 1.





**FY 2013-2014
AIRPORT FUND ANALYSIS**

FY 2013-2014 Highlights:

- ❖ The transfer to the General Fund for administrative services increased from \$2,222 to \$17,833 based on a recent cost allocation analysis of services provided by the General Fund.
- ❖ Revenue from fuel sales remains consistent with the current fiscal year and is often indicative of the local economy and region. Sales in FY 2010-2011 for instance was \$95,000 compared to \$120,000 in FY 2011-2012 as a result of activity at International Paper. Sales as of April 2013 were \$85,000 compared to \$102,000 at the same period in 2012.
- ❖ No capital outlay is recommended in the FY 2013-2014 budget. The FY 2012-2013 budget included \$250,000 in state and federal aid for improvements at the facility (i.e. parallel taxiway to Runway 27 and lighting rehabilitation work to the existing runway lights). Any portion of project funding not completed in FY 2012-2013 will be appropriated to the FY 2013-2014 budget.

FY2013-2014 Proposed Budget & Prior Year History

Fiscal Year	Personnel	Operating	Capital Outlay	GF Transfer	Debt	Total
2008-09 Actual	109,268	230,106	97,795	2,020	1,853	441,042
2009-10 Actual	98,575	161,740	1,991,430	2,020	2,069	2,255,834
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 Budget	106,480	201,127	270,000	2,222	-	579,829
2013-14 Proposed	108,653	185,343	20,000	17,833	-	331,829

Table 2



FY 2013-2014 ELECTRIC FUND ANALYSIS

The City of Franklin purchases wholesale electric power from the Virginia Municipal Electric Association (VMEA), who in turn, purchases power from Dominion Resources. Below is a history of various circumstances impacting the budget and cash balances in the Fund since FY 2010-2011 followed by the recommendation for FY 2013-2014:

- ❖ In January of 2011 (FY2011), a new contract between the VMEA and Dominion resulted in an increased cost of wholesale energy by **14%** effective January 1, 2011 (FY2010-2011) and an increase in the cost of power by **3.5%** effective July 1, 2011 (FY2011-2012).
- ❖ The combined rate increase of **17.5%** was absorbed by the City. In other words, a corresponding rate increase was not passed onto Franklin Power & Light customers.
- ❖ To accommodate the increased cost, absent of new revenues generated by a rate increase, the Electric Fund's cash reserve was utilized.
- ❖ City Council ultimately approved a **7.0%** rate increase effective September 1, 2011.
- ❖ Effective July 1, 2012, the cost of wholesale power increased by **5.0%** (*cumulative increase in the Dominion rate since January 2011 is 22.5%*).
- ❖ Cash reserves were significantly depleted as a result of the rate increases by Dominion, which were absorbed by the City, and due to the under budgeting of expenditures in FY 2011-2012. The cumulative reduction in cash was \$955,000 during FY 2011-2012 alone. From January of 2011 until June 30, 2012, the City's reduction in cash was \$1.3 million.
- ❖ To cover the cost of energy and operations at a rate sufficient to produce adequate revenues from service charges, the FY2012-2013 Adopted Budget included a recommended **10%** increase to the basic charge, (the Kilowatt hour charge for energy and the Kilowatt demand for each customer rate class) effective July 1, 2012 (*cumulative increase in the City rate since January 2011 is 17.0%*). The average increase to a residential customer based on 1,000 kilowatt hours was \$1.17 (a minimal increase as a result of an offsetting 45.96% reduction in the fuel adjustment factor which is a direct pass-thru from the City to the customer).
- ❖ Effective April 1, 2013, the fuel adjustment factor increased.
- ❖ Virginia Dominion is projected to increase wholesale power rates an additional **3.6%** for the City effective July 1, 2013. (*the cumulative increase in the Dominion rate since January 2011 will be 26.1% on July 1, 2013*). As a result of the wholesale power increase and the fuel adjustment charge, customers using an average 1,000 kilowatt hours will see an increase of \$5.78 per month if the City

passes the **3.6%** increase onto customers as recommended. *(cumulative increase in the City rate since January 2011 will be 20.6% on July 1, 2013.)*

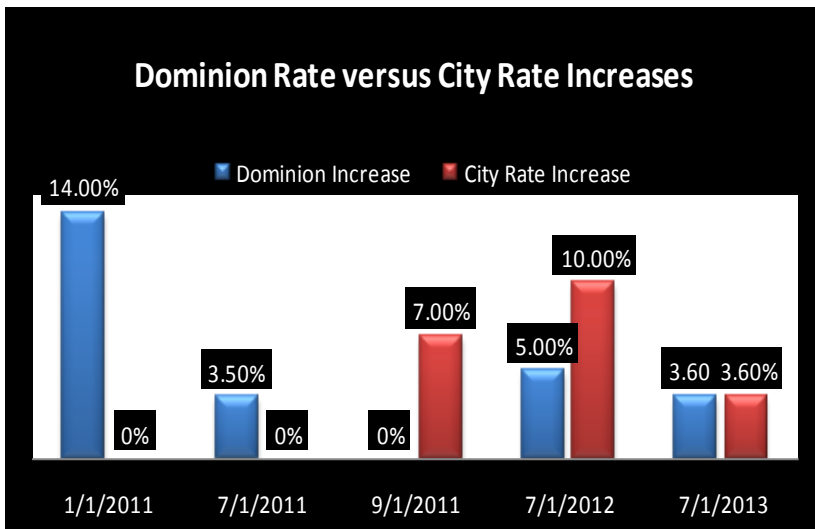
FY 2013-2014 BUDGET RECOMMENDATION

FY2013-2014 Proposed Budget is based on no increase in the basic charges for electric service. The proposed budget includes a 3.6% increase in wholesale power cost from Dominion Power which is based on kilowatt hours used.

The following table (table 1) provides a history of the wholesale power cost increases experienced by the City from Dominion during a 36-month period from January 2011 to July 2013 compared to the change in the rates passed by the City and the average dollar impact to a residential customer. While Dominion’s rate increases will have totaled **26.1%** during this period, the City’s cumulative rate increase will be only **20.6%** during the period.

Date	Dominion Rate Increase	City Rate Change	Residential Customer Increase*	Notes
1/1/11	14.0%	No Change	None	Beginning of New Wholesale Power Contract
7/1/11	3.5%	No Change	None	Annual Price Adjustment from Dominion
9/1/11	None	7.0%	\$5.21	City rate increase applied to usage
7/1/12	5.0%	10%	\$9.09	Annual Price Adjustment from Dominion and City approved a rate increase
7/1/13	3.6%	3.6%	\$3.32	Projected annual price adjustment from Dominion and proposed City rate adjustment to apply to usage
TOTAL	26.1%	20.6%	\$17.62	*based on 1,000 kWh usage

Table 1.



Reflects no increase in City rates from January 1, 2011 through September 1, 2011.



**FY 2013-2014
ELECTRIC FUND ANALYSIS**

An analysis of the charges for residential service and the monthly average usage is shown below based on the existing rates, the fuel charge increase effective April 2013 and the charges for services based on the recommended 3.6% rate increase effective July 1, 2013.

		Average	Average	1-Jul-13	Change	
		Usage	Existing Rate Jul-12	New Fuel Charge 1-Apr	Increase 3.6%	
Rate Class						
RS	Residential Service	1000	\$109.37	\$111.83	\$115.15	\$5.78
	REVENUE		\$8,053,780	\$8,234,929	\$8,479,407	
				\$181,149	\$425,627	

Table 2.

In the preceding table, residential customers using 1,000 kilowatt hours per month will see a cumulative rate increase from **\$109.37** in July 2012 to **\$111.83** in April 2013 (fuel factor change) to **\$115.15** effective July 2013. Because the fuel charge is a pass-thru cost directly from the City to the customer, utility cost for electrical services increased effective with the April 2013 utility billing. In other words, an increase or a decrease in the fuel rate charge by Dominion results in Franklin Power & Light customers simultaneously effects a corresponding increase or decrease in fuel rate charges on their utility bills. The average monthly increase for a 1,000 kilowatt hour residential customer will be \$2.46 for the fuel factor increase and \$3.32 for the increase in wholesale power costs per month for the combined increase of \$5.78.

Table 3 shows the change of all other rate classes based on the fuel adjustment charge and the 3.6% increase in power cost.

		Average	Current	1-Jul-13	Change
		Usage	Rate 4-1-13 Fuel Adjustment	Increase 3.6%	
Rate Class	Description				
SGS - single	Small General Svc - single phase	1080	\$104.64	\$110.24	\$5.60
SGS - three	Small General Svc - three phase	2397	\$226.67	\$239.11	\$12.44
MGS-I - single	Medium General Svc - single phase	4231	\$531.03	\$557.35	\$26.32
MGS-I - three	Medium General Svc - three phase	8138	\$888.62	\$934.34	\$45.72
MGS-D - single	Medium General Svc - single phase	15761	\$1,450.22	\$1,534.30	\$84.08
MGS-D - three	Medium General Svc - three phase	31377	\$2,740.61	\$2,902.70	\$162.09
LGS	Large General Svc	244624	\$18,834.32	\$20,025.89	\$1,191.57
MS -single	Municipal Svc - single phase	1766	\$180.38	\$190.04	\$9.66
MS-three	Municipal Svc - three phase	18594	\$1,751.65	\$1,853.28	\$101.63
CS - single	Church Svc - single phase	1881	\$195.48	\$206.06	\$10.58
CS - three	Church Svc - three phase	3000	\$826.26	\$869.38	\$43.12
	Total Revenue - All Classes		\$14,223,374	\$15,009,792	\$786,417.85

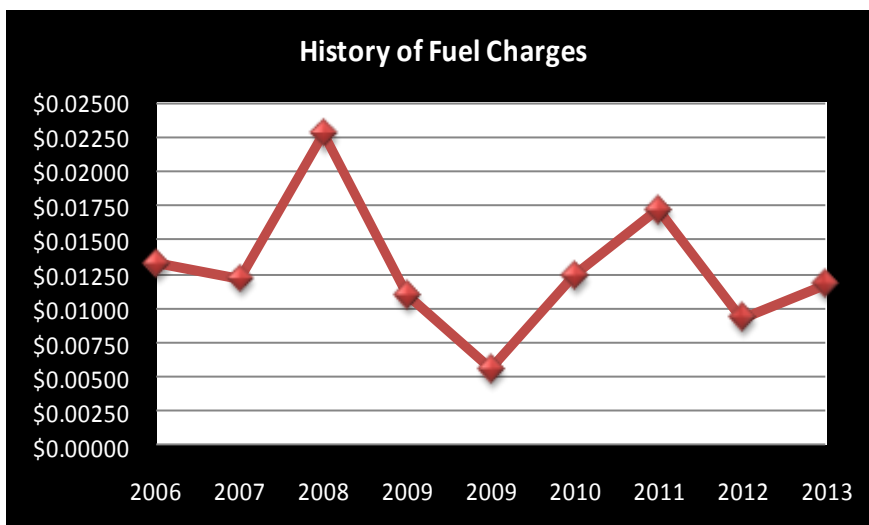
Table 3

**FY 2013-2014
ELECTRIC FUND ANALYSIS**

Table 4 below is a history of the fuel charges that are a direct pass through from Dominion to Franklin Power & Light customers. 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 %
2006	\$0.01330	
2007	\$0.01216	-9.0%
2008	\$0.02279	87%
2009 Apr.	\$0.01096	-52%
2009 Nov.	\$0.00556	-49%
2010	\$0.01241	123%
2011	\$0.01723	39%
2012	\$0.00931	-46%
2013	\$0.01177	26%

Table 4.



Fuel rate charges have varied dramatically since 2006, increasing as high as 123% in 2010 from 2009 and decreasing as low as 52% from 2010 to 2009.

Graph 1

ELECTRIC FUND CASH BALANCE REQUIREMENTS

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 fuel adjustment at the end of each quarter. (For the purpose of policy evaluation in the budget, cash balance at June 30th is reflected).

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 2% of the upcoming projected budget revenues until the targeted levels are met. The recommendation for FY2012-2013 meets this requirement as further detailed in this budget proposal.

FY 2011-12 Cash Balance as a Percentage of Annual Revenues (excluding fuel adjustment) at 6/30/12 = \$365,374 or 3.3%. (See graph 2)

FY 2012-13 Projected Cash Balance as a Percentage of Annual Revenues (excluding fuel adjustment) at 6/30/13 is \$431,000 or 3.2%.

FUND - ELECTRIC	BUDGET FY 12-13
ELECTRIC FUND REVENUE	
Sale of Energy Fuel Adjustment	1,346,515
Sale of Electric Energy	13,200,084
Cycle & Save	(120,000)
Meter Connection Fee	25,000
Pole Attachment Fees	30,000
Cut-On Fees and Penalties	146,000
Sale Of Electric Supplies	10,000
Miscellaneous Revenue	20,000
Sale of Surge Protectors	5,000
Transfer of Unappropriated Surplus	-
TOTAL REVENUE	14,662,599
Less Fuel Adjustment	(1,346,515)
Budget Basis for Policy	13,316,084
10% of Annual Revenue	\$ 1,331,608

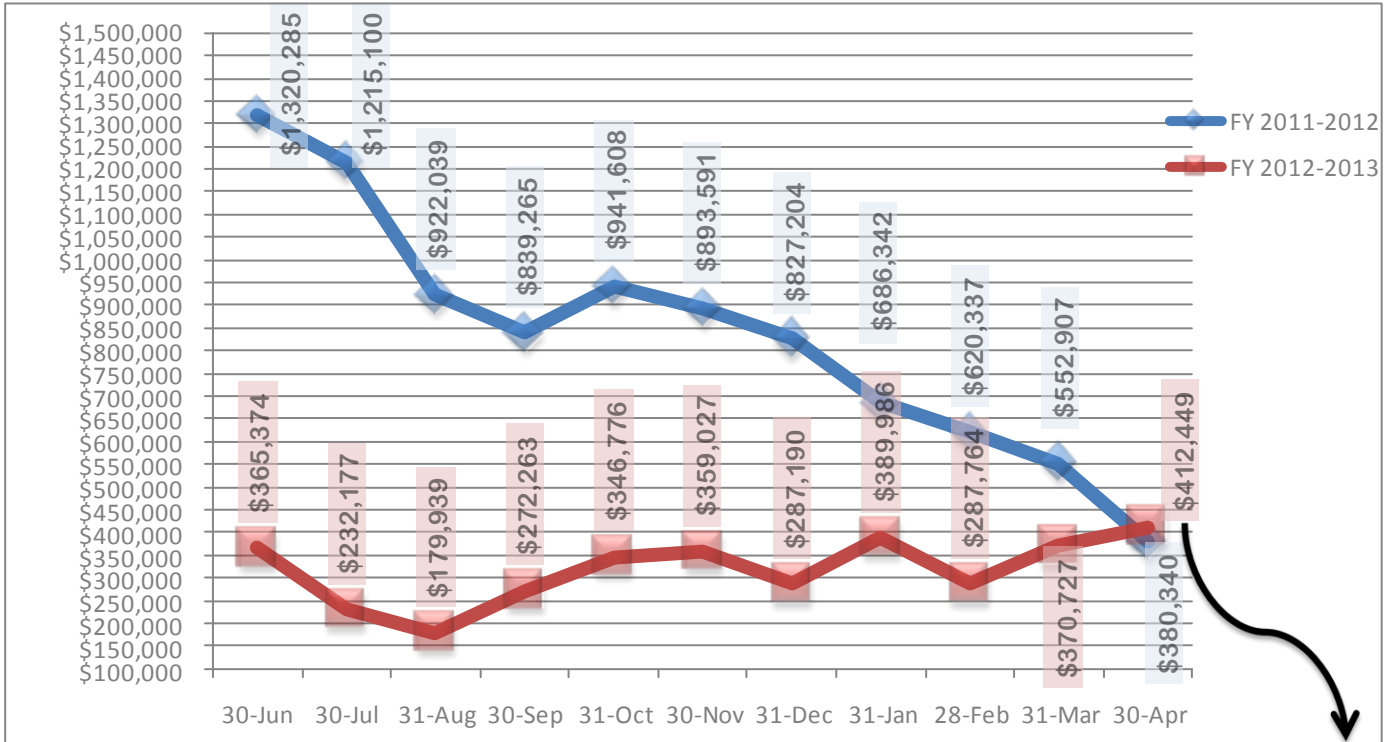
Table 5

Policy Evaluation: Below policy guidelines

The FY 2012-2013 budget included \$266,000 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 also budgeted for FY 2013-2014.

ELECTRIC FUND CASH BALANCE REQUIREMENTS

ELECTRIC FUND CASH TREND ANALYSIS COMPARES FY 2011-2012 TO FY 2012-2013



Graph 2.

FY 12-13 trend line reflects reversion of prior year trend

Future Planning

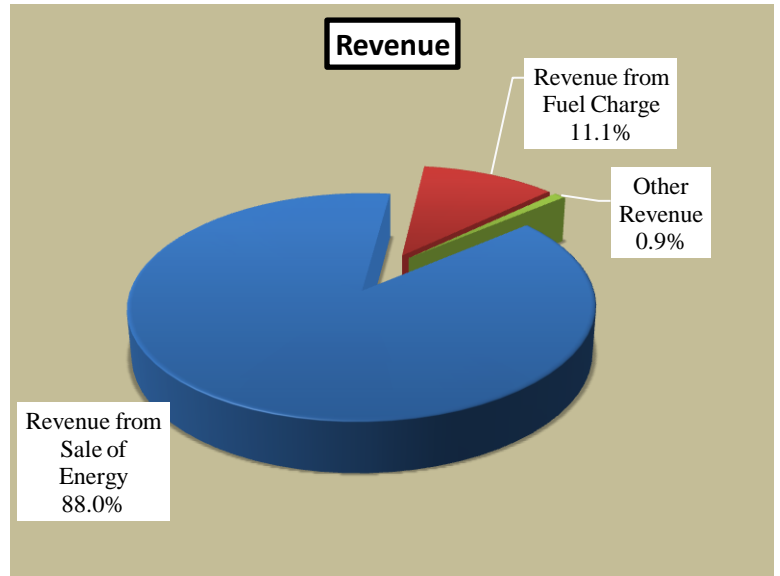
Based on projected annual revenues (net of fuel adjustment) of \$13,420,300, the minimum cash balance in accordance to the established policy guidelines for FY 2013-2014 would be \$1,342,000. Based on the assumption of the relationship between revenue and operating costs remaining relatively constant, 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.



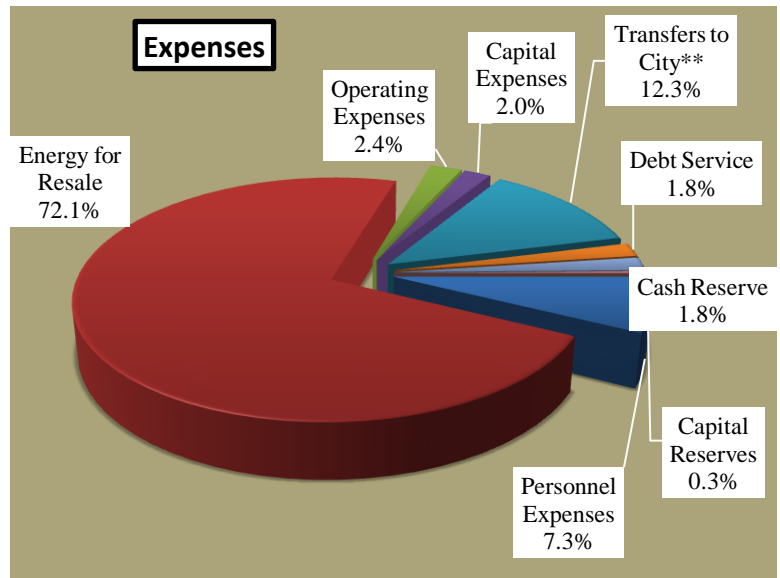
FY 2013-2014 ELECTRIC FUND PROPOSED BUDGET

The recommended FY2013-2014 budget for the Electric Fund is \$15,088,015 comprised of the following revenue sources and expenditures:

	FY 13-14 Proposed Budget
Revenue from Sale of Energy	13,281,003
Revenue from Fuel Charges	1,667,715
Other Revenue*	<u>139,217</u>
Total Revenue	15,088,015
Personnel Expenses	1,112,774
Energy for Resale	10,863,622
Operating Expenses	351,755
Capital Expenses	296,000
Transfers to City**	1,858,133
Debt Service	277,018
Cash Reserve	<u>268,406</u>
Capital Reserves	<u>60,307</u>
Total Expenses	15,088,015
**Transfers to the City include General Operating transfer (\$1.409 mil), payment in lieu of taxes (\$59,282), and charges for general fund services (\$388,960).	
Revenue Less Fuel Adjustment	\$13,420,300
Cash Balance Minimum Policy Level (10%)	\$1,342,000



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





OTHER CITY FUNDS

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FY 2013-2014
DEBT SERVICE FUND ANALYSIS

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 related activity and school projects. Business activity related debt stems from Water & Sewer and Electric Fund related activity.

Debt Administration. The City’s total outstanding general obligation debt at June 30, 2012 was \$16,743,757. This includes \$6,147,972 in School related debt and \$6,712,266 of general government debt. Of this total, \$12,860,239 is considered to be tax supported debt. Of this amount, \$3,883,518 is related to Enterprise Fund (water & sewer, electric and airport) debt, which is directly supported by revenues generated from enterprise operations and not supported by taxes.

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 2.09%.

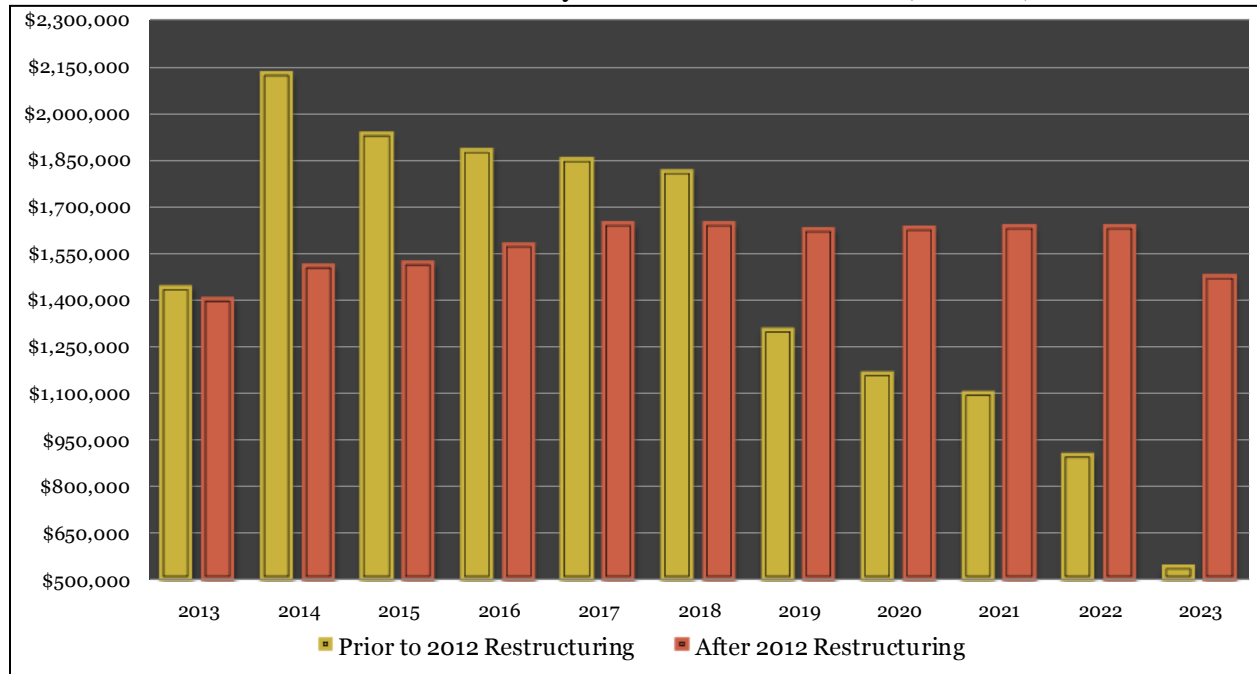
	<u>FY 2012</u>	<u>FY 2011</u>
General Government Activities:		
Bonds Payable - General	\$ 6,712,266	\$ 6,893,984
School Related Bonds & Notes	<u>6,147,972</u>	<u>6,276,286</u>
Total Tax Supported Debt	\$ <u>12,860,239</u>	\$ <u>13,170,270</u>
Business-type Activities:	\$ <u>3,883,518</u>	\$ <u>3,940,296</u>
Total Long -Term Debt	\$ <u>16,743,757</u>	\$ <u>17,110,566</u>
Per Capita Tax Supported	\$ <u>1,499</u>	\$ <u>1,535</u>
Total Per Capita Debt	\$ <u><u>1,951</u></u>	\$ <u><u>1,994</u></u>

FY 12-13 Activity Impacting the FY 13-14 Debt Service Fund

- ❖ The FY 2012-2013 debt service requirement increased by \$378,235 from \$1,068,205 in FY11-12 (principal payment of \$310,000 became due on School debt) to \$1,446,440.
- ❖ In FY2012-2013 (December 2012), the City with assistance from its Financial Advisors, took advantage of favorable low market interest rates and restructured/refinanced existing debt and layered in new money for capital projects for the General Fund, Water & Sewer and Electric Fund. After the 2012 Debt Restructuring/Refinancing, the FY 12-13 debt service requirement remained relatively the same, decreasing debt requirements overall by \$39,995.
- ❖ In FY 2013-14, the City’s debt obligations would have increased by \$682,814 from \$1.446 mil in FY 12-13 to FY \$2.129 mil in FY 13-14. The December 2012 Restructuring and New Money Financing lessened the impact on the FY 13-14 budget. Instead, the FY 13-14 debt service budget for all funds is \$1.555 million, or \$564,000 less than the debt service requirements prior to the 2012 restructuring despite the increase associated with the new money.

The table below reflects the positive impact of the December 2012 restructuring/refinancing by comparing debt requirements for 2013 and beyond (10 years) before and after the restructuring.

Table 1. Debt Service Payments – 10 Year Review (All Debt)



- ❖ To acquire funding for capital projects for Franklin City Schools, the City issued general obligation debt with the Virginia Public School Authority in the amount of \$2,020,000. The debt service requirement in FY 2013-2014 is a interest only payment in the amount of \$48,836.
- ❖ To further take advantage of a favorable interest rate market, the City refinanced its Rural Development Loan, issued in 2002 to assist with financing construction of City Hall, in the amount of \$2.5 million. By refinancing, the City lowered the interest rate on the loan and will ultimately benefit from a present value savings of \$256,033 during the life of the loan while simultaneously, shortening the final maturity by four years.

Tax Supported Debt (General Fund & School Debt) at June 30, 2013 is \$11,710,715 (principal) of which \$3,888,474 is the School Debt portion. Enterprise Fund debt principal totals \$5,326,000 of which \$3,317,000 is the Water & Sewer Fund debt and \$2,009,000 is the Electric Fund debt. The following pages show the debt service schedules for all funds.



**FY 2013-2014
DEBT SERVICE FUND ANALYSIS**

DEBT SCHEDULE AFTER 2012 DEBT RESTRUCTURING

**General Fund Totals
Excludes June 2013 Rural Development Loan Revised Debt**

FY	Principal	Interest	Total	Outstanding
	\$8,115,794	\$3,831,878	\$11,947,672	
2013	293,554	238,928	532,481	7,822,241
2014	216,658	289,000	505,658	7,605,583
2015	137,128	280,233	417,362	7,468,454
2016	204,213	275,753	479,966	7,264,241
2017	311,113	268,687	579,800	6,953,128
2018	322,102	258,934	581,036	6,631,026
2019	270,186	248,622	518,808	6,360,840
2020	390,368	239,757	630,125	5,970,472
2021	435,653	223,861	659,514	5,534,819
2022	629,046	206,684	835,730	4,905,773
2023	626,552	182,876	809,428	4,279,221
2024	652,176	161,636	813,813	3,627,045
2025	620,925	139,509	760,434	3,006,120
2026	639,803	118,335	758,138	2,366,317
2027	747,817	96,492	844,310	1,618,500
2028	172,974	70,882	243,856	1,445,525
2029	73,280	65,320	138,600	1,372,246
2030	76,742	61,858	138,600	1,295,504
2031	80,367	58,233	138,600	1,215,136
2032	84,164	54,436	138,600	1,130,972
2033	88,140	50,460	138,600	1,042,832
2034	92,304	46,296	138,600	950,528
2035	96,665	41,935	138,600	853,863
2036	101,232	37,368	138,600	752,631
2037	106,014	32,586	138,600	646,617
2038	111,023	27,577	138,600	535,594
2039	116,268	22,332	138,600	419,326
2040	121,761	16,839	138,600	297,565
2041	127,513	11,087	138,600	170,053
2042	133,537	5,063	138,600	36,515
2043	36,515	299	36,815	0



**FY 2013-2014
DEBT SERVICE FUND ANALYSIS**

DEBT SCHEDULE AFTER 2012 DEBT RESTRUCTURING

School Fund Totals

FY	Principal	Interest	Total	Outstanding
	\$4,507,876	\$840,312	\$5,348,188	
2013	619,402	114,550	733,952	3,888,474
2014	288,626	105,321	393,947	3,599,848
2015	390,560	98,471	489,031	3,209,288
2016	394,785	89,151	483,936	2,814,503
2017	366,678	79,731	446,409	2,447,825
2018	375,275	70,880	446,155	2,072,550
2019	429,007	61,514	490,521	1,643,543
2020	337,965	51,633	389,598	1,305,578
2021	317,578	43,312	360,890	988,000
2022	147,000	37,912	184,912	841,000
2023	179,000	31,519	210,519	662,000
2024	186,000	24,934	210,934	476,000
2025	194,000	18,091	212,091	282,000
2026	205,000	10,607	215,607	77,000
2027	77,000	2,687	79,687	0

**Excludes the Spring 2013 VPSA Bond*



**FY 2013-2014
DEBT SERVICE FUND ANALYSIS**

DEBT SCHEDULE EFFECTIVE FEBRUARY 2014

BUSINESS ACTIVITIES – ENTERPRISE FUNDS

Electric Fund

FY	Principal	Interest	Total	Outstanding
	\$2,009,000	\$382,788	\$2,391,788	
2013	0	40,106	40,106	2,009,000
2014	185,000	59,873	244,873	1,824,000
2015	193,000	54,747	247,747	1,631,000
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	0

Water & Sewer Fund Totals

FY	Principal	Interest	Total	Outstanding
	\$3,358,030	\$724,992	\$4,083,022	
2013	41,030	58,877	99,906	3,317,000
2014	265,000	101,124	366,124	3,052,000
2015	273,000	93,934	366,934	2,779,000
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	0

FY 2013-2014
DEBT SERVICE FUND SCHEDULE – FY 2013-2014 PAYMENTS

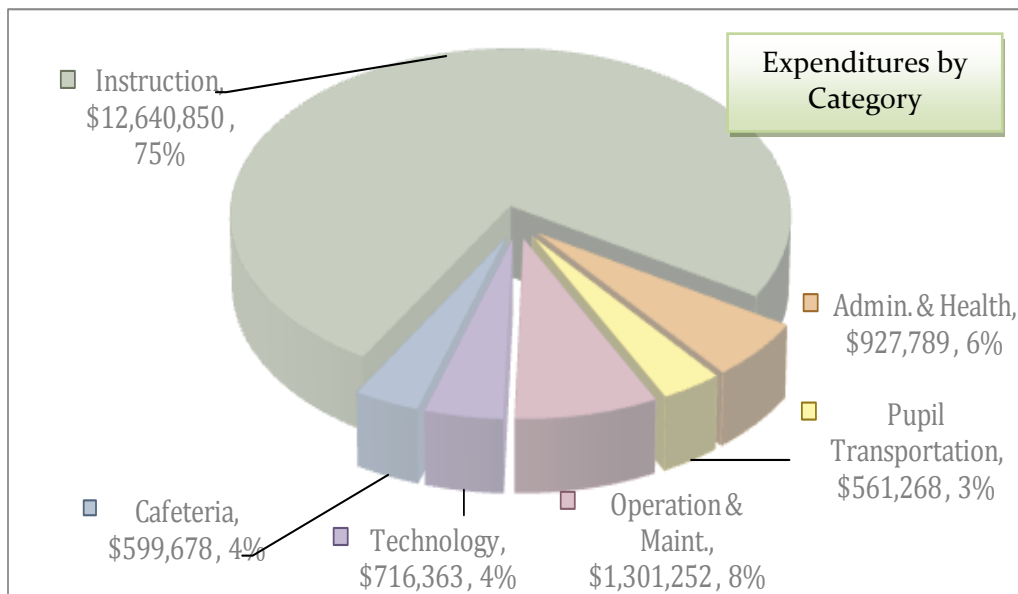
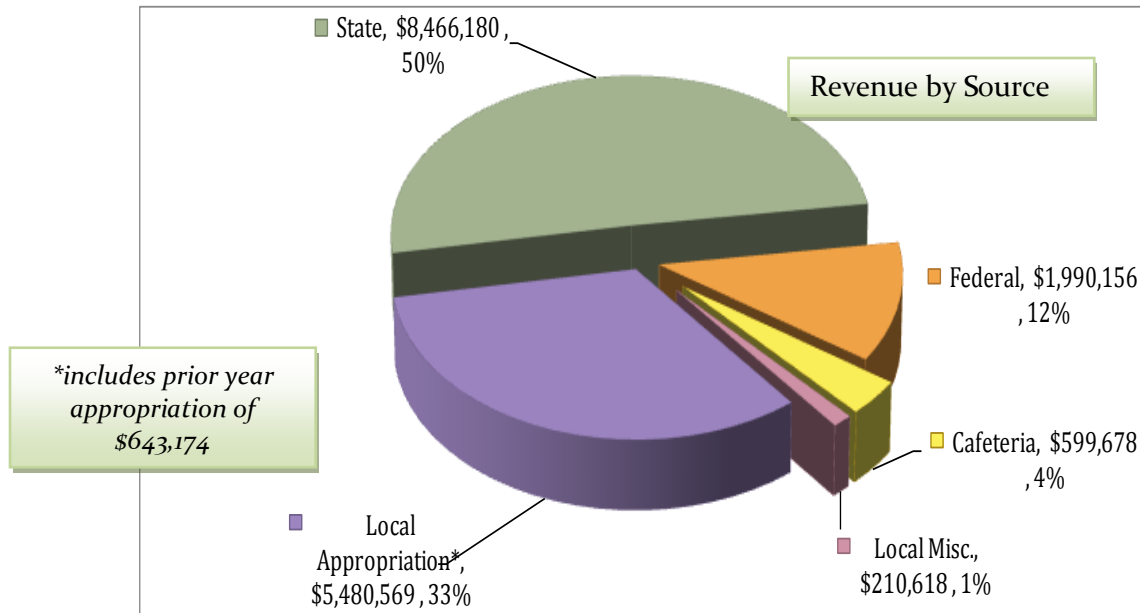
	Original Debt	Outstanding 6/30/2013	PAYMENTS 2013-14		Outstanding 6/30/2014
			Principal	Interest	
Refunding 1998A- General Fund	\$ 460,000	310,000	10,000	9,169	300,000
Refunding 1998A- Water & Sewer	535,000	535,000	100,000	14,406	435,000
Refunding 1998B- Water & Sewer	1,235,000	-	-	-	-
Refunding 2001B- GF City Buildings	1,640,000	875,000	-	36,244	875,000
Refunding 2001B- GF Social Services	945,000	610,000	-	24,025	610,000
Refunding 2001B- Electric	1,165,000	1,165,000	110,000	40,106	1,055,000
Refunding 2003B- GF- King Center	140,000	70,000	70,000	1,400	-
Refunding 2003B- Water & Sewer	500,000	500,000	40,000	17,488	460,000
Refunding of 2010-GF	1,395,000	1,364,000	8,000	47,604	1,356,000
Refunding of 2003C - GF	467,000	434,000	14,000	15,147	420,000
Refunding of 2001C-Incubator- GF	485,000	439,000	-	15,321	439,000
Refunding of 2010-W & S	1,387,000	1,375,000	21,000	47,988	1,354,000
General Fund New Money	1,207,000	1,207,000	-	28,269	1,207,000
Water & Sewer Fund New Money	484,000	484,000	43,000	11,336	441,000
Electric Fund New Money	844,000	844,000	75,000	19,767	769,000
TOTAL 2012 REFUNDING SERIES & NEW MONEY		6,147,000	161,000	185,431	5,986,000
Incubator - City Bldgs		-	-	-	-
Water & Sewer - Improvements to collection and treatment facility systems	1,050,000	423,000	61,000	9,907	362,000
General Fund		2,754	2,142	144	612
General Fund - City Hall	2,500,000	2,220,520	55,000	79,700	2,165,520
General Fund - Incubator -City Buildings	565,000	-	-	-	-
General Fund- School Bleachers	310,000	70,966	34,849	1,949	36,117
General Fund- Popular Springs Cemetary	400,000	219,000	41,000	7,796	178,000
VPSA lit loan 1995A - FHS		106,248	34,360	4,542	71,888
VPSA lit loan 1999A - (roof repairs)		644,898	82,261	36,672	562,637
2010 Refunding of 2003B- Schools Realign.	610,000	-	-	-	-
Refunding of 2010	317,000	310,000	2,000	10,819	308,000
VPSA - \$1.89 mil -various school projects				48,840	-
2010 Refunding of 2006- Schools	1,440,000	1,440,000		53,288	1,440,000
2003 QZAB Repair Bond		351,080	50,195	-	300,885
2005 QZAB Repair Bond		1,036,248	119,810	-	916,438
TOTAL SCHOOL DEBT		3,888,474	288,626	154,161	3,599,848
School Debt totals		\$ 3,888,474	\$ 288,626	\$ 154,161	\$ 3,599,848
General Debt totals		7,822,240	234,991	261,113	7,587,249
Water & Sewer totals		3,317,000	265,000	101,124	3,052,000
Electric totals		2,009,000	185,000	59,873	1,824,000
Solid Waste Fund (Portion of New Money Debt)		-	-	5,654	
		\$ 17,036,714	973,617	581,925	\$ 16,063,097



SCHOOL OPERATING FUND

DESCRIPTION

The Franklin City Council appropriates funds for the operation of the School System. It is the responsibility of the Superintendent and the School Board to develop an annual budget 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 2013-2014 School System Budget are available in a separate document maintained by the School Board. The proposed allocation to the School System for FY 2013-2014 is \$16,747,201. The graphs below depict the revenue by source and the expenditure plan by category. The State funds 50% of the school aid while the City funds 33%.



SCHOOL OPERATING FUND

Revenue for the School Fund is divided into four categories: 1) State Aid from the Commonwealth, 2) Federal Aid from the federal government, 3) Local Cafeteria sales & miscellaneous receipts and 4) the local appropriation from the City including any prior year approved carryover. Local funding of the School System budget is determined by the availability of general fund resources. These funds aid in the regular operation of schools including the local share of the Standards of Quality (SOQ). Franklin City, like many school divisions, receives funding in excess of the required state match for SOQ funding. Additional local funds are appropriated for debt service. The City also contributes funding through cost allocation in the amount of \$86,000 for services such as use of City Hall, grounds maintenance, utility services, and use of City garage labor which services school vehicles.

The FY 2013-2014 local share represents an increase of \$500,146 (10.0%) over the FY12-13 adopted appropriation. This amount represents carryover not utilized in FY 2011-2012. The recommended local appropriation is derived from the base FY 2012-2013 appropriation of \$4,837,395 plus the FY 11-12 carryover of \$643,194 for a total of \$5,480,569. 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. State funding increased by \$243,619, nearly 3.0% over the FY 2012-2013 budget largely due to its share to fund a 2.0% salary increase for teachers effective August 1, 2013.

Revenue by Source	FY 2012-2013 Adopted	FY 2013-2014 Proposed	Variance	Percent Change
State	\$8,222,561	\$ 8,466,180	\$243,619	2.96%
Federal	1,892,246	\$ 1,990,156	\$97,910	4.02%
Cafeteria	599,678	\$ 599,678	\$-0-	0%
Local Misc.	210,618	\$ 210,618	\$-0-	0%
Local Appropriation	4,837,395	\$4,837,395	\$-0-	0%
Local Re-Appropriation- Carryover	142,758	643,174	500,416	350%
Total School & Cafeteria	\$15,905,256	\$16,747,201	\$841,945	5.3%

Category	FY 2012-2013 Adopted	FY 2013-2014 Proposed	Variance	Percent Change
Instruction	\$10,029,604	10,705,839	676,235	6.7%
Federal Programs	1,837,102	1,935,012	97,910	4.02%
Admin. & Health	903,745	927,789	24,044	2.66%
Pupil Transportation	548,676	561,268	12,592	2.29%
Operation & Maintenance	1,277,111	1,297,913	20,802	1.63%
Technology	706,110	716,363	10,253	1.45%
Enterprise Operation	3,230	3,339	109	3.37%
Cafeteria	599,678	599,678	0	0%
Total School & Cafeteria	15,905,256	16,747,201	841,945	5.3%

SCHOOL OPERATING FUND

State Aid

State Aid (Table 1) includes these primary categories: (1) sales tax distribution - 1% of all sales tax is returned to localities for education based on the locality's school age population; (2) Standards of Quality – funds are distributed to a locality based on the locality's ability to pay (composite index). This index is applied to various revenue accounts to insure an equitable distribution of state funds to all school districts and (3) State Categorical Funds – these funds offset specific services provided by the locality. The primary sources in addition to the share of the state sales tax include basic school aid, fringe benefit reimbursement, funding for special education, primary class size, and remedial education and at risk programs.

Table 1.

FY 2013-14 PROJECTED STATE REVENUE	
Basic School aid	3,127,518
Share of State sales tax	1,347,125
Fringe benefits	664,231
Special Ed, SOQ	610,875
Regional Programs-Special Ed	476,790
Primary Class Size (Reduced K-3)	464,842
At Risk SOQ Payments	334,804
Remedial education	260,589
At Risk 4 Yr. Old	238,030
Technology	206,000
Vocational Ed - SOQ	167,024
Remedial Summer School	121,493
Additional Assistance	92,009
Salary Supplement	89,103
Textbook payments	51,677
Early Reading Specialist	39,889
Regular Foster Care	37,077
Gifted & talented	35,570
SOL Algebra Readiness	23,592
Reading intervention and assistance	23,092
Career & Technical Ed	20,710
Additional Support/Textbooks	17,708
GED Funding (ISAEP)	7,859
Mentor Teacher	2,698
Homebound	2,628
Adult Literacy	2,044
English as a Second Language	1,203
Total	8,466,180

Table 2.

FY 2013-14 PROJECTION FROM FEDERAL SOURCES	
School Food Programs	599,678
Title I, Part A	559,250
21st Century Grant	350,000
Title VIB-IDEA	312,600
Contingency Grant	250,000
Title I (1003A)	211,550
Title II - Part A	89,780
Medicaid	75,000
JROTC	55,144
Vocational Ed- Perkins	33,150
Title VIB-Rural Ed	21,100
Adult Basic Ed	18,932
Pre School Mini Grant	13,650
Total	2,589,834

Revenue from federal sources (table 2) is primarily distributed for school food services, title programs and for other special programs.

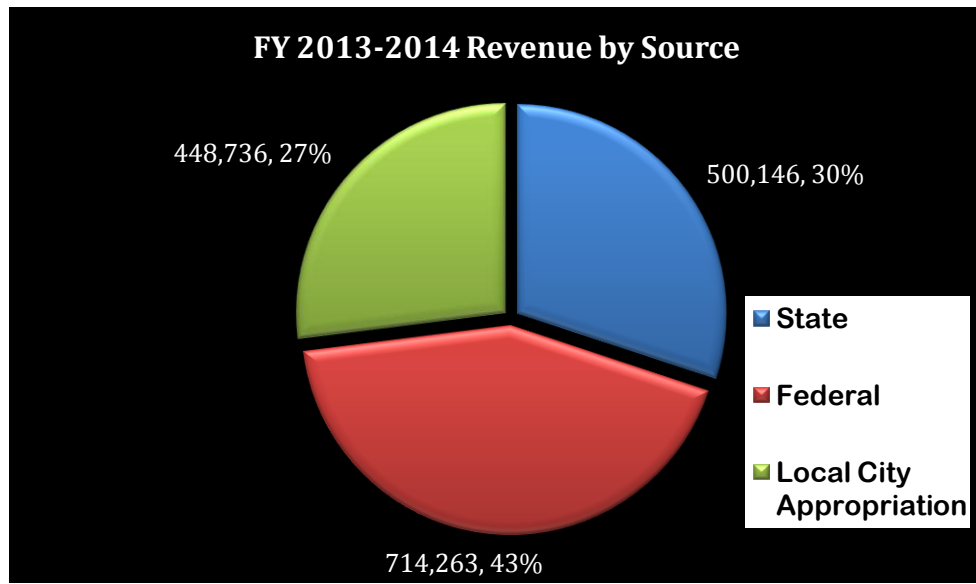


SOCIAL SERVICES FUND

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. The proposed City appropriation for FY 2013-2014 is \$448,736, slightly less than the FY 2012-2013 budgeted appropriation. This represents 27% of the total funding sources for the department.

Table1. Revenue by Source

Revenue by Source	FY 2012-2013 Adopted	FY 2013-2014 Proposed	Variance	Percent Change
State	\$435,673	500,146	64,473	14.8
Federal	704,189	714,263	10,074	1.4%
Local City Appropriation	454,057	448,736	(5,321)	-1.1%
Total	1,593,919	1,663,145	69,226	4.3%



While the proposed budget for the City is \$1.663 million, Franklin City residents are provided benefits from the state and federal government in excess of nearly \$23.0 million via pass through funding from Medicaid, Family Access to Medical Insurance Security (FAMIS), SNAP, Energy Assistance, Foster Care & Adoption and TANF. In FY 2012, actual benefits distributed to Franklin citizens were \$23,315,541 (see table 2).

SOCIAL SERVICES FUND

Table2. Local Department of Social Services Profile Report, SFY 2012

Total Social Services Spending	Federal	State	Local*	Total
Administrative Costs				
Eligibility staff & operations	\$364,752	\$176,724	\$192,847	\$734,323
Services staff & operations	\$245,912	\$94,649	\$163,237	\$503,798
Other expenses	\$34,910	\$0	\$34,910	\$69,820
Total Administrative Costs	\$645,574	\$271,373	\$390,994	\$1,307,941
Admin. Costs as Percent of Total	4%	3%	82%	5%
Services purchased for clients	\$116,877	\$18,365	\$12,738	\$147,980
Services as a Percent of Total	0.8%	0.2%	2.7%	0.6%
Clients Benefits Spending				
Medicaid & FAMIS	\$9,110,743	\$8,969,251	\$0	\$18,079,994
SNAP	\$4,244,312	\$0	\$0	\$4,244,312
Energy Assistance	\$369,559	\$0	\$0	\$369,559
Foster Care & Adoption	\$19,007	\$136,050	\$65,119	\$220,176
TANF	\$176,491	\$177,131	\$0	\$353,622
Other Benefits	\$0	\$38,302	\$9,576	\$47,878
Total Client Benefit Spending	\$13,920,112	\$9,320,734	\$74,695	\$23,315,541
Benefits as a Percent of Total	95%	97%	16%	94%
Total Social Services Spending	\$14,682,563	\$9,610,472	\$478,427	\$24,771,462
Percent by Funding Source	59%	39%	2%	100%

Source: Local Department of Social Services Profile Report, SFY 2012

 *City's Investment

Highlights

- ❖ The FY 2013-2014 budget reflects funding for the 3.0% state funded increase effective August 1, 2013 for state social services employees. This resulted in a minimum impact to the City's local appropriation.
- ❖ The number of positions in the Social Services Fund increased by five from FY 2012-2013 due to the filling of vacancies experienced in the prior year.

COMPREHENSIVE SERVICES ACT FUND

DESCRIPTION

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 2013-2014 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 2013-2014 is \$270,000 of which \$92,780 or 34% is the City's local funding requirement. Overall, this is a \$58,834 reduction from the FY 2012-2013 which is largely based on anticipated community need. While mandated services are expected to decrease, the FY 2013-2014 budget reflects an increase in administrative services due to (1) an increase in the City's percentage of administrative expenses from 18.75% to 25% and (2) increased cost associated with state mandated auditing of local CSA offices. FY 2013-2014 proposed administrative cost, shared by Franklin City, Isle of Wight and Suffolk are 25%, 25% and 50% respectively. (In FY 2012-2013, the distribution was 62.5% for Suffolk and 18.75% for Isle of Wight and Franklin).

FUND - COMPREHENSIVE SERVICES ACT FUND	ACTUAL FY 10-11	ACTUAL FY 11-12	BUDGET FY 12-13	Depart Request FY 2013-14	Requested Increase (Decrease)	City Manager's Recomm.
REVENUE						
State Aid	162,323	121,072	240,310	157,250	(83,060)	157,250
Patient Income	20,443	15,367	-	20,000	20,000	20,000
Transfers from General Fund	352,393	76,725	151,584	92,750	(58,834)	92,750
Total Revenue	535,159	213,164	391,894	270,000	(121,894)	270,000
EXPENDITURES						
Mandated Services	328,976	191,229	369,959	224,633	(145,326)	224,633
Non-Mandated Services	21,935	-	-	-	-	-
Other Purchased Services	-	21,935	-	-	-	-
Administrative Services	-	-	21,935	45,367	23,432	45,367
Office Supplies	-	-	-	-	-	-
Total Expenses	350,911	213,164	391,894	270,000	(121,894)	270,000



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 2013-2014 Budget proposes a city contribution, as a portion of the jointly funded total budget, to support the initiatives of FSEDI in the amount of \$125,000. This is a \$25,000 increase over the City’s contribution in the past three fiscal years. In FY 2009-2010, the

City and Southampton County contribution was \$150,000 each. The County has been requested to match the City proposed increase for FY 2013-2014 for an additional \$25,000.

FSEDI manages, as a service to the City, the rental of spaces in the Franklin Business Incubator 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.) in the amount of \$83,039 based on the proposed budget. A portion of the cost is derived from rental income paid by the business tenants that occupy the facility and other fees. The City received funding from the Economic Development Administration, the Virginia Department of Housing & Community Development and Rural Development for renovation and build out of vacant space for the purpose of a business incubator.

City support is \$208,039 or 67% of the total proposed departmental budget. New for FY 2013-2014 is a proposed \$18,000 payment to Hollingsworth for an annual subscription fee for the company’s efforts to promote and encourage economic development and vitality of the City of Franklin and Southampton County through the recruitment of new industry. Hollingsworth has taken an option on two tracts in Pretlow Industrial Park and is actively marketing the sites to prospective industrial clients. FSEDI paid the annual subscription fee for FY 2012-2013 to Hollingsworth.

REVENUE	
Rental Income	95,000
Misc. Fees	10,000
Transfer from General Fund	83,039
Joint Contribution	<u>125,000</u>
Total Revenue	<u>313,039</u>
EXPENSES	
Personnel	34,389
Utilities	99,900
Contractual Services	33,300
Other Operating Expenses	2,450
Economic Dev. Initiative Support	18,000
Joint Payment	<u>125,000</u>
Total Expenses	<u>313,039</u>



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. The first year of the *Capital Improvement Program (CIP)* represents the City Manager's proposal to the City Council as the Capital Improvement Budget.

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. 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.

What is a CIP?

Each locality establishes its own criteria for capital improvement projects. For the City of Franklin, a capital improvement project has a cost in excess of \$30,000 and a life expectancy of at least five years. Although the CIP is a means of implementing the recommendations of the City's Comprehensive Plan, proposed projects are not limited to those listed in the plan. Projects pertaining to the renovation, maintenance and/or construction of public facilities, equipment purchases and land acquisition for public use are included in the capital improvement program. All projects included in the CIP are classified in seven categories: General Government Administration, Public Works, Public Safety, Street Maintenance, Building Improvements, Parks & Recreation Improvements, Economic Development 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 garners 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. Suggested projects normally come from city departments, administrative staff and City Council. 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

Revenues that the City utilizes typically come from the following sources: proceeds from general obligation bonds, general fund reserves, federal and state government grants and proceeds from short term lease financing agreements.

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 county 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 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 and water & sewer upgrades.

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 to support the Airport Runway Project. It is important to note that funding received from these sources *may* require a local match from the City. State funds support certain highway maintenance and road 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 recent 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).

Capital Budget for Fiscal Year 2013-2014

The first year of the Capital Improvement Program is identified as the Capital Improvement Budget. The projects outlined herein have been programmed for consideration in year 2013-2014. The total amount is \$5,635,375 comprised of capital improvements proposed in the following funds:

FY 13-14 Capital Improvement Budget by Fund		
General	\$ 1,422,850	25%
Water & Sewer	\$ 1,225,791	21%
Electric	\$ 833,000	15%
School	\$ 1,979,874	35%
Solid Waste	\$ 255,000	4%
Total Capital Budget	\$ 5,716,515	100%



CAPITAL IMPROVEMENT BUDGET

PUBLIC WORKS CAPITAL PROJECTS

Project Name	Local General Fund	Local Grants	State/Federal Grant	Financing Short/LT*	Total Funding Sources
STREETS					
Drainage Improvements	120,000				\$120,000
Street Improvements	400,000				400,000
Signal Upgrades	36,000				36,000
Tire Excavator				175,000	175,000
BUILDING IMPROVEMENTS					
Roof Repairs				364,600	364,600
PROJECT TOTAL	556,000			539,600	\$1,095,600

PROJECT DESCRIPTIONS AND JUSTIFICATIONS

❖ **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 we receive 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 the streets.

❖ **INTERSECTION SIGNAL UPGRADES**

Provides for the upgrade of controls and signal head upgrades to 14 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.

❖ **RUBBER TIRE EXCAVATOR**

Replacement of a 14 year old rubber tire excavator, which is used for storm sewer repairs and grading of ditches citywide - The current machine has served its purpose and the cost of repairs and downtime outweighs the annual cost of a new machine. The operation of the equipment is VDOT reimbursable when in use.

❖ **PUBLIC WORKS – SHEETING AND ROOF REPLACEMENT**

Provides for the replacement of the outside sheeting and roof sheeting of the Public Works/Power and Light Building - The Public Works/Power and Light Building is a 33 year old metal butler building. Over the years the side sheeting has rusted and fallen away in some places as much as a foot above the bottom due to sidewalk salt and weather. The roof has rusted and been patched to the point it is almost unsafe to walk on to continue patching leaks. The sheeting has out lived its useful life.

❖ **PUBLIC WORKS – ROOF AND PURLIN REPLACEMENT**

Provides for the replacement of the roof and purlins of the Public Works Storage Shed - The Public Works storage shed building is a 33 year old butler building. Over the years the roof has rusted and leaks to the point the purlins have rusted and are in need of repair. The roof and purlins has rusted and been patched to the point it is almost unsafe to walk on to continue patching leaks. The sheeting has out lived its useful life and the purlins which hold on the roof need replacing before a new roof can be installed.

❖ **EMERGENCY SAFETY BUILDING – ROOF RESURFACING**

Provides for the resurfacing of the roof at the Emergency Services Building - The Emergency Services Building roof is the original roof on the building and is 34 years old. This re-surfacing is only the upper part of the original building. During heavy rains the roof constantly leaks and must be patched. This roof has well out lived its useful life.

❖ **LIBRARY – ROOF REPLACEMENT**

Provides for the replacement of the roof at the Library Building - The Library Building roof is the original roof on the building and is 20 years old. The roof is in bad shape due to the pine trees that surround the library. Leak repairs are constant because the roof has out lived its useful life.

**Project to be financed with loan proceeds acquired from the December 2012 Restructuring/Refinancing & New Money Issuance.*

PUBLIC SAFETY CAPITAL PROJECTS

Project Name	Local General Fund	Local Grants	State/Federal Grant	Financing* Short/LT	Total Funding Sources
Police Vehicles				127,250	127,250

PROJECT DESCRIPTION AND JUSTIFICATION

❖ **VEHICLE REPLACEMENT**

The fleet replacement program is a planning tool to assist the police department in maintaining a fleet of patrol vehicles that are safe for the officers to operate. There is no mandatory age or mileage that vehicles have to be replaced; however these vehicles are emergency response vehicles which necessitate their reliability. The funds set aside in the FY 2013-2014 will allow the department to replace older patrol vehicles, lower maintenance cost, and maintain a consistent schedule for vehicle replacements.

DEPARTMENT: GENERAL GOVERNMENT ADMINISTRATION

Project Name	Local General Fund	Local Grants	State/Federal Grant	Financing* Short/LT	Total Funding Sources
Software Upgrade				\$185,000	\$185,000
AC Unit Replacement				15,000	15,000
TOTAL PROJECTS				\$200,000	\$200,000

PROJECT DESCRIPTIONS AND JUSTIFICATIONS

❖ **FINANCIAL SYSTEM UPGRADE**

Implementation of a new Financial Services Software Package to include Payroll, Accounting/General Ledger, Accounts Payable, Budgeting, Bank Reconciliations, Treasury, Accounts Receivables, Human Resources, and Real Estate. The current system has been in place since 1999. New technologies have emerged within the last 14 years that will greatly improve the accuracy and efficiency of the various functions associated with these modules. The current system operates on old technology, the AS400/green screen platform. Newer systems operate on Microsoft Windows based platforms. In other words, desk top computers serve as the foundation in which the software operations. If the AS400 server goes down, this could cripple City financial operations. During down time, services to customers are impacted and it may take several hours to get the server operational. Further, replacement software for Utility Billing/Customer Service department has been identified as a critical component in the effectiveness and efficiency of the department. There are numerous manual processes that must occur in conjunction with the out-dated automated system, which in turn creates billing issues that must be rectified. Because the billing process is time-sensitive, the manual processes are often prohibitive in the timeliness and accuracy required to generate the data needed for monthly bills to be distributed in a timely fashion. This can adversely impact collections.

❖ **AC UNIT REPLACEMENT**

The HVAC Unit that provides cooling to the IT Server Room in City Hall is in need of replacement. The existing unit ceased to work multiple times causing the room and the equipment to overheat putting the system’s network at risk. The existing unit has operated 24 hours a day since 2003. The life expectancy of this equipment is 7 to 10 years.

FUND: SOLID WASTE FUND

Project Name	Solid Waste Revenue	Local Grants	State/Federal Grant	Financing Short/LT*	Total Funding Sources
Garbage Truck				\$185,000	\$185,000
Landfill Closure	70,000				70,000
TOTAL PROJECTS	70,000			\$185,000	255,000

PROJECT DESCRIPTION AND JUSTIFICATION

❖ **GARBAGE TRUCK**

Funding provides for the replacement of one refuse truck. The City uses a fleet of four trucks to collect waste. Two trucks have been traditionally replaced on five year rotating lease cycles allowing for replacement of each truck every ten years, the life expectancy. The city last leased a truck in 2012 with three lease year payments remaining. The funding amount allows for the purchase of a truck and eliminates a short term lease payment from the Solid Waste operating budget. The goal is to accumulate reserves in future years to have sufficient revenue to acquire replacement equipment on a pay as you go basis.

❖ **LANDFILL CLOSURE**

Provides for costs associated with the closure of the old city landfill located in Isle of Wight County. The City is under a consent order with DEQ to monitor and test for various gases and chemicals at the landfill until closure can be achieved. If closure is not achieved by 2014, additional remediation is likely.

**Project to be financed with loan proceeds acquired from the December 2012 Restructuring/Refinancing & New Money Issuance.*

WATER & SEWER FUND CAPITAL PROJECTS

Project Name	Water/Sewer Revenue	Local Grants	State/Federal Grant	Financing* Short/LT	Total Funding Sources
Dump Truck				75,000	75,000
Water Meters	140,000				140,000
Backhoe				125,000	125,000
Water Main-Hunterdale				280,000	280,000
Sewer System Improvement	272,573				272,573
Water Line Rehab	211,449				211,449
Well/Tank Maintenance Program	121,769				121,769
TOTAL PROJECTS	745,791			\$480,000	1,225,791

PROJECT DESCRIPTIONS AND JUSTIFICATIONS

❖ DUMP TRUCK

The Dump Truck currently operated by the water department is 14 years old. The cost for repairs and down time outweigh the replacement cost. The Dump Truck is used every day for utility repairs and occasionally for snow removal. This equipment has a projected life span of 10 years.

❖ WATER METERS

The Public Works Department has been in the process of upgrading the city water meters to include radio read technology. This project began in 2008 and is expected to be completed in FY 14. This technology allows for less manual reading time, more accurate readings, and provides customers with leak reports for their residence.

❖ BACKHOE

The backhoe currently operated by the water department is 14 years old (FY14). The cost for repairs and down time outweighs the replacement cost on a five year lease purchase. The backhoe is used every day for utility repairs and has a projected life span of 10 years.

❖ HUNTERDALE ROAD WATER

Funding provides for the Hunterdale Road utility line improvements across business Route 58. It includes the extension of the 10" water main from the start of the project (Sta.10+00) to just south of business Route 58 using the open cut technique. These improvements are being made in coordination with a VDOT street improvement project in the same area from the railroad track to Clay Street.

❖ SEWER SYSTEM IMPROVEMENTS

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

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.

❖ **TANK MAINTENANCE**

Funds for tank maintenance will allow for an annual long term maintenance contract for the three elevated water storage tanks. The annual contract will eliminate large expenditures in a single fiscal year when the tanks need rehabilitation work per the Virginia Department of Health recommendations. The service contract will include maintenance of the interior and exterior surfaces, visual engineering inspections, coating, emergency services and necessary repairs. This will have a positive effect on eliminating spikes in the budget and is a widely utilized municipal practice for well/tank maintenance responsibilities.

ELECTRIC FUND CAPITAL PROJECTS

Project Name	Electric Fund Revenue	Local Grants	State/Federal Grant	Financing* Short/LT	Total Funding Sources
Electric Dept. Building Improvement				\$250,000	\$250,000
Bucket Truck				182,000	182,000
Dump Truck				53,000	53,000
Backhoe				115,000	115,000
Trailer				15,000	15,000
Trencher				85,000	85,000
Tractor				60,000	60,000
Automobiles (3)				68,000	68,000
Contingency				5,000	5,000
TOTAL PROJECTS				833,000	833,000

PROJECT DESCRIPTIONS AND JUSTIFICATIONS

❖ **BUILDING**

The Power and Light department utilizes space in the Department of Public Works facility. With Public Works needs increasing and Power & Light's lack of appropriate space, it is time to provide both departments adequate facilities to operate. Investigation pursued to determine if utilizing an existing facility will be sufficient or if the City needed to pursue a new facility near City property located within the Pretlow Park. Inquiry with VDOT revealed that the City could possibly acquire the old VDOT buildings at low or no cost and these funds would be used to refurbish the buildings and make them suitable for Power & Light use. Of course, the City has not formalized any transaction nor completed a necessary in depth assessment of the property for acquisition. If the VDOT building is not feasible, other options will be evaluated and recommendation made to Council.

❖ **BUCKET TRUCK**

The department operates two bucket trucks with a 60' reach. With both units in the 12 year old range, one was replaced last year and it was planned to replace the second in the ensuing fiscal year.

❖ **DUMP TRUCK**

The Department owns a small truck with a dump body that was transferred to the department by Public Works several years ago. The unit is 22 years old and has far exceeded its useful life. This unit needs to be replaced with a suitable dump truck to allow the department to haul dirt and gravel as well as other equipment to job sites.

❖ **BACKHOE & TRAILER**

A backhoe and trailer is needed. Presently the Department must borrow this equipment from Public Works which is becoming more difficult with their increased work load. With the policy of all new electric construction to be located underground it is very difficult to plan work having to wait to borrow the necessary equipment.

❖ **TRENCHER**

The trencher is 14 years old and will need to be replaced.

❖ **TRACTOR**

The Department services approximately 10 miles of right-of-way that must be kept mowed outside the city limits. The current tractor is broken and beyond repair. The department is utilizing an old tractor utilized by the airport until new equipment can be obtained, which requires patching in order to operate. A replacement tractor is needed unless a ROW clearing contractor is hired to perform this work.

❖ **AUTOMOBILES**

The department has two small S-10 meter reading/service pickups and a van with in excess of 100,000 miles each; replacement due to extended use is necessary to avoid costly maintenance.

DEPARTMENT: SCHOOL SYSTEM

Project Name	Local General Fund	Local Grants	State/Federal Grant	Financing* Short/LT	Total Funding Sources
FHS Roof Restoration				\$628,000	\$628,000
JPK Roof Replacement				\$898,565	\$898,565
GYM Roof Repair				\$14,895	\$14,895
Bleacher Replacement				\$43,758	\$43,758
Breezeway Enclosure				\$40,000	\$40,000
Track Resurfacing				\$89,160	\$89,160
Bus Replacement	\$81,140			\$81,140	\$162,280
HVAC Replacement				\$27,500	\$27,500
Cafeteria Ovens				\$75,716	\$75,716
TOTAL SCHOOL PROJECTS	\$81,140			1,898,734	1,898,874

PROJECT DESCRIPTIONS AND JUSTIFICATIONS

- ❖ Restore the roof at Franklin High School. This project includes complete cleaning, repair, upgrade to existing details, and re-coating of existing white roofs with high performance urethane coating system. Also includes new comprehensive Ten Year Labor and Material Warranty which provides for twice per year inspections and preventive maintenance. The roof at Franklin High School had a 20 year life expectancy. To date the roof has far exceeded this timeframe. The warranty for the existing roof will expire next year. At that time any roof repairs will be at the expense of the school division.
- ❖ Replace the roof at JP King Middle School. This project includes complete removal and disposal of existing system, installation of new insulation, roof system, flashing, metal work and accessories. The roof at J. P. King Middle School had a 20 year life expectancy. To date the roof has far exceeded this timeframe. The warranty for the existing roof will expire next year. At that time any roof replacement/repairs will be at the expense of the school division. Additionally, once the warranty expires, the cost of any roof replacement/repairs will more than double in cost according to the contractor. The roof currently has extensive leaks throughout the building in addition to the materials separating at the seams throughout the roof.
- ❖ Repair roof at Charles Street Gym. This project includes repairs and maintenance to get existing roof water-tight. After repairs are complete, any further leaks will be fixed at no charge for a period of one year. The roof at Charles Street Gym had a 20 year life expectancy. To date the roof has far exceeded this timeframe. The roof is not under warranty. All repairs are at the expense of the school division. There are major leaks at the corners of the building; necessitating extensive repairs. Floor, wall and window damage has already occurred in this facility.
- ❖ Remove existing and install new upgraded bleachers at SP Morton Elementary School. The existing wooden bleachers at S. P. Morton Elementary School have been in place for more than 30 years. The wood has begun to split throughout the bleachers therefore causing splinters. Additionally, the enrollment in the building far exceeds the enrollment of 30 years ago; therefore the seating capacity is well below what is needed at the school.
- ❖ Breezeway Enclosure. Construct security walls to enclose breezeway at Franklin High School. For security purposes closing in the second and third hallway/breezeway is critical. With recent tragic incidents in

schools across the country it is imperative that this enclosure is constructed for the safety of all students, faculty and staff. Currently, it is easy for anyone to access the building off the street.

- ❖ Resurface High school track. Install Maxflex BL 3/8inch track surface at Franklin High School. Layout and restripe track according to NFSHSA standards. The track at Franklin High School does not have a rubberized surface. In its current state, the track cannot be used for official sporting events. By resurfacing the track it will meet Virginia High School League regulations, therefore allowing the school division to host official track meets.
- ❖ Bus Replacement. Purchase of two 64 passenger Thomas school buses. The fleet of buses averages nearly 100,000 miles and to meet state guidelines for mileage on buses, updating buses is essential. The oldest bus in the fleet is 18 years old with mileage exceeding 120,000 miles.
- ❖ HVAC Replacement. Remove existing and replace with new HVAC units at JP King Middle School. The current units at J.P. King Middle School are routinely in need of repair. Replacement parts are extremely expensive for these units. There is currently no technical support for the control systems and the units have to be serviced by our maintenance staff. In 2018 the refrigerant for the current units will no longer be available and the units will be of no use.
- ❖ Replace existing ovens with Combination Oven at Franklin High (one oven), JP King Middle (one oven) and SP Morton Elementary (two ovens) schools. The current ovens at all three schools have been in place for more than 30 years and are in dire need of replacement. The routine repairs to the oven are extremely costly to the school division.

**The above projects will be financed with loan proceeds from the 2013 VPSA Bond Sale with the exception of one school bus replacement.*



PROPOSED FIVE YEAR CAPITAL IMPROVEMENT PLAN
Fiscal Years 2014-2018

TOTAL ALL FUNDS - \$57,869,803

General Fund	
Public Works	\$ 42,599,600
Public Safety	\$ 777,250
General Administration	\$ 476,000
Parks & Recreation	\$ 3,002,000
Community Development	\$ 230,000
Total: Project Expenditures	\$ 47,084,850

Water & Sewer Fund	
Water	\$ 1,343,218
Sewer	\$ 1,260,661
Total: Project Expenditures	\$ 2,603,879

Electric Fund	
Building Renovation	\$ 250,000
Equipment	\$ 583,000
New Circuit-Delivery 3	\$ 250,000
Delivery 4	\$ 2,304,000
Reconduct to Delivery 2	\$ 510,000
Total: Project Expenditures	\$ 3,897,000

Solid Waste Fund	
Equipment	\$ 185,000
Landfill Closure	\$ 370,000
Total: Project Expenditures	\$ 555,000

School Fund	
Technology Improvements	\$ 220,000
Transportation	\$ 322,280
Equipment	\$ 164,474
Facility Improvements	\$ 3,023,120
Total: Project Expenditures	\$ 3,729,874

**CITY OF FRANKLIN
CAPITAL IMPROVEMENT PROGRAM
FY 2013-2014 Through FY 2017-2018**

	2013-14	2014-15	2015-16	2016-17	2017-18	TOTAL
PUBLIC WORKS						
Streets						
Drainage System Improvements	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$600,000
Street Improvements	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2,000,000
Equipment Replacement - R/T Excavator	\$175,000					\$175,000
Intersection Signal Upgrades	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$180,000
Transportation Safety / Street Projects						
Intersection Improvements per Comp Plan		\$220,000	\$220,000	\$220,000	\$220,000	\$880,000
North High Street Widening		\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$12,800,000
Hunterdale Road Widening		\$3,600,000	\$3,600,000	\$3,600,000	\$3,600,000	\$14,400,000
Fairview Drive Widening		\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$4,800,000
Bobwhite Lane connector to North High Street		\$1,600,000	\$1,600,000	\$1,600,000	\$1,600,000	\$6,400,000
Building Maintenance						
PW Building - Sheeting and roof replacement	\$192,000					\$192,000
PW Storage Building -Roof and purling replacement	\$42,600					\$42,600
Emergency Service Building Roof Replacement	\$32,000					\$32,000
Social Services Building - Roof Replacement	\$39,000					\$39,000
Health Department - Roof Replacement	\$9,000					\$9,000
Library - Roof Replacement	\$50,000					\$50,000
TOTAL PUBLIC WORKS	\$1,095,600	\$10,376,000	\$10,376,000	\$10,376,000	\$10,376,000	\$42,599,600
GENERAL GOVERNMENT ADMINISTRATION						
Financial Software Upgrade	\$185,000					\$185,000
HVAC Replacement	\$15,000					\$15,000
Technology: GIS, Phone System, Server, Audio/Visual Equip.		\$104,000	\$84,000	\$44,000	\$44,000	\$276,000
TOTAL GENERAL GOVERNMENT ADMIN.	\$200,000	\$104,000	\$84,000	\$44,000	\$44,000	\$476,000
PUBLIC SAFETY ADMINISTRATION						
Police Vehicle Replacement	\$127,250					\$127,250
Public Works Building - Engineering Study		\$50,000				\$50,000
Ambulance Replacement - Medic 4		\$150,000				\$150,000
Fire Engine 5 Replacement			\$450,000			\$450,000
TOTAL PUBLIC SAFETY ADMIN.	\$127,250	\$200,000	\$450,000	\$0	\$0	\$777,250
COMMUNITY DEVELOPMENT						
Beautification Commission Gateway Enhancement	0	40,000	40,000	75,000	75,000	\$230,000
TOTAL PLANNING & COMM. DEVELOPMENT	\$0	\$40,000	\$40,000	\$75,000	\$75,000	\$230,000
WATER & SEWER FUND						
Sewer Systems Improvements						
Sewer Systems Upgrades	\$272,573	\$226,072	\$184,672	\$184,672	\$184,672	\$1,052,661
Equipment Replacement - TV Van		\$20,800	\$20,800	\$20,800	\$20,800	\$83,200
Equipment Replacement - Sewer Cleaning Truck			\$41,600	\$41,600	\$41,600	\$124,800
Water Improvements						
Water Main-Hunterdale	\$280,000					\$280,000
Water System Improvements	\$211,449					\$211,449
Tank Maintenance Program	\$121,769					\$121,769
Radio Read Water Meters	\$140,000	\$50,000				\$190,000
Hunterdale Generator	\$0	\$30,000	\$30,000	\$30,000	\$30,000	\$120,000
Pretlow Generator		\$30,000	\$30,000	\$30,000	\$30,000	\$120,000
Equipment Replacement - Backhoe	\$125,000					\$125,000
Equipment Replacement Dump Truck	\$75,000					\$75,000
Scada System for Wells				\$100,000		\$100,000
TOTAL WATER & SEWER FUND	\$1,225,791	\$356,872	\$307,072	\$407,072	\$307,072	\$2,603,879
SUBTOTAL	\$2,648,641	\$11,076,872	\$11,257,072	\$10,902,072	\$10,802,072	\$46,686,729

**CITY OF FRANKLIN
CAPITAL IMPROVEMENT PROGRAM
FY 2013-2014 Through FY 2017-2018**

	2013-14	2014-15	2015-16	2016-17	2017-18	TOTAL
PARKS AND RECREATION						
Playground at Dr. Martin Luther King Center		50,000				\$50,000
Playground Equipment at Armory Drive			50,000			\$50,000
Playground Equipment at College Drive				50,000		\$50,000
Playground Equipment at Bruce Street					50,000	\$50,000
Armory Drive Recreational Park -football/skate park			110,000			\$110,000
Hunterdale Park Project/Land Acquisition	-	50,000	50,000	300,000		\$400,000
Hayden Sports Complex Lighting System					100,000	\$100,000
Paul D. Camp Community College Athletic Complex	-	100,000	1,500,000	500,000		\$2,100,000
National Guard Armory Basketball Court Rehabilitation		92,000				\$92,000
TOTAL -PARKS, RECREATION & CULTURE	\$0	\$292,000	\$1,710,000	\$850,000	\$150,000	\$3,002,000
ELECTRIC FUND						
VDOT Building Upgrade/Renovation	250,000					250,000
Bucket Truck	182,000					182,000
Dump Truck	53,000					53,000
Backhoe	115,000					115,000
Trailer	15,000					15,000
Trencher	85,000					85,000
Tractor	60,000					60,000
Automobiles	68,000					68,000
Contingency	5,000					5,000
Reconduct to Delivery 2 from Dominion's Station		\$ 510,000				\$510,000
New Circuit out of Delivery 3		100,000	150,000			\$250,000
Delivery 4			2,304,000			\$2,304,000
TOTAL ELECTRIC FUND	\$833,000	\$610,000	\$2,454,000	\$0	\$0	\$3,897,000
SOLID WASTE FUND						
Garbage Truck	185,000					\$185,000
Landfill Closure	70,000	75,000	75,000	75,000	75,000	\$370,000
TOTAL SOLID WASTE FUND	\$255,000	\$75,000	\$75,000	\$75,000	\$75,000	\$555,000
SCHOOL BOARD						
S. P. MORTON ELEMENTARY SCHOOL						
Technology Infrastructure			33,000			\$33,000
Architectural/Engineering Contingency		50,000	50,000	25,000		\$125,000
Replace 32 Classrooms				1,200,000		\$1,200,000
Replace Bleachers	43,758					\$43,758
Replace Ovens	37,858					\$37,858
Replace Serving Lines		15,000				\$15,000
J. P. KING MIDDLE SCHOOL						
Technology Infrastructure		33,000				\$33,000
Roof Replacement	898,565					\$898,565
Replace Ovens	18,929					\$18,929
Replace Serving Lines		15,000				\$15,000
Replace heating/AC Units	27,500					\$27,500
FRANKLIN HIGH SCHOOL						
Technology/Technology Infrastructure		34,000				\$34,000
Roof Restoration	628,000					\$628,000
Replace Ovens	18,929					\$18,929
Replace Serving Lines		15,000				\$15,000
Enclose the Second and Third Halls	40,000					\$40,000
OTHER CAPITAL PROJECTS						
Phone System - VOIP		120,000				\$120,000
Roof Repair-Charles Street Gym	14,895					\$14,895
Replacement Buses	162,280		80,000	80,000		\$322,280
Resurfacing Track	89,160					\$89,160
TOTAL SCHOOL FUND	\$1,979,874	\$282,000	\$163,000	\$1,305,000	\$0	\$3,729,874
SUBTOTAL	\$3,067,874	\$1,259,000	\$4,402,000	\$2,230,000	\$225,000	\$11,183,874
TOTAL PROJECTS-ALL CITY FUNDS	\$5,716,515	\$12,335,072	\$15,659,072	\$13,132,072	\$11,027,072	\$57,869,803

