

Community

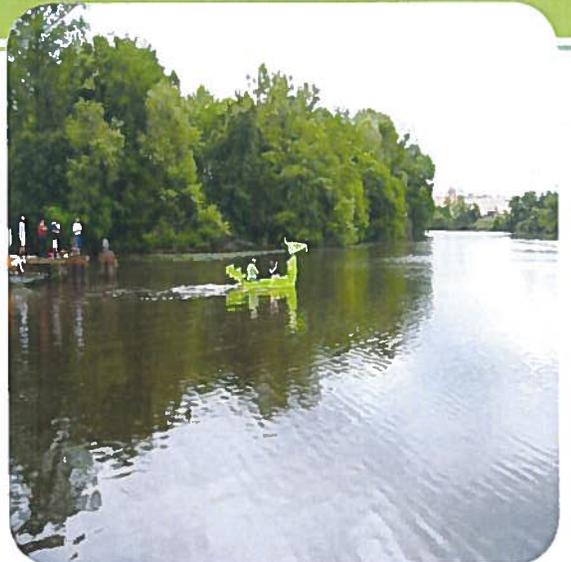
Growth



CITY OF FRANKLIN ADOPTED BUDGET

For the Period July 1, 2014-June 30, 2015

Spirit





CITY COUNCIL

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

CITY MANAGER

R. RANDY MARTIN

CITY STAFF

H. TAYLOR WILLIAMS, IV.	CITY ATTORNEY
BRENDA B. RICKMAN	COMMISSIONER OF THE REVENUE
DINAH M. BABB	TREASURER
MELISSA D. ROLLINS	DIRECTOR OF FINANCE
CAROLYN JOYNER	HUMAN RESOURCES MANAGER
JENNIFER MAYNARD	REGISTRAR
PHILLIP M. HARDISON	CHIEF OF POLICE
VINCE P. HOLT	CHIEF OF EMERGENCY SERVICES
DONALD E. GOODWIN	DIRECTOR OF COMMUNITY DEVELOPMENT
RUSSELL L. PACE	DIRECTOR OF PUBLIC WORKS
VACANT	DIRECTOR OF PARKS & RECREATION
MARK BLY	DIRECTOR OF FRANKLIN POWER & LIGHT
C. ALAN HOGGE	DIRECTOR OF SOCIAL SERVICES
DR. MICHELLE BELLE	SUPERINTENDENT OF FRANKLIN PUBLIC SCHOOLS

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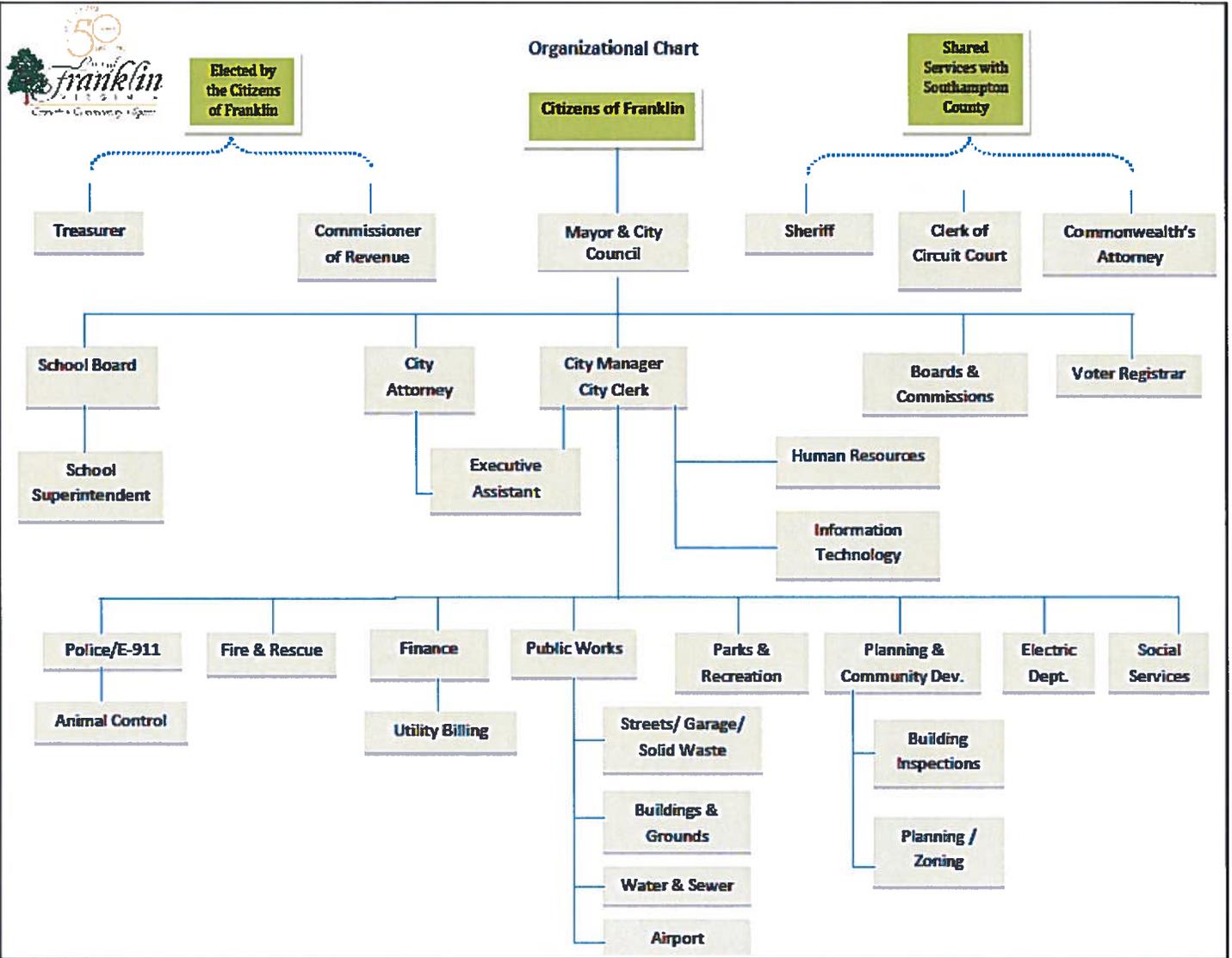
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EXHIBIT A –

FY 2014-2015 BUDGET DETAIL
SEE INDEX FOR PAGE NUMBER REFERENCE

City of Franklin, Virginia

Organizational Chart



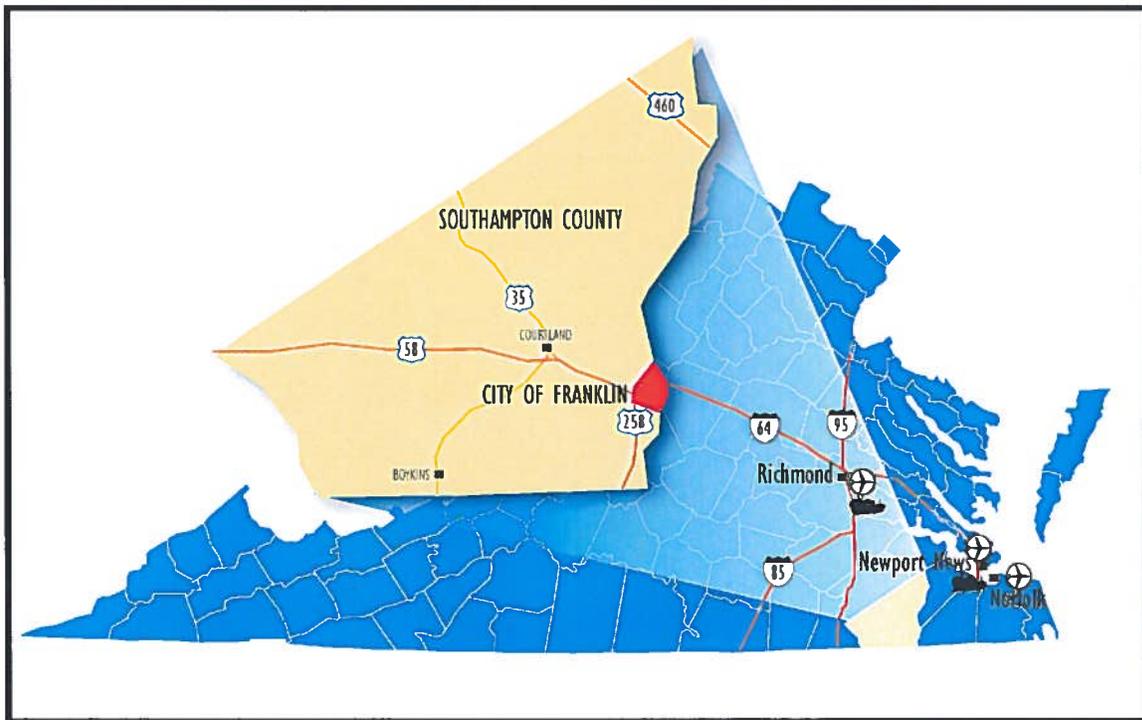


CITY PROFILE

Location

The independent City of Franklin, Virginia is located in southeastern Virginia immediately adjacent to the Virginia Beach-Norfolk Newport News Metropolitan Area (MSA) and approximately nine miles from the North Carolina State line. It is surrounded by Southampton and Isle of Wight Counties. The community has historically been the center of trade and transportation for the surrounding countryside owing largely to its: location on the Blackwater River; service availability of the railroad; proximity to the Port of Virginia; and, access to two major U.S. highways (U.S. 58 and U.S. 460) which connect to Interstate 95.

The Port of Hampton Roads is 45 miles east; Richmond, the state capitol, is 75 miles to the northwest; Washington D.C. is 195 miles north.



	Franklin	Virginia
<u>Population Trends</u>		
2012.....	8528	8,186,628
2010.....	8582	8,001,024

<u>Income</u>		
Median Household Income (2008-2012).....	\$33,447	\$63,636
Per Capita Income (2008-2012).....	\$18,883	\$33,826

<u>Unemployment Rate</u>		
Unemployment Rate (June 30, 2013).....	9.0%	5.7%
Unemployment Rate (Mar 31, 2014)	7.5%	5.3%

<u>Education</u>		
Number of Public Schools.....	Three (3)	
1 Elementary –	710 Students	
1 Middle School-	252 Students	
1 High School -	304 Students	
Public School Enrollment March 31 st ADM (2013-14).....	1266	1.27 million
Average Expenditures Per Pupil (2012-13)	\$13,825	\$11,809

<u>Franklin Utilities</u>		
Customer Accounts Serviced by Power & Light.....	5,498	
Customer Accounts Serviced by Water & Sewer Dept.....	3,403	
Customer Accounts Serviced by Public Works - Solid Waste.....	2,838	

Data Sources:

Franklin Southampton Economic Development Inc. - Community Profile
U.S. Census Bureau
Virginia Department of Education
Bureau of Labor Statistics
City Records

FY 14-15 ADOPTED BUDGET

QUICK REFERENCE GUIDE

The following reference guide will assist the reader with answering some commonly asked questions about the City of Franklin's Fiscal Year 2014-15 Budget:

If the question is.....	See.....	Page #.....
What are the major policy issues in the FY 2014-15 Budget?	Manager's Message	6-11
What is the real estate tax rates & fees?	Manager's Message	8-10
What are the City Council Priorities?	City Council Priorities	20-23
What agencies and organizations receive funding support from the City?	City Council Priorities	23
What is the personal property tax rate and other local taxes & fees?	FY 14-15 Proposed Tax Rates	31
What are the City's major general fund revenue sources?	Summary of All Budgeted Funds Revenue Summary – General Fund	28 45
How many employees work for the City?	Summary of All Budgeted Positions	41
How does the 2014 Real Estate Reassessment impact my tax bill?	Revenue Analysis & Descriptions	48-49
What are the City's major general fund expenditures?	Summary of All Budgeted Funds Expenditure Summary by Category	28 57
How much is allocated to each department in the General Fund?	General Fund Summaries & Highlights	60-67
Where can I find information about the Electric Utility rates?	Electric Fund Summary	78-83
Is there a listing of the various types of debt for the City?	Schedule of Debt Service	92
How much is allocated in the budget for Schools?	School Fund Summary	93-95
Is there a capital improvement plan?	Capital Improvement Plan	100-109



July 1, 2014

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

I respectfully submit to you the Approved Financial Plan for FY 2014-2015 for the City of Franklin which is comprised of the General Fund, Debt Services Fund, Social Services Fund, Education Funds (School Operating & Cafeteria), Economic Development Fund and Enterprise Funds. The Capital Budget is incorporated into applicable budgets of the General and Enterprise funds. A summary of the Adopted Financial Plan is shown in the table below.

Fiscal Year 2014-2015 Financial Plan

Fund	Adopted Budget
General Fund	\$15,579,242
Debt Service Fund (School & General Debt)	\$1,029,312
Education Funds (School Operating & Cafeteria)	\$17,046,207
Social Services & CSA Fund	\$1,977,079
Economic Development Fund	\$288,833
Enterprise Funds	\$23,201,400
TOTAL FINANCIAL PLAN	59,122,073
Capital Improvement Budget (Incorporated into General & Enterprise Funds)	\$1,690,319

The Approved FY 2014-2015 Budget is the culmination of initiatives, strategies, and tough choices that we made over the past few years and during the previous budget cycle. Details of the approved budget can be found in the City Manager’s Message and the Executive Summary that follows. The Approved FY 2015 Budget is structurally balanced, however, the city will need to continue its approach of raising revenue, reducing expenditures, becoming more efficient, growing the local economy, and sharing services to address the preliminary budget gap in FY 2016. There were no operating adjustments from the Proposed Budget to the Approved Budget as noted on page 25.

Next Steps

The FY 2014-2015 Approved Budget is a framework by which City management and staff can work collaboratively to provide essential services to the citizens of Franklin while continuing the challenge of maintaining financial sustainability, operating more efficiently and improving programs and services. I look forward to working with City Council during a series of strategic planning work sessions to address policy topics as discussed during the budget process.

R. Randy Martin, City Manager

May 16, 2014



MANAGER'S MESSAGE

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

In accordance with statutory provisions regulating local government budgetary practices in the Commonwealth of Virginia, the proposed operating budget for the fiscal year beginning the first day of July, 2014, 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.

The Proposed Fiscal Year 2014-2015 Financial Plan for the City of Franklin is comprised of the General Fund, Debt Services Fund, Social Services Fund, Education Funds (School Operating & Cafeteria), Economic Development Fund and Enterprise Funds. The Capital Budget is incorporated into applicable budgets of the General and Enterprise funds. A summary of the Proposed Financial Plan is shown in the table below.

Fiscal Year 2014-2015 Financial Plan	
Fund	Proposed Budget
General Fund	\$15,579,242
Debt Service Fund (School & General Debt)	\$1,029,312
Education Funds (School Operating & Cafeteria)	\$17,046,207
Social Services & CSA Fund	\$1,977,079
Economic Development Fund	\$288,833
Enterprise Funds	\$23,201,400
TOTAL FINANCIAL PLAN	59,122,073
Capital Improvement Budget (Incorporated into General & Enterprise Funds)	\$1,690,319

The General Fund increased \$1,005,082 or 4.64% above the FY 2013-2014 Adopted Budget prior to Interfund transfers. By contrast, the proposed budget for FY 2014-2015 for the General Fund is \$863,393 or 3.67% less than the amended FY 2013-2014 budget before Interfund

transfers. The proposed General Fund Budget is \$15.57 million after Interfund transfers. During the past year, the City evaluated programs and services and identified ways to improve efficiency without reducing service levels directly impacting residents and customers. Efficiencies have been achieved in the areas of inspections, planning & community development, solid waste management and water and sewer operations. A primary goal is to operate a more efficient and effective government at the least cost possible. To this end, the proposed budget includes a net reduction of two and one-half employees from FY 2013-2014.

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

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

Management is presenting a structurally balanced budget in the wake of fiscal challenges which are to some extent, beyond the City's control: (1) rising cost of jail administration, (2) increased cost of school debt in accordance to schedule, (3) required local fund increases for health & welfare administration, (4) rising cost of health insurance benefits and (5) a net reduction in real estate property tax revenues as a result of changes in assessed property values. The balanced budget was achieved without eliminating direct services to Franklin residents and with the minimum responsible impact to the real estate tax rate. The City has a storied history of accepting challenges head on and repeatedly proving its resilience as a community. Current fiscal challenges are being met with this same resolve, and management remains optimistic regarding Franklin's future. Continued progress in the face of an always uncertain economy will require that we remain diligent in the pursuit to fruition of established strategic priorities and goals.

GENERAL FUND

In terms of the City's General Fund, it should not be necessary to belabor the difficulties faced in prior years, specifically as it relates to the City's loss of \$1.1 million in revenue sharing funds. It is welcome news that the City expects to recover \$600,000 or over 50% of the funds

in the FY 2014-2015 budget. 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. As mentioned in the FY 2013-2014 Budget Message, the debt reserve funds were scheduled to be completely expended during the FY 2014-2015 budget cycle. Once again, these reserve funds have been critical to efforts aimed at avoiding huge increases in property tax rates. It is acknowledged, however, absent these funds going forward, a balanced approach will be required to critically evaluate service levels to further 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 six cents [\$0.96] per \$100.00 of real property valuation for FY 2014-2015. This is two cents over the revenue neutral rate of ninety-four cents [\$0.94] based on the adverse impact of the City's 2014 Reassessment. With a proposed tax rate of \$0.96 cents, the City remains among the lowest in the region as illustrated in the table below. A goal of City Council is certainly to minimize the tax burden. An increase of only two cents beyond the revenue neutral rate is a remarkable feat in this challenging budget year and represents management's concerted effort to balance the budget in accordance with City Council's desire to minimize the tax burden on Franklin residents. To qualify this statement, increases to jail administration and school debt alone add \$452,265 in additional costs that must be funded in the City's FY 2014-2015 budget. Based on the revenue generated by one cent on the real estate property tax rate [\$55,622], these two increased costs equate to an additional tax rate equivalent impact of eight cents [\$0.08]. The justification for the real property tax rate recommendation is detailed throughout the budget proposal that follows. All other tax categories are recommended to remain unchanged.

Locality	Real Estate Tax Rate
Virginia Beach	\$ 0.93
Chesapeake	\$ 1.05
Norfolk	\$ 1.15
Portsmouth	\$ 1.27
Suffolk	\$ 1.03
Hampton	\$ 1.24
Newport News	\$ 1.22
Southampton County-Proposed	\$ 0.77
Emporia	\$ 0.85
Isle of Wight County-Proposed	\$ 0.85
Franklin - Proposed	\$ 0.96

RECOMMENDED FEES FOR SERVICES

In terms of service user fees, the budget provides for no change to the City's monthly residential solid waste collection rate. The water and sewer rates are likewise recommended to remain unchanged. The solid waste rate is proposed to remain at \$39.74 effective July, 2014. This rate has been cumulatively reduced since July, 2012 by \$3.67 or 8.4%. Water & Sewer Rates have not been increased since 2008. Management has made a concerted effort to minimize the impacts on utility customers that would result in increased customer bills; however, despite keeping solid waste fees and water and sewer user fees the same, proposed adjustments to the electric utility user fees will still result in an overall net utility bill increase for the average residential customer due to projected increases in wholesale electric utility costs imposed by the City's power provider, Dominion Virginia Power.

It is financial policy to evaluate the City's fee structure to determine if user fees and other charges are adequately producing desired and expected revenue generation levels to maintain service. The FY 2014-2015 budget includes minor adjustments to plan review fees and a small number of building permit/electrical fees consistent with this policy.

ELECTRIC UTILITY FUND

As noted, based upon information provided to the City by Dominion Virginia Power thus far, 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 which is slated to increase by 8.9% effective July, 2014. The proposed Electric Fund budget includes a 5.0% increase in the wholesale rate effective July 1, 2014. This proposed electric utility rate adjustment is a direct result of yet another expected 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. Be advised that Dominion continues to evaluate this rate adjustment proposal with final action expected by May 31, 2014. Any significant change will impact upon the proposed rate increase and allow adjustments before City Council action on final rates scheduled for June 9, 2014.

Unfortunately for customers, this anticipated increase is being compounded this year by Dominion in the form of an April, 2014 instituted automatic "pass through" increase in the fuel surcharge, of approximately \$4.27 per month on 1,000 kWh of usage, paid by electric customers. The cumulative utility bill impact beginning July, 2014 would result in a net increase in the residential electric utility customer monthly charges of \$4.73 per 1,000 kWh of usage for a net average monthly utility bill increase for city residential customers of \$9.00 per month per 1,000 kWh of usage.

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

SCHOOL SYSTEM FUNDING

Regarding essential City financial support for the Franklin City Public Schools, the proposed budget recommends increasing the FY 2013-2014 level of local funding share for FY 2014-2015 to include carryover funds identified in the City's audit that the school system did not use at June 30, 2013 in the amount of \$345,594. The School Fund also expects a projected increase in the state's funding share of the total budget for public schools of \$262,472 or 3.0% and federal revenues are projected to increase by nearly 16% or \$413,212 over the prior year. Absent the expected decrease in the local carryover appropriation based on the audit, School Fund revenue is expected to cumulatively increase by \$596,587 for FY 2014-2015. The base budget funded amount is determined as being the total local appropriation less any prior year carryover appropriation. Of course, the as yet un-adopted state legislature's budget actions may impose certain unfunded or underfunded mandates as well that increase local municipal costs including the public schools.

Management is recommending the local appropriation with on-going 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 may likely be similarly limited to any future end-of-year carryover funds which can and will vary dramatically from year to year. As is the case for FY 2013-2014, future base operating appropriations will not be automatically increased to include this one-time carryover allocation amount, but instead, at the City Council's discretion, will be determined by the amount of carryover available at June 30, 2014 for the FY 2015-2016 budget and similarly for future years. Management's recommended operating budget for FY 2014-2015 is \$274,702 less than the School Board requested budget. However, this does not lessen the City's commitment to fund education. The proposed General Fund budget also includes an increase in school related debt service by \$172,020 for FY 2014-2015 partly due to recently completed new debt for capital projects requested by School System officials.

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, 2013, Franklin ranked fifth highest among Virginia cities. The City of Franklin also had a lower tax rate than all the other five 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 2, 2014 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 16th day of May, 2014,



R. Randy Martin, City Manager



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 important factors affecting City operations now and into the future.

INTRODUCTION

The City of Franklin's proposed budget for FY 2014-2015 totals \$59,122,073 which by comparison is \$1.01 million or 1.74% more than the FY 2013-2014 Amended Budget. Comparing the proposed budget for FY 2014-2015 to the adopted FY 2013-2014 budget will reflect an increase of \$4.87 million or 8.9% in spending for the upcoming fiscal year. Of this amount, \$3.2 million is attributed to increases in the City's Enterprise Funds for both operating expenses and capital project initiatives. The General Fund increased \$1,005,082 or 4.64% above the FY 2013-2014 Adopted Budget prior to Interfund transfers, decreased \$863,893 or 3.67% below the prior year budget as amended before Interfund transfers, and reflects overall increases in specific operating costs, school debt service appropriation, general fund transfers to support other funds and capital outlay appropriations in the operating budget, all of which will be explained further in the budget document. Absent increased expenditures beyond the City's control such as debt, jail administration and local match requirements for Health & Welfare Administration, the overall budget continues to reflect efforts by management to reduce costs through operational efficiencies. Overall, local revenues reflect minimum growth, increasing primarily as a result of proposed tax rate changes, recovered costs from state, federal and local funding sources for capital purchases and shared service consolidation arrangements.

GENERAL FUND

Reflecting upon FY 2013-2014, 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 \$4.0 million or 18.4% of annual expenditures by fiscal year end. This reflects an estimated increase of \$351,000 above the 6/30/13 audited amount of \$3.64 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 recent debt restructuring, continued close scrutiny of discretionary spending and gradual improvement in certain revenue categories. When considering reserves, it is important to note that going into the FY 2014-2015 budget cycle, the City's debt reserve fund had a remaining balance of \$927,409. This was the result of management's prudent multi-year approach to utilizing reserves to help minimize the impact (in future budget cycles) of lost revenues, slow economic recovery and increasing debt service payment schedules. The projected increase in revenue sharing funds in the FY 2014-2015 budget is encouraging, but use of debt reserve funds remains necessary to supplement revenue in the city budget. To this end, the FY 2014-2015 budget appropriates the \$927,409 available from the debt reserve fund and therefore, depletes the reserve fund as planned at the end of June 30, 2015.

ENTERPRISE FUNDS

Even though water and sewer rates have not increased since 2008, the **Water & Sewer Fund** continues to meet annual operating needs. No changes in the rates are proposed for the FY 2014-2015 budget. Operations wise, the budget reflects efficiencies realized from the reduction of three full time positions in the sewer division; with a portion of the savings allocated to specialized contractual services for use on an "as needed basis".

June 30, 2014 will complete a full year for the **Solid Waste Fund** being established beginning with the FY2013-14 budget year. Transitioning to a separate Enterprise Fund enabled the City to improve the financial management of the activities associated with waste management including capital needs. Most importantly, it continues to allow the City to better evaluate and implement options as regional contractual obligations with SPSA change in 2018. The fund has a solid cash position going into fiscal year 2014-2015. Cash in the Fund is projected to increase by \$313,522 since July 1, 2013 to \$505,000 at June 30, 2014 and be above minimum recommended policy guidelines but slightly under the maximum level. The proposed rates for solid waste services are the same as FY 2013-2014 rates at \$39.74 per month for residential services. Rates for other service categories are detailed in the budget document.

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 FY 14-15 budget includes two proposed projects: replacement of runway lighting and an upgrade to the weather station equipment. These projects collectively total \$1.6 million, and constitute the increase in the fund over the prior year. The City's local match is 2.0% or \$34,529 for capital projects.

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 section of this budget proposal provides a detailed history since FY 2010-2011 of (1) rate changes by Dominion Virginia Power, (2) actions taken by the City on rate changes over the same period of time, (3)

the impact of rate changes on residential customers using 1,000 KWH and (4) cash balance impact based on implementation of rate changes.

The Electric Fund ended FY 2012-2013 with a \$643,257 positive cash balance which was below the minimum cash balance requirements but an improvement from the FY 2011-2012 year-end balance of \$386,175. 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 policy levels. Significant progress has been made towards maintaining a positive trend upward thus far during FY 2013-2014 with end of year projections expected to be near \$1.0 million.

FY 2013-2014 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 second time consideration of the Certificate of Achievement in Financial Reporting; received a clean "unqualified" opinion on the June 30, 2013 Financial Report with no findings reported by the auditors.
- ❖ Achieved a AA credit rating from Standard & Poors bond rating agency in April 2014, an upgrade from an A+ rating received April 2010 and affirmed in September 2013. The City's bond rating with Moody's rating agency stands at A+ as of the date of this report.
- ❖ Achieved a 98% collection rate for taxes; reduced the amount of outstanding delinquent taxes on the City's books from March 2010 to April 2014 by over \$700,000.
- ❖ The City Treasurer received accreditation as a Master Governmental Treasurer from the University of Virginia Weldon Cooper Center; the office will be awarded in June 2014 at the Annual Treasurer's Conference.
- ❖ Completed General Fund capital initiatives financed with bond proceeds from the City's 2012 debt restructuring and new money issuance: roof repairs to various City buildings, City Hall HVAC replacement, solid waste truck replacement, other public works equipment, and police vehicle and equipment replacements and upgrades; the City's software enhancement project is ongoing.
- ❖ Continued collaboration of the Utility Collection & Billing Policy committee organized in 2013 to formulate policies aimed to improve collection percentages and ensure

equitable policies for customers and the administration thereof. Improvement has already been made by lowering the percentage of delinquent notices mailed monthly since implementation of policies began effective January 1, 2014.

- ❖ Completed numerous technology upgrades and improvements to the City's technology infrastructure including wireless access, disaster recovery solutions, network security, the City's public educational government (PEG) channel; implemented processes to begin upgrading the City's website, telephone system, with further planned enhancements to PEG channel equipment.

Public Safety

- ❖ Awarded a USDA police vehicle purchase matching grant for \$25,000 to acquire one replacement patrol vehicle.
- ❖ Planned and conducted EMT enhanced class for Fire & Rescue new hires and volunteers.
- ❖ Awarded \$74,539 in Camp Foundation Grant Funds to acquire specialized equipment for the City's Fire and Rescue and Police Departments.
- ❖ Awarded a Rescue Squad Assistance grant to purchase a new Type I ambulance at no cost to the City (80% state grant funds and 20% grant matching funds from Southampton County).
- ❖ Receipt of federal Byrne Justice Assistance Grant in the amount of \$6,779 to purchase law enforcement equipment.
- ❖ Completed renovation of the Fire & Rescue Burn Building/Training Facility utilizing \$199,532 in state grant funding.
- ❖ Continued progress by the City's Employee Safety Committee. Upon completion of identified safety related processes, the City will be eligible for a 5% discount on Worker's Compensation insurance for an estimated savings of \$9,000 annually 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

- ❖ Continuation of Spring Amnesty Days cleanup efforts for the convenience of citizens and which help beautify the community.
- ❖ In cooperation with Southampton County, established a joint management team charged with studying the feasibility of future water and wastewater utility needs and collaboration opportunities.

Community & Economic Development

- ❖ Receipt of a \$6,366 grant to promote litter control and recycling.
- ❖ Awarded a \$30,000 Needs Assessment Grant from the Virginia Department of Housing and Community Development to study and plan for the rehabilitation of eligible homes and utility service enhancements in the Madison Street neighborhood to improve the quality of life for 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.
- ❖ Continued collaborative efforts with elected officials in Southampton and Isle of Wight Counties to promote economic development opportunities benefiting each community collectively particularly within established revenue sharing areas.
- ❖ Received Tree City USA certification for a 29th 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.
- ❖ Implemented new state mandated Stormwater Management planning and enforcement efforts in cooperation with Southampton County utilizing consolidated staff with partially grant funded state resources; the grant award from the Department of Environmental Quality was \$91,874.

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 FY2014-2015 PROPOSED BUDGET

To balance the proposed budget for FY 2014-2015, management has trimmed departmental requested amounts by \$1,011,262 or 4.27% of the total requests. The FY 2014-2015 proposed budget has been prepared utilizing conservative budget estimates of revenues with close scrutiny of expenditure detail in recognition of improved but still relatively slow economic recovery. This conservative approach emphasizes the importance going forward of maintaining reserve funds at sufficient levels to allow the City to take advantage of anticipated or 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. With 2014 being a reassessment year that resulted in a projected overall decrease in all classes of property, management recommends the real property tax rate be established at ninety-six cents [**\$0.96**] per \$100 of real property valuation for FY 2014-2015; this is two cents [\$0.02] beyond the revenue neutral rate of ninety-four cents [\$0.94]. The justification for the real property tax rate recommendation is detailed throughout the budget proposal that follows. The only other change is the personal property tax relief percentage from 62% of tax relief to 58% based upon the state funding formula.

The budget transmittal letter and budget message reference some of the various challenges faced in this budget preparation exercise and improved circumstances in this cycle for goal development and prioritization which management committed to ensuring in future budget years. 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. The budget includes the third 1% installment of a 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 3.0% 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 and the corresponding required employee contribution to VRS. The proposed budget also reflects an overall 6.8% increase in health insurance premium costs shared by the City and individual employees.

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 2013-2014 were budgeted at \$8,566,457 which comprised 40% of the total general fund budget for all departments. The proposed FY 2014-2015 budget recommends total personnel costs in all funds of \$8,931,580 which comprises 39.4% of the new general fund budget. This total reflects an overall increase in spending for personnel costs of \$365,122 or 4.2% 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, health care cost, full funding of grant and locally funded positions in Fire & Rescue, shared services arrangement with Southampton County for inspection and community development services and for state mandated storm water rule enforcement. These increased costs are offset, to some degree, by reductions in cost from: eliminating some positions, keeping frozen positions vacant for at least a portion of the new fiscal year while impact on service delivery is further assessed; net salary

reductions resulting from retirement of higher salaried employees replaced by lower salaried new hires; and, recommended reductions in part-time work schedules.

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 2014-2015

OVERVIEW

The municipal goals or priorities for the City of Franklin as approved in FY 2013-2014 remain unchanged. 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 prior year work sessions and from each City Department. The list is not intended to be an all inclusive listing. 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
- 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 potable water for customer consumption and to meet fire protection and economic development needs – assess capabilities, feasibility and needs for regional water supply approaches
- Provide an efficient and reliable public wastewater collection and treatment system to ensure the public health and safety while protecting environmental quality of the receiving stream through regulatory compliance efforts – assess long term alternatives for meeting wastewater needs including regional treatment options
- Provide for and regulate the efficient and cost-effective collection and disposal of solid waste within the City in an effort to protect the public health and welfare – manage the volume of waste disposal to minimize the flow of waste to the landfill including promotion of recycling and 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, Boys & Girls Club, Smart Beginnings, Paul D. Camp Community College, Franklin- Southampton Economic Development, Inc., Hampton Roads Planning District Commission, Western Tidewater Community Services Board, etc. Excluding obligations for juvenile and adult detention care, the City contributes nearly \$550,000 annually to community agencies and organizations.

Adopted this 9th day of June, 2014

FY 14-15

ADOPTED BUDGET

Section 1

INFORMATION ON ALL BUDGETED FUNDS

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

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

FY 14-15

ADOPTED BUDGET

DESCRIPTION OF BUDGETED FUNDS

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

GOVERNMENTAL-TYPE FUNDS

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

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

Component Unit Funds

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

Council's discretion. The Cafeteria Fund of the Schools, supports the school breakfast and lunch program. It is a self-funded operation supported through cafeteria sales and federal and state reimbursement.

Non Major Funds

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

PROPRIETARY FUND TYPES

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

Solid Waste Fund, created in 2013, is an enterprise fund which pays for such services as refuse collection, disposal and recycling. Revenue for this fund is derived from residential user fees.

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

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

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

FY 14-15
ADOPTED BUDGET

SUMMARY OF ALL BUDGETED FUNDS
Fiscal Year 2014-15

REVENUE	2014-2015	EXPENDITURES	2014-2015
	ADOPTED		ADOPTED
General Property Tax	\$ 7,168,006	Legislative	\$ 249,461
Other Local Taxes	\$ 5,218,500	General Gov't	\$ 2,132,161
Permits, Fees, Licenses, Etc.	\$ 191,636	Judicial	\$ 1,296,083
Fines and Forfeitures	\$ 40,200	Public Safety	\$ 6,535,633
Use of Money and Property	\$ 242,522	Public Works	\$ 3,248,345
Current Services	\$ 1,458,809	Health & Welfare	\$ 156,198
Miscellaneous Revenue	\$ 753,092	Recreation & Culture	\$ 836,907
Recovered Costs	\$ 335,000	Community Develop.	\$ 353,454
Non-Categorical Aid: State	\$ 1,675,397	Misc.-Non Departmental	\$ 771,000
Shared Expenses	\$ 179,500		
Categorical Aid: State	\$ 2,151,702	Transfers to Other Funds	\$ 7,074,119
Categorical Aid: Federal	\$ 429,603		
Transfers From Electric Fund	\$ 1,409,891		
Use of Fund Balance-Restricted Debt Reserve	927,409		
Use of Unassigned Fund Balance	\$ 126,500		
Non-Revenue Items - Carryover	\$ 345,594		
TOTAL GENERAL FUND	\$ 22,653,361	TOTAL GENERAL FUND	\$ 22,653,361
General Fund - Net of Transfers	\$ 15,579,242	General Fund Net of Transfers	\$ 15,579,242
		Instruction	12,953,315
Schools - Operations -Local Funds	\$ 210,618	Administration	977,667
Schools - Operations -Local Appropriation -Base	\$ 4,837,395	Pupil Transportation	530,137
Schools - Operations- Local Carryover	\$ 345,594	Operation & Maint.	1,302,626
Schools - Operations -State & Federal Aid	\$ 11,034,019	Technology	663,881
Schools- Cafeteria Fund - State, Federal & Local	\$ 618,581	Cafeteria	618,581
SCHOOL OPERATIONS	\$ 17,046,207	SCHOOL OPERATIONS	\$ 17,046,207
Social Services Fund - State Aid	\$ 487,609	Administration	1,454,744
Social Services Fund - Federal Aid	\$ 730,615	Eligibility	51,004
Transfer from General Fund	\$ 456,738	Foster Care	70,558
SOCIAL SERVICES	\$ 1,674,962	Other Services	98,656
		SOCIAL SERVICES	1,674,962
		Mandated Services	236,890
State Aid	167,117	Local Medicaid Match	20,067
Transfer from General Fund	135,000	Administrative	45,160
COMPREHENSIVE SERVICES	302,117	COMPREHENSIVE SERVICES	302,117

FY 14-15
ADOPTED BUDGET

SUMMARY OF ALL BUDGETED FUNDS
Fiscal Year 2014-15

	2014-2015 ADOPTED		2014-2015 ADOPTED
		REVENUE	EXPENDITURES
User Fees - Residential	1,300,000		Water Operations
User Fees Commercial	1,750,000		Sewer Operations
Sewage Treatment Fees	75,000		Wastewater Treatment Operation
Miscellaneous	5,250		Transfers to General Fund
TOTAL WATER & SEWER FUND	3,130,250		Debt Service
			WATER & SEWER FUND
Waste & Collection Disposal Fees	1,375,081		Waste Collection & Disposal
Prior Year Reserves	99,714		Other Operating Expense
Miscellaneous Revenue	4,000		Transfers to General Fund
TOTAL SOLID WASTE FUND	1,478,795		Debt Service
			TOTAL SOLID WASTE FUND
Local Revenue	240,932		Operating Expenses
Federal & State Revenue	1,568,303		Transfers to General Fund
Transfer from General Fund	112,247		Capital Outlay
TOTAL AIRPORT FUND	1,921,482		TOTAL AIRPORT FUND
			Operating Expenses
Sale of Energy Fuel Adjustment	2,335,039		Cost of Energy
Sale of Electric Energy	14,215,334		Capital Outlay
Miscellaneous Revenue	120,500		Transfers to General Fund
TOTAL ELECTRIC FUND	16,670,873		Debt Service
			TOTAL ELECTRIC FUND
Transfers from General Fund - School Debt	591,182		School Fund Debt Principal
Transfers from General Fund - General Debt	413,130		School Fund Debt Interest
Interest Income	25,000		General Fund Debt Principal
Debt Service Reserves	-		General fund Debt Interest
TOTAL DEBT SERVICE FUND	1,029,312		TOTAL DEBT SERVICE FUND
Rents & Program Fees	106,000		Operating Expenses
Transfer from General Fund Operations	57,833		Payments for Economic Develop
Transfer from GF-Joint Economic Develop	125,000		TOTAL ECONOMIC DEVELOP
TOTAL ECONOMIC DEVELOP	288,833		288,833
TOTAL CITY FUNDS	\$ 59,122,073	TOTAL CITY FUNDS	\$ 59,122,073



**FY 2014-2015 BUDGET BY FUND
PRIOR YEAR COMPARISON**

	FY 2013-2014 Adopted	FY 2013-2014 Amended	FY 2014-15 ADOPTED	Variance/ Adopted Over Adopted	Variance (%)	Variance of Adopted Over Amended	Variance %
General Fund*	\$ 14,456,086	\$ 16,315,061	\$ 15,579,242	\$ 1,123,156	7.77%	(735,819)	-4.51%
Water & Sewer Fund	\$ 3,120,250	\$ 3,847,867	\$ 3,130,250	\$ 10,000	0.32%	(717,617)	-18.65%
Airport Fund	\$ 340,163	717,941	\$ 1,921,482	\$ 1,581,319	464.87%	1,203,541	167.64%
Electric Fund	\$ 15,051,745	15,051,745	\$ 16,670,873	\$ 1,619,128	10.76%	1,619,128	10.76%
Solid Waste Fund	\$ 1,391,331	1,391,331	\$ 1,478,795	\$ 87,464	6.29%	87,464	6.29%
Economic Dev. Fund	\$ 308,539	\$ 308,539	\$ 288,833	\$ (19,706)	-6.39%	(19,706)	-6.39%
School Fund	\$ 16,147,522	\$ 17,050,207	\$ 16,427,626	\$ 280,104	1.73%	(622,581)	-3.65%
School Cafeteria Fund	\$ 599,678	\$ 599,678	\$ 618,581	\$ 18,903	3.15%	18,903	3.15%
Social Services	\$ 1,615,842	\$ 1,615,842	\$ 1,674,962	\$ 59,120	3.66%	59,120	3.66%
Comprehensive Services	\$ 270,000	\$ 270,000	\$ 302,117	\$ 32,117	11.90%	32,117	11.90%
School Debt Service (2)	\$ 444,162	\$ 444,162	\$ 616,182	\$ 172,020	38.73%	172,020	38.73%
General Fund Debt Service	\$ 498,604	\$ 498,604	\$ 413,130	\$ (85,474)	-17.14%	(85,474)	-17.14%
TOTAL	\$ 54,243,922	\$ 58,110,977	\$ 59,122,073	4,878,151	8.99%	\$ 1,011,096	1.74%

*Budget is prior to transfers to other funds

Primary Budget Amendments – General Fund	Amount
Increased Transfer to School Fund (Grant Match)	(\$10,000)
Byrne Justice Grant (Police)	6,056
Capital Projects Financed with Loan Proceeds	1,052,725
USDA Police Grant	25,000
Other Grants and Donations (Litter Control (\$6,366), Generator Hookup (\$55,099), Donation to Police – \$1,000)	62,465
Planning Grant – CDBG	30,000
FY 2012-13 Fund Balance Appropriation-Variou Depts.	571,825
Shared Services (Planning & Inspections Consolidation)	102,404
TOTAL	1,850,475

Primary Budget Amendments – Other Funds	Amount
Water & Sewer Fund- Prior Year Carryover	\$727,617
Airport Fund – Prior Year Grant Funds Carryover	377,778
School Fund – Prior Year Carryover & Additional Grants	902,685
TOTAL	2,008,080



ADOPTED CITY TAX RATES – EFFECTIVE JULY 1, 2015

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
Adopted Tax Rate	\$0.96
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.

FINANCIAL POLICIES & POSITION SUMMARY

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



GENERAL & FINANCIAL POLICIES

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

OVERALL GOALS

- ❖ To ensure the City's sound financial condition at all times in:
 - Cash Solvency – the ability to pay bills
 - Budgetary Solvency – the ability to annually balance the budget
 - Long Term Solvency – The ability to pay future costs
 - Service Level Solvency – The ability to provide needed and desired services
- ❖ Adherence to City Charter and Code and the Code of the Commonwealth of Virginia.
- ❖ Adherence to the best accounting and management practices in conformity with generally accepted accounting procedures as applied to governmental units.

DEFINITIONS

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

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

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

Committed Fund Balance: amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of City Council. Formal Council action includes designations of funds to be held for a specific purpose in future fiscal years and budget amendments to carry forward appropriations that were unexpended at fiscal 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. The Solid Waste Fund, Water & Sewer Fund, Airport Fund, and the Electric Fund are enterprise funds.

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

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

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

Special Revenue Funds: 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:

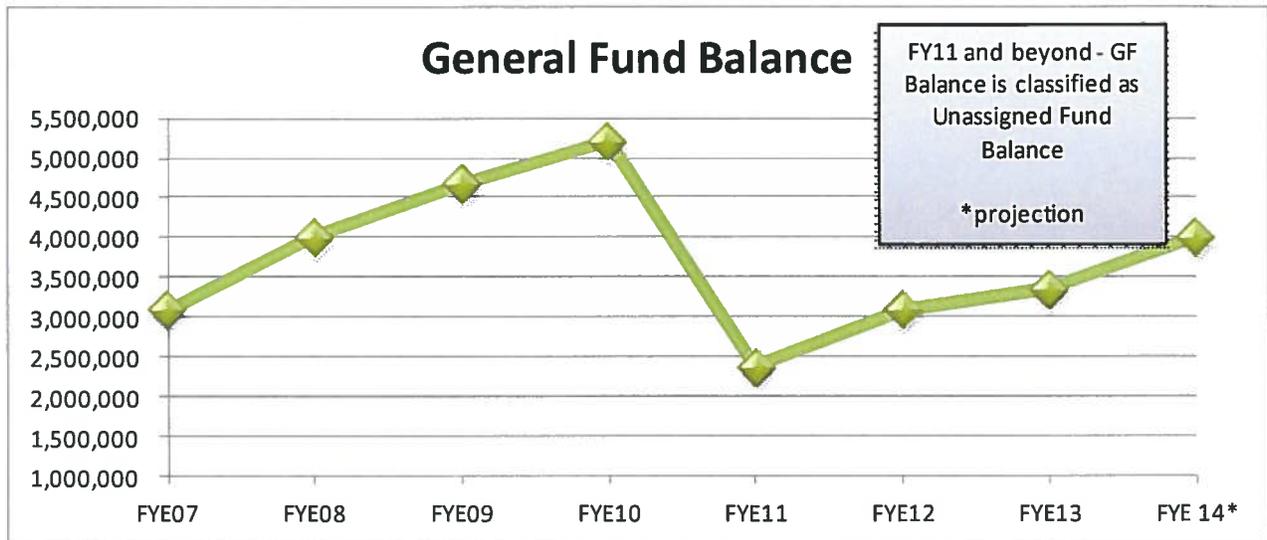
General Fund – 15% to 25% of budgeted annual expenses

Fiscal year 2012-2013	ACTUAL FISCAL YEAR 2012-2013	Fiscal Year 2013-2014 Projected	PROJECTED FISCAL YEAR 2013-2014
	General Government Budgeted Expenditures \$22,009,505		General Government Budgeted Expenditures \$21,648,279
	Unassigned Fund Balance Ending 6/30/13 \$3,648,940 = 16.5%		Unassigned Fund Balance Projected Ending 6/30/14 \$4,000,000 = 18.4%
	Required Unassigned Fund Balance per Policy \$3,301,426 = 15%		Required Unassigned Fund Balance per Policy \$3,247,242 = 15%

Policy Evaluation: The FY 2013-2014 projected unassigned fund balance at June 30, 2014 is projected to exceed the minimum 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 \$4.0 mil at June 30, 2014.

**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 the following ways: (a) Retirement of existing debt; (b) One-time expenditures that do not increase recurring operation costs that cannot be funded through current revenues; [An example would be replacement of capital equipment or payment to a capital improvements project that would reduce the future debt of the City. Another example of a one-time expenditure would be refunds of a portion of specific revenue collected]; and, (c) Establishment of reserves for risk management, equipment replacement, capital projects, emergencies or disaster recovery.

POLICY ON THE ORDER OF SPENDING RESOURCES

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

GENERAL FUND FINANCIAL 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

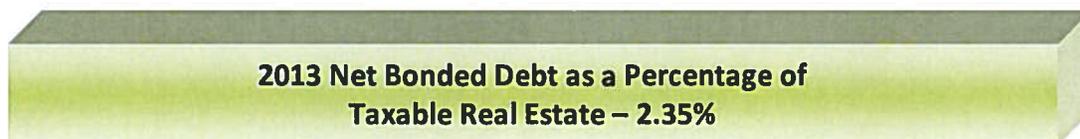
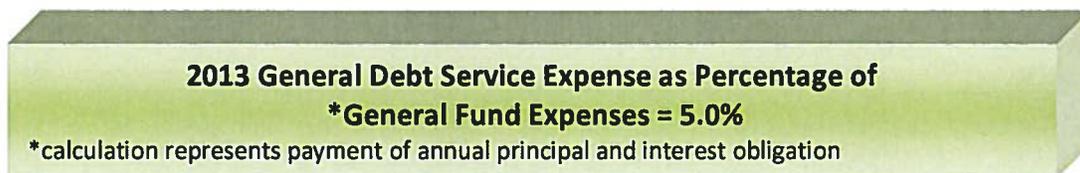
DEBT MANAGEMENT

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.



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.



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

June

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

July

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



FY 2014-2015 TABLE OF BUDGETED POSITIONS

Function/Program	FY 2013-2014 Current	FY 2014-2015 Adopted	Net FTE Change
GENERAL FUND			
City Manager	2	2	0
City Attorney	1	1	0
Human Resources	2	2	0
Treasurer	5	5	0
Commissioner of Revenue	5	5	0
Finance	5	5	0
Finance-Utility Billing	3	3	0
Registrar	1.5	1.5	0
Information Technology	1	1	0
Total General Government Administration	25.5	25.5	0
Police	33	33	0
E-911 Communications	9.5	9.5	0
Animal Control	1.5	1.5	0
Fire & Rescue - EMS	27	27	0
Inspections	6	7	1
Total Public Safety Administration	77	78	1
Public Works-Streets	16	16	0
Public Works - Garage	4	4	0
Public Works - Refuse collection	0	0	0
Public Works-Bldgs & Grounds	10	10	0
Total Public Works Administration	30	30	0
Park and Recreation	4	4	0
Senior Program	1	1	0
Library	0.5	0.5	0
Total Parks & Recreation	5.5	5.5	0
Economic Development	0	0	0
Community Development & Stormwater Mgt.	3	3	0
Downtown Development	1	1	0
Total Community & Economic Development	4	4	0
TOTAL GENERAL FUND	142	143	1
Social Services	22	22	0
Economic Development - Incubator	1	0.5	-0.5
Water & Sewer	16	13	-3
Solid Waste	8	8	0
Electric Fund	16	16	0
Airport	2	2	0
TOTAL NON GENERAL FUND	65	61.5	-3.5
TOTAL POSITIONS - ALL FUNDS	207	204.5	-2.5



**ANALYSIS OF PERSONNEL CHANGES
FY 2014-2015 ADOPTED COMPARED TO FY 2013-2014 ADOPTED BUDGET**

- ❖ Human Resources reflect the conversion of a part-time position to full time status effective for one-half of the fiscal year (January 1, 2015); this change is the result of service requirements in the department and to comply with “part time” work hours requirements under the Affordable Care Act.
- ❖ 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. Also reflects one shared services position (permit technician) for Community Development services which will also be cost shared with Southampton County.
- ❖ Water & Sewer Fund reduces staff levels by net 3 positions; personnel cost savings was transferred to contractual services for specialized services as needed.
- ❖ Solid Waste Fund reflects freezing of one vacant position in FY 14-15 allowing time for management to assess operational efficiency of current staff levels.

HISTORY OF FULL TIME EQUIVALENT POSITIONS AS OF JUNE 30

Table 1.

FUND	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General	143	142	145	139	132	129	130	134	146	143	141
Social Services	22	22	20	20	19	19	20	18	19	19	19
Electric	16	16	16	14	14	16	15	20	20	20	20
Water & Sewer	13	16	13	13	16	14	14	16	16	16	17
Airport	2	2	2	2	2	2	2	2	2	2	2
Solid Waste	8	8	0	0	0	0	0	0	0	0	0
Economic Development	-0-	1	1	1							
TOTAL	204	207	197	188	183	178	182	185	204	201	199

FY 14-15 ADOPTED BUDGET

Section 3

ANALYSIS OF THE GENERAL FUND

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



REVENUE ASSUMPTIONS FOR THE FY 2015 ANNUAL OPERATING BUDGET

INTRODUCTION

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

Several factors were considered as part of the revenue projections for the upcoming fiscal year. Economic conditions will show moderate recovery in select areas of the local economy, but an assessment of the City's housing and commercial property market resulted in an overall 4.35% reduction in real property values. As a result, the budget includes a change in the City's real property values and the tax levy produced.

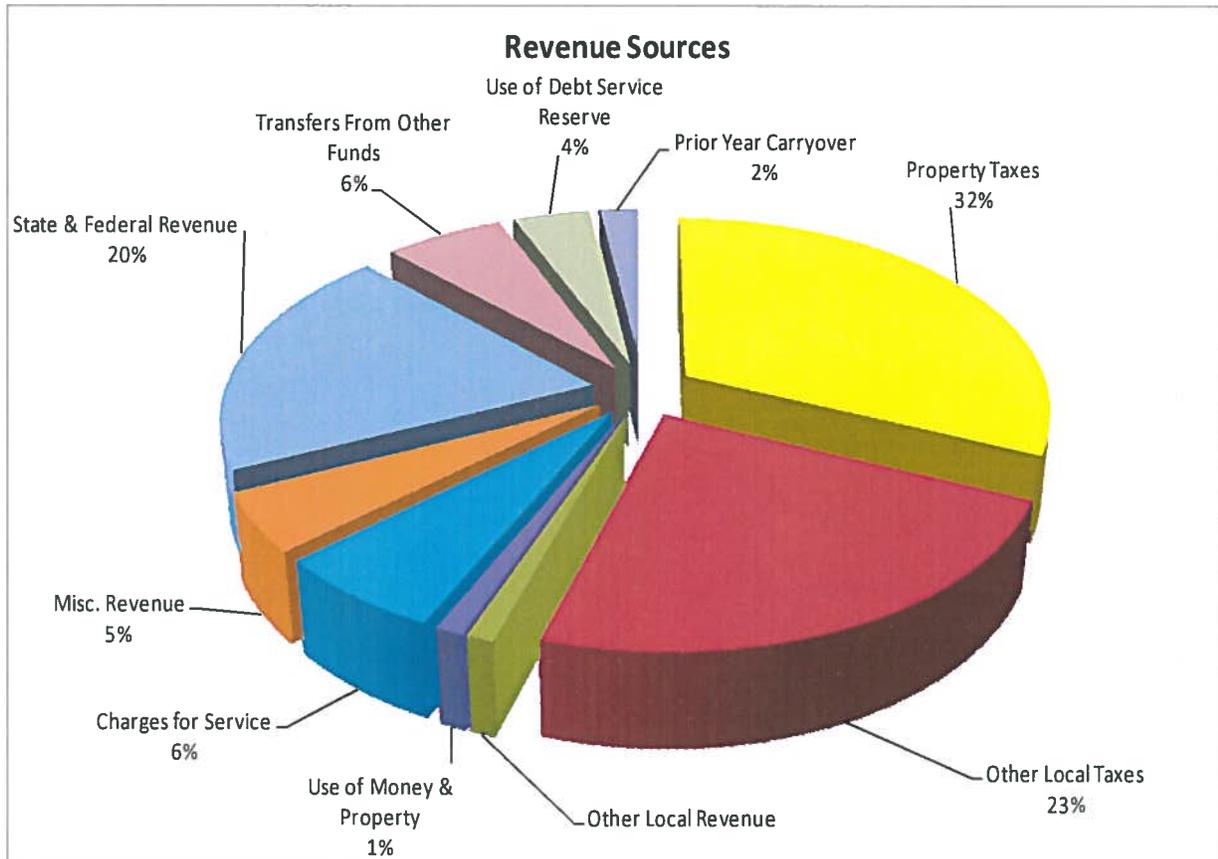
A reduction in consumer spending during the recent recessionary period resulted in decreased yields from sales, meals, and lodging taxes and other retail oriented taxes. At the onset of the economic downturn there was significant negative effect on these revenue sources. While the City has been in a 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.

While the State in large part recognizes its obligation to reimburse localities for State responsible functions, it does not provide the necessary funding nor reduce the service requirements. Even though the State ceased planned reductions to localities in most funding areas beginning in FY 2013-2014, funding required by localities to fund state supported operations continue to grow without a corresponding equivalent increase in state funding.



**FY 2014-2015 REVENUE SUMMARY
GENERAL FUND**

	Adopted FY 2013-2014	Adopted FY 2014-2015	Change	FY 14-15 Percent of Budget
Property Taxes	\$ 6,966,432	\$ 7,168,006	\$ 201,574	31.6%
Other Local Taxes	\$ 5,183,500	\$ 5,218,500	\$ 35,000	23.0%
Permits, Fees, Fines & Licenses	\$ 155,190	\$ 231,836	\$ 76,646	1.0%
Use of Money & Property	\$ 247,757	\$ 242,522	\$ (5,235)	1.1%
Charges for Service	\$ 1,316,464	\$ 1,458,809	\$ 142,345	6.4%
Miscellaneous & Revenue Sharing	\$ 769,312	\$ 1,088,092	\$ 318,780	4.8%
State & Federal	\$ 4,267,173	\$ 4,436,202	\$ 169,029	19.6%
Transfers From Other Funds	\$ 1,409,891	\$ 1,409,891	\$ -	6.2%
Use of Debt Service Reserve	\$ 689,386	\$ 927,409	\$ 238,023	4.1%
Use of Unassigned Fund Balance	\$ -	\$ 126,500	\$ 126,500	0.6%
Prior Year Carryover	\$ 643,174	\$ 345,594	\$ (297,580)	1.5%
TOTAL REVENUE	\$ 21,648,279	\$ 22,653,361	\$ 1,005,082	100.0%





Over 54% of General Fund revenues are derived from taxes; 32% from real estate and personal property taxes and 23% 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 2013-2015
GENERAL FUND
Revenue Analysis and Descriptions**

The General Fund provides for the basic services extended to all residents and businesses in the City, including public safety, streets, recreation, library, court services, community development and general administration. It also includes significant contributions to the operation of the Franklin City Public School System, constitutional offices and other community organizations. Most General Fund Services are non-revenue producing, thereby requiring the use of 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 inter-fund transfer in lieu of taxes and a City Council established appropriation of \$1.409 million annually which reduces pressure on the property tax.

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

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 2014 is projected to be \$630,740,599. A history of total property values by type is shown in table 1.

Real Estate	Personal Property	Machinery & Tools	Public Service	Total
\$ 556,219,200	\$ 64,719,205	\$ 3,136,696	\$ 6,665,698	\$ 630,740,799

Table 1

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

Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service Corporations		Total
					Real Estate	Personal Property	
2014	556,219,000	64,719,205		3,136,696	6,588,695	77,003	630,740,599
2013	571,544,231	58,915,121		3,136,696	6,588,695	77,003	640,261,746
2012	550,495,439	55,575,941		2,993,303	6,927,392	13,914	616,005,989
2011	606,470,410	55,398,273		3,032,569	7,371,365	16,575	672,289,192
2010	629,410,310	57,061,332		3,018,957	7,761,879	42,224	697,294,702
2009	671,857,100	59,307,993	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

Source: Franklin City Annual Financial Report 6/30/13 & 2014 Projections from Commissioner of the Revenue

FY 2014-2015 TAX RATE RECOMMENDATION			
Tax (per \$100 of assessed value)	FY 13-14	FY 14-15	Prior Year Change
Real Estate	\$0.90	\$0.96	+\$0.06
Real Estate (Downtown Tax District)	\$1.14	\$1.22	
Personal Property	\$4.50	\$4.50	-0-
Machinery & Tools	\$2.00	\$2.00	-0-
Public Service(RE/ PP)	\$0.90/\$4.50	\$0.96/\$4.50	
Personal Property Tax Relief Percentage	62%	58%	(-4.0%)

Table 2.

Real Estate taxes - The City conducts a biennial reassessment in accordance with the provisions of City Code Section 27-45. The City last adjusted its real estate tax rate in FY 2013 based on the adverse impact on property values of the 2012 Reassessment. Based on the 2014 Reassessment, the City's assessor projects the total assessed value of real estate to decline approximately 4.35% from \$581,517,500 (value after all supplements as of May 5, 2014) in tax year 2013 to \$556,219,200 in tax year 2014.

Observation on Reassessment Impact: The property reassessment in one sense can be described as a redistribution of tax burden among property owners relative to their respective updated values. The 2014 Reassessment of all classes of taxable property in the City resulted in projected higher assessed values on commercial properties (a 9.0% increase), lower assessed values on single family homes/residential properties (a 10.12% reduction), and higher assessed values on multi-family residential properties (a 10.08% increase). In FY 2014-15, single family **residential property** owners **will pay less** in tax burden while commercial and **multi-family property** owners **will pay a larger share** regardless of

the rate established by Council. (See illustrative examples on page 48).

The current real estate tax rate is \$0.90 per \$100 of assessed value. Based on the reduction, the estimated real property tax revenues for FY2014 is \$5,057,842, a decrease of \$227,685 below tax year 2013. In order to generate the tax revenue lost based on a 4.35% reduction in overall assessed values, the City would need to increase the current tax rate of \$0.90 to \$0.94 per \$100 of assessed value. Utilizing the new assessed property tax values, each penny of the property tax is estimated to generate \$55,622. [Note: Estimate based on 100% collection rate]. The effective tax rate increase would be needed to equalize the tax levy to produce a revenue neutral position. In other words, increasing the tax rate by \$0.04 to \$.94 per \$100 of assessed value would roughly generate an equivalent amount of tax revenue in tax year 2014 as in the prior year. The following provides illustrative examples of the tax rate implication for a taxpayer with property assessed at \$170,000 prior to the reassessment and based upon the average change in City property values due to the reassessment. In this example, the real

estate taxes paid would be \$2.00 less than taxes paid prior to the reassessment. Of course, changes in individual property values will vary, particularly between the various classes of property owned.

(Example Impact of Average 4.35% Reduction in All Classes of Property)

	2013 Value	2014 Value
Value	\$170,000	162,605
Rate	0.90/\$100	0.94/\$100
Tax	\$1,530.00	\$1,528.00

Following are examples of the impact of the \$0.04 revenue neutral tax rate increase on major classes of property: residential single family, residential multi-family and commercial:

	2013 Value	2014 Value	10% Reduction
Residential/Single Family	\$170,000	\$153,000	-\$17,000
Rate	0.90/\$100	0.94/\$100	\$0.04
Tax	\$1,530.00	\$1,438.00	-\$92.00

	2013 Value	2014 Value	10% Increase
Residential/Multi-Family	\$170,000	187,000	+\$17,000
Rate	0.90/\$100	0.94/\$100	\$0.04
Tax	\$1,530.00	\$1,758	+\$228

	2013 Value	2014 Value	9% Increase
Commercial	\$170,000	185,300	+\$15,300
Rate	0.90/\$100	0.94/\$100	\$0.04
Tax	\$1,530.00	\$1,742	+\$212

ADOPTED TAX RATE:

The Adopted FY 2014-2015 budget increases the 2014 Tax Levy on real property by \$0.02 cents beyond the equalized rate of \$0.94 per \$100 of assessed value. This is one of several strategies to balance the budget in light of increased expenditures beyond the City’s control such as the significant increase for jail administration.

Table3.
10 Year Tax Rate History
(per \$100 of assessed value)

Tax Year	Real Estate	Downtown District*	Personal Property	Machinery & Tools	Public Service (RE/PP)
2014*	\$0.96	\$1.20	\$4.50	\$2.00	\$0.96/\$4.50
2013	\$0.90	\$1.14	\$4.50	\$2.00	\$0.90/\$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	\$0.90/\$4.50
2007	\$0.85	\$1.09	\$4.50	\$2.00	\$0.85/\$4.50
2006	\$0.95	\$1.19	\$4.50	\$2.00	\$0.95/\$4.50
2005	\$0.90	\$1.14	\$4.50	\$2.00	\$0.90/\$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 Disable - 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 2013, the tax relief amount for the elderly was \$29,232 and \$16,809 for disabled veterans.

Personal property tax revenue is budgeted at \$2.37 million, consistent with FY 2013-2014 budget based on the current tax rate of \$4.50 per \$100 of assessed value and anticipated projections for FY 2013-2014. 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 2014-2015 personal use vehicles is estimated to be 58% down from 62% in FY 2013-2014. In essence, since the City receives a set value from the State for the Personal Property Tax Relief reimbursement, the City must annually adjust the relief percentage to maintain revenue neutrality.

Public Service Corporation Taxes constitutes the assessment value for all property owned by Public Service Corporations in the City and subject to local taxation. Revenue for FY2015 is projected to remain consistent with FY2014 projections of \$62,000.

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 2014-2015 projection is \$65,000, an increase of \$5,000 from 2013-2014. This is based on repurposing of the former IP CIC facility located in the Southampton County Revenue Sharing Area for use by Hampton Farms Peanut.

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 2014-2015, unchanged from the prior year. 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.

Sales & Use Tax is the retail sales and use tax charged and collected by certain businesses on behalf of the Commonwealth of Virginia. The City collects one percent of the 5.0% imposed by the Commonwealth on gross receipts from retail merchants in the City. Sales are indicative of consumer confidence and spending. Collections are estimated at \$1.750 million, a slight increase over the FY 2013-2014 budgeted amount based on projected sales in FY 14 and anticipated new businesses in FY 15. Sales projections are received from the Commonwealth, and are largely predicated upon regional economic growth estimates.

Business license revenue is projected at \$930,000 consistent with the current fiscal year budget. This tax is generally assessed on the gross receipts of businesses in the City depending on the category of the business. A new business must obtain a business license from the Commissioner of Revenue before conducting business in Franklin.

Lodging tax is imposed and levied by the City in the amount of 8% of the total paid for lodging, by or for any transient, to any hotel. The projected revenue for FY 2014-2015 is \$150,000 based upon current year anticipated actual receipts and remains unchanged from the prior year.

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 \$1.260 million for FY 2014-2015, a \$10,000 increase from budgeted revenue in FY 2013-2014 based on anticipated new business.

Cigarette Tax – The code of Virginia, Section 58.3830 allows for local taxation on the sale or use of cigarettes. The City of Franklin charges \$0.60 per pack of cigarettes. The FY 2014-2015 projection of \$300,000 is consistent with the prior year budget.

Other local tax collected is the remaining local taxes not previously mentioned including bank stock, motor vehicle licenses, local electric consumption tax, right of way use, and recordation taxes. The combined total for these revenues is \$318,000 which is consistent with FY 2013-2014 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 Actual	FY 13-14 Budget	FY 14-15 Adopted	Percent Growth since FY 09-10
Sales	1,589,863	1,592,995	1,722,471	1,801,159	1,725,000	1,750,000	10%
Meals	1,203,730	1,154,659	1,330,207	1,262,429	1,250,000	1,260,000	5%
Lodging	138,318	117,911	198,481	152,875	150,000	150,000	8%
Cigarette	230,469	208,592	244,959	356,358	300,000	300,000	30%
Business License	843,227	943,069	925,843	924,748	930,500	930,000	10%
Motor Vehicles	134,264	144,176	180,859	174,012	174,000	170,000	27%

License, Permit & Privilege Fee

These revenues are generated from various activities within the City primarily from the issuance of building, electrical and plumbing permits for the City and Southampton County. Other fees are collected for animal licenses, zoning and land use activities and charges. The projected revenue for this category totals \$191,636, a \$101,946 increase over the previous year budget. This is based on the inclusion of revenue from fees collected for Southampton County. The shared percentage of these revenues is estimated at 65% County and 35% City.

Fines and Forfeitures

These collections are the result of charges ordered by the courts for violations of City ordinances, and is projected at \$40,200 for FY 2014-2015, a slight reduction from FY 2013-2014 based on anticipated FY 14 revenue resulting from a reduction in court cases and convictions according to court officials.

Revenues from Use of Money & Property

Interest earned on investments and revenue received from the rental of City property comprises the category of revenue generated from the use of money and property (agency rental of M. L. King, Jr. Center and Health Department). However, the majority of the \$242,522 budgeted for this source is received from the Department of Social Services under the current Memorandum of Understanding for the reimbursement of building rental and facility operations. The City also receives annual rental payments from the use of City owned land. The budget for FY 2014-2015 is relatively consistent with the prior year.

Charges for Services

This category consists of revenues from fees charged by ambulance services, fire and EMS fees charged to Southampton County, recreation fees, charges for general administrative services provided on the behalf of the City's Enterprise Funds (Water & Sewer, Electric, Airport, and Solid Waste), and other miscellaneous charges. Charges for services will see an increase in FY 2014-2015 based on the City's most recent Cost Allocation calculation.

The City's Emergency Medical Services (EMS) Cost Recovery program is designed to obtain reimbursement for the cost of emergency medical services associated with transporting citizens to the hospital by ambulance. Charges for Ambulance Service Fees are based on

premiums paid by Medicare, Medicaid and other private insurance for ambulance transport. Charges vary based on the type of service provided and the distance traveled to the hospital. Franklin, along with nine other jurisdictions in the Tidewater Region, uses Fidelis to administer the EMS Recovery Program. FY 2014-2015 projected revenue from this source is \$315,000, an increase of \$25,000 or 8.6% based on actual projected revenue for FY 2013-2014.

FEES FOR AMBULANCE BILLING SERVICES

	FY 2013-2014	FY 2014-2015	
	Rates	Adopted Rates	Change
Advanced Life Support (1)	\$ 550.00	\$ 550.00	\$ -
Advanced Life Support (2)	\$ 800.00	\$ 800.00	\$ -
Basic Life Support	\$ 450.00	\$ 450.00	\$ -
Mileage Rate to Hospital	\$ 13.00	\$ 13.00	\$ -

Miscellaneous Revenue and Recovered Cost

This category includes primarily revenue sharing received under the City’s Revenue Sharing Agreement with Isle of Wight County. It also includes donations, proceeds from the sale of property, and other unanticipated miscellaneous revenue. Reflected in recovered cost are proposed payments received from Southampton County under the consolidated shared services agreement. The City is slated to receive an average reimbursement of 64% or \$272,000 for all services (personnel and operating) provided to the County as administered by the City net of fees collected from services strictly provided to County residents and businesses.

Under a revenue sharing (annexation) agreement, the City receives a percentage of the taxes, primarily machinery & tools, from operations at the International Paper plant site located in Isle of Wight County. Prior to the closure of the mill in 2009, the City consistently received revenue sharing benefits in excess of \$1.0 million annually. This amount was significantly reduced beginning in FY 2010-2011 as a result of the closure. In 2012, a portion of the mill was repurposed and other business interests have located on the campus which results in partial revenue recovery as evidenced by the FY 2013-2014 payment and the projected payment for FY 14-15.

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	\$ 530,000.00
2014-2015(2)	\$ 600,000.00

(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 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 2014-2015, the City is expected to receive reimbursements of \$68,500, \$78,000, and \$33,000 respectively for the Commissioner, Treasurer and Registrar offices for a total of \$179,500 in categorical aid. This is a \$4,500 increase over FY 2013-2014 based largely on a 9.3% salary increase for the Treasurer as compensation for earning designation as a Master Governmental Treasurer. 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 2014-2015 Recommended Budget amount for each office, and the City cost for each:

Department	FY 2014-15		FY 2014-2015 City Cost	FY 2014-15 City Cost as a % of Budget
	Estimated Revenue	FY 2013-14 Proposed Budget		
Comm of Revenue	\$ 68,500	\$ 245,755	\$ 177,255	72%
Treasurer	\$ 78,000	\$ 270,273	\$ 192,273	71%
Registrar	\$ 33,000	\$ 101,111	\$ 68,111	67%
Total	\$ 179,500	\$ 617,139	\$ 437,639	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 2014-2015 is \$1.529 million, which is no change from FY 2013-2014 actual anticipated revenue, but \$43,101 more than FY 2013-2014 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 2014-2015 is \$404,520, no change from FY 2013-2014. State Aid includes grant funds restricted for the acquisition of a Type I ambulance in the amount of \$134,820 which represents 80% of the total vehicle and equipment costs.

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 2014-2015 budget includes the required portion of the grant needed to complete the final residual drawdown of the grant. The amount

budgeted in FY 2014-2015 for the SAFER grant is \$413,008.

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 FY2014-2015 is built with these principles in mind and does not inappropriately supplement the operating budget. Alternatively, recommendations are typically limited to committed or restricted use funds and limited unassigned funds for capital items with the exception of the recommended appropriation of carryover funding to the School System. For FY 2014-2015, management recommended use of \$126,500 in unassigned fund balance. This limited use of fund balance supports needed capital outlay items in Information Technology and Public Safety which if approved, will be matched with pending grant funding sources.

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 2014-2015, the estimated revenues transferred from this account are expected to be \$927,409.

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	Amount
Estimated Loss in Real Estate Tax Revenue	\$ (226,000)
Court Fines & Forfeitures	\$ (25,300)
Safer Grant Available Balance	\$ (38,108)
Miscellaneous Revenue	\$ (15,500)
Prior Year Carryover	\$ (297,580)
TOTAL DECREASE IN REVENUE	\$ (602,488)

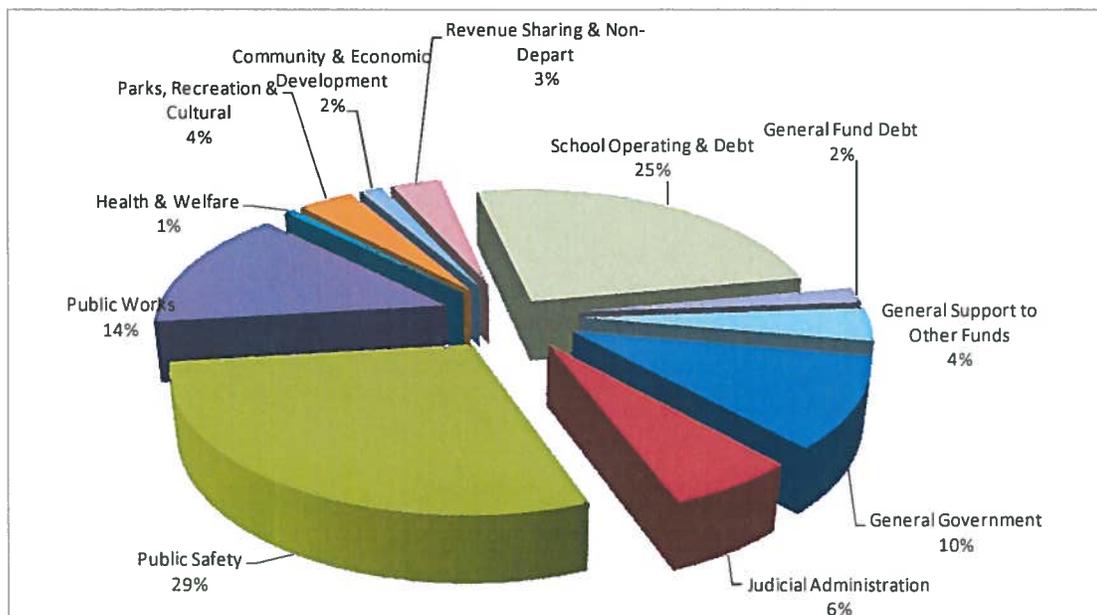
Revenue Gains	Amount
Real Estate Tax Revenue (Revenue neutral & two cents rate increase)	\$ 333,000
Isle of Wight County Revenue Sharing	\$ 70,000
Southampton County Revenue Sharing	\$ 14,000
Charges for Services - Enterprise Funds	\$ 88,000
Ambulance Recovery Charges	\$ 32,000
Permits & Fees	\$ 102,000
Recovered Cost (Service Consolidation)	\$ 250,000
Street & Highway Maintenance Funds	\$ 43,000
Fire Rescue Squad Assistance Grant	\$ 134,820
Fire Program Equipment Grant	\$ 23,000
Southampton County Recovered Cost -Grant Match	\$ 33,705
Local Taxes (Sales & Use and Meals)	\$ 35,000
Use of Fund Balance (Restricted For Debt)	\$ 238,023
Use of Prior Year Fund Balance	\$ 126,500
State Aid - Non Categorical	\$ 9,000
TOTAL INCREASE IN REVENUE	\$ 1,532,048
NET INCREASE IN REVENUE FROM FY 2013-2014	\$ 929,560



**FY 2014-2015 EXPENDITURE SUMMARY
GENERAL FUND**

	FY2013-2014 Adopted	FY2014-2015 Adopted	Variance	Percent of FY 2015 Budget
General Government	\$ 2,391,746	\$ 2,381,622	\$ (10,124)	10.5%
Judicial Administration	\$ 986,945	\$ 1,296,083	\$ 309,138	5.7%
Public Safety	\$ 5,943,002	\$ 6,535,633	\$ 592,631	28.9%
Public Works	\$ 3,109,847	\$ 3,248,345	\$ 138,498	14.3%
Health & Welfare	\$ 167,198	\$ 156,198	\$ (11,000)	0.7%
Parks, Recreation & Cultural	\$ 890,758	\$ 836,907	\$ (53,851)	3.7%
Community & Economic Development	\$ 276,590	\$ 353,454	\$ 76,864	1.6%
Misc. & Revenue Sharing	\$ 690,000	\$ 771,000	\$ 81,000	3.4%
Subtotal	\$ 14,456,086	\$ 15,579,242	\$ 1,123,156	68.8%
Transfer to Other Funds:				
General Fund Debt	\$ 498,604	\$ 413,130	\$ (85,474)	1.8%
School Operating & Debt	\$ 5,904,731	\$ 5,774,171	\$ (130,560)	25.5%
General Fund Support to Other Funds	\$ 788,858	\$ 886,818	\$ 97,960	3.9%
Total Transfers to Other Funds	\$ 7,192,193	\$ 7,074,119	\$ (118,074)	31.2%
TOTAL EXPENDITURES	\$21,648,279	\$ 22,653,361	\$ 1,005,082	100%

CATEGORY	ADOPTED	Percentage of Expenditure
PERSONNEL	\$ 8,931,580	39.43%
OPERATIONS	5,532,132	24.42%
TRANSFERS TO OTHER FUNDS	7,074,119	31.23%
CAPITAL OUTLAY	1,115,530	4.92%
	\$ 22,653,361	100.00%





EXPENDITURE ASSUMPTIONS FOR THE FY 2014-2015 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 major expenditure adjustments incorporated into the FY 2014-2015 Recommended Operating Budget.

Items of Interest:

- ❖ **Virginia Retirement System (VRS)** - Since all employees are now required by state VRS mandate, on a phased in basis selected by the City, to contribute a 5% member contribution to VRS, employees were granted a 1.1% salary adjustment each year in FY 2012-2013 and in FY 2013-2014 to offset this required contribution. Other than new hires, which are required to contribute the full 5.0%, employees will see the third 1.0% change in FY 2014-2015. 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.
- ❖ **Health Care Insurance** – The City currently participates in the State’s Local Choice Program for health insurance. The Local Choice is a pooled program whereby localities similar in size are grouped together. This is intended to increase purchasing power, which reduces cost while shared claims experience offers some protection in years when jurisdictions experience high claims. Trend estimates tend to track lower than the commercial health care market. Overall, the City will experience a 6.8% increase in health insurance costs effective July 1, 2014. Both the employee and the City will contribute to the increase. City cost in compliance with the long standing 80% cost share policy of the City will impact the General Fund by approximately \$50,316.
- ❖ **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 provided by a commercial carrier, the City, on a regular basis, evaluates its current coverage to determine if cost savings can be realized through a different carrier. The FY14-15 budget for Worker’s Compensation reflects updated premium amounts based on the most recent evaluation of rates for each class of worker by VML.

GENERAL FUND
SUMMARY OF BUDGETED EXPENDITURE CHANGES FROM PRIOR YEAR

Expenditure Increases

Jail Administration	\$ 280,345
Acquisition of Replacement Ambulance	\$ 168,525
General Fund Transfer to School Debt Fund	\$ 172,020
Service Consolidation (Inspections)	\$ 130,000
Police Department - Full Funding of Staff	\$ 110,000
Industrial Corridor Revenue Sharing	\$ 100,000
Service Consolidation (Community Development)	\$ 73,800
General fund Transfer to Social Services	\$ 59,400
Fire & Rescue - Overtime and Full Funding of All Personnel	\$ 53,000
City Share of Health Insurance	\$ 50,000
Police Vehicles & Equipment	\$ 50,000
Fire & Rescue Operating Expenses	\$ 48,000
Street Equipment	\$ 45,000
General Fund Transfer to Comprehensive Services Fund	\$ 42,000
Police Records Room Improvement	\$ 38,000
Retiree Health Insurance	\$ 28,000
Judicial Administration Joint Services	\$ 22,000
Information Technology Equipment Upgrades	\$ 22,000
Full Year Funding of Garage Staff (predominantly frozen in FY13-14)	\$ 18,000
Human Resources - Conversion of PT to Full Time Staff	\$ 6,943
Total Expenditure Increases	\$ 1,517,033

Expenditure Reductions

City Code Completion	\$ (18,000)
Reduction in Contingency Fund	\$ (22,282)
Real Estate Reassessment (Completed 2014)	\$ (60,500)
Reduction to Transfer for General Debt Requirement	\$ (85,474)
Education Re-Appropriation Based on 6-30-13 Audit	\$ (315,118)
Total Expenditure Decreases	\$ (501,374)
NET INCREASE IN GENERAL FUND EXPENSES FROM PRIOR YEAR	\$ 1,015,659



LEGISLATIVE & GENERAL GOVERNMENT ADMINISTRATION

FUND - GENERAL	ACTUAL FY 12-13	ADOPTED BUDGET FY 13-14	ADOPTED BUDGET FY 14-15	Variance FY 15 Over FY 14 Adopted
CITY COUNCIL	\$ 137,148	280,971	249,461	(31,510)
CITY MANAGER	168,615	233,803	232,511	(1,292)
CITY ATTORNEY	136,351	158,880	140,174	(18,706)
MANAGEMENT SERVICES & HR	133,797	139,907	149,855	9,948
COMMISSIONER OF REVENUE	233,108	242,417	245,755	3,338
REAL ESTATE ASSESSOR	46,007	114,029	52,688	(61,341)
TREASURER	250,792	262,645	270,273	7,628
FINANCE	606,159	610,649	629,837	19,188
INSURANCE	103,739	105,000	134,500	29,500
ELECTIONS	97,514	101,977	101,111	(866)
INFORMATION TECHNOLOGY	104,637	141,468	175,457	33,989
TOTAL LEGISLATIVE & GEN. ADMIN.	2,017,867	2,391,746	2,381,622	(10,124)

FY 14-15 Highlights

City Council – Reflects an appropriation in the Contingency Fund of \$109,353, which is less than 1% of the total general fund budget and \$22,282 less than the FY 2013-14 budget of \$131,635. The budget also includes funding for various agencies and organizations in the City. Management’s recommendation for FY 2014-2015 is the same as the current fiscal year for all agencies.

City Attorney – Reflects the reduction of \$18,000 included in the FY 13-14 Budget to update the City’s Codes & Ordinances records.

Human Resources - Reflect the conversion of a part-time position to full time status effective for one-half of the fiscal year (January 1, 2015); this change is the result of service requirements in the department and to comply with “part time” work hours requirements under the Affordable Care Act. The net impact of the change for FY 14-15 is \$6,943.

Real Estate Assessor – Reflects the reduction of the bi-annual property reassessment completed in 2014.

City Treasurer - The budget includes a State Compensation Board approved salary increase for the Treasurer based on certification as a Master Governmental Treasurer (MGT).

Finance – The budget includes increased overtime to accommodate workload as a result of vacant position and new accounting software project as needed.

Information Technology – The increase results from capital project initiatives (data system, core switch, PEG channel equipment upgrades) and increased personnel costs.



JUDICIAL ADMINISTRATION

FUND - GENERAL	ACTUAL FY 12-13	ADOPTED BUDGET FY 13-14	ADOPTED BUDGET FY 14-15	Variance FY 15 Over FY 14 Adopted
GENERAL DISTRICT COURT	18,520	17,575	17,575	-
JOINT OPERATIONS	231,404	246,569	268,345	21,776
DISTRICT COURT/JUVENILE	140,716	151,811	158,928	7,117
WESTERN TIDEWATER REGIONAL	570,990	570,990	851,235	280,245
TOTAL	961,630	986,945	1,296,083	309,138

FY 14-15 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 a projected increase in the cost for juvenile detention care and services.

Western Tidewater Regional – The City’s cost for FY 2014-2015 for adult prisoner care will increase due to a significant reduction in revenue resulting from reduced federal inmates being housed at the jail. Participating localities of Franklin, Isle of Wight and Suffolk will proportionately absorb their applicable share of jail administration costs.



PUBLIC SAFETY ADMINISTRATION

FUND - GENERAL	ACTUAL FY 12-13	ADOPTED BUDGET FY 13-14	ADOPTED BUDGET FY 14-15	Variance FY 15 Over FY 14 Adopted
LAW ENFORCEMENT	3,251,000	3,338,022	3,527,462	189,440
ANIMAL CONTROL	109,541	111,206	112,643	1,437
FIRE & EMERGENCY SERVICES	1,647,979	2,050,437	2,320,481	270,044
CIVIL DEFENSE & SAFETY	58,431	72,483	73,411	928
BUILDING INSPECTIONS	360,223	370,854	501,636	130,782
TOTAL	5,427,174	5,943,002	6,535,633	592,631

FY 14-15 Highlights

Law Enforcement – Reflects operations of the Police and E911 Communications Department. The increase in funding is primarily attributed to full year funding of positions partially frozen in the prior year budget in addition to dispatch position upgrades effective mid-year 2013-2014.

Fire & Emergency Services – Includes purchase of an ambulance in the amount of \$168,000 which will be funded by a 80% state grant from the Department of Fire Services and a 20% capital fund contribution from Southampton County; increased cost for contractual service obligations resulting from ambulance billing services. The City receives \$113,000 from Southampton County as its contribution for services provided by the City.

Building Inspections – Reflects full year funding of all positions and operation costs associated with shared services consolidation with Southampton County. FY 14-15 also includes a new County-shared cost permit technician position to accommodate the increase in work load requirements and to improve the efficiency of permitting operations in the county-city combined department.



PUBLIC WORKS

FUND - GENERAL	ACTUAL FY 12-13	ADOPTED BUDGET FY 13-14	ADOPTED BUDGET FY 14-15	Variance FY 15 Over FY 14 Adopted
PUBLIC WORKS - STREETS	1,485,014	1,908,981	1,983,524	74,543
PUBLIC WORKS - GARAGE	186,352	226,527	240,067	13,540
REFUSE COLLECTION	957,583	-	-	-
BLDGS & GROUNDS	962,978	974,339	1,024,754	50,415
TOTAL	3,591,927	3,109,847	3,248,345	138,498

FY 14-15 Highlights

Public Works Streets – The increase of \$74,543 includes shared partial funding to acquire a rubber tire excavator. The Water & Sewer Fund will share 50% of the cost for this equipment since it will be used for water and waste water related services.

It also includes funding of one part-time custodial position transferred from the Economic Development Fund and increased cost for operational expenditures.

Public Works Garage - The increase of \$13,000 is mostly associated with unfreezing one position for six months of the fiscal year; this vacant position was frozen until mid-year in the prior year budget and left vacant until the impact on operations of the department could be evaluated.



HEALTH & WELFARE ADMINISTRATION

FUND - GENERAL	ACTUAL FY 12-13	ADOPTED BUDGET FY 13-14	ADOPTED BUDGET FY 14-15	Variance FY 15 Over FY 14 Adopted
HEALTH DEPARTMENT	110,000	110,000	110,000	-
MOSQUITO CONTROL	-	22,000	11,000	(11,000)
MENTAL HEALTH DISTRICT	34,173	35,198	35,198	-
TOTAL	144,173	167,198	156,198	(11,000)

FY 14-15 Highlights

Health & Welfare Administration – No changes to report.



PARKS, RECREATION & CULTURAL

FUND - GENERAL	ACTUAL FY 12-13	ADOPTED BUDGET FY 13-14	ADOPTED BUDGET FY 14-15	Variance FY 15 Over FY 14 Adopted
PARKS & RECREATION	361,678	400,802	360,882	(39,920)
CEMETERY MAINTENANCE	48,921	57,050	57,050	-
SENIOR CITIZENS PROGRAM	135,027	137,606	126,602	(11,004)
LIBRARY	284,651	290,300	292,373	2,073
TOTAL	781,356	885,758	836,907	(48,851)

FY 14-15 Highlights

Parks & Recreation – The reduction represents personnel cost savings to be realized from anticipated appointment of new hires at lower salaries overall than previous long-tenured employees who retired during FY 2013-14.

Senior Citizens Program - The reduction represents personnel cost savings realized from anticipated replacement of a new hire at a lower salary than the previous long-tenured employee who retired in FY 2013-14.

Black Water Regional Library – Slight reduction in the City share based on contract formula applied to determine the City’s share of the regional library budget. No significant changes in total library expenditures.



PLANNING & COMMUNITY DEVELOPMENT

FUND - GENERAL	ACTUAL FY 12-13	ADOPTED BUDGET FY 13-14	ADOPTED BUDGET FY 14-15	Variance FY 15 Over FY 14 Adopted
PLANNING	45,732	162,833	241,361	78,528
BEAUTIFICATION	16,013	5,000	5,000	-
DOWNTOWN DEVEL.	109,971	108,707	107,093	(1,614)
TOTAL	171,716	276,540	353,454	76,914

FY 14-15 Highlights

Planning –The \$78,528 budget increase from the prior year represents full year funding of the personnel cost to implement the City’s state mandated Storm Water Management Program per the consolidation of services arrangement with Southampton County. This is the City’s share of two positions; 50% of the cost will be reimbursed by Southampton County.

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 \$52,091. The remainder is the City’s contribution of \$55,000 which is proposed to remain unchanged from the FY 2013-2014 city contribution amount.



NON-DEPARTMENTAL

FUND - GENERAL	ACTUAL FY 12-13	ADOPTED BUDGET FY 13-14	ADOPTED BUDGET FY 14-15	Variance FY 15 Over FY 14 Adopted
REV. SHARING PAYMENT	644,895	650,000	750,000	100,000
MERCHANT CARD FEES	45,976	40,000	21,000	(19,000)
DEBT RESERVE TRANSFER	-	-	-	-
TOTAL	690,871	690,000	771,000	81,000

FY 14-15 Highlights

Revenue Sharing Payment – The FY 2013-2014 revenue sharing payment to Southampton County totaled \$772,000. 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. The increase for FY 2014-2015 is based largely on the payment in the current fiscal year, less projected increase in costs.

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

FY 14-15
ADOPTED BUDGET

Section 4

ENTERPRISE FUNDS

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



**FY 2014-2015
WATER & SEWER FUND ANALYSIS**

The Department of Public Utilities is responsible for the operation, maintenance, and expansion of the City of Franklin’s public water and sanitary sewer systems. Water and wastewater services are provided to the residents and businesses in the City as well as portions of the surrounding localities of Isle of Wight and Southampton. 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 2014-2015 projected revenue is \$3,130,250, and is based on current FY2014 rates as follows.

FY 2014-2015 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 FY 2014-2015 Budget is the third consecutive year of near level revenue and expenditures for the fund: as shown in Graph 1.



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

Graph 1. Five Year Trend – Water & Sewer Fund



FY 2014-2015 revenues of \$3,130,250 are allocated among Water, Sewer and Wastewater Operations as follows: Excluded in the graph is the transfer to the General Fund for administrative services (\$285,920), payment in lieu of taxes (\$26,460), and debt service (\$366,934).

ADOPTED FY 2014-2015 BUDGET (Table 1).

	Water	Sewer	Wastewater	All Operations	Total	Percent of Budget
Personnel	355,193	83,666	288,746		727,604	23.32%
Operating Expenses	440,030	211,800	359,708		1,001,538	32.10%
Capital Outlay	346,897	249,897	115,000		721,794	23.13%
General Fund Transfer	-	-	-	312,380	312,380	10.01%
Debt Service	-	-	-	366,934	366,934	11.76%
Total	1,142,120	545,363	763,454	679,314	3,130,250	100.32%



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

FY 2014-2015 Highlights:

- ❖ The transfer to the General Fund for administrative services increased from \$257,305 to \$285,920 based on a recent cost allocation analysis of services provided by the General Fund.
- ❖ The FY 2014-2015 Budget includes funding to provide for a water tank maintenance program. Funds have been re-allocated from capital outlay to operating as it is an ongoing expense. This contracted service authorized and begun in FY 2013-2014 allows the City to have performed ongoing timely maintenance of wells and water tanks to avoid significant increases in expenditures for replacements, maintenance or repairs including tank painting in a single fiscal year, and in doing so, reduce long-term costs.
- ❖ The budget reflects reduced personnel costs in the sewer division by a net three full time positions. A portion of the personnel cost savings is allocated for specialized contractual services as necessary.

Table 2 is a five year history of expenditures in the Water & Sewer Fund by category.

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 Actual	693,850	707,954	532,957	530,736	154,923	2,620,420
2013-14 Budget	787,904	788,769	893,688	283,765	366,124	3,120,250
2014-15 Budget	727,604	1,001,538	721,794	312,380	366,934	3,130,250

Table 2: Five Year of Water & Sewer Fund

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.



**FY 2014-2015
SOLID WASTE FUND ANALYSIS**

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

An analysis of the Fiscal Year 2014-2015 Budget for the Solid Waste Fund (revenues and expenditures) follows:

Revenue Analysis

Waste collection and disposal fees account for the revenues for solid waste services. Revenue anticipated in the current year is \$1,478,795. 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 SPSA, recycling fees, other operating costs, capital reserves and capital expenses.

	# of Customers	Current Rate	Revenue Generated
Residential Customers	2730	\$39.74	\$1,301,882.40
Commercial 1 Customers	63	\$52.61	\$39,773.16
Commercial 2 Customers	45	\$61.90	\$33,426.00
FY14-15 Projected Revenue			\$1,375,081.56

Table 1.

The City has lowered the fee from the FY 11-12 level of \$43.41 with rate reductions the past two fiscal years. The FY 2014-2015 adopted budget includes no change in the waste collection monthly fee which is \$39.74. The budget includes the use of \$99,174 in cash reserves to fund a yard waste collection equipment purchase on a “Pay-As-You-Go” basis, a lower cost option than lease arrangements. Adequate cash reserves have accumulated over the course of Fiscal Year 2014 to provide a mechanism for saving money to finance equipment as opposed to reliance on indebtedness. Table 2 below shows the estimated cash balance for the Fund at June 30, 2014.

Recommended Cash Balance Policy:

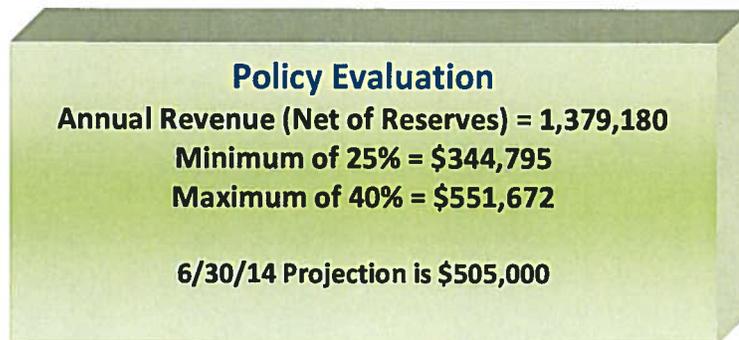
It is recommended that the City establish a cash balance policy for the Solid Waste Fund in similar fashion to what has been adopted for other Enterprise Funds:

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 Solid Waste Fund, by Council policy, is recommended at 25%. A suggested range between minimum and maximum is 25%-40% due to the expensive nature of replacement equipment purchases. This will realistically allow the City to avoid debt into the future in this fund.

Restoration of Minimum Cash Fund Balances

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



Cash in the Fund is expected to grow by \$313,522 since being established July 1, 2013 and be below the maximum level of the recommended policy guidelines as shown above.

FY 2013-2014 Cash Balance Analysis

	Month	Cash Balance	Variance
	30-Jun	\$191,478	
	31-Jul	\$166,060	(\$25,418)
	31-Aug	\$201,680	\$35,620
	30-Sep	\$235,700	\$34,020
	31-Oct	\$267,523	\$31,823
	30-Nov	\$268,902	\$1,379
	31-Dec	\$300,148	\$31,245
	31-Jan	\$302,728	\$2,580
	28-Apr	\$340,434	\$37,706
	31-Mar	\$392,655	\$52,221
	30-Apr	\$435,000	\$42,345
	31-May	\$475,000	\$40,000
	30-Jun	\$505,000	\$30,000
	Projected Net Change		\$313,522

Table 2.



Graph 1 (April – June 2014 is Projected End of Month Cash Balance)

**FY 2014-2015
SOLID WASTE FUND ANALYSIS**

	FY 2012-2013 Actual	FY 2013-2014 Budgeted	FY 2014-2015 Requested	FY 2014-2015 Recommended	Prior Year Variance
REVENUE	1,471,237	1,391,331	1,379,081	1,478,795	87,464
Personnel Expense	333,891	307,835	305,250	305,250	(2,585)
Operating Expense	90,400	92,600	112,100	112,100	19,500
Waste Collection & Disposal Cost	697,500	500,507	468,000	468,000	(32,507)
Capital Outlay & Reserves	275,918	274,171	277,513	370,000	95,829
Transfer to General Fund	-	188,162	188,162	195,389	7,227
Debt Service	-	28,056	28,056	28,056	-
Total Expenses	1,397,709	1,391,331	1,379,081	1,478,795	87,464
Net Income (Loss)	73,528	-	-	-	-

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

FY 2014-2015 Highlights:

- ❖ The FY 2014-2015 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. Since then, the budget for waste collection and disposal has decreased by \$219,500. The FY 2012-2013 allocation was \$562,500; this was reduced to \$370,000 in the FY 2013-2014 budget; the FY 2014-2015 budget proposes a further reduction of \$27,000 or 7.0% for a proposed budget of \$343,000 for waste collection and disposal costs.
- ❖ The efficiency savings realized from the separation of yard waste provided the opportunity to reduce the residential waste stream. Further efficiencies in operations have been realized by discontinuing alley collections allowing a collection position to be eliminated. Management will likewise evaluate additional efficiencies realized from operational and equipment upgrades in the new fiscal year while freezing one vacant position in solid waste until the analysis is complete.
- ❖ The FY 2014-2015 budget includes a reserve appropriation for capital expenditures and replacements in the amount of \$100,000 which will in large part be offset by the proposed use of reserve funds for capital outlay equipment purchases resulting in virtually no change in reserves for the fiscal year.

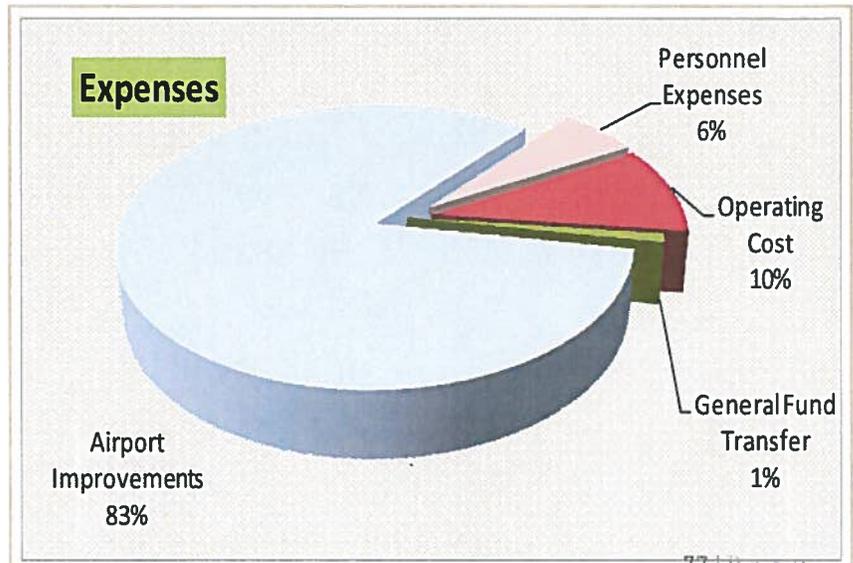
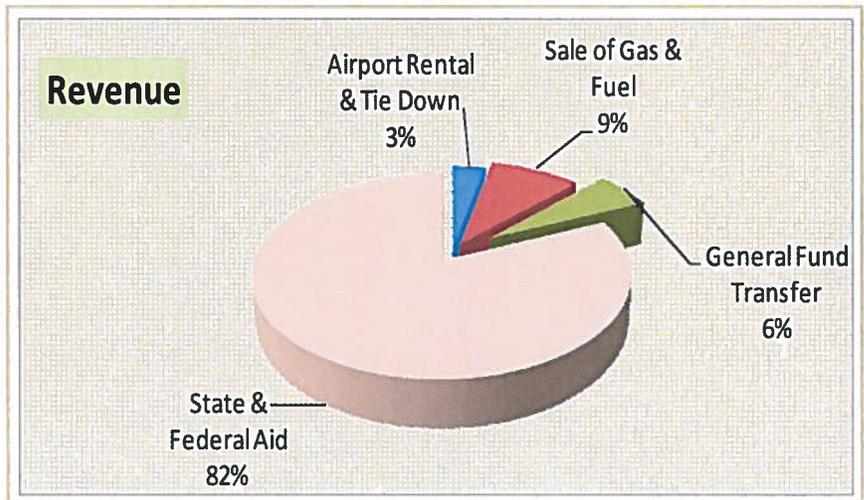


**FY 2014-2015
AIRPORT FUND ANALYSIS**

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 Budget for FY 2014-2015 is \$1,921,482. Table 1 provides a breakdown of the revenue for the Airport Fund by the various sources and the expenditures by area.

Table 1

	FY 14-15 Adopted Budget
Airport Rental & Tie Down	63,700
Sale of Gas & Fuel	177,232
General Fund Transfer	112,247
State & Federal Aid	1,568,303
Total Revenue	1,921,482
Personnel Expenses	109,470
Operating Cost	193,316
Capital Expenses/Lease	-
Transfer to General Fund	18,864
Airport Improvements	1,599,832
Total Expenses	1,921,482



**FY 2014-2015
AIRPORT FUND ANALYSIS**

FY 2013-2014 Highlights:

- ❖ The transfer to the General Fund for administrative services increased from \$17,833 to \$18,864 based on the most recent cost allocation analysis of services provided by the General Fund. This represents 1.0% of the total budget. Table 2 provides a history of the Airport Fund by area of expenditure.
- ❖ Revenue from fuel sales remains consistent with the current fiscal year and is often indicative of the local economy and region. Sales as of April 2014 were \$85,571 compared to \$86,241 at the same period in 2013. Fuel sales comprise 9.0% of the total projected revenue.
- ❖ Grant funded capital Improvement projects comprise the majority of the Airport Fund Budget for FY 2014-2015 at \$1.59 million or 83% of the total budget. The FY 2014-2015 budget includes the state and federal grant revenue for improvements at the facility in the amount of \$1.56 million. The difference of \$34,529 represents the local match requirement for the projects which is 1.0%. A reduction in the Fund's debt requirements of \$20,000 helps offset the local match funds required.

Project	Total Costs	Federal Funds	State Funds	Local Match
Weather Station Upgrade	84,422	- 0-	80,201	\$4,221
Runway Lighting	1,515,410	1,363,869	121,232	\$30,308

FY 2014-2015 Budget & Prior Year History

Fiscal Year	Personnel	Operating	Capital Outlay	GF Transfer	Debt	Total
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 Actual	102,372	123,563	180,033	2,222	20,000	428,190
2013-14 Budget	108,653	200,057	-	17,833	20,000	346,543
2014-15 Budget	109,470	193,677	1,599,832	18,864	-	1,921,843

Table 2



FY 2014-2015 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. In the FY 2013-2014 budget document, a detailed history of rate information and various actions impacting the cash balance in the Electric Fund since 2010-2011 was provided. For FY 2014-2015, the recommendation for a change in user rates (excluding the base charge for all classes) will be made to alleviate the potential for a repeat of the City's previous less favorable historical trends regarding rate increases and cash balance. This will ensure that the City continues to progress toward compliance and then sustain compliance with cash reserve policies.

The complexity of the Electric Fund necessitates an understanding of the Fund's rate history, the impact on Cash balance and action taken by City Council regarding rates over time. The following timeline is summarized for background and is followed by rate recommendations for FY 2014-2015:

- ❖ January of 2011 (FY2011) - a new wholesale power contract between the VMEA and Dominion resulted in an increased cost of wholesale energy by **18.36%** effective January 1, 2011 (FY2010-2011).
- ❖ The Dominion wholesale rate increase of **18.36%** was absorbed by the City. In other words, a corresponding retail rate increase was not passed onto Franklin Power & Light customers for the increased power costs.
- ❖ To accommodate the City's increased cost, absent any new revenues generated by a rate increase, the Electric Fund's cash reserve was utilized to support the operating budget.
- ❖ September 1, 2011 - City Council ultimately approved a **7.0%** retail rate increase effective with the September billings.
- ❖ July 1, 2012 - the cost of wholesale power increased by an additional **24.92%** (*cumulative increase in the Dominion wholesale power rate since January 2011 stood at 43.28%*).
- ❖ 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.
- ❖ July 1, 2012 – the City's retail rates (the Kilowatt hour charge for energy and the Kilowatt demand for each customer rate class) were increased by **10%** to cover the cost of energy and operations at a rate sufficient to produce adequate revenues from service charges. As a result, the cumulative increase in the City rate since January 2011 stood at **17.0%**. Effective July 1, 2012, Dominion lowered their

wholesale rate by 1.45%, but their cumulative rate increases since January 2011 still totaled 41.83%. The cumulative net rate increase at the time 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).

- ❖ April 1, 2013 - the fuel adjustment factor was increased by Dominion.
- ❖ July 1, 2013 - Dominion increased the wholesale power rates an additional 2.78% for VMEA and the City; this resulted in a cumulative increase in the **Dominion rate** since January 2011 of **44.61%**. The City responded by increasing the retail power rate by **2.8%** in a two-tiered increase during the year; as a result of the wholesale power increase and the 4/1/13 increased fuel adjustment charge, customers using 1,000 kilowatt hours saw an increase of \$5.04 per month. This resulted in a cumulative increase in the **City rate** since January 2011 of **19.80%**.

FY 2014-2015 BUDGET RECOMMENDATION

The FY 2014-2015 Budget is based on no increase in the basic customer charges for electric service. The budget however, does include a 2.0% increase in retail rates which is based on kilowatt hours used. This stems from a projected increase in Dominion's wholesale rate of 6.4% effective July 1, 2014 after factoring in fuel adjustment. The net impact of the rate increase to customers as a result is 1.84%. This equates to an average increase of \$1.89 per month on residential services using 1,000 KWH.

Fuel Factor Charge

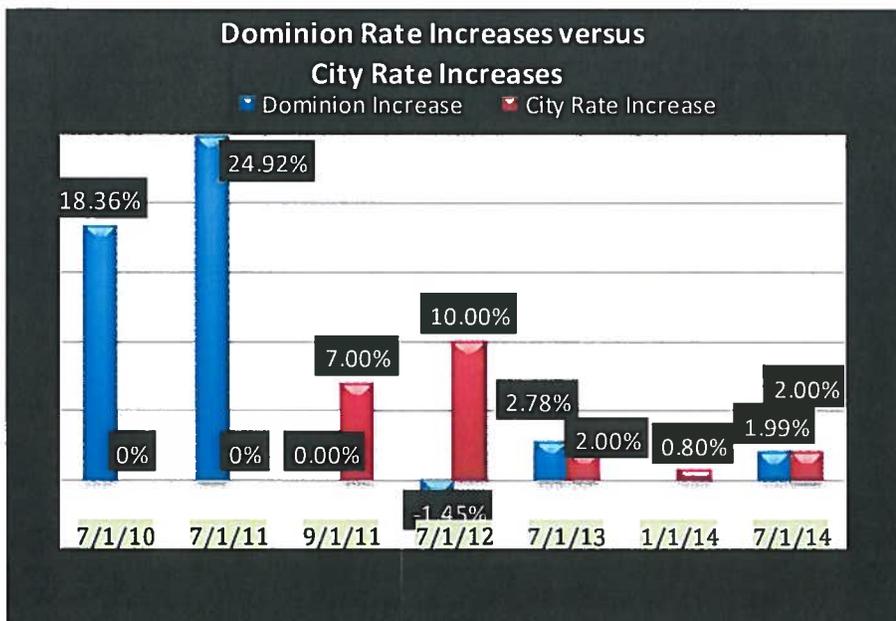
The fuel factor charge by Dominion is a direct pass thru from the City to Franklin Power & Light customers. Dominion makes rate announcements on the fuel charge usually on an annual basis effective April 1st each year. For April 1, 2014, Dominion announced an increase in the fuel factor charge from \$11.77 per month to \$16.04 per month per 1,000 KWH. The direct pass thru monthly cost to customers is \$4.27 per 1,000 KWH. Since the Dominion announcement occurred late in April (the 23rd), this change is effective with the May 2014 billing.

The following table (table 1) provides a history of the wholesale power cost increases experienced by the City from Dominion during a 42-month period from January 2011 to July 2014 compared to the change in the rates passed by the City and the average dollar impact to a residential customer. While Dominion's wholesale power rate increases would have totaled **51.43%** during this period, the City's cumulative retail rate increases passed onto City customers to offset Dominion's wholesale rate increases will be only **21.8%** based on the 2.0% increase in the rate approved effective July 1, 2014.

**FY 2014-2015
ELECTRIC FUND ANALYSIS**

Table 1

Date	Dominion Wholesale Rate/KWh	Annual Percent Change	City Rate Change	Dollar Impact to Residential Customer	Notes
Fiscal Year					
09-10	\$0.04118	-	-	-	
10-11	\$0.04874	+18.36%	None	None	1/1/11 Beginning of New Wholesale Power Contract
11-12	\$0.06089	+24.92%	7.0%	\$7.95	Annual change in wholesale rate from Dominion and City rate adjustment applied to usage effective 9/1/11
12-13	\$0.06001	-1.45%	10.0%	\$9.46	Annual change in wholesale rate from Dominion and City rate adjustment applied to usage
13-14	\$0.06168	+2.78%	2.8%	\$2.70	Annual change in wholesale rate from Dominion and City rate adjustment applied to usage; the city did a two-tiered increase with 0.8% deferred until January 1, 2014.
14-15	\$0.06291	+1.99%	2.0%	\$1.89	Projected change in wholesale rate from Dominion and City rate adjustment applied to usage
Cumulative Change Since 2010	\$.02173	52.76%	21.8%	\$22.00	



Reflects no increase in City rates from Jan. 1, 2011 through Sept. 1, 2011.

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 2014 and the charges for services based on the recommended 2.0% rate increase effective July 1, 2014.

Rate Class	Average Usage	Current Rate 1-1-14	Average New Fuel Charge 1-Apr	1-Jul-14 Increase 2.0%	Change
RS Residential Service	1000	\$114.41	\$118.68	\$120.57	\$6.16
	REVENUE	\$8,997,737		\$9,482,189	
				\$484,452	

Table 2

Weighted average of winter/summer rates

In the preceding table, residential customers using 1,000 kilowatt hours per month will see a cumulative rate increase from **\$114.41** effective January 1, 2014, to **\$118.68** in April 2014 (fuel factor change), and to **\$120.57** based on the budget effective July 1, 2014. Because the fuel charge is a pass-thru cost directly from the City to the customer, utility cost for electrical services will increase effective with the May 2014 utility billing. In other words, an increase or a decrease in the fuel rate charge by Dominion results in Franklin Power & Light customers receiving a corresponding increase or decrease in fuel rate charges on their utility bills. The monthly increase for a 1,000 kilowatt hour residential customer will be \$4.27 for the fuel adjustment charge increase and \$1.89 for the increase in wholesale power costs per month for the combined increase of \$6.16.

Table 3 shows the change of all other rate classes based on the new fuel adjustment charge and the 2.0% increase in retail power cost based on the proposed Dominion wholesale increase of 1.99% and the 36.3% increase to the fuel charge for a net increase of 6.4%.

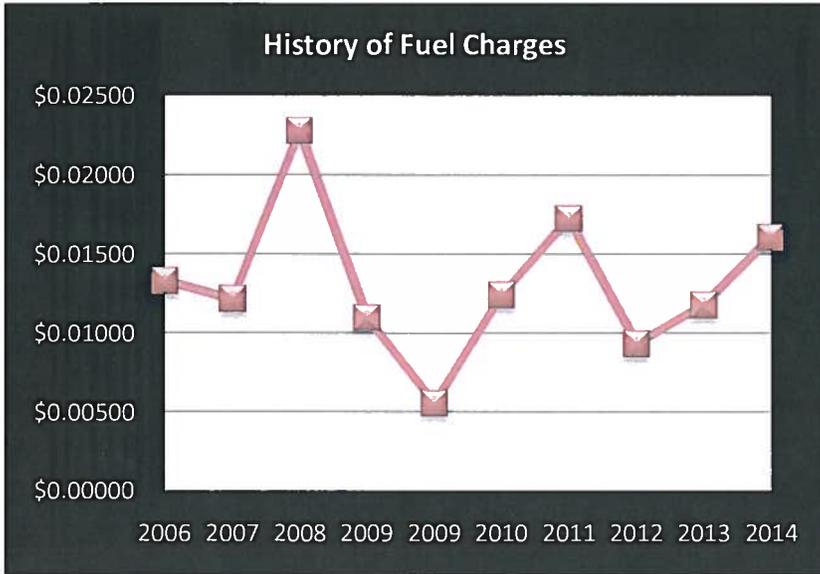
Rate Class	Description	Average Usage	Current	4/1/2014	7/1/2014	Change
			Rate 1-1-14	New	Increase	
				Fuel Adjustment	2.0%	
SGS - single	Small General Svc - single phase	1080	\$ 109.59	\$114.20	\$115.89	\$6.30
SGS - three	Small General Svc - three phase	2397	\$ 237.67	\$247.91	\$251.65	\$13.98
MGS-I - single	Medium General Svc - single phase	4231	\$ 553.76	\$571.83	\$580.91	\$27.15
MGS-I - single	Medium General Svc - three phase	8138	\$ 928.56	\$963.31	\$977.99	\$49.43
MGS-D - single	Medium General Svc - single phase	15761	\$ 1,524.40	\$1,591.70	\$1,617.58	\$93.18
MGS-D - three	Medium General Svc - three phase	31377	\$ 2,884.12	\$3,018.10	\$3,066.60	\$182.48
LGS	Large General Svc	244624	\$ 19,895.45	\$20,940.00	\$21,275.43	\$1,379.98
MS -single	Municipal Svc - single phase	1766	\$ 188.86	\$196.40	\$199.43	\$10.57
MS-three	Municipal Svc - three phase	18594	\$ 1,840.90	\$1,919.55	\$1,952.22	\$111.32
CS - single	Church Svc - single phase	1881	\$ 204.73	\$212.76	\$216.17	\$11.44
CS - three	Church Svc - three phase	3000	\$ 863.43	\$891.90	\$907.16	\$43.73
Total Revenue - All Classes			\$ 15,294,640.00	\$15,916,161	\$16,169,597	\$874,957.00

Table 3

Table 4 below is a history of the fuel charges that are a direct pass through from Dominion to Franklin Power & Light residential customers using an average of 1000 kwh per month. As mentioned, a decrease in the fuel rate charge positively impacts customer's electric bills causing a reduction in the charges for use of electricity, while an increase in the fuel rate charge results in an increase in charges for the use of electricity.

Year	Fuel Charge per kWh	Prior Year Change %	Dollar Change
2006	\$0.01330		
2007	\$0.01216	-9.0%	-1.14
2008	\$0.02279	87%	10.63
2009 Apr.	\$0.01096	-52%	-11.83
2009 Nov.	\$0.00556	-49%	-5.4
2010	\$0.01241	123%	6.85
2011	\$0.01723	39%	4.85
2012	\$0.00931	-46%	-7.92
2013	\$0.01177	26%	2.46
2014	\$0.01604	36%	4.27
Net Change Since 2006			2.77

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.

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 FY2014-2015 meets this requirement as further detailed in this budget proposal.

FY 2012-13 Cash Balance as a Percentage of Annual Revenues (excluding fuel adjustment) at 6/30/13 = \$643,257 or 4.8%. (See graph 2)

FUND - ELECTRIC	BUDGET FY 13-14
ELECTRIC FUND REVENUE	
Sale of Energy Fuel Adjustment	1,667,809
Sale of Electric Energy	13,244,639
Cycle & Save	(118,000)
Meter Connection Fee	25,000
Pole Attachment Fees	44,297
Cut-On Fees and Penalties	150,000
Sale Of Electric Supplies	15,000
Miscellaneous Revenue	20,000
Sale of Surge Protectors	3,000
Transfer of Unappropriated Surplus	-
TOTAL REVENUE	15,051,745
Less Fuel Adjustment	(1,667,809)
Budget Basis for Policy	13,383,936
10% of Annual Revenue	\$ 1,338,394

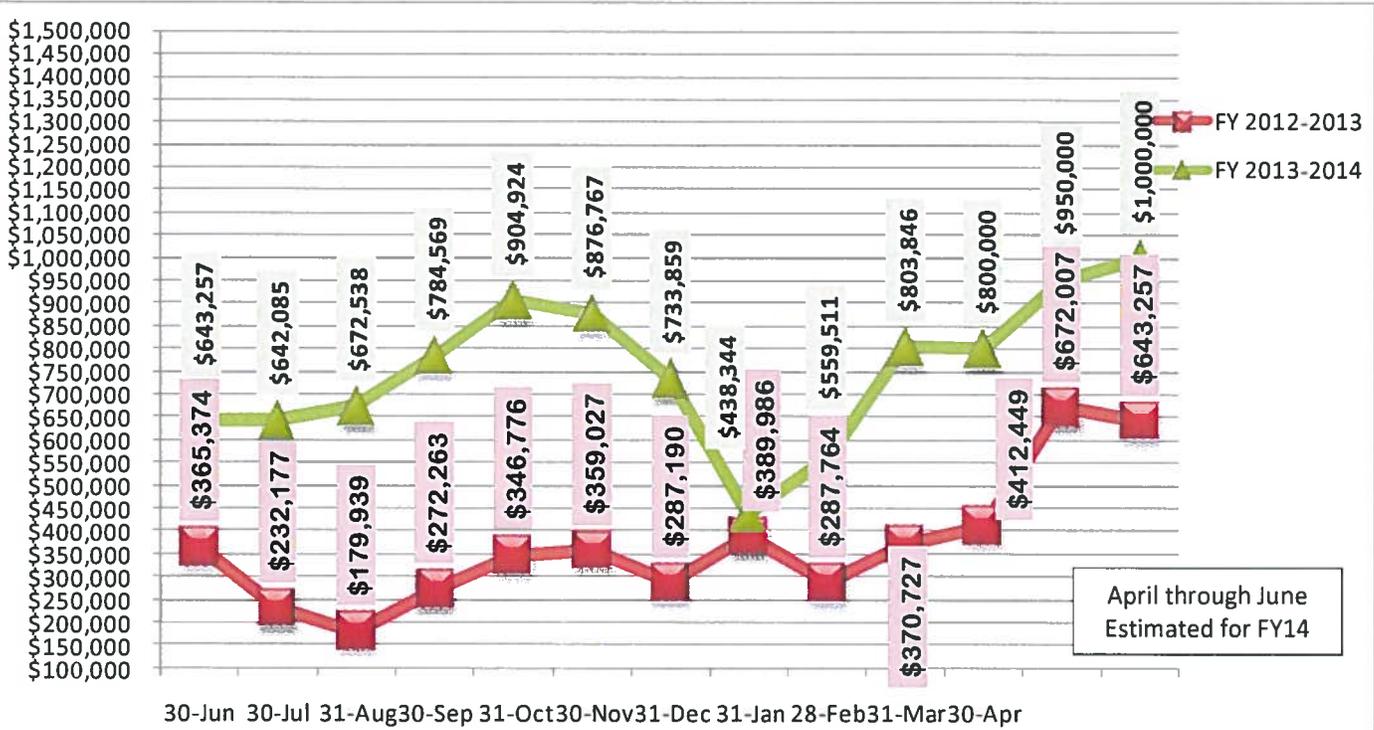
FY 2013-14 Projected Cash Balance as a Percentage of Annual Revenues (excluding fuel adjustment) at 6/30/14 is \$1.0 mil or 7.5%.

Policy Evaluation: Below policy guideline with notable improvement since June 30, 2013.

The FY 2013-2014 budget included \$323,904 in cash balance replenishment reserves, or 2.0% of the budgeted revenues, net of fuel adjustment, as required via the policy to restore cash balances to meet the minimum requirement. Two percent of net projected revenue is budgeted for FY 2014-2015.

Table 5

**ELECTRIC FUND CASH TREND ANALYSIS
COMPARES FY 2012-2013 TO FY 2013-2014 (projected)**



Future Planning

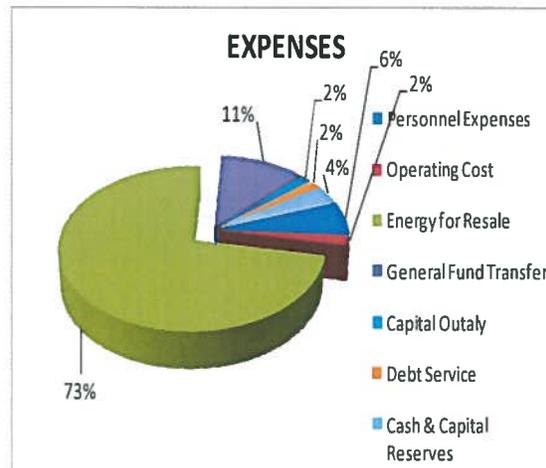
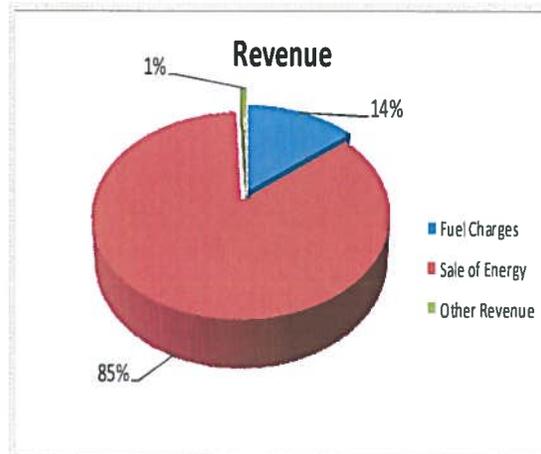
Based on projected annual revenues (net of fuel adjustment) of, the minimum cash balance in accordance with the established policy guidelines for FY 2014-2015 would be \$1,433,583. Based on the assumption of the relationship between revenue and operating costs remaining relatively constant, it was projected in FY 2012-2013 that it could take up to four additional years for the fund to reach the policy guideline and meet the level of cash balances required at the end of each quarter depending upon how much capital reserve funding is set aside and expended. The projections also assume that the City will pass through future major changes in fuel adjustments and wholesale power charges to customers in a timely manner. If the current trend is maintained, the cash balance should comply with the policy minimum well within the estimated timeframe.

FY 2014-2015 ELECTRIC FUND BUDGET

The Adopted FY2014-2015 budget for the Electric Fund is \$16,670,873 comprised of the following revenue sources and expenditures:

	FY 14-15 Adopted Budget
Revenue from Sale of Energy	14,215,334
Revenue from Fuel Charges	2,335,039
Other Revenue*	<u>120,500</u>
Total Revenue	16,670,873
Personnel Expenses	1,078,053
Energy for Resale	12,151,228
Operating Expenses	346,964
Capital Expenses	265,000
Transfers to City**	1,909,391
Debt Service	277,018
Cash Reserve	
Capital Reserves	<u>393,219</u>
	<u>250,000</u>
Total Expenses	16,670,873
**Transfers to the City include General Operating City Council approved transfer (\$1.409 mil), payment in lieu of taxes (\$59,282), and charges for general fund services (\$440,891).	
Revenue Less Fuel Adjustment	\$14,335,834
Cash Balance Minimum Policy Level (10%)	\$1,433,583

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



FY 14-15 ADOPTED BUDGET

Section 5

OTHER CITY FUNDS

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



**FY 2014-2015
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 activity and school projects. Business activity related debt stems from Water & Sewer and Electric Fund activity.

Debt Administration. Per the audit statement, the City's total outstanding general obligation debt at June 30, 2013 was \$20,413,295. This includes \$7,986,720 in general government debt and \$7,100,575 in School related debt. Of this total, \$15,087,295 is considered to be tax supported debt. The balance of the total debt amount is \$5,326,000 and 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 (see chart below).

State statutes limit the amount of general obligation debt a government may issue to 10% of its total assessed valuation of real property and public service corporations. The ratio of the City's net bonded debt to assessed value totals 2.35%.

Audited Financial Statement Comparison of Outstanding Debt at June 30th

	FY 2012	FY 2013
General Government Activities:		
Bonds Payable - General	\$ 6,712,266	\$ 7,986,720
School Related Bonds & Notes	6,147,972	7,100,575
Total Tax Supported Debt(*)	\$ 12,860,239	\$ 15,087,295
Business-type Activities:	\$ 3,883,518	\$ 5,326,000
Total Long -Term Debt	\$ 16,743,757	\$ 20,413,295
Per Capita Tax Supported	\$ 1,499	\$ 1,758
Total Per Capita Debt	\$ 1,951	\$ 2,378

The City issued new general fund debt and refunded existing debt during FY 2012-2013 totaling \$7.6 million and decreased debt during the year by \$5.4 million for a net increase of \$2.22 million. Business type activities debt increased by a net \$1.44 million during FY 2013-2014.

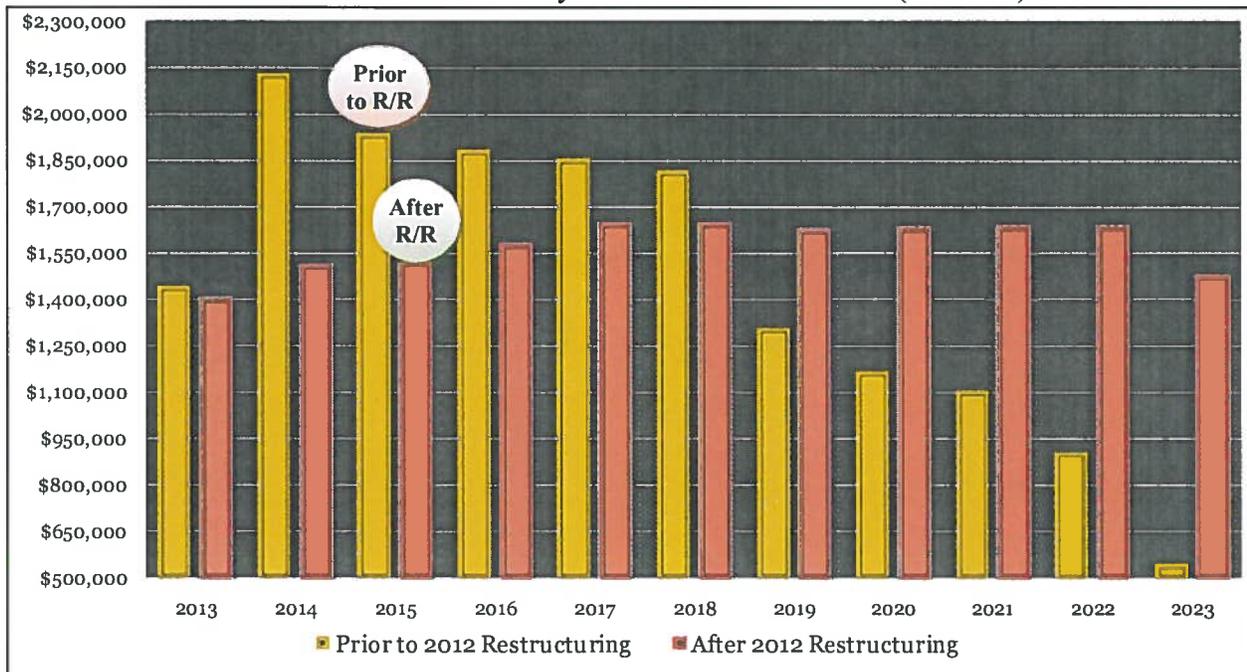
(*) Total Tax Supported Debt includes the original issue amount of the City's QZAB loans totaling \$3.2 million; the actual outstanding balances of these loans are reflected in the School Fund debt schedule as shown on page 88 and in the Debt Service Analysis on page 90.

Activity Impacting the FY 14-15 Debt Service Fund

- ❖ The FY 2014-2015 debt service requirement for the General Fund will be \$85,474 less than FY 2013-2014. The debt service requirement for school related debt will increase by \$172,020. Overall, the net budgetary impact to the City's debt fund is an increase of \$86,546.

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. Prior to the restructuring/refinancing (R/R), the budgetary impact due to debt service requirements in FY 2014-2015 would have been significantly higher.

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



Outstanding Debt at June 30, 2014 – Net Tax Supported Debt (General Fund & School Debt) at June 30, 2014 is \$12,736,577 (principal) of which \$7,441,729 is the General Fund portion and \$5,294,848 is the School Debt portion. Enterprise Fund debt principal totals \$4,876,000 of which \$3,052,000 is the Water & Sewer Fund debt and \$1,824,000 is the Electric Fund debt. The following pages show the debt service schedules for all funds.

The City defeased debt in FY 2013-2014 as follows:

General Fund -	\$501,758
School Fund -	\$442,786
Total Tax Supported-	\$944,544
Water & Sewer Fund -	-\$366,124
Electric Fund -	\$244,873
Total Enterprise -	\$610,997

**FY 2014-2015
DEBT SERVICE FUND ANALYSIS**

General Fund Totals				
FY	Principal	Interest	Total	Outstanding
	\$7,676,720	\$3,151,277	\$10,827,997	
2014	234,991	266,767	501,758	7,441,729
2015	143,729	266,901	410,630	7,298,000
2016	214,000	262,650	476,650	7,084,000
2017	319,000	255,871	574,871	6,765,000
2018	328,000	246,320	574,320	6,437,000
2019	279,000	235,701	514,701	6,158,000
2020	397,000	226,500	623,500	5,761,000
2021	445,000	210,091	655,091	5,316,000
2022	636,000	193,007	829,007	4,680,000
2023	636,000	169,277	805,277	4,044,000
2024	659,000	147,506	806,506	3,385,000
2025	630,000	125,055	755,055	2,755,000
2026	651,000	103,675	754,675	2,104,000
2027	756,000	81,596	837,596	1,348,000
2028	183,000	55,621	238,621	1,165,000
2029	85,000	49,637	134,637	1,080,000
2030	90,000	45,753	135,753	990,000
2031	90,000	41,690	131,690	900,000
2032	95,000	37,434	132,434	805,000
2033	100,000	32,941	132,941	705,000
2034	105,000	28,408	133,408	600,000
2035	110,000	23,843	133,843	490,000
2036	115,000	19,068	134,068	375,000
2037	120,000	14,069	134,069	255,000
2038	125,000	8,828	133,828	130,000
2039	130,000	3,069	133,069	0
2040	0	0	0	0

**FY 2014-2015
DEBT SERVICE FUND ANALYSIS**

School Fund Totals				
FY	Principal	Interest	Total	Outstanding
	\$5,583,474	\$1,576,127	\$7,159,602	
2014	288,626	154,160	442,786	5,294,848
2015	445,560	169,104	614,664	4,849,288
2016	449,785	158,107	607,892	4,399,503
2017	426,678	146,634	573,312	3,972,825
2018	435,275	135,352	570,627	3,537,550
2019	489,007	123,556	612,564	3,048,543
2020	402,965	110,819	513,784	2,645,578
2021	387,578	99,089	486,667	2,258,000
2022	217,000	90,154	307,154	2,041,000
2023	254,000	80,100	334,100	1,787,000
2024	266,000	69,601	335,601	1,521,000
2025	279,000	58,593	337,593	1,242,000
2026	295,000	46,689	341,689	947,000
2027	172,000	34,099	206,099	775,000
2028	100,000	26,488	126,488	675,000
2029	105,000	21,836	126,836	570,000
2030	105,000	18,109	123,109	465,000
2031	110,000	14,555	124,555	355,000
2032	115,000	10,561	125,561	240,000
2033	120,000	6,390	126,390	120,000
2034	120,000	2,130	122,130	0
2035	0	0	0	0

**FY 2014-2015
DEBT SERVICE FUND ANALYSIS**

BUSINESS ACTIVITIES – ENTERPRISE FUNDS

Electric Fund				
FY	Principal	Interest	Total	Outstanding
	\$2,009,000	\$342,682	\$2,351,682	
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
2024	0	0	0	0

Water & Sewer Fund Totals				
FY	Principal	Interest	Total	Outstanding
	\$3,317,000	\$666,115	\$3,983,115	
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
2025	0	0	0	0

Debt Service Fund Analysis – FY 2014-2015

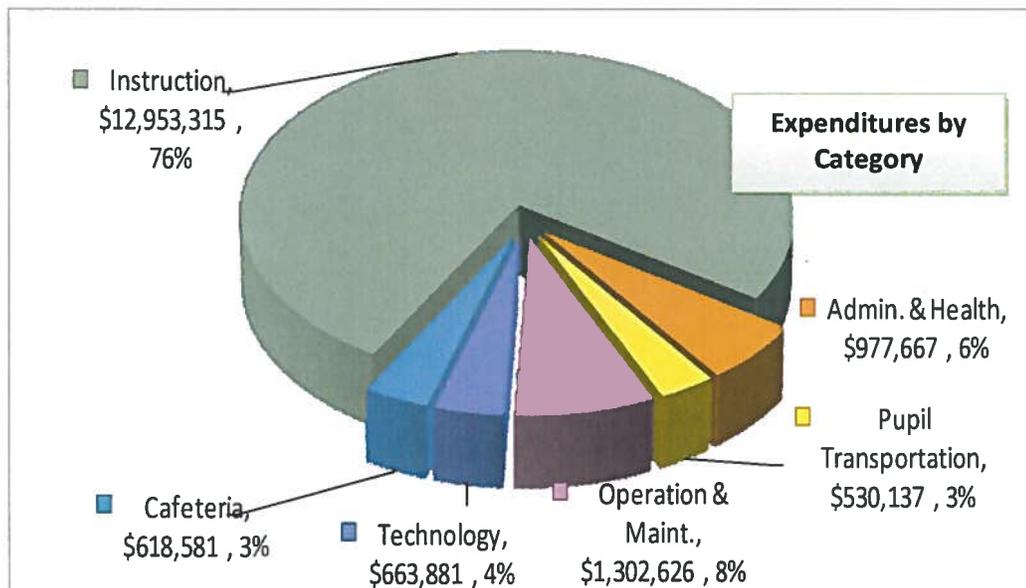
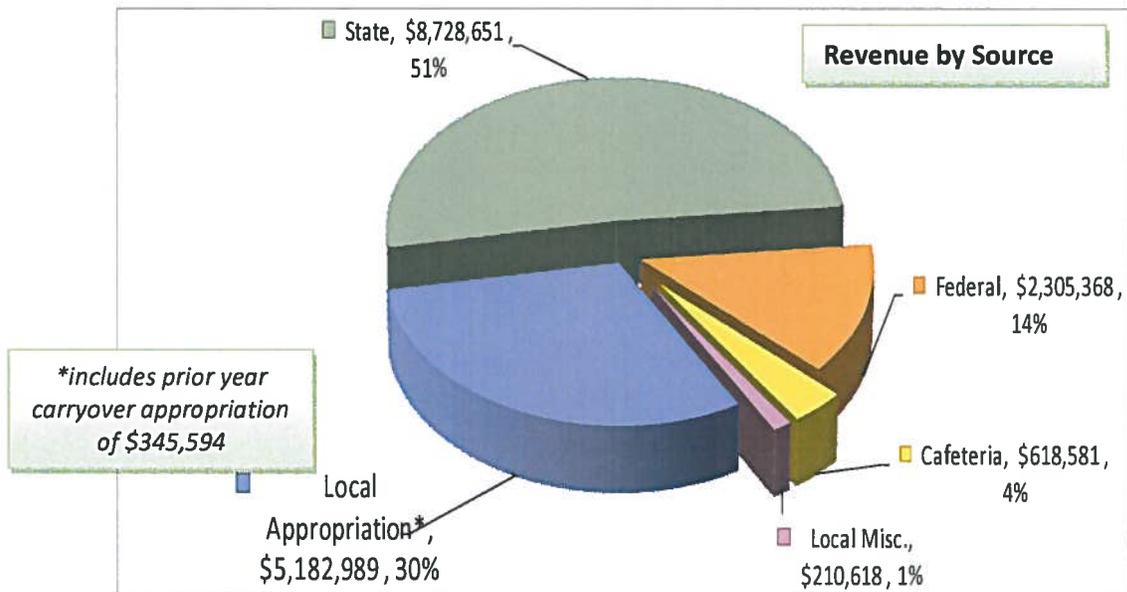
	Debt	6/30/2014	Principal	Interest	6/30/2015
2010 G.O. Refunding Bonds					
Refunding 1998A- General Fund	\$ 460,000	300,000	20,000	8,969	280,000
Refunding 1998A- Water & Sewer	535,000	435,000	105,000	12,406	330,000
Refunding 1998B- Water & Sewer	1,235,000	-	-	-	-
Refunding 2001B- GF City Buildings	1,640,000	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	1,055,000	115,000	37,906	940,000
Refunding 2003B- GF- King Center	140,000	-	-	-	-
Refunding 2003B- Water & Sewer	500,000	460,000	40,000	16,688	420,000
Total 2010 Refunding Bonds	6,620,000	3,735,000	280,000	136,238	3,455,000
Refunding of 2010-GF	1,395,000	1,356,000	-	47,324	1,356,000
Refunding of 2003C - GF	467,000	420,000	-	14,658	420,000
Refunding of 2001C-Incubator- GF	485,000	439,000	-	15,321	439,000
Refunding of 2010-W & S	1,387,000	1,354,000	20,000	47,255	1,334,000
General Fund New Money	1,207,000	1,207,000	-	26,433	1,207,000
Water & Sewer Fund New Money	484,000	441,000	45,000	9,658	396,000
Electric Fund New Money	844,000	769,000	78,000	16,841	691,000
TOTAL 2012 REFUNDING SERIES & NEW MONEY		5,986,000	143,000	177,490	5,843,000
Water & Sewer - Improvements to collection and treatment facility systems	1,050,000	362,000	63,000	7,928	299,000
General Fund		612	612	64	-
General Fund - City Hall	2,075,000	2,020,000	45,000	86,868	1,975,000
General Fund - Incubator -City Buildings	565,000	-	-	-	-
General Fund- School Bleachers	310,000	36,117	36,117	657	-
General Fund- Poplar Springs Cemetery	400,000	178,000	42,000	6,337	136,000
SCHOOL DEBT					
VPSA lit loan 1995A - FHS		71,888	35,398	2,764	36,490
VPSA lit loan 1999A - (roof repairs)		562,637	85,175	31,670	477,462
2010 Refunding of 2003B- Schools Realign.	610,000	-	-	-	-
Refunding of 2010	317,000	308,000	-	10,749	308,000
VPSA - \$1.89 mil -various school projects	1,890,000	1,695,000	55,000	70,634	1,640,000
2010 Refunding of 2006- Schools	1,440,000	1,440,000	100,000	53,288	1,340,000
2003 QZAB Repair Bond		300,885	50,195	-	250,690
2005 QZAB Repair Bond		916,438	119,810	-	796,628
TOTAL SCHOOL DEBT		5,294,848	445,578	169,105	4,849,270
School Debt totals	\$ 5,294,848		\$ 445,578	\$ 169,105	\$ 4,849,270
General Debt totals		7,441,729	143,729	261,246	7,298,000
Water & Sewer totals		3,052,000	273,000	93,935	2,779,000
Electric totals		1,824,000	193,000	54,747	1,631,000
Solid Waste Fund (Portion of New Money Debt)		-	-	5,654	-
		\$ 17,612,577	1,055,307	584,686	\$ 16,557,270



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 2014-2015 School System Budget are available in a separate document maintained by the School Board. The Council approved allocation to the School System for FY 2014-2015 is \$17,046,207. The graphs below depict the revenue by source and the expenditure plan by category. The State funds 51% of the school aid while the City funds 30%. Instruction (including federal programs) accounts for 76% of the total budgeted expenditures.



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 \$89,000 for services such as use of City Hall, grounds maintenance, utility services, and use of City garage labor which services school vehicles.

The FY 2014-2015 adopted local appropriation is derived from the base FY 2013-2014 appropriation of \$4,837,395 plus the FY 12-13 carryover of \$345,594 for a total of \$5,182,989. 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 \$262,472 3.0% over the FY 2013-2014 budget and federal funding increased by 15.8% or \$315,212.

Revenue by Source	FY 2013-2014 Adopted	FY 2014-2015 Adopted	Variance	Percent Change
State	8,466,180	8,728,651	262,472	3.0%
Federal	1,990,156	2,305,368	315,212	15.8%
Cafeteria	599,678	618,581	18,903	3.1%
Local Misc.	210,618	210,618	\$-0-	0%
Local Appropriation	4,837,395	4,837,395	\$-0-	0%
Local Re-Appropriation- Carryover	643,174	345,594	(297,580)	-46.2%
Total School & Cafeteria	16,747,201	17,046,207	299,007	1.7%

Category	FY 2013-2014 Adopted	FY 2014-2015 Adopted	Variance	Percent Change
Instruction	10,705,839	10,703,091	(2,748)	-.25%
Federal Programs	1,935,012	2,250,224	315,212	16.2%
Admin. & Health	927,789	977,667	49,878	5.3%
Pupil Transportation	561,268	530,137	(31,131)	-3.3%
Operation & Maintenance	1,297,913	1,302,626	4,713	.36%
Technology	716,363	663,881	(52,482)	-7.3%
Enterprise Operation	3,339	0	(3,339)	-100%
Cafeteria	599,678	618,581	18,903	3.1%
Total School & Cafeteria	16,747,201	17,046,207	299,007	1.7%

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 2014-2015 STATE REVENUE	
Basic School aid	3,463,112
Share of State sales tax	1,388,149
Fringe benefits	804,414
Special Ed, SOQ	612,195
Regional Programs-Special Ed	476,790
Primary Class Size (Reduced K-3)	339,105
At Risk SOQ Payments	337,074
Remedial education	335,173
At Risk 4 Yr. Old	252,828
Technology	128,000
Vocational Ed - SOQ	180,105
Remedial Summer School	118,045
Additional Assistance	0
Salary Supplement	0
Textbook payments	62,028
Early Reading Specialist	42,800
Regular Foster Care	38,674
Gifted & talented	37,152
SOL Algebra Readiness	25,166
Reading intervention and assist	22,268
Career & Technical Ed	27,419
Additional Support/Textbooks	15,684
GED Funding (ISAEP)	7,859
Mentor Teacher	2,698
Homebound	4,613
Adult Literacy	2,044
English as a Second Language	5,256
Total	8,728,651

Table 2.

Revenue from the Federal Government:	
School Food Programs	618,581
Title A Part A	531,288
21st Century Grant	0
Title VIB IDEA	306,100
Vocational Ed- Perkins	33,214
JROTC	55,144
Title VI-Rural Ed	20,045
Contingency Grant	200,000
Pre School Grant	13,931
Title I, 1003A	953,241
Project Graduation Summer	14,129
Adult Basic Ed	17,985
Medicaid	75,000
Title II-Part A	85,291
State Assessments	
Total	2,923,949

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

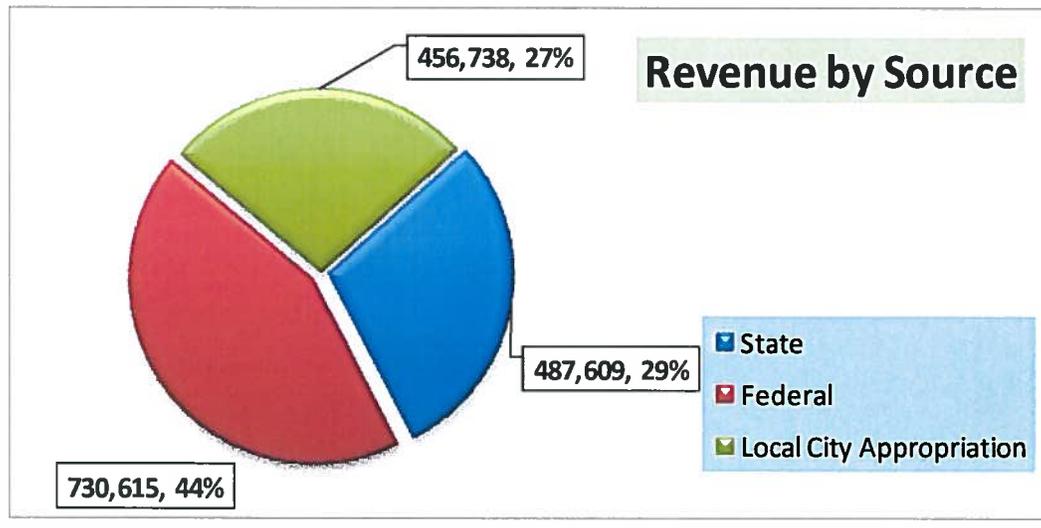


SOCIAL SERVICES FUND

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 2014-2015 is \$456,738, 15% more than the FY 2013-2014 budgeted appropriation. The City share represents 27% of the total funding sources for the department.

Table1. Revenue by Source

Revenue by Source	FY 2013-2014 Adopted	FY 2014-2015 Adopted	Variance	Percent Change
State	509,842	487,609	-22,233	-4.4%
Federal	708,662	730,615	21,953	3.0%
Local City Appropriation	397,338	456,738	59,400	15.0%
Total	1,615,842	1,674,962	59,120	3.6%



While the adopted budget for the City is \$1.674 million, Franklin City residents are provided benefits from the state and federal government of nearly \$28.0 million via pass through funding from Medicaid, Family Access to Medical Insurance Security (FAMIS), SNAP, Energy Assistance, Foster Care & Adoption and TANF. In FY 2013, actual benefits distributed to Franklin citizens were \$27,964,801 (see table 2). This is a 12.8% increase over

actual benefits distributed in SFY 2012 (\$234,771,462). The City's investment increased from \$478,427 in SFY 2012 to \$563,286 as shown SFY 2013.

SOCIAL SERVICES FUND

Table2. Local Department of Social Services Profile Report, SFY 2013

Total Social Services Spending	Federal	State	Local*	Total
Administrative Costs				
Eligibility staff & operations	\$401,486	\$183,088	\$228,356	\$812,930
Services staff & operations	\$244,511	\$96,367	\$167,218	\$508,096
Other expenses	\$31,905	\$0	\$31,905	\$63,810
Total Administrative Costs	\$677,902	\$279,455	\$427,479	\$1,384,836
Admin. Costs as Percent of Total	4%	3%	76%	5%
Services purchased for clients	\$47,732	\$10,558	\$11,484	\$69,774
Services as a Percent of Total	0.3%	0.1%	2.0%	0.2%
Clients Benefits Spending				
Medicaid & FAMIS	\$10,503,423	\$10,379,860	\$11,215	\$20,894,498
SNAP	\$4,408,514	\$0	\$0	\$4,408,514
Energy Assistance	\$326,440	\$0	\$0	\$326,440
Foster Care & Adoption	\$51,823	\$221,777	\$103,747	\$377,347
TANF	\$183,124	\$158,527	\$0	\$341,651
Child Care	\$77,601	\$37,335		\$114,936
Other Benefits	\$0	\$37,442	\$9,361	\$46,803
Total Client Benefit Spending	\$15,550,925	\$10,834,941	\$124,323	\$26,510,189
Benefits as a Percent of Total	96%	97%	22%	95%
Total Social Services Spending	\$16,276,559	\$11,124,954	\$563,286	\$27,964,799
Percent by Funding Source	58%	40%	2%	100%

***City's Investment**

Highlights

- ❖ The FY 2014-2015 budget reflects a 4.4% reduction in funding from the state. While federal funding increased slightly by 3.0%, the City's local appropriation is slated to increase by \$59,400 or 15%.



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

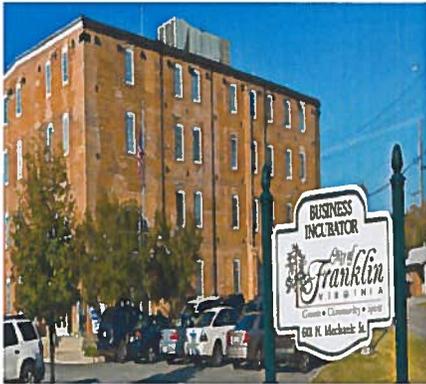
Funding for the Comprehensive Service Act Fund is provided by a state pool of resources combined with a local match requirement based on a state formula. The City submits quarterly financial reports to the State CSA office requesting reimbursement of the state funds.

The CSA budget for FY 2014-2015 is \$302,117 of which \$135,000 is the City’s local funding requirement. Overall, this is a \$32,117 or 12.0% increase from the FY 2013-2014 which is largely based on anticipated community need. FY 2014-2015 proposed administrative cost, shared by Franklin City, Isle of Wight and Suffolk are 25%, 25% and 50% respectively.

FUND - COMPREHENSIVE SERVICES ACT FUND	ACTUAL FY 12-13	BUDGET FY 13-14	City Manager's Recomm.	Variance - FY2015 Proposed Over FY2014 Budget
REVENUE				
State Aid	145,922	157,250	163,117	5,867
Patient Income	10,388	20,000	4,000	(16,000)
Transfers from General Fund	143,952	92,750	135,000	42,250
Total Revenue	300,262	270,000	302,117	32,117
EXPENDITURES				
Mandated Services	277,789	224,633	236,890	12,257
Non-Mandated Services				-
Other Purchased Services				-
Administrative Services	22,473	45,367	45,160	(207)
Local Medicaid Match		-	20,067	20,067
Total Expenses	300,262	270,000	302,117	32,117



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 2014-2015 Budget includes a city contribution, as a portion of the jointly funded total budget, to support the initiatives of FSEDI in the amount of \$125,000, the same as FY 2013-2014. In FY 2009-2010, the City and Southampton County contribution was \$150,000 each.

FY 2014-15 REVENUE	
Rental Income	100,000
Misc. Fees	6,000
Transfer from General Fund	57,833
Joint Contribution	<u>125,000</u>
Total Revenue	288,833
FY 2014-15 EXPENSES	
Personnel	15,003
Utilities	78,000
Contractual Services	35,000
Other Operating Expenses	17,830
Economic Dev. Initiative Support	18,000
Joint Payment	<u>125,000</u>
Total Expenses	288,833

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.). 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 \$182,833 or 63% of the total proposed budget, down from \$203,539 or 66% of the FY 2013-2014 budget. This is attributable to the transfer of part-time maintenance personnel to the Streets Division in the General Fund. This is final year payment of \$18,000 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.



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 past years, utilized lease financing agreements to acquire funding for public safety equipment (fire engine), electric department equipment (bucket truck) and public works equipment (garbage trucks).

Capital Budget for Fiscal Year 2014-2015

The first year of the Capital Improvement Program is identified as the Capital Improvement Budget. The projects outlined herein have been programmed in year 2014-2015. The total amount is \$1,690,319 comprised of capital improvements proposed in the following funds:

FY 14-15 Capital Improvement Budget by Fund		
General	\$ 900,525	53%
Water & Sewer	\$ 559,794	33%
Solid Waste	\$ 230,000	14%
Total Capital Budget	\$ 1,690,319	100%

Of the amount allocated in the budget for capital projects, \$1,403,294 will come from FY14-15 operating revenues (General Fund - \$613,500 and Enterprise Fund - \$789,794).

Funding Source For FY 14-15 Capital Budget		
Reserves	\$ 118,500	7%
State/Federal Grants	\$ 168,525	10%
FY 15 General Fund Operating Revenue	\$ 613,500	36%
FY 15 Enterprise Fund Operating Revenue	\$ 789,794	47%
Total Capital Budget	\$ 1,690,319	100%



CAPITAL IMPROVEMENT BUDGET

GENERAL GOVERNMENT CAPITAL PROJECTS

Project Name	Local General Fund	Local Grants	State/Federal Grant	Financing Short/LT*	Total Funding Sources
INFORMATION TECHNOLOGY					
Video Camera System Replacement	\$30,000				\$30,000
PROJECT TOTAL	\$30,000				\$30,000

PROJECT DESCRIPTIONS AND JUSTIFICATIONS

❖ **CAMERA SYSTEM REPLACEMENT**

Replacement of the Video Camera System located in City Council chambers for broadcasting of public meetings on the City’s PEG channel. New equipment is needed to replace inadequate legacy equipment. This is especially true with the recent Charter digital conversion. The equipment will alleviate video quality issues experienced during broadcast. [The City has filed a grant application with Franklin-Southampton Charities to replace both audio and video equipment in Council Chambers and the control room in the amount of \$58,000. If approved the City will utilize these grant funds, which would free up the \$30,000 in local funds for other needed purposes].

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
Rubber Tire Loader (Shared Cost)	57,500				57,500
PROJECT TOTAL	613,500				613,500

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 LOADER**

Replacement of a 14 year old rubber tire loader, 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 out- weighs the annual cost of a new machine. The operation of the equipment is VDOT reimbursable when in use. The costs for the equipment will be shared 50% with the Water & Sewer Fund since the equipment will be utilized for sewer system repairs.

PUBLIC SAFETY CAPITAL PROJECTS

Project Name	Local General Fund	Local Grants	State/Federal Grant	Financing* Short/LT	Total Funding Sources
Police Vehicles	25,000		25,000		50,000
Records Room Improvement Project	38,500				38,500
Type 2 Ambulance		33,705	134,820		168,525
PROJECT TOTAL	88,500	33,705	184,820		257,025

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 2014-2015 will allow the department to replace a non-patrol vehicle. If a grant application to USDA is approved, two vehicles will be acquired with the grant paying one-half of the costs. The City acquired five patrol vehicles in FY 13-14 (four financed via loan funds and one through a grant received from USDA) consistent with a vehicle replacement schedule and to facilitate lower maintenance costs by replacing older, high mileage vehicles with a newer more fuel efficient fleet.

❖ **RECORDS ROOM IMPROVEMENT**

To cover upgrades to the Police Department records room; provides for secure storage in a temperature and humidity-controlled environment. This would greatly improve the security and capacity needed to store criminal records that must be retained in accordance with policies as described by the Library of Virginia's Record Retention and Disposal guidelines.

❖ **TYPE I AMBULANCE**

To cover the acquisition of a TYPE I Ambulance for use by the Franklin City Volunteer Fire & Rescue Department. The 2015 unit will replace a 2000 Ford Type I Ambulance (Medic 4). The purchase is being funded by an “80/20 state/local match” rescue squad assistance fund (RSAF) grant awarded under the Virginia Department of Health-Office of Emergency Medical Services. Based on the cost of the vehicle, state grant funds will be \$134,820 or 80% of the total. The local match of \$33,705 or 20% will be funded by Southampton County through funds allocated to the City for capital equipment purchases. City ambulatory services are provided to the residents Franklin City and Southampton County.

FUND: SOLID WASTE FUND

Project Name	Solid Waste Revenue	Local Grants	State/Federal Grant	Financing Short/LT	Total Funding Sources
Yardwaste Truck	160,000				160,000
Landfill Closure	70,000				70,000
TOTAL PROJECTS	230,000				230,000

PROJECT DESCRIPTION AND JUSTIFICATION

❖ **YARDWASTE TRUCK**

Funding provides for the replacement of one refuse truck to be utilized in yard waste operations. The City uses a fleet of four trucks to collect solid waste. Two trucks have been traditionally replaced on five year rotating lease cycles allowing for replacement of each truck every ten years, which is the life expectancy. The city leased a truck in 2012 with two lease year payments remaining. Another truck was purchased in 2013 with funds available from “new money” long-term debt loan proceeds which prevented the added cost of a short term lease payment from the Solid Waste operating budget. The City achieved its goal in FY 13-14 by creating a solid waste enterprise fund which began accumulating reserve funds to provide for acquisition of replacement equipment on a “pay as you go” basis going forward.

❖ **LANDFILL CLOSURE**

Provides cost 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.

WATER & SEWER FUND CAPITAL PROJECTS

Project Name	Water/Sewer Revenue	Local Grants	State/Federal Grant	Financing* Short/LT	Total Funding Sources
Water Meters	50,000				50,000
Sewer System Improvement	226,147				226,147
Water Line Rehab	226,147				226,147
Rubber Tire Loader – shared costs	57,500				57,500
TOTAL PROJECTS	559,794				559,794

PROJECT DESCRIPTIONS AND JUSTIFICATIONS

❖ 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 15 with the proposed funding of \$50,000 (\$90,000 less than what was provided in FY 14). This technology allows for less manual reading time, more accurate readings, and upon request can provide customers with leak reports of their usage.

❖ 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.

❖ RUBBER TIRE LOADER

Replacement of a 14 year old rubber tire loader, 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 out- weighs the annual cost of a new machine. The costs for the equipment will be shared with Streets since the equipment will be utilized in that department. The operation of the equipment is 50% VDOT reimbursable when in use.



PROPOSED FIVE YEAR CAPITAL IMPROVEMENT PLAN
Fiscal Years 2015-2018

TOTAL ALL FUNDS - \$54,858,207

General Fund	
Public Works	\$ 42,117,500
Public Safety	\$ 1,557,025
General Administration	\$ 428,000
Parks & Recreation	\$ 3,002,000
Community Development	\$ 230,000
Total: Project Expenditures	\$ 47,334,525

Water & Sewer Fund	
Water	\$ 644,897
Sewer	\$ 1,159,785
Total: Project Expenditures	\$ 1,804,682

Electric Fund	
New Circuit-Delivery 3	\$ 250,000
Delivery 4	\$ 2,304,000
Reconduct to Delivery 2	\$ 510,000
Total: Project Expenditures	\$ 3,064,000

Solid Waste Fund	
Equipment	\$ 540,000
Landfill Closure	\$ 370,000
Total: Project Expenditures	\$ 910,000

School Fund	
Technology Improvements	\$ 100,000
Transportation	\$ 320,000
Facility Improvements	\$ 1,325,000
Total: Project Expenditures	\$ 1,745,000

**CITY OF FRANKLIN
CAPITAL IMPROVEMENT PROGRAM
FY 2014-2015 Through FY 2018-2019**

	2014-15	2015-16	2016-17	2017-18	2018-19	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 - Rubber tire loader (shared costs)	\$57,500					\$57,500
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
TOTAL PUBLIC WORKS	\$613,500	\$10,376,000	\$10,376,000	\$10,376,000	\$10,376,000	\$42,117,500
GENERAL GOVERNMENT ADMINISTRATION						
Voting Machine Replacement	\$0	\$70,000	\$0	\$0	\$0	\$70,000
Technology: Video Equipment Replacement	\$30,000	\$28,000				\$58,000
Technology: Software System Upgrade		\$100,000	\$100,000	\$100,000		\$300,000
TOTAL GENERAL GOVERNMENT ADMIN.	\$30,000	\$198,000	\$100,000	\$100,000	\$0	\$428,000
PUBLIC SAFETY ADMINISTRATION						
Police Vehicle Replacement	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Records Room Improvement	\$38,500					\$38,500
Construction of Ancillary Facility					\$600,000	\$600,000
Public Works Building - Engineering Study		\$50,000				\$50,000
Ambulance Replacement - Medic 4	\$168,525					\$168,525
Fire Engine 5 Replacement			\$450,000			\$450,000
TOTAL PUBLIC SAFETY ADMIN.	\$257,025	\$100,000	\$500,000	\$50,000	\$650,000	\$1,557,025
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	\$226,147	\$226,072	\$184,672	\$184,672	\$184,672	\$1,006,235
Rubber tire loader (Shared Costs)	\$28,750					\$28,750
Equipment Replacement - Sewer Cleaning Truck			\$41,600	\$41,600	\$41,600	\$124,800
Water Improvements						
Water System Improvements	\$226,147					\$226,147
Radio Read Water Meters	\$50,000					\$50,000
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
Rubber tire loader (Shared Costs)	\$28,750					\$28,750
Equipment Replacement Dump Truck						\$0
Scada System for Wells				\$100,000		\$100,000
TOTAL WATER & SEWER FUND	\$559,794	\$286,072	\$286,272	\$386,272	\$286,272	\$1,804,682
SUBTOTAL	\$1,460,319	\$11,000,072	\$11,302,272	\$10,987,272	\$11,387,272	\$46,137,207

**CAPITAL IMPROVEMENT PROGRAM
FY 2014-2015 Through FY 2018-2019**

	2014-15	2015-16	2016-17	2017-18	2018-19	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						
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	\$0	\$610,000	\$2,454,000	\$0	\$0	\$3,064,000
SOLID WASTE FUND						
Collection Truck Replacement	160,000	150,000	230,000			\$540,000
Landfill Closure	70,000	75,000	75,000	75,000	75,000	\$370,000
TOTAL SOLID WASTE FUND	\$230,000	\$225,000	\$305,000	\$75,000	\$75,000	\$910,000
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
J. P. KING MIDDLE SCHOOL						
Technology Infrastructure		33,000				\$33,000
FRANKLIN HIGH SCHOOL						
Technology/Technology Infrastructure		34,000				\$34,000
OTHER CAPITAL PROJECTS						
Replacement Buses		80,000	80,000	80,000	80,000	\$320,000
TOTAL SCHOOL FUND	\$0	\$230,000	\$1,330,000	\$105,000	\$80,000	\$1,745,000
SUBTOTAL	\$230,000	\$1,357,000	\$5,799,000	\$1,030,000	\$305,000	\$8,721,000
TOTAL PROJECTS-ALL CITY FUNDS	\$1,690,319	\$12,357,072	\$17,101,272	\$12,017,272	\$11,692,272	\$54,858,207



FY 2014-2015
BUDGET RESOLUTION



**ADOPTED BUDGET RESOLUTION
SETTING THE TAX RATES, ADOPTING THE BUDGET AND APPROPRIATING
FUNDS FOR FY 2014-2015**

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

WHEREAS, the Franklin City Council has complied with the law by preparing a proposed budget, holding the required public hearings on June 2, 2014 after proper and legal notice and having deliberated;

Section I.

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

Personal Use vehicles valued at \$1,000 or less	Eligible for 100% tax relief
Personal Use vehicles valued at \$1,001 to \$20,000	Eligible for tax relief at 58% (from 62%)
Personal Use vehicles valued at \$20,000 or more	Eligible for tax relief at 58% on the first \$20,000 of value and taxed fully on the balance up (from 62%)

Council does hereby propose to adopt Section 13-15 Fees for City Collection of Garbage, Waste and Other Refuse of the Franklin City Code as follows:

Trash Collection Fees	\$39.74 per month (from \$42.24 residential)
	\$79.48 per month (from 84.48 residential outside city)
	\$52.61 per month- commercial 1 box (no change)
	\$61.90 per month - commercial 2 boxes (no change)

THE FOLLOWING TAXES AND FEES ARE PROPOSED TO CHANGE:

Real Estate Tax Rate	\$0.96/\$100 of assessed value (from \$0.90/\$100 of assessed value)
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THE FOLLOWING TAXES AND FEES ARE PROPOSED TO REMAIN UNCHANGED:

Personal Property & Business Property	\$4.50/\$100 of assessed value
Downtown District Tax Rate	\$0.24/\$100 of assessed value
Machinery & Tools	\$2.00/\$100 of assessed value
Meals Tax	6.5%
Lodging Tax	8.0%
Cigarette Tax	\$0.60 per pack
Ambulance Service Fees:	
Basic Life Support	\$450.00
Advanced Life Support 1	\$550.00
Advanced Life Support 2	\$800.00 (no change)
Mileage Rate to Hospital	\$13.00 (no change)

Water & Sewer Fees: Remain unchanged and are adopted as follows:

Water Service Fees (Base Rates)	\$12.62 base rate plus 2.83 per \$1,000 gallons (Inside City)
	\$16.04 base rate plus \$3.50 per 1,000 gallons (Outside City)
Sewer Service Fees (Base Rates)	\$16.91 base rate plus \$3.93 per 1,000 gallons (Inside City)
	\$20.23 base rate plus \$5.04 per 1,000 gallons (Outside City)

Building permit fees, other taxes & related permits will remain the same with the exception of proposed increases in the City's planning review fees and minor building permit fee changes listed herein.

SECTION II: The following amounts as stated are hereby appropriated in the **General Fund** for the operation of the City Government and its activities for and during the fiscal year beginning July 1, 2014 and ending June 30, 2015:

REVENUES

GENERAL PROPERTY TAXES	7,168,006
OTHER LOCAL TAXES	5,218,500
PERMITS, FEES, FINES & LICENSES	231,836
MISCELLANEOUS & REVENUE SHARING	1,088,092
USE OF MONEY & PROPERTY	242,522
CHARGES FOR SERVICES	1,458,809
STATE & FEDERAL REVENUE	4,436,201
TRANSFERS FROM OTHER FUNDS	1,409,891
USE OF DEBT SERVICE RESERVE	927,409
USE OF UNASSIGNED FUND BALANCE	126,500
PRIOR YEAR CARRYOVER	345,595
GENERAL FUND REVENUE	22,653,361

EXPENDITURES

EXPENDITURE SUMMARY - GENERAL FUND

CITY COUNCIL	249,461
CITY MANAGER	232,511
CITY ATTORNEY	140,174
MANAGEMENT SERVICES & HR	149,855
COMMISSIONER OF REVENUE	245,755
REAL ESTATE ASSESSOR	52,688
TREASURER	270,273
FINANCE	629,837
INSURANCE	134,500
INFORMATION TECHNOLOGY	175,457
ELECTIONS	101,111
JUDICIAL ADMINISTRATION	1,296,083
LAW ENFORCEMENT	3,527,462
ANIMAL CONTROL	112,643
FIRE AND EMERGENCY SERVICES	2,320,481
CIVIL DEFENSE & SAFETY	73,411
BUILDING INSPECTIONS	501,636
PUBLIC WORKS - STREETS	1,983,524
PUBLIC WORKS - GARAGE	240,067
REFUSE COLLECTION	-
MAINTENANCE OF BLDGS & GROUNDS	1,024,754
HEALTH AND WELFARE	156,198
RECREATION	360,882
CEMETERIES	57,050
SENIOR CITIZENS PROGRAMS	126,602
LIBRARY	292,373
PLANNING & ZONING	241,361
BEAUTIFICATION COMMISSION	5,000
DOWNTOWN DEVELOPMENT	107,093
MISCELLANEOUS: Rev. Sharing & Debt Restructuring	771,000
GENERAL FUND BEFORE TRANSFERS	15,579,242
TRANSFERS	7,074,119
TOTAL, GENERAL FUND	22,653,361

SECTION III: The following amounts as stated are hereby appropriated in the **Water and Sewer Fund** for the operation of the Enterprise and its activities for and during the fiscal year beginning July 1, 2014 and ending June 30, 2015:

SALE OF WATER	1,300,000
SALE OF SEWER	1,750,000
MISCELLANEOUS	80,250
TOTAL WATER & SEWER FUND REVENUE	3,130,250

OPERATING EXPENSES	1,729,142
DEBT SERVICE	366,934
CAPITAL OUTLAY	721,794
TRANSFER TO GENERAL FUND	312,380
TOTAL WATER & SEWER FUND EXPENSES	3,130,250

SECTION IV: The following amounts as stated are hereby appropriated in the **Solid Waste Fund** for the operation of the Enterprise and its activities for and during the fiscal year beginning July 1, 2014 and ending June 30, 2015:

REVENUE FROM FEES	1,375,081
MISCELLANEOUS	4,000
PRIOR YEAR RESERVES	99,714
TOTAL SOLID WASTE REVENUE	1,478,795

OPERATING EXPENSES	925,350
DEBT SERVICE	28,056
CAPITAL OUTLAY	230,000
RESERVES	100,000
TRANSFER TO GENERAL FUND	195,389
TOTAL SOLID WASTE FUND EXPENSES	1,478,795

SECTION V: The following amounts as stated are hereby appropriated in the **Airport Fund** for the operation of the Enterprise and its activities for and during the fiscal year beginning July 1, 2014 and ending June 30, 2015:

AIRPORT RENTAL FEES	63,700
SALE OF GAS AND FUEL	177,232
STATE & FEDERAL AID	1,568,303
TRANSFER FROM GENERAL FUND	112,247
TOTAL AIRPORT FUND REVENUE	1,921,482

OPERATING EXPENSES	302,786
CAPITAL OUTLAY	1,599,832
TRANSFER TO GENERAL FUND	18,864
TOTAL AIRPORT FUND EXPENSES	1,921,482

SECTION VI: The following amounts as stated are hereby appropriated in the **Electric Fund** for the operation of the Enterprise and its activities for and during the fiscal year beginning July 1, 2014 and ending June 30, 2015:

REVENUE FROM SALE OF ENERGY	14,094,334
REVENUE FROM FUEL CHARGES	2,335,039
OTHER REVENUE	241,500
TOTAL ELECTRIC FUND REVENUE	16,670,873

PURCHASE OF ELECTRICITY	9,816,189
FUEL ADJUSTMENT	2,335,039
OPERATING EXPENSES	1,487,039
CAPITAL IMPROVEMENTS	265,000
DEBT SERVICE	277,018
CASH RESERVE REPLENISHMENT	331,197
CAPITAL RESERVE	250,000
TRANSFER TO GENERAL FUND	1,909,391
TOTAL ELECTRIC FUND EXPENSES	16,670,873

SECTION VII: The following amounts as stated are hereby appropriated in the **Economic Development Fund** for the operation of the fund and its activities for and during the fiscal year beginning July 1, 2014 and ending June 30, 2015:

RENT AND FEES - INCUBATOR	106,000
GENERAL FUND TRANSFER -OPERATING EXPENSE	57,833
GENERAL FUND TRANSFER - JOINT ECON. DEV.	125,000
TOTAL ECONOMIC DEVELOPMENT REVENUE	288,833

OPERATING EXPENSES	163,833
TRANSFER FOR JOINT ECONOMIC DEVELOPMENT	125,000
TOTAL ECONOMIC DEVELOPMENT EXPENSE	288,833

SECTION VIII: The following amounts as stated are hereby appropriated in the **Social Services Fund** for the operation of the fund and its activities for and during the fiscal year beginning July 1, 2014 and ending June 30, 2015:

STATE REVENUE	451,082
COST ALLOCATION REIMBURSEMENT	36,527
FEDERAL REVENUE	730,615
TRANSER FROM GENERAL FUND	456,738
TOTAL SOCIAL SERVICES FUND REVENUE	1,674,962

SOCIAL SERVICES EXPENSES	1,674,962
TOTAL SOCIAL SERVICES EXPENSES	1,674,962

SECTION IX: The following amounts as stated are hereby appropriated in the **Comprehensive Services Act Fund** for the operation of the fund and its activities for and during the fiscal year beginning July 1, 2014 and ending June 30, 2015:

STATE REVENUE	167,117
TRANSER FROM GENERAL FUND	135,000
TOTAL COMPREHENSIVE SERVICES REVENUE	302,117

MANDATED SERVICES	236,890
LOCAL MEDICAID MATCH	20,067
ADMINISTRATIVE SERVICES	45,160
TOTAL COMPREHENSIVE SERVICES EXPENSES	302,117

SECTION X: The following amounts as stated are hereby appropriated in the **Education Fund (Schools & Cafeteria)** for the operation of the funds and its activities for and during the fiscal year beginning July 1, 2014 and ending June 30, 2015:

LOCAL REVENUE	210,618
CAFETERIA FUND REVENUE (State, Federal & Local)	618,581
STATE REVENUE	8,728,651
FEDERAL REVENUE	2,305,368
LOCAL RE-APPROPRIATION	345,594
TRANSER FROM GENERAL FUND	4,837,395
TOTAL SCHOOL & CAFETERIA FUND REVENUE	17,046,207

SCHOOL OPERATIONS	16,427,626
CAFETERIA FUND OPERATIONS	618,581
TOTAL SCHOOL & CAFETERIA EXPENSES	17,046,207

SECTION XI: The following amounts as stated are hereby appropriated in the **Debt Service Fund** for the operation of the fund and its activities for and during the fiscal year beginning July 1, 2014 and ending June 30, 2015:

TRANSFER FROM GENERAL FUND-GENERAL DEBT	413,130
TRANSFER FROM GENERAL FUND-SCHOOL DEBT	591,182
INTEREST INCOME - SCHOOL DEBT	25,000
TOTAL GENERAL AND SCHOOL DEBT REVENUE	1,029,312

GENERAL FUND DEBT SERVICE	413,130
SCHOOL DEBT FUND	616,182
TOTAL GENERAL AND SCHOOL DEBT EXPENSES	1,029,312

SECTION XII: AUTHORIZATION & LIMITATIONS

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

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

EFFECTIVE DATE: The budget hereby adopted and the respective tax rates so fixed shall be effective July 1, 2014:

ADOPTED THIS 9TH day of June, 2014, in the CITY OF FRANKLIN, VIRGINIA

Raystine D. Johnson-Ashburn, Mayor

ATTEST: _____
R. Randy Martin, Clerk



FY 2014-2015
ELECTRIC RATE ORDINANCE

Proposed Amendment to City Ordinance 8-14(a) To Increase Electrical Rate:

(Based on 2.0% Increase Effective July 1, 2014)

Motion

The Council of the City of Franklin does ordain that the Franklin City Code 8-14 (a) shall be amended to set the monthly electrical rates for the non-fuel charge component for the kWh energy charge and the kW demand charge for all billings after July 1, 2013 in the following categories of user

Sec. 8-14. Electrical rates and deposits.

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

Residential Rate – “Schedule RS-401” :

June-September	<u>January 1, 2014</u>	<u>July 2014</u>
A. Basic Customer Charge:	\$7.98	\$7.98
B. Plus KWH charge		
First 800 KWH	\$0.09627 per KWH	\$0.09820 per KWH
Excess over 800 KWH	\$0.10909 per KWH	\$0.11127 per KWH

Winter Rate – October-May

A. Basic Customer Charge:	\$7.98	
B. Plus KWH charge:		
First 800 KWH	\$0.09627 per KWH	\$0.09820 per KWH
Excess over 800 KWH	\$0.07775 per KWH	\$0.07931 per KWH

C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

Small General Service Rate – “Schedule SGS 405” :

A. Basic Customer Charge:	<u>January 1, 2014</u>	<u>July 1, 2014</u>
Single Phase	\$12.61	\$12.61
B. Plus kWh charge:	\$0.07803 per kWh	\$0.07959 per kWh

C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

Small General Service Rate – “Schedule SGS 406” :

A. Basic Customer Charge:	<u>January 1, 2014</u>	<u>July 1, 2014</u>
Three Phase	\$22.42	\$22.42
B. Plus kWh charge:	\$0.07803 per kWh	\$0.07959 per kWh

C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

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

A. Basic Customer Charge:	<u>January 1, 2014</u>	<u>July 1, 2014</u>
Single Phase	\$49.50	\$49.50
B. Plus kWh Charge:	\$0.06389 per kWh	\$0.06517 per kWh
C. Plus kW demand charge:	\$5.94 per Kw	\$6.06 per kW

D. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

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

A. Basic Customer Charge:	<u>January 1, 2014</u>	<u>July 1, 2014</u>
Three Phase	\$99.00	\$99.00
B. Plus kWh Charge:	\$0.06389 per kWh	\$0.06517 per kWh
C. Plus kW demand charge:	\$5.94 per kW	\$6.06 per kW

D. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

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

A. Basic Customer Charge:	<u>January 1, 2014</u>	<u>July 1, 2014</u>
Single Phase	\$45.00	\$45.00

- | | | |
|---------------------------|-------------------|-------------------|
| B. Plus kWh Charge: | \$0.04229 per kWh | \$0.04314 per kWh |
| C. Plus kW demand charge: | \$13.07 per kW | \$13.33 per kW |
- D. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

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

- | | | |
|---------------------------|-------------------------------|----------------------------|
| A. Basic Customer Charge: | <u>January 1, 2014</u> | <u>July 1, 2014</u> |
| Three Phase | \$90.00 | \$90.00 |
| B. Plus kWh Charge: | \$0.04229 per kWh | \$0.04314 per kWh |

- | | | |
|---------------------------|----------------|----------------|
| C. Plus kW demand charge: | \$13.07 per kW | \$13.33 per kW |
|---------------------------|----------------|----------------|

- D. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

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

- | | | |
|--------------------------|-------------------------------|----------------------------|
| | <u>January 1, 2014</u> | <u>July 1, 2014</u> |
| A. Basic Customer Charge | \$247.50 | \$247.50 |
| B. Plus kWh Charge: | \$0.03856 per kWh | \$0.03933 per kWh |
| C. Plus kW Charge: | \$14.31 per kW | \$14.60 per kW |

- D. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

Municipal Service Rate – “Schedule MS 408” :

- | | | |
|---------------------------|-------------------------------|----------------------------|
| A. Basic Customer Charge: | <u>January 1, 2014</u> | <u>July 1, 2014</u> |
| Single Phase | \$16.50 | \$16.50 |
| B. Plus kWh charge: | \$0.08583 per kWh | \$0.08755 per kWh |

- C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.

Municipal Service Rate – “Schedule MS 409” :

A. Basic Customer Charge:	<u>January 1, 2014</u>	<u>July 1, 2014</u>
Three Phase	\$26.13	\$26.13
B. Plus kWh charge:	\$0.08583 per kWh	\$0.08755 per kWh
C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.		

Church and Synagogue Rate – “Schedule CS 418” :

A. Basic Customer Charge:	<u>January 1, 2014</u>	<u>July 1, 2014</u>
Single Phase	\$12.38	\$12.38
B. Plus KWH charge:		
First 3000 KWH	\$0.09049 per KWH	\$0.09230 per KWH
Excess over 3000 KWH	\$0.13403 per KWH	\$0.13671 per KWH
C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.		

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

A. Basic Customer Charge:	<u>January 1, 2014</u>	<u>July 1, 2014</u>
Three Phase	\$22.00	\$22.00
B. Plus KWH charge:		
First 3000 KWH	\$0.09049 per KWH	\$0.09230 per KWH
Excess over 3000 KWH	\$0.13403 per KWH	\$0.13671 per KWH
C. Fuel Adjustment: Each kilowatt hour used is subject to adjustment for charges in fuel costs, provided such fuel costs are charged to the City by its supplier.		

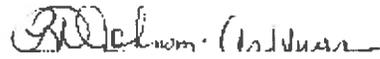
OUTDOOR LIGHTING SERVICE

Rate Schedule: OLS

High Pressure Sodium	<u>January 1, 2014</u>	<u>July 1, 2014</u>
100 W	\$11.00 per month	\$11.00 per month
150 W	\$13.50 per month	\$13.50 per month
250 W	\$18.75 per month	\$18.75 per month

400 W	\$28.00 per month	\$28.00 per month
1,000 W	\$44.00 per month	\$44.00 per month
Metal Halide		
1,000 W	\$39.25 per month	\$39.25 per month

GIVEN under our hands this 9TH th day of June 2014.



Raystine Johnson-Ashburn, Mayor

Attest



R. Randy Martin, City Manager



FY 2014-2015 ADOPTED
CHANGES TO PLANNING PERMIT FEES
& OTHER BUILDING PERMIT FEES

(THIS IS NOT INCLUSIVE OF ALL CITY FEES)

Plan Review Fees	Fiscal Year 2014-2015 Adopted
Plan reviews conducted by the local building department the fees shall be as follows based on gross floor area. Gross floor area shall be the floor area within the perimeter of the outside walls of the building under construction without deduction for hallways, floor openings, closets, and thickness of walls, columns or other features.	
Accessory Structures (including but not limited to garages, carports, sheds, swimming pools, spas and decks.)	25.00
2,499 of less square feet	50.00
2,500-5,000 square feet	75.00
5,001 to 10,000 square feet	100.00
10,001 to 30,000 square feet	200.00
30,001 to 40,000 square feet	300.00
Every additional 10,000 square feet or a portion thereof	100.00
Fees for repeated reviews: Plans requiring a 3rd review due to missing construction documents will be charged a new review fee.	Fee based on the schedule above.

Building Permit Fees	
Based on gross sq.ft of floor area. Includes Manufactured (HUD) homes, Modular Industrialized Building Units, Garages, sheds, decks and porches etc.	
0 - 500 sq. ft.	50.00
500 -1,000 sq. ft.	85.00
1,001 - 1,500 sq. ft.	110.00
1,501 - 2,000 sq. ft.	160.00
2,001 - 2,500 sq. ft.	200.00
2,501 - 3,000 sq. ft.	250.00
3,001 - 3,500 sq. ft.	290.00
3,501 - 4,000 sq. ft.	340.00
4,001 - 4,500 sq. ft.	380.00
4,501 - 5,000 sq. ft.	430.00
5,001 + sq. ft.	450.00
For each 500 sq. ft or fraction thereof in excess of 5,000 sq. ft.	40.00

Electrical Permit Fees Residential (R-4 & R-5)	Fiscal Year 2014-2015 Adopted
Temporary Service for Construction (Temp. pole)	25.00
0-200 amperes, per dwelling unit	50.00
Greater than 200 amperes, per dwelling unit	50.00
For each additional 100 amperes, or fraction thereof, in excess of 200 amperes	25.00
Commercial & Industrial	
0-200 amperes	50.00
Greater than 200 amperes	50.00
For each additional 50 amperes, or fraction thereof, in excess of 200 amperes	25.00
Service Upgrades including panel change out	
0-200 amperes, per dwelling unit	50.00
Greater than 200 amperes, per dwelling unit	50.00
For each additional 100 amperes, or fraction thereof, in excess of 200 amperes	25.00
Electrical additions and alterations of branch circuits, provides however, that no additional fee shall be assessed where service has been upgraded	25.00 plus \$5.00 for each additional \$500 or fraction therefore, of value in excess of \$2,000
Annual Operating Permits for other than landscape irrigation systems for R-4 and R-5 (backflow devices, elevators, fire suppression systems etc)	40.00 annually

