



May 14, 2019

Macon County Board of Commissioners

Chairman: Jim Tate

Vice Chair: Ronnie Beale

Commissioner: Paul Higdon

Commissioner: Gary Shields

Commissioner: Karl Gillespie

Gentlemen,

In accordance with the North Carolina Local Government Budget and Fiscal Control Act, I am honored to present to you the proposed budget for Fiscal Year 2019/2020. The budget as proposed is \$52,834,025 with revenues and expenditures being balanced. A "Statement of the Revenue Neutral Tax Rate" for Macon County, as well as the eleven individual fire-tax districts, has been included in this budget message as required by North Carolina General Statutes following completion of the *2019 General Reappraisal of Real Property* in Macon County.

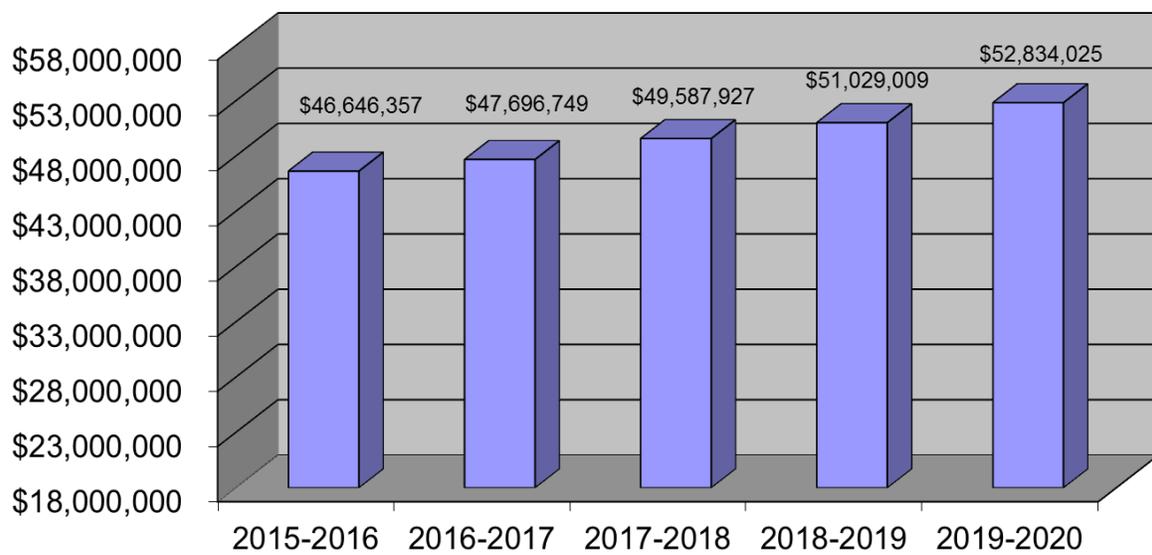
Our financial position will remain strong in the coming fiscal year. At an estimated 42.6% of expenditures or \$22,629,024, our fund balance in the general fund continues to provide the county with a high degree of financial security in terms of being prepared for unexpected emergencies and shortfalls in revenue. Furthermore, as we plan for the future and prioritize the capital projects which lie ahead, fund balance will play a critical role not only in allowing us to complete these projects, but also in minimizing the financial impacts they will have on future operating budgets. In light of the aforementioned action has been taken to ensure that our fund balance is preserved in FY 19-20'.

Between June 30, 2011 and June 30, 2018, Macon County's general fund debt has decreased by \$32,430,555. In the coming fiscal year, principal and interest payments on debt will increase slightly by \$51,904, to \$3,917,658. The strong financial position we enjoy today is directly attributable to our increased debt capacity, combined with our ability to maintain and sustain a healthy fund balance.

Projected expenditures have increased by \$1,805,016 or 3.5% over the FY 18-19' Original Budget. At this level of expenditures we will continue to deliver high quality public services to Macon County residents and visitors. In FY 19-20', our prior year's commitment to enhance education funding will be solidified, upgrades to our infrastructure will be completed and additional personnel and equipment will be added to help meet the growing service demands within the Public Safety and Health and Human Services budget functions.



GENERAL FUND COMPARISON OF ORIGINAL BUDGETS





FY 18-19' Budget Accomplishments

Completed Revaluation- 2019 marked the completion of Macon County's general reappraisal of real property. The general reappraisal, which included approximately 44,000 parcels of property, was conducted in-house by the Macon County Tax Office.

South Macon School Renovation- In August of 2018, work commenced on the South Macon School Renovation Project. The \$3,000,000 project will add six classrooms and renovate the existing cafeteria. At the time of this budget message the estimated completion date is August of 2019, prior to the beginning of the new school year.

Emergency Communications System Upgrade- Transition of the existing Macon County Emergency Communications system to the North Carolina VIPER (Voice Interoperability Plan for Emergency Responders) system has been completed. This \$1,000,000 project, phased over three fiscal years has resulted in a more reliable, economical and user friendly method of communication for our emergency services personnel.

Convenience Center Upgrades- \$300,000 was budgeted in FY 18-19' in the Solid Waste Enterprise Fund for convenience center improvements. \$170,000 went towards the purchase of recycling containers and compactors for two of our eleven local centers. The remaining \$130,000 will be used for site improvements at the Junaluska and Carson centers in the coming months.

Additions to Munis Software Platform- Additions of the Munis Dashboard, Munis Central, and Employee Self Service modules to the Munis Software Platform will result in increased organizational efficiency. Employee Self Service will launch during the 2019 Open Enrollment Period. With the addition of this module, employees can now register for benefits from their personal or work computers using a web browser. This will replace the current 4-5 day manual process where benefit registration and/or changes made by each employee are communicated to HR and Finance representatives during a scheduled meeting. HR and Finance must then key the benefit changes for each employee manually.

Moving forward, this module will be used for all benefit change requests and will also enable the organization to move forward with electronic time sheet submission. Currently, time sheets are submitted on paper, which requires manual data entry in both HR and Finance.

2019 Mighty Oak Award- Was presented to the Macon County Health Department from the North Carolina Department of Emergency Management, Communicable Disease Branch, acknowledging the "strength and determination" shown by this department when dealing with the 2019 Meningitis Outbreak in Macon County.



School Based Health Center - A Community Health Grant in the Amount of \$150,000 was awarded to the Macon County Health Department from the North Carolina Office of Rural Health in FY 18-19' to fund a school based health center in the coming fiscal year. The health center will provide preventative health care, nutrition and behavioral health services to our school aged children. The grant will be a collaborative effort between Macon County, Macon County Schools, Western Carolina University, Appalachian services, and Macon County Public Health. The Health Department is currently looking to other funding sources for sustainability as this grant is for a one year term. The Health Department, through this grant will provide the schools with two full time behavioral health specialists, a contract with a psychiatric nurse practitioner for assistance with medication management, and more time dedicated for school nurses and nutrition services.

LED Lighting Project- The Macon County Building and Grounds Department commenced work on a county wide LED light replacement project in FY 18-19'. The LED light fixtures, which were originally budgeted at \$185,000, were purchased for \$74,800 following substantial energy rebates. Upon completion in the fall of FY 19-20', this project is anticipated to reduce energy costs within the scope by as much as 50%. Macon County Building and Grounds will be performing the installation.

Enhancing School Security- \$250,000 was added to the Macon County School System's recommended annual capital outlay appropriation of \$600,000 in FY 18-19'. This addition to the schools capital outlay was appropriated from fund balance and earmarked for security related improvements at our local schools.

Increased funding for School System Technology and Operations- \$300,000 was added to the Macon County School System's recommended operating budget in FY 18-19' for technology related equipment purchases. The funding for technology was appropriated from the county's consolidated capital projects fund. \$500,000 was appropriated from fund balance in FY 18-19' above the recommended amount to assist the Macon County School System with operating expenses.

Courthouse Security Improvements- Following recommendations of the Courthouse Security Committee to the Board of Commissioners in FY 2018-2019, \$82,502 was appropriated from fund balance for the purchase of security equipment to be installed at the second and third floor entrances of the Macon County Courthouse. Security enhancements will take effect in the FY 19-20' fiscal year.

Comprehensive Plan update completed- A draft of the updated Comprehensive Plan was presented to the Board of Commissioners on January 8, 2019. The Macon County Planning Board worked diligently for three years on this project, which is critical to maximizing funding for future transportation projects in Macon County. A public hearing on the document has been set for May 14, 2019.

Space Needs Analysis- \$300,000 was appropriated from fund balance for completion of a county wide Space Needs Assessment in FY 18-19'. At the time of this budget message the project is approximately 60% complete. Upon completion, this assessment will be used by the county to prioritize future capital needs.



Phone System savings- After a full year of operation, savings generated by the new VOIP phone system has been calculated at \$116,768 annually. This reduction will be reflected in the FY 19-20' recommended budget. *"Beginning in FY 16-17' telephone system operating costs could be reduced by as much as \$87,511.93 annually."* – quote from FY 14-15' Recommended Budget.

Transit propane savings- In 2018 all transit vehicles have been up-fitted with bi-fuel propane kits. Since its inception in 2017, this project has resulted in \$51,514 or a 21% savings through the purchase of propane over gasoline.

2% COLA- Following the FY 18-19' Recommended Budget Presentation, reductions in operating expenses to the EMS budget as well as the Sheriff's budget contributed to the County's ability to provide a 2% Cost of Living Adjustment to help offset increases incurred by employees as a result of rising health insurance costs. This 2% adjustment was an increase of \$400,273 to salary and benefits in the general fund.

Contribution to Nikwasi Initiative- In February of 2019, \$12,500 was appropriated from economic development reserves towards continuing the mission and administrative costs for the Nikwasi Initiative.



FY 19-20' General Fund Revenues

Ad Valorem Property Tax

Recent history of revaluation in Macon County

The last revaluation of real property in Macon County was performed in 2015. The 2015 revaluation produced a tax base of 7,945,408,883 which represented a 19.2% decline in assessed value from the prior year tax base of \$9,472,645,160. The 19.2% decline resulted in an increase to the revenue neutral tax rate from .00279 to .00349 where it remains today.

Prior to 2015, the last revaluation of real property in Macon County was performed in 2007. Macon County, like many counties in North Carolina, saw dramatic declines in the values of real property during the 2007-2015 time period as the country experienced the worst economic recession since the Great Depression. In light of the aforementioned, the Board of Commissioners during this time period elected to postpone the 2011 revaluation until January 1, 2015 in hopes that an improving economy would result in rebounding property values.

While values did not rebound to pre-recession levels by 2015, they had gradually stabilized to a “new normal” as defined by the recession. In light of this stability the Macon County Board of Commissioners in December of 2014, approved a “Resolution Regarding the Time for General Reappraisal of Real Property” at the recommendation of the Tax Administrator. This resolution changed the reappraisal cycle in Macon County from eight years back to four years

From 2015-2019 we have not experienced the large fluctuations in property values as we have in years past. Although the economy continues to improve, many commercial buildings remain vacant in and around the Franklin area, which according to Tax Administrator Richard Lightner has not seen growth in 15 years or more. In and around downtown Highlands however continues to remain a “hotspot” for growth and development according to Lightner. These two contradicting scenarios occurring with respect to property values in Macon County from 2015-2019 will result in a revaluated tax base that is essentially flat when compared to 2015.

2019 Revaluation and Statement of Revenue Neutral Tax Rate

State law requires that units of local government, including public authorities, publish a revenue-neutral tax rate in the budget immediately following the completion of the general reappraisal of real property. The FY 19-20' operating budget follows the general reappraisal of real property for Macon County. The revenue-neutral tax rate, as defined by G.S. 159-11 (e), is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue for the current fiscal year if no reappraisal had occurred. The rate is then adjusted by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.



The 2019 reappraisal produced a tax base of \$8,044,000,000. The new tax base is representative of a 1.2% decline in assessed value from the current fiscal year amount of \$8,141,496,982. The tax levy for the current fiscal year is projected to be \$28,413,824 at a collection rate of 100%. To calculate tax levy, the estimated tax base at fiscal year-end is multiplied by the current tax rate. Using the new tax base of \$8,044,000,000 in FY 19-20', a tax rate of \$.003532 is needed to produce a tax levy equal to the \$28,413,824 in FY 18-19'.

G.S. 159-11 (e) provides that a growth factor be used in calculating the revenue-neutral rate based upon the average increase in the tax base "due to improvements since the last general reappraisal." Since 2015, Macon County's tax base has grown .82% on average. **In applying a growth factor of .82% to the tax rate of \$.003532, a revenue neutral tax rate of \$.003561 is produced for FY 19-20'.** The chart below illustrates revenue neutral and growth factor calculations.

REVENUE NEUTRAL W/ GROWTH FACTOR CALCULATION

Fiscal Year	Assessed Value	Growth Rate	Tax Rate	Tax Levy
2015/2016	\$7,945,408,883		\$.00349	\$27,729,477
2016/2017	\$8,003,397,136	.73%	\$.00349	\$27,931,856
2017/2018	\$8,053,753,869	.63%	\$.00349	\$28,107,601
2018/2019	\$8,141,496,982	1.09%	\$.00349	\$28,413,824
2019/2020	\$8,044,000,000	N/A	\$.003532	\$28,413,824
		.82%		
2019/2020	\$8,044,000,000		\$.003561	\$28,644,684

FY 20' Assessed Value includes \$7,699,000,000 in Real and Personal and \$345,000,000 in Motor Vehicles

*** FY16'– FY 18' Assessed Value, Tax Rate and Tax Levy figures taken from 2018 Comprehensive Annual Financial Report***

*** FY 19' Assessed value was taken from 2018 TR-1 report***

*** FY 20' Assessed value was provided by the Macon County Tax Office***

*** Tax levy calculations assume a 100% collection rate***



Tax collection Rate

From FY 18-19' - FY 19-20' the tax collection rate will decrease slightly from 98.41% to 98.32%. In applying the tax collection rate of **98.32%** to the reassessed real and personal property levy amount of \$27,416,139, \$26,955,548 in real and personal tax revenue is generated for FY 19-20'.

$$\$7,699,000,000 \times .003561 = \$27,416,139 \times .9832 = \quad \underline{\underline{\$26,955,548}}$$

Motor Vehicles

Motor Vehicle Tax revenue is based upon an assessed value of \$345,000,000, at a collection rate of 100%.

$$\$345,000,000 \times .003561 = \$1,228,545 \times .100 = \quad \underline{\underline{\$1,228,545}}$$

$$\text{FY 19-20' Estimated Total Levy (Revenue Neutral) =} \quad \underline{\underline{\$28,184,093}}$$



Statement of Fire District Revenue Neutral Tax Rates

A local government must calculate a revenue-neutral rate for each separate levy included in its budget ordinance. Macon County has eleven fire districts, each of which levies a separate tax. The purpose for publishing revenue neutral rates for these districts is to provide transparency for **all** taxes paid by a particular resident. Revenue-neutral rates for each individual fire district were calculated in the same manner as the ad-valorem property tax rate for Macon County. The FY 19-20' tax rates in each district are representative of the rates needed to produce levies equal to those from FY 18-19'. Growth factors representative of each district's average increase in tax base since the last reappraisal were then applied to each of these tax rates. Figure 2 illustrates the FY 19-20' revenue neutral rates for each fire district, as well as the levies these rates will produce.

Fig 2

REVENUE NEUTRAL W/ GROWTH FACTOR CALCULATION

Fire Districts	Current Tax Rate	Assessed Value FY 18-19'	FY 18-19' Levy	Growth Rate	FY 19-20' Tax Rate w/ growth	Assessed Value FY 19-20'	FY 19-20' Levy
Franklin	0.0545	\$1,569,368,763	\$855,306	0.91%	0.0545	\$1,582,921,543	\$863,057
Clarks Chapel	0.0765	\$422,454,227	\$323,177	0.88%	0.0802	\$406,652,836	\$326,005
Otto	0.0650	\$506,114,381	\$328,974	.75%	0.0684	\$484,272,746	\$331,453
Cullasaja	0.0537	\$467,203,135	\$250,888	0.66%	0.0557	\$453,435,428	\$252,536
West Macon	0.0681	\$450,371,646	\$306,703	0.78%	0.0724	\$426,756,763	\$309,104
Scaly Mountain	0.0486	\$249,440,460	\$121,228	0.66%	0.0480	\$253,965,213	\$122,027
Burningtown/Iotla	0.1009	\$223,309,654	\$225,319	1.30%	0.1056	\$216,232,131	\$228,244
Cowee	0.1103	\$278,380,310	\$307,053	.78%	0.1142	\$270,849,536	\$309,442
Nantahala	0.0643	\$348,897,338	\$224,341	0.84%	0.0706	\$320,615,588	\$226,233
Highlands	0.0108	\$3,491,212,187	\$377,051	0.16%	0.0108	\$3,504,725,216	\$377,647
Mountain Valley	0.127	\$104,983,749	\$133,329	.97%	0.1261	\$106,731,274	\$134,618

**** FY 19' Assessed value was taken from the 2018 TR-1 report****

**** FY 20' Assessed value was provided by the Macon County Tax Office****

**** Tax levy calculations assume a 100% collection rate****



Increase to Ad-Valorem Tax Rate

For the FY 19-20' Budget, I am recommending an ad-valorem tax rate of **\$.003694**. This is a \$.000133 increase above the revenue neutral level and will generate approximately \$1,050,000 in recurring revenue. This amount is needed to cover increased funding for Operations (\$500,000), Technology (\$300,000), and Annual Capital Outlay (\$250,000), in the School System's Budget, as approved by the Board of Commissioners in FY 18-19'.

Of the \$1,050,000 approved increase in FY 18-19', \$750,000 was in the form of an appropriation from Fund Balance, while the remaining \$300,000 was taken from the County's Consolidated Capital Projects Fund. The chart below illustrates the estimated levy which will be generated by this proposed increase in FY 19-20'.

MACON COUNTY, NORTH CAROLINA	
2019 ASSESSMENT VALUE ESTIMATES	
2020 BUDGET	
ESTIMATED LEVY	
TOTAL REAL/PERSONAL VALUE	\$7,699,000,000
MOTOR VEHICLES VALUE	\$345,000,000
TOTAL ESTIMATED VALUE	\$8,044,000,000
Proposed Tax Rate	\$0.3694
Real/Personal Levy	\$27,962,312
Collection Rate Real/Personal	98.32%
Motor Vehicles Levy	\$1,274,430
Collection Rate Motor Vehicle	100.00%
Estimated Total Levy	\$29,236,742
Tax Dollars per Penny	\$791,466

At the recommended tax rate of \$.003694 Macon County residents will continue to receive services at a price tag well below that of the seven county Western Region (.00461 average tax rate) and State of North Carolina (.00673 average tax rate) based upon FY 18-19' tax rate information.

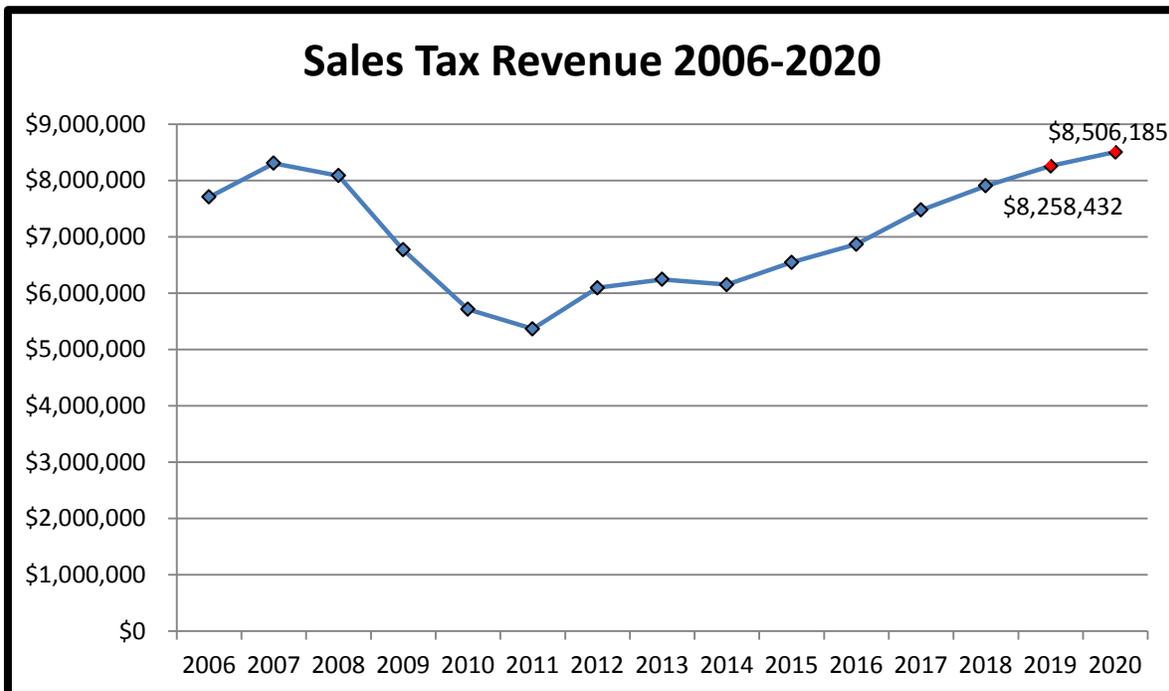


Sales Tax

In February of 2019 the Fiscal Research Division and the Office of State Budget Management released the “North Carolina General Fund Revenue Consensus Forecast” which provides a summary of the revenue forecast for the 2019 biennium. According to this report the State’s economy is now fully in the expansionary phase of the business cycle, which is producing solid employment as well as individual wage growth. Thus, the forecast assumes these economic conditions continue through the end of FY 21’.

The “North Carolina General Fund Revenue Consensus Forecast” projects sales tax collections to increase by 5.3% and 4.6% respectively during the biennium. A key reason for the above average increases stems from the U.S. Supreme Court’s June 2018 ruling in *South Dakota v. Wayfair, Inc.*, which granted states additional authority to require retailers to collect and remit sales tax. In FY 19-20’ alone, revenue is expected to increase by \$125,000,000 to North Carolina as a result of this ruling.

Through December of 2019, Macon County sales tax collections were up 4.55% over FY 2018. At the time of this budget message we are projecting for sales tax collections to end FY 2019’ at 4.5% above the FY 2018’ actuals producing \$8,258,432 in estimated revenue. For FY 19-20’, I am recommending that 3% growth be applied to the projected \$8,258,432 in estimated sales tax revenue for the current fiscal year. Thus, **\$8,506,185** has been budgeted for sales tax collections in FY 19-20’. This is an increase of \$429,047 over the FY 18-19’ Original Budget amount.





Service Fees

Service fees are those revenues generated from charges associated with recreational fees, ambulance fees, client payments for health and social services etc. \$4,160,622 has been budgeted for service fee collections in FY 19-20'. This is an increase of \$124,220 over the FY 18-19' budgeted amount. Included in the increase to service fee revenue is a recommendation to adjust EMS billing amounts as outlined in the chart below:

Level of Service	2019 Medicare Allowable	Current Charge	Recommended (150% above MFS)	Recommended (200% above MFS)
ALS NE A0426	\$270.44	\$528.72		\$540.88
ALS E A0427	\$428.2	837.14		\$856.4
BLS NE A0428	\$225.37	\$440.6		\$450.74
BLS E A0429	\$360.59	\$704.29		\$721.18
ALS 2 A0433	\$619.77	\$1,211.66		\$1,239.54
Specialty Care Transports A0434	\$732.45	\$1,431.96		\$1,464.9
BLS Treatment No Transport Fee		\$150.00		
ALS Treatment No Transport Fee		\$150.00		
Rural Mileage A0425 1-17	\$11.43	\$16.77	\$17.15	

Intergovernmental Revenues

Intergovernmental revenues are primarily grant funds received from outside federal and state agencies for Health Dept., DSS, Transit & Senior Services operations as well as PILT (Payment in Lieu of Taxes). \$8,554,476 has been budgeted for intergovernmental revenues in FY 19-20'. This amount is representative of a \$298,251 increase from FY 18-19'.

Miscellaneous

Miscellaneous revenues include those revenues generated from collection of rental fees, administrative fees, interest earnings, etc. \$1,281,200 has been budgeted for miscellaneous revenues in FY 19-20'. Miscellaneous revenues have increased by \$300,180 from the FY 18-19' Original Budget amount. This increase is due primarily to increased rates on investments from the Federal Reserve.



Fund Balance

Fund balance available for appropriation is expected to decrease by (\$2,220,527) as of 6/30/2019. This decrease is the result of projected expenditures exceeding projected revenues to end the current fiscal year. \$750,000 of the total decrease is attributable to appropriations for school system operations (\$500,000) and annual capital outlay (\$250,000) in FY 18-19'. Also included in this decrease are one time appropriations such as the (\$1,000,000) transfer to Health Insurance Reserves, and (\$300,000) for completion of the Space Needs Analysis.

In FY 19-20' Fund Balance appropriation has been recommended to cover the following expenditures:

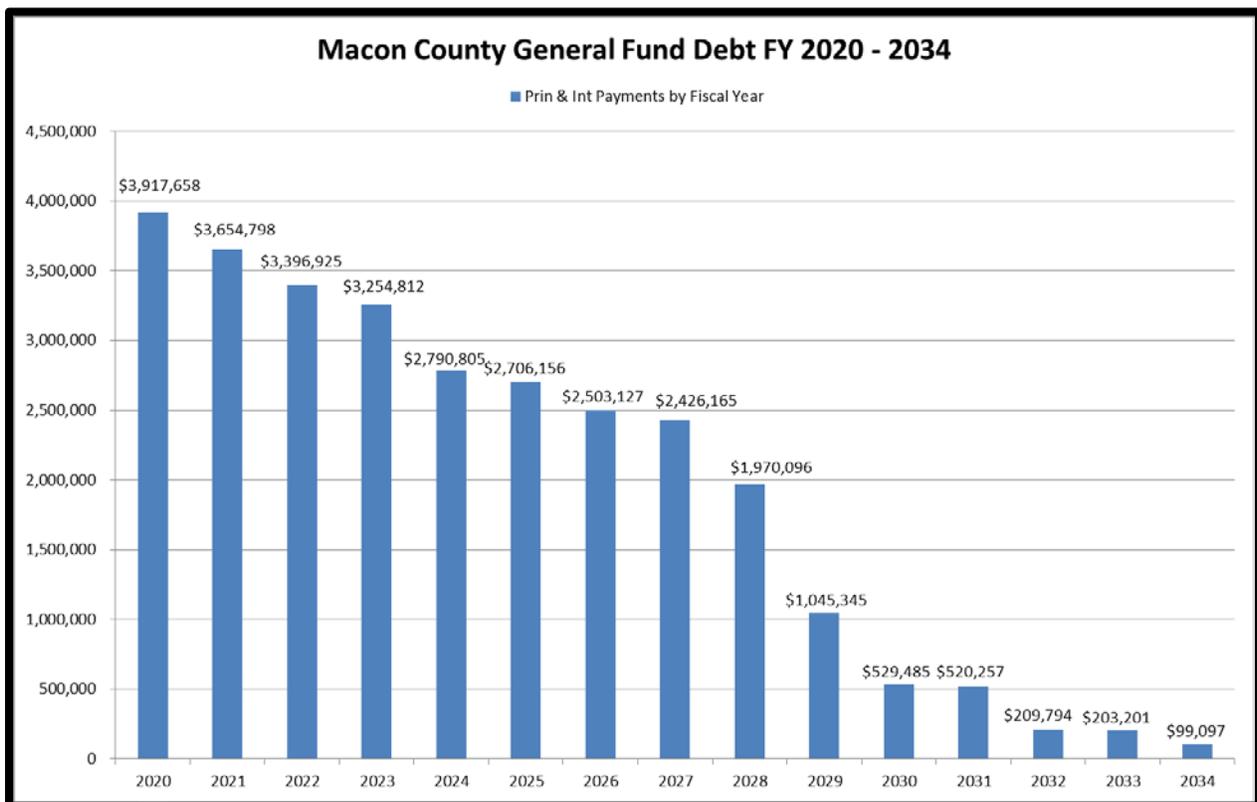
Expenditure	Recurring	Non-recurring	Total \$
Telecommunications Connectivity		X	\$250,000
Total			\$250,000

\$250,000 in FY 19-20' has been proposed to outfit members at each of our 11 Fire Departments with handheld subscriber units compatible with the newly installed 800 MHz Viper (Voice Interoperability Plan for Emergency Responders) Communications System. Upon completion, all emergency services personnel and volunteers in Macon County can communicate freely across the high quality and more reliable Viper System. This will complete the telecommunications upgrade project, which began in 2017 at a cost of \$1,250,000.



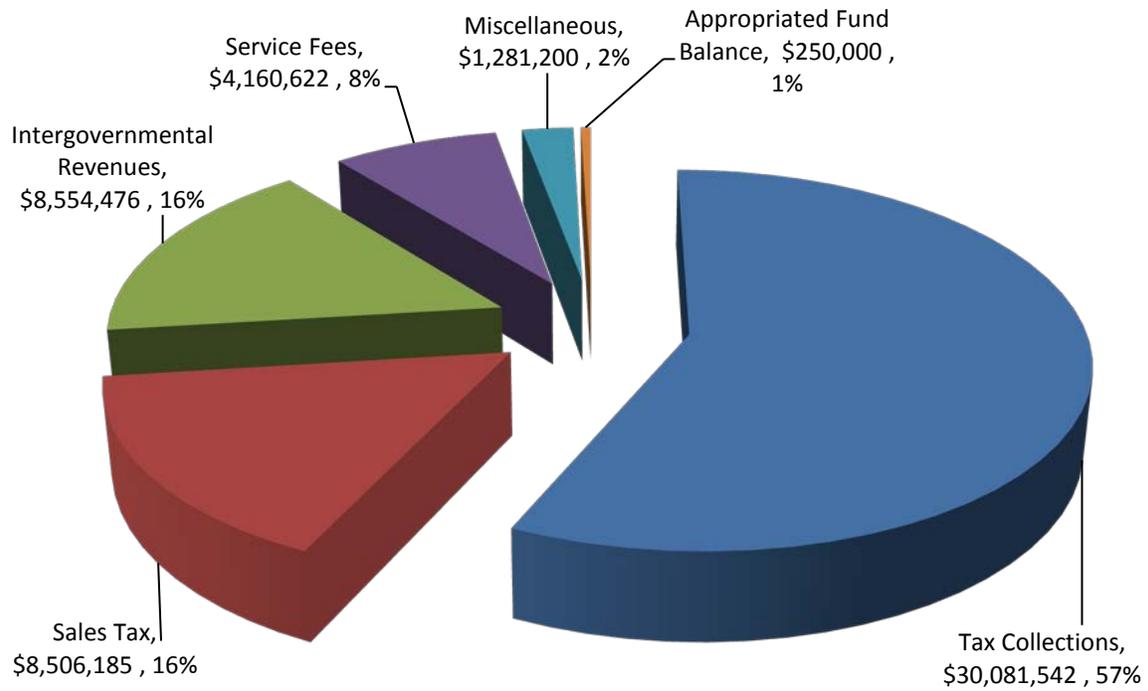
General Fund Debt

General Fund debt has decreased (\$32,430,555) from 6/30/2011 \$62,246,165 to 6/30/2018 \$29,815,610. This decrease in debt is due to making regular principal and interest payments, not taking on substantial new debt, and refinancing existing debt. In FY 19-20', debt service payments will increase by \$51,904 to \$3,917,658. This increase is due to the issuance of \$2,923,674 of debt on the South Macon Elementary School Expansion project on 7/30/18. The payments are semi-annual in arrears so there was only one payment due in FY 18-19'; however, there are two payments due in FY 19-20'.





GENERAL FUND REVENUES BY SOURCE FY 2019-2020





FY 19-20' General Fund Expenditures

The following section will highlight the proposed expenditures within each function of the FY 19-20' Recommended Budget for the General Fund. Functions of the General Fund Budget include: **Public Safety, General Government, Transportation, Economic and Physical Development, Human Services, Culture /Recreation and Education**. Expenditures within each function have been broken down between Capital, which are those expenditures >\$5,000 having a useful life of >1 year, and Operating which includes salaries and benefits, supplies, utilities, etc., that are considered to be recurring. Increases or decreases within each of these expenditure categories when compared to the FY 18-19' Original Budget are then summarized and explained.

Operating Expenditures

In evaluating budget requests submitted by each department, a strong attempt has been made by administration to ensure that operating expenditures across each function were reflective of the amount needed to maintain the current service level. The purpose of this attempt was to recommend a budget that *maintained our current high level of service in all functions outside of those prioritized by the Board of Commissioners in FY 18-19' (Education, Public Safety) for service enhancement*. In addition, this attempt was an effort to try and *mitigate increased operating expenditures which we knew would be forthcoming across all functions in FY 19-20' related to increases in health insurance and retirement benefits*. Through prioritization, gained efficiencies and the elimination of requests which were considered service enhancements lying outside of those areas identified in FY 18-19' by the Macon County Board of Commissioners as needing enhancement, non- salary and benefit related operating expenditures across the Public Safety, General Government, Transportation, Economic and Physical Development, Human Services and Culture/Recreation function were reduced to \$7,628,910 which is a decrease of (\$189,530) or (2%) from the FY 18-19' Original Budget Amount. Non-Salary and benefit related operating expenditures within the general fund include accounts such as professional fees, legal fees, computer supplies, telephone expenses, etc. within each department.

Capital Expenditures

Capital Expenditures are defined in the General Fund Budget as those expenditures which exceed \$5,000 and have a useful life of greater than one year. In FY 19-20' Capital expenditures will account for \$2,699,538 or 5.1% of the General Fund Budget. This is a decrease of (\$173,440) from the current fiscal year. This decrease is due primarily to a reduction in expenditures budgeted for the Space Needs Analysis from \$300,000 in FY 18-19' to \$60,000 in FY 19-20' as the project nears completion.



Health Insurance

Macon County will enter into the North Carolina Health Insurance Pool (**NCHIP**) in FY 19-20' following approval of the authorizing resolution and inter-local agreement by the Board of Commissioners in April of 2019. NCHIP is a risk pool specifically designed for mid-size to large NC government groups to better manage health insurance risk. The pool, which was established in July of 2018, is open to North Carolina counties, cities and towns with more than 100 members on their health plan. Current membership is over 6000 and includes Brunswick County, Town of Wake Forest, Orange County, Town of Hillsborough, Catawba County, Town of Morrisville and Alleghany County. We remain optimistic that the increased purchasing power brought about through the pool arrangement will limit the substantial increases in premium that Macon County has experienced over the past two fiscal years. In moving into NCHIP, Macon County will continue to be self-funded which provides us with the flexibility to make plan design changes as needed. We anticipate minimal to no disruption to employees when making this change as Blue Cross Blue Shield will remain the insurance carrier.

Macon County received 7 health insurance renewal proposals for the FY-19-20' Budget Year. At an increase of 11.8% over FY 18-19', the NCHIP renewal was 5% lower than the next closest competitor. Following acceptance of the proposal, a reduction in stop-loss rates, combined with the decision of the Health Insurance Committee to increase first visit Emergency room co-pay from \$100-\$300 resulted in a final increase of 10.9% or \$471,930 projected increase to the plan in FY 19-20'.

As you are aware, revenues needed to offset this increase are generated through contributions by the county in addition to contributions made by those employees with dependent coverage based upon pre-determined funding ratios established by the county. In FY 19-20' approximately \$72,000 should be passed down to those employees with dependent coverage, based upon our current funding ratios. I am recommending with this budget however, that the county absorb the health insurance increase in its entirety, as increases to those employees with dependent coverage would be 10.9%, and the second consecutive year in which substantial increases to employee contributions have occurred. I am confident moving forward that membership in the insurance pool, will result in a "leveling out" of the dramatic increases we have experienced over the past two fiscal years.

COLA

The FY 19-20' Recommended Budget for the General Fund provides county employees with a 1.5% Cost of Living Adjustment at a cost of \$313,862. While this recommendation is below the 2.8% recommended by the Social Security Administration for 2019, it will enable our employees to continue advancing through our current pay scale.

Retirement

An increase of \$251,835 has been budgeted in retirement for 19-20' as a result of rate increases to state retirement system contributions.



Public Safety

The FY 19-20' budget continues to place high priority on the health and safety of our citizens. The Public Safety Function includes Sheriff, Courthouse Security, Forest Service, Jail, Inspections/Planning, Emergency Medical Services, Emergency Management and Animal Control. In the coming year, public safety represents \$15,469,580 or 29% of the general fund operating budget. This is a \$1,507,947 or 10.8% increase over the FY 18-19' Original Budget.

Capital Expenditures

In FY 19-20' capital expenditures will account for \$1,086,646 in the public safety function. This represents an increase of \$611,384 in capital spending over current fiscal year original budget. At the enhanced capital spending level we will accomplish the following:

Continue vehicle replacement in those departments where reliability matters most.

- \$568,545 will go towards the purchase of vehicles in FY 19-20'. This is an increase of \$312,283 over the current year original budget amount.
- Increase is attributable to purchase of new ambulance @ \$296,945 and a vehicle for detention at \$30,900
- We have made great strides in replacing Sheriff's Department Vehicles over the past 5 years as 13 of 24 road vehicles have been replaced. In FY 19-20' 3 new Police Pursuit SUV's will be purchased at a cost of \$92,700. This will bring the total amount of road vehicles replaced over the past five years to 15 (1 vehicle is currently 5 years old and will go to 6) and reduce average mileage in the road fleet from 73,589 to approximately 51,797.

Installation of in-car cameras in Sheriff's Department Vehicles

- \$217,080 will go towards equipping 54 vehicles in the Macon County Sheriff's Department with in-car camera systems
- This is an increase of \$217,080 over current year original budget
- \$65,000 in funding received from the Office of State Budget and Management through the assistance of Representative Kevin Corbin will go towards funding this project in the coming fiscal year.

Connectivity to Telecommunications System

- \$250,000 in FY 19-20' has been recommended to outfit members at each of our 11 Fire Departments with handheld subscriber units compatible with the newly installed 800 MHz Viper (Voice Interoperability Plan for Emergency Responders) Communications System. Upon completion, all emergency services personnel and volunteers in Macon County can communicate freely across the high quality and more reliable Viper System. This will complete the telecommunications upgrade project, which began in 2017 at a cost of



\$1,250,000. As \$200,000 was budgeted for this project in FY 18-19', the new amount represents a \$50,000 increase in FY 19-20' capital expenditures for the Public Safety Function.

Operating Expenditures

Operating costs in the public safety function will increase by \$896,563 over current fiscal year original budget. This increase in operations is primarily attributable to an increase in salaries and benefits resulting from the addition of personnel as well as increases to employee benefit costs.

Additional Personnel

Emergency Management - Two telecommunicators have been added in Emergency Management. The new positions will increase staffing levels during the peak call times of 7:00am- 10:00am and 10:00am-7:00pm from 2-3 and 3-4 respectively.

From 2016- 2018 total CAD calls have averaged 34,445 annually. While the annual number of calls has remained consistent during this time period, the number of calls falling within the aforementioned hourly time-frames has increased. During 2018, the number of calls received within these timeframes was consistent with those experienced during the wildfires of 2016. The increased call volume has resulted in shorter call durations and "time to answer statistics under 10 seconds" consistently dropping below the 95% threshold for quality established for our Emergency Management Service.

EMS- The addition of a full-time paramedic in FY 19-20' will complete a 24/72 hr. shift in Franklin that is currently being filled using part-time staff in addition to a "floater position" (which is intended to cover vacant shifts and community paramedic visits, controlling overtime and part time costs) . From 2017-2018, EMS demand has remained at elevated levels, with calls for service shifting away from Highlands and Nantahala and more towards the Franklin area. The new full-time position will accommodate this shift in demand. In addition, this will lead to part time staff becoming more readily available to assist with vacant shifts as well as the Community Paramedic Program which saw a 25.6% increase in the number of visits from 2017-2018.



Courthouse Security- Four positions have been added to the budget for Courthouse Security in FY 19-20'. In April of 2019, the Board of Commissioners voted to move forward with the purchase and installation of x-ray and scanning equipment to be placed at the second and third floor entrances of the Macon County Courthouse. As you will recall, two new full time positions were budgeted in Courthouse Security to begin in January of the current fiscal year. These two positions have been budgeted for a complete year in the recommended budget. Following installation of the security equipment in FY 19-20', three officers will be stationed at each of the security checkpoints. Courthouse Security upgrades come following recommendations of the Courthouse Security Committee led by Resident Superior Court Judge William H. Coward and Sheriff Robert Holland.

Total cost of additional personnel in Public Safety Function:

Department	Positions Recommended	\$ Cost(Salary and Benefits)
Emergency Management	2	\$113,005
EMS	1	\$59,254
Courthouse Security	6 (4 + 2@full year)	\$289,573
Total (Additional Personnel)	9	\$461,832

Total salary and benefit related cost increases in Public Safety Function

Category	\$ Increase
Health Insurance	\$155,391
Retirement	\$134,240
1.5% COLA	\$144,652
Salary	\$289,479
Total (Additional Personnel)	\$723,762



General Government

The General Government function in the operating budget is representative of service provision departments as well as internal service departments. Service provision departments are those departments whose primary role is to provide services to the citizens of Macon County. Service provision departments include; Board of Elections, Register of Deeds, Tax Assessment, Tax Supervision, and Mapping. Internal service departments such as Administration, Legal, Finance, Human Resources, Information Technology, Garage and Buildings and Grounds play a support role to the service provision departments in the General Government function, as well as those departments in other functions such as Transportation, Recreation and Public Safety, enabling them to continue providing top quality services to our citizens.

In FY 19-20', the General Government function accounts for \$7,971,328 or 15% of the operating budget. Expenditures in this function have decreased by (\$514,733) from prior fiscal year original budget. This decrease can be attributed primarily to a reduction in capital spending of (\$520,604) from prior fiscal year original budget levels.

Capital Expenditures

In FY 19-20' capital expenditures will account for \$209,677 in the General Government Function. At this level of capital spending we will accomplish the following:

Licensing of Virtual Machines

- \$144,227 will go towards purchasing licensure on virtual machines for the operating system and SQL server database platforms. Also included in this amount are the SQL server database and Client Access Licenses.
- FY 19-20' is year 2 of 3 in the license procurement process for the aforementioned database platforms, as reflected in the *Macon County Capital Improvement Plan*. Following procurement of licensing, the county will only be responsible for maintaining software assurance on the operating system and SQL server databases. This cost is estimated to be approximately \$60,000 annually.

Vehicle and Equipment Replacement

- \$56,000 will be used to purchase new vehicles in Garage (pool vehicle) and building and grounds at \$22,000 and \$34,000 respectively. In addition, the Garage will replace the outdated and maintenance intensive Tire Changing Machine at a cost of \$9,450.
- Upon replacement of buildings and grounds vehicle, average fleet mileage in this department will be reduced from 107,818- 94,612 across the 17 vehicle fleet.



Operating Expenditures

In FY 19-20' operating expenditures within the General Government function will increase by \$5,871 from the current fiscal year original budget. This slight increase in operating expenditures from the prior fiscal year is notable as costs associated with salaries and benefits will increase by \$192,020 during the aforementioned time period.

Total salary and benefit related cost increases in General Government Function

Category	\$ Increase
Health Insurance	\$102,806
Retirement	\$31,589
1.5% COLA	\$57,625
Salary (Additional Personnel)	
Total	\$192,020



Transportation

The Transportation function includes Macon County Transit in addition to the Macon County Airport. The Transportation function will decrease by (\$129,816) from FY 18-19' Original Budget. This decrease is due to a reduction in capital expenditures from the current fiscal year.

Transit

Capital Expenditures

Macon County Transit will purchase one van in FY 19-20' at a cost of \$80,140.

- 90% of this amount will be covered using grant funds. The remaining 10% will be the responsibility of Macon County. This will be the 4th van replaced by Transit in the past two years. Upon replacement of the current van which has logged approximately 147,203 miles, average mileage for the Transit Fleet will be reduced from 85,935 to 82,105.
- Capital expenditures from FY 18-19' Original Budget will decrease by (\$130,295) in FY 19-20'.

Operating Expenditures

Operating expenditures within the transit function will essentially remain flat at FY 18-19' levels. This is due largely to the dissolution of the Mobility Manager Grant which was budgeted at \$56,957 in the current fiscal year being offset by increased salary and benefit costs as depicted in the table below.

Total salary and benefit related cost increases in General Government Function

Category	\$ Increase
Health Insurance	\$13,135
Retirement	\$5,014
1.5% COLA	\$8,357
Salary	
Total	\$26,506

Macon County Airport Expenditures will decrease by (\$2,550) in FY 19-20' to \$33,650.



Human Services

The Health and Human Services Function includes the following departments: Health Department, Department of Social Services, Veterans, Smoky Mountain Mental Health, Juvenile Partnership Grant, Senior Services, and Housing. In FY 19-20' Human Service expenditures will total \$12,784,407. This is an increase of \$789,315 over current fiscal year original budget. The Health Department, Department of Social Services and Senior Services account for \$12,253,843 of the FY 19-20' total Human Services Budget.

Department of Social Services and Senior Services

The FY 19-20' DSS and Senior Services Budget will increase by \$351,715 in the coming fiscal year. \$224,410 of this amount is representative of an increase in the county funding level. Current challenges to service delivery within the department have included: reduced state and federal allocations in Adult Welfare Services; significant NC FAST programming set-backs in Child Welfare case management software programs; and increasing impact from the nationwide opioid crisis on child welfare. The increased level of funding in FY 19-20' will allow for steps to be taken to help address the aforementioned challenges.

Capital Expenditures

No Capital Expenditures have been budgeted in FY 18-19' / FY 19-20'

Operating Expenditures

Operating costs in DSS and Senior Services will increase by \$351,715 over the current fiscal year original budget. This increase in operations is primarily attributable to an increase in salaries and benefits resulting from the addition of personnel as well as increases to employee benefit costs.

Additional Personnel

Department of Social Services- In February of 2019, the Board of Commissioners voted unanimously to approve 2 additional Child Welfare Positions. These positions have been included in the recommended budget for FY 19-20'

Since March of 2018, the department has experienced a 100% increase in the time needed to capture P4 (Child Welfare pilot program) processes in the NC FAST system. This increase is in comparison to the Northwoods system previously used by the agency. In addition to delays in processing, the NCFast system continues to be riddled with errors that have yet to be resolved, which has, in many cases resulted in information having to be re-entered numerous times. These issues, combined with increasing caseloads have resulted in less field time for social workers to engage with clients, thereby decreasing the effectiveness of this service.



Senior Services- A full-time receptionist position will be added in Senior Services through the dissolution of two part time positions. Front reception is the automatic first stop for the approximately 200+ individuals who visit the center daily. Having a full time, trained receptionist will ensure that those visiting the center are utilizing and correctly entering information on the automated check-in kiosk. This automation of data tracking will improve efficiencies as well as overall work flow at the center. Currently, full-time staff members are regularly called away from their primary functions to cover gaps at this critical position.

Summary of Additional Personnel

Department	Positions Recommended	\$ Cost(Salary and Benefits)
Social Services	2	\$110,731
Senior Services	1	\$28,354
Total	3	139,085

Total salary and benefit related cost increases in Department of Social Services and Senior Services

Category	\$ Increase
Health Insurance	\$82,396
Retirement	\$42,218
1.5% COLA	\$46,008
Salary (Additional Personnel)	\$55,942
Total	\$226,564



Health Department

The FY 19-20' Health Department Budget will increase by \$415,811 over the current fiscal year original budget. Of this increase however, only \$138,296 is representative of an increase in county funding. At the budgeted amount of \$5,985,100 for the coming fiscal year, the Health Department will continue to meet the growing health and environmental needs within our population.

Capital Expenditures

At \$56,017, capital spending will increase by \$49,017 over the current year original budget amount. At this increased expenditure level, we will accomplish the following in the coming fiscal year:

- Replacement of Vacuum System and Schick Sensors in Child Dental at a cost of \$25,017.
- Replace one vehicle in On-Site Wastewater at a cost of \$31,000
- Average fleet mileage across the 19 vehicle fleet will be reduced from approximately 62,650 to 55,676 upon incorporation of the new vehicle.

Operating Expenditures

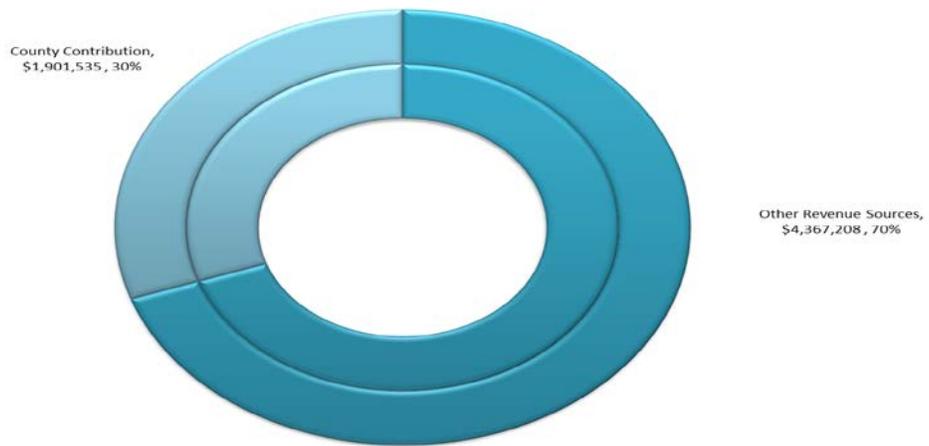
Operating Costs in the Health Department will increase by \$366,794 over the prior year original budget amount. The increase in operating expenditures is attributable to a new federal grant received from the Appalachian Regional Commission in the amount of \$436,965 combined with a \$173,046 increase in employee salary and benefit costs.

- Following the recommendation of the Board of Health and Health Department Administration, the FY 19-20' budget will provide an increase to the salary levels of dentists in both the Adult Dental and Child Dental Programs to assist with retention and recruitment. The impact this action will have on the FY 19-20' Recommended Budget is listed in the table below.

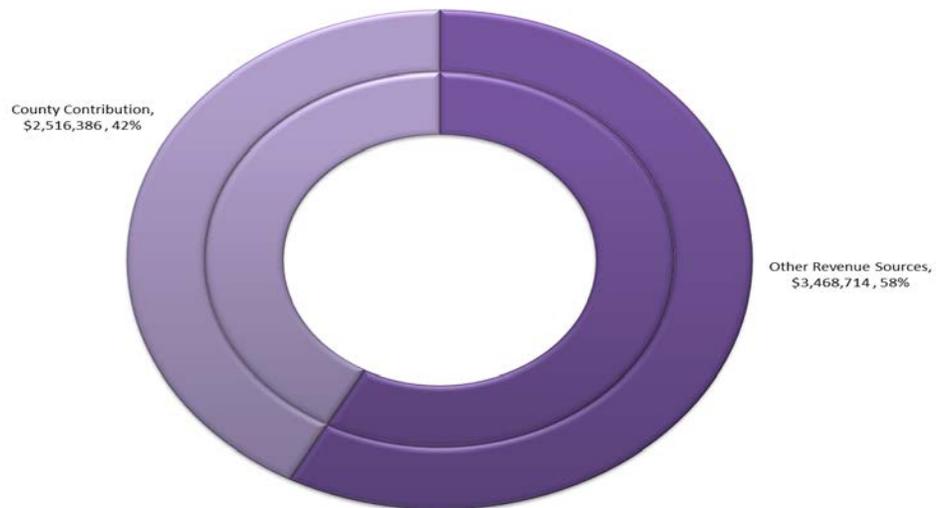
Category	\$ Increase
Health Insurance	\$62,729
Retirement	\$33,529
1.5% COLA	\$47,563
Salary (Increase in dental)	\$29,225
Total	\$173,046



**Social Services & Senior Services
Sources of Revenue
FY 2019-2020**



**Health Department Sources of Revenue
FY 2019-2020**





Culture/Recreation

The Culture/Recreation budget function accounts for: Recreation, Highlands Recreation, and the Library. In the coming year, Culture/Recreation represents \$2,304,175 or 4% of the general fund operating budget. This is a \$5,763 increase over the current fiscal year original budget.

Recreation

Capital Expenditures

No Capital Expenditures have been budgeted in FY 18-19'/FY 19-20'

Operating Expenditures

In FY 19-20' operating costs within the Culture/Recreation Function will essentially remain flat at FY 18-19' original budget levels although \$17,992 in new costs were incurred as a result of employee salary and benefit increases.

Category	\$ Increase
Health Insurance	\$8,283
Retirement	\$3,703
1.5% COLA	\$6,006
Salary	
Total	\$17,992

Fontana Regional Library System

Operational funding for Macon County libraries will remain at \$1,019,390. At 2% of our operating budget, Macon County will continue to place the highest priority on our local libraries



Economic and Physical Development

The Economic and Physical Development budget function contains; *Economic Development, Cowee School, Soil Conservation and Cooperative Extension*. In the coming year, Economic and Physical Development will account for \$639,800 which is an increase of **\$52,506 over the current fiscal year**.

Capital Expenditures

- Capital Spending will increase by \$34,000 over the current fiscal year due to the purchase of a new vehicle. Currently the vehicle being used by the *Cooperative Extension* Office is 14 years old and has logged 131,194 miles. Both the maintenance costs and reliability of this vehicle are now a major concern for this office, as it has become an impediment to service quality.

Operating Expenditures

- County operating expenditures in the *Cooperative Extension* Office will increase by approximately \$24,000 in the coming fiscal year due to an increase in state starting salaries as well as the implementation of a Career Ladder Structure for County Extension Agents which was implemented in April of 2019. A letter was received from the North Carolina Cooperative Extension Office in February of 2019 notifying us of these changes. North Carolina State University provides approximately 42% of the Cooperative Extension Office's total salary amount including benefits.

Category	\$ Increase
Health Insurance	\$2,448
Retirement	\$325
1.5% COLA	\$2,193
Salary	
Total	\$4,966

****Benefit Increase table includes Soil Conservation Office Only****



Schools

In FY 19-20' Macon County will continue to be a regional leader, in public education funding levels as well as average teacher pay. According to figures published by the Office of the State Superintendent for fiscal year 17-18', local funding accounted for 23.2% of total per pupil expenditures in the Macon County School System at an ADM (Average Daily Membership) of 4,325 students. At this level, local funding in Macon County was well above the seven county Region A Average of 20.7% for FY 17-18'. Average teacher Pay in Macon County for fiscal year 17-18' at \$51,700, was \$1,460 above the seven county Region A average according to these same figures.

	ADM	# of Schools	% Local Funded per ADM	Average Teacher Salary
Macon	4,325	11	23.2	\$51,700
Jackson	3,661	9	22.9	\$49,420
Cherokee	3,187	13	23.8	\$51,620
Haywood	7,120	15	24.4	\$52,760
Graham	1,126	3	17.4	\$48,345
Swain	1,930	5	17.4	\$47,554
Clay	1,269	3	15.8	\$50,283
Average(7county)	3,231	8.4	20.7	\$50,240
Macon	(+)1094	(+)2.6	(+) 2.5	(+) \$1,460
Rutherford	7,948	18	18.9	\$50,214
Polk	2,101	7	26.7	54,316
Transylvania	3,386	9	32	\$54,617
Henderson	13,316	23	23.4	\$54,110
Avery	1,944	11	20.8	\$51,630
Mitchell	1,851	7	14.8	\$52,068
Madison	2,266	6	15.6	\$49,836
Yancey	2,164	9	18.6	\$51,422
Buncombe	23,801	44	29.6	\$55,508
McDowell	6,000	13	17.7	\$51,586
Average (17 counties)	5,141	12.11	21.4	\$51,588
Macon	(-)816	(-)1.11	(+)1.8	(+) \$112
Burke	11,999	27	16.8	\$52,630
Watauga	4,483	10	32.1	\$55,357
Ashe	2,966	5	19.9	\$51,771
Alleghany	1,336	4	19.9	51,173
Wilkes	9,285	22	17.8	\$50,694
Caldwell	11,445	26	22.3	\$52,098
Cleveland	14,452	29	21	\$52,435
Average (24 counties)	5,973	13.7	21.4	\$51,798
Macon	(-)1,648	(-)2.7	(+)1.8	(-) \$98
State			24.3	53,975
Macon			(-)1.1	(-) \$2,275



In FY 18-19' the Board of Commissioners increased funding levels for School System technology, operations and capital outlay. As previously discussed in this budget report, a \$.0133 increase to the ad-valorem tax rate has been recommended to ensure funding at the new levels can be sustained moving forward. While information from the State Superintendent's Office only includes FY 17-18' figures, one can assume that the \$1,257,000 or 15% increase in local funding provided to the School System since FY 17-18' will allow us to improve upon our position in the west, in terms of local educational funding levels, for the coming fiscal year.

FY 19-20' Recommended funding levels for the Macon County School System are highlighted below.

	FY 17-18' Original	FY 18-19' Original	FY 18-19' Revised	FY 19-20' Requested	FY 19-20' Recommended
Operating Expenses	\$7,138,330	\$7,845,141	\$7,845,141	\$8,782,595	\$7,845,141
S/W Fees	80,000	\$80,000	\$80,000	\$80,000	\$80,000
Capital Outlay	\$600,000	\$850,000	\$868,209	\$2,410,307	\$1,150,000
Timber	\$53,000	\$60,000	\$60,000	\$60,000	\$60,000
Supplement	\$479,401	\$472,590	\$472,590	\$627,085	\$472,590
Total	\$8,350,731	\$9,307,731	\$9,325,940	\$11,959,987	\$9,607,731

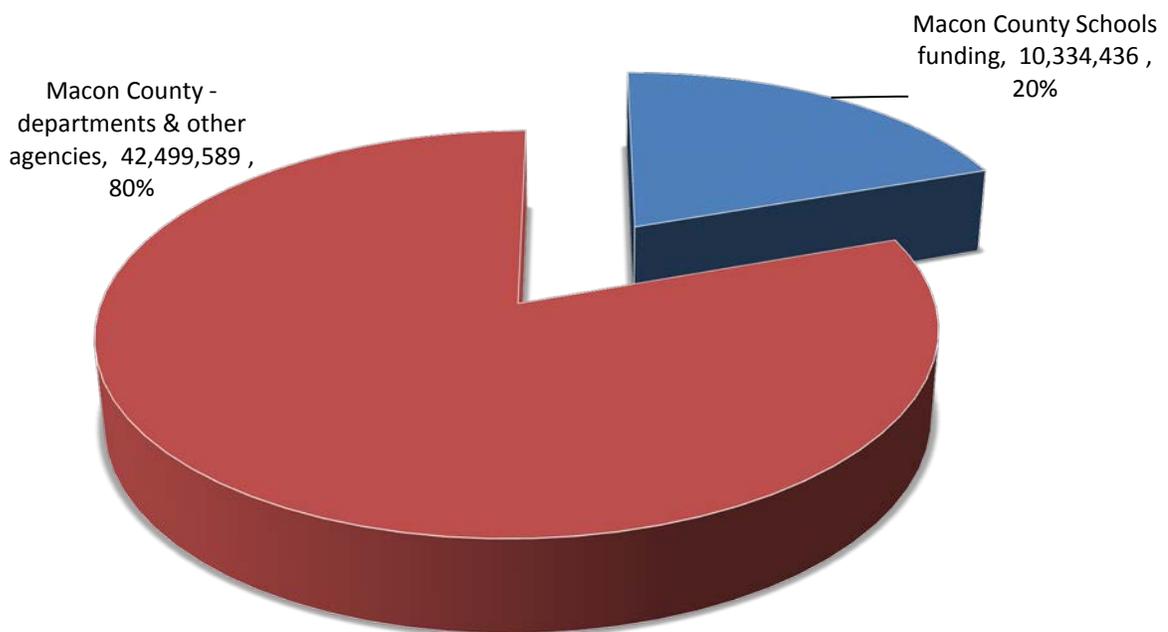
In addition to local funding, a Community Health Grant in the Amount of \$150,000 was awarded to the Macon County Health Department from the North Carolina Office of Rural Health in FY 18-19' to fund a school based health center in the coming fiscal year. The health center will provide preventative health care, nutrition and behavioral health services to our school aged children. The grant will be a collaborative effort between Macon County, Macon County Schools, Western Carolina University, Appalachian services, and Macon County Public Health. The Health Department is currently looking to other funding sources for sustainability as this grant is for a one year term. The Health Department, through this grant will provide the schools with two full time behavioral health specialists, a contract with a psychiatric nurse practitioner for assistance with medication management, and more time dedicated for school nurses and nutrition services.

At the time of this budget message it appears that the state budget will have no adverse impact on the School System from FY 18-19'- FY 19-20', thus, an increase in local funding should not be needed to maintain the current level of service. The Budget as proposed by the House of Representatives contains salary increases, but primarily for those longer serving teachers, including increasing steps for 16+ year teachers, all of which should be state funded positions. Furthermore, \$15,000,000 in increased funding has been proposed for operational supplies statewide, combined with \$9,000,000 in additional funding for School Safety Grants. FY 19-20' increased funding at the local and state level combined with prior year increases in teacher allotments for geographically isolated K-12 schools and continued flexibility in



state law concerning K-3 class size requirements should result in a favorable operating position for the School System in FY 19-20'

Macon County Schools Funding as a % of the General Fund Budget FY 2019-2020



Note: Macon County Schools funding includes current expense, supplements, solid waste fees, capital outlay, and debt

Southwestern Community College

Funding for Southwestern Community has increased by \$30,392 from FY 18-19' to \$312,235. Of this amount, \$23,058 will go towards the repair/repaving of the parking lot at the Public Safety Training Facility.



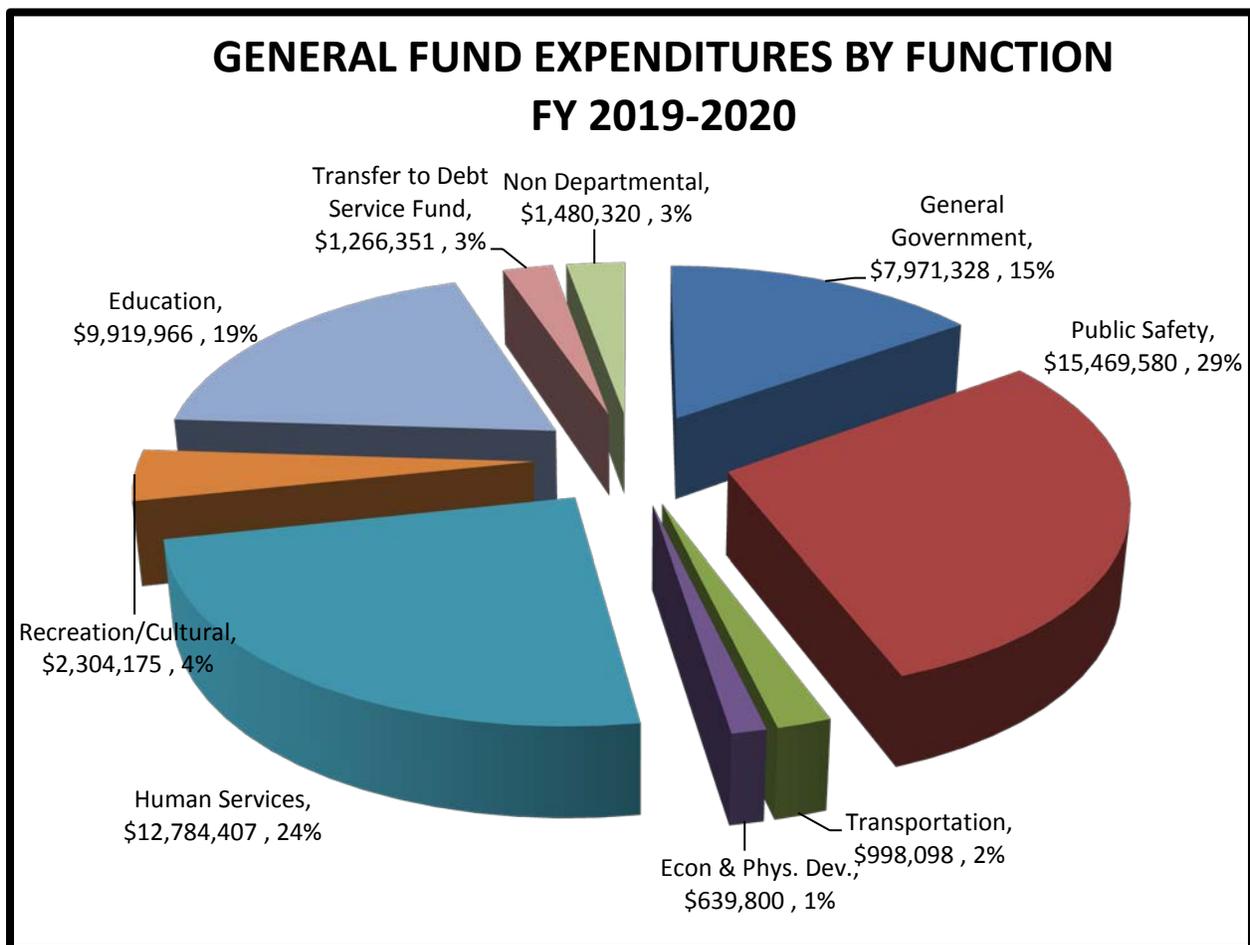
2019 - 2020 BUDGET CAPITAL ITEMS RECOMMENDED

Department	Acct.	Amount	Description
Information Technology	114210-569502	\$ 144,227	Host OS, SQL and CALS
Garage	114250-569502	\$ 9,450	Tire Changer
Garage	114250-569601	\$ 22,000	One (1) Pool Vehicle
Maintenance	114260-569502	\$ 34,000	One (1) Truck
Sheriff	114310-569502	\$ 217,080	In-Car Cameras
Sheriff	114310-569601	\$ 92,700	Three (3) Police Pursuit SUV's
Detention Center	114321-569502	\$ 20,421	Replacement Washer and Dryer
Detention Center	114321-569601	\$ 30,900	One (1) Detention Center Vehicle
PP&D	114350-569601	\$ 26,000	One (1) SUV
EMS	114370-569502	\$ 25,000	Stryker Powerload Stretcher
EMS	114370-569601	\$ 386,945	One (1) Ambulance and One (1) Ambulance Remount
Fire Task Force	114377-569502	\$ 5,600	Hazmat Trailer
Animal Control	114380-569502	\$ 32,000	One (1) Truck
Transit - Operating	114935-569601	\$ 80,140	One (1) Transit Van (90% grant funded)
Cooperative Extension Service	114950-569601	\$ 34,000	One (1) Van
Health - Child Dental	115157-569502	\$ 25,017	Vacuum System Replacement and Two (2) Schick Sensors
Health - On-Site Wastewater	115182-569502	\$ 31,000	One (1) Truck
Macon County Schools	118000-571002	\$ 1,150,000	Technology and Capital Outlay
Southwestern Community College	118000-571011	\$ 23,058	Repair/Repave Parking Lot
Transfer to Fund 55	119000-980055	\$ 250,000	Radio Communication Project
Non-Departmental	119900-555104	\$ 60,000	Space Needs Analysis
Total General Fund Capital		\$ 2,699,538	



Additional Personnel

Department	Positions Recommended	\$ Cost(Salary and Benefits)
Emergency Management	2	\$113,005
EMS	1	\$59,254
Social Services	2	\$110,731
Senior Services	1	\$28,354
Courthouse Security	6	\$289,573
Total	12	\$600,917





Summary

The FY 19-20' budget will allow us to continue providing high quality services to the citizens of Macon County at one of the lowest tax rates in the state and without compromise to our strong financial position. In the coming fiscal year our fund balance will be preserved, leaving us well prepared should we decide to move forward with those projects identified as priorities within the results of the on-going capital projects planning phase.

With respect to operations, the FY 19-20' Budget maintains the current level of service in all areas outside of those identified by the Board of Commissioners for prioritization leading up to the budget process. A contingency fund of \$144,478 has been included which will leave us well prepared for unexpected emergencies. This budget could not have been accomplished without the hard work and willingness to compromise shown by all Macon County department heads during budget discussions. As required by state statute, the budget is balanced with revenues and expenditures of \$52,834,025 and is hereby submitted for your review and consideration.

Respectfully,

Derek C. Roland
Macon County Manager