



May 23, 2023

Macon County Board of Commissioners

Chairman: Paul Higdon

Vice Chair: Josh Young

Commissioner: Gary Shields

Commissioner: Danny Antoine

Commissioner: John Shearl

Gentlemen,

In accordance with the North Carolina Local Government Budget and Fiscal Control Act, I am honored to present to you the Recommended Budget for Fiscal Year 2023/2024. The budget as proposed is \$64,566,978 with revenues and expenditures balanced at the “revenue neutral” tax rate of 27 cents per \$100 of assessed property valuation, or the lowest ad-valorem property tax rate in the State of North Carolina.

At the time of this budget message, the local economy in Macon County remains strong. Growth in population of 1.3% from 2021-2022 has far outpaced average growth in the seven county western region at .2% during this period. Population growth has been accompanied by economic development. Throughout FY 23’ real estate sales prices have stabilized in the Franklin area and continue to increase in and around Highlands. Residential and commercial development remains at levels not seen in over a decade. Results of the 2023 revaluation indicate the property tax base in Macon County has increased by 51% since 2019. Additionally, a “red hot” travel and tourism industry, highlighted by the world-class destination resort Old Edwards Inn and Spa continues to drive substantial increases in sales tax revenue, currently up 15% YTD through February.

Revenue increases in the FY 24’ Budget are largely a product of local economic growth. Growth in the tax base will result in increases to ad valorem tax collections and increases in the purchase of goods and services by residents and tourists alike will lead to increases in sales tax revenue. Ad valorem and sales tax collections combined account for 76% of total revenue in the General Fund Budget. Although increasing, FY 24’ revenue estimates for these two primary sources are budgeted conservatively in that they are based upon growth that has occurred as opposed to projected future growth. As a result, we will remain largely insulated from economic uncertainty including any “dampening” effect that FY 23’ increases to the federal funds interest rate could potentially have on local economic growth during FY 24’.

The Federal Reserve continued increasing the federal funds interest rate by three percentage points during FY 23’ in an attempt to quiet nationwide inflation. As a result, inflation has cooled, increasing 5% for the year ending April 23’ down from 8.5% prior year. Locally, this appears to have contributed to a decline in the number of county-wide residential real estate sales, down (33%) YTD from prior year. Stabilizing average sales prices in the Franklin area and increasing average sales prices in Highlands however, indicates the reduction in total number of sales could also be a function of supply.

FY 23’ rate increases will have a positive impact on certain revenue sources in the coming fiscal year. Macon County’s interest earned on investments will increase substantially to \$1,800,000. This amount represents a \$1,690,000 increase in revenue over prior year. Due to the volatility of this revenue source,



particularly as inflation trends downward and the need for future rate increases comes into question, it will be recommended this increase in revenue be applied towards one-time capital expenditures in FY 24'.

While a strong local economy has brought about revenue growth, it will present numerous challenges as well. Inflation persists. An annual 5% increase in CPI through April of 23' is evidence that the cost of goods, services, utilities or the general cost of doing business has continued to increase. Nonetheless, people have continued paying these higher costs and have continued moving to, visiting and doing business in Macon County. While this is great for the local economy it has resulted in an across the board increase in demand for public services. Additionally, unemployment remains at all-time lows forcing public and private sector employers to continue paying more money to recruit and retain qualified employees.

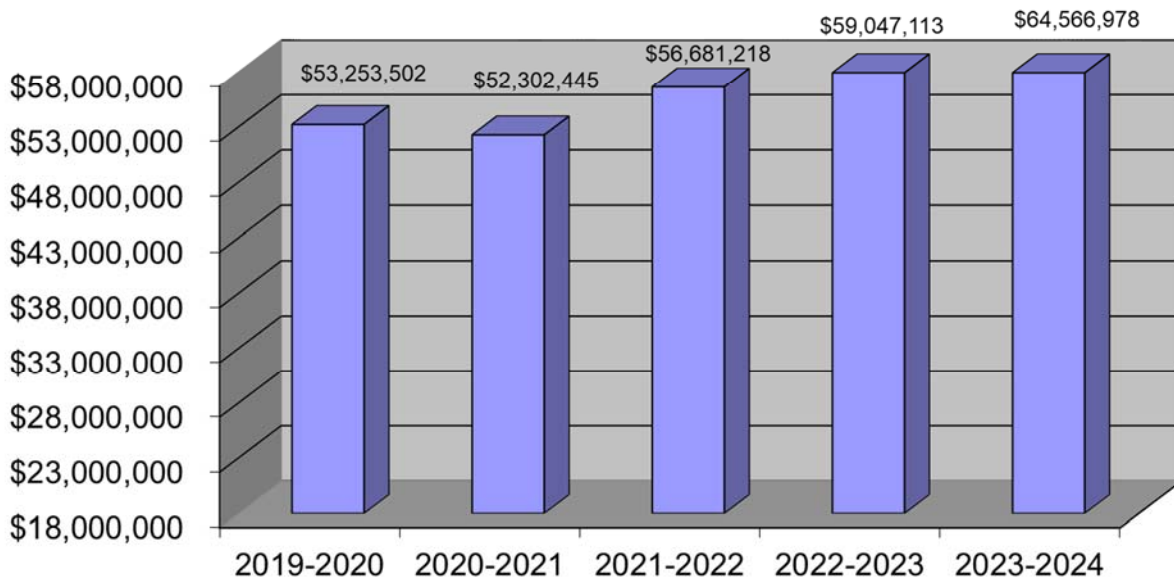
Expenditure increases in FY 24' will result in Macon County's ability to overcome these challenges while continuing to provide high quality public services to a steadily growing population. FY 24' expenditures will increase law enforcement coverage, increase coverage in animal services, place additional staff in the 911 Center to address increased call volume and add more social workers to address increased caseloads brought about by Medicaid expansion. Operational funding to education will increase for the first time in four years by 10%, and county employees will receive salary adjustments in-line with those proposed across the state and region. An increase in capital expenditures will result in replacement of critical IT network infrastructure, ambulance replacement, improvements to our most heavily utilized facilities, expansion of recreation opportunities and a 9% increase in capital spending for public education.

The FY 24' Recommended Budget maintains our solid financial position. A projected unassigned fund balance of approximately 68% of expenditures or \$42.4M continues to provide the organization with a high degree of financial security in the coming fiscal year should an unexpected emergency arise. Additionally, fund balance will play a key role in our ability to finance major capital projects as discussed in FY 23', should the board decide to move forward with them in the coming fiscal year.

Increased revenues in FY 24' represent the funding necessary to meet the increased demands of today nothing more, nothing less. Revenue growth has been budgeted conservatively, and increases in expenditures are reflective of where the organization needs them most. We will remain financially secure, largely free from economic uncertainty and continue providing the best public services to the taxpayers of Macon County at what is now the best price tag in the state.



GENERAL FUND COMPARISON OF ORIGINAL BUDGETS



FY 22-23' Budget Accomplishments

Broadband Expansion

Frontier Communications of the Carolinas received a Growing Rural Economies with Access to Technology "GREAT" grant award from the NC Department of Information Technology in August of 2022. The \$4.4M grant will provide high-speed internet access to approximately 2700 locations across Macon County. Macon County pledged \$50,000 in American Rescue Plan Act (ARPA) funding towards this project. At the time of this budget message, contract documents between the state, county and Frontier Communications of the Carolinas are being finalized. The GREAT grant project must be completed by June 25'.

Franklin High School Project

The Franklin High School Project continued moving forward in FY 23'. On February 9th the Board of Commissioners voted unanimously to amend the architectural agreement with LS3P to include design development of the FHS Main Campus (\$714,242) and construction documents and bid procurement for the Athletic Complex (\$336,000). FY 23' allocations for the FHS project totaled \$1,526,403, as \$476,161



was approved in August for schematic design of the FHS Main Campus. To date, Macon County has allocated \$2,131,403 on architect fees at the Franklin High School Project.

Town of Franklin Skate Park

On April 14, 2023, construction began on a \$262,250 Skate Park Facility located upon the Town of Franklin owned "Whitmire Property". The project would not have been possible without contributions from the Town of Franklin, Macon County and fundraising efforts of Sk828 (local non-profit). On March 14, 2023, the Macon County Board of Commissioners unanimously approved a \$60,576 appropriation from fund balance which was the remaining balance needed for completion of the project. This marked the second contribution to the skate park project from Macon County as \$35,000 was committed in FY 22'.

Wave 2 Opioid Settlement

On February 21, 2023, Macon County Board of Commissioners unanimously passed a resolution authorizing Macon County to sign on to receive "Wave 2" settlement payments coming as a result of the national opioid litigation settlement. "Wave 2" settlements against CVS, Walgreens, Walmart, Teva and Allergan, will bring approximately \$600M to North Carolina over the next 13 years (2023-2036). Macon County will receive approximately \$2.4M in "Wave 2" settlement payments during this time. "Wave 2" funding is in addition to the estimated \$3M Macon County is estimated to receive from the previous "Wave 1" opioid settlement against Mckesson, Cardinal Health, AmerisourceBergen and Johnson & Johnson. All settlement funds must be used to address the opioid crisis.

Recreation Park Master Plan

On April 11, 2023, the Macon County Board of Commissioners unanimously approved a \$37,980 proposal from McGill and Associates for the re-development of the existing Macon County Recreation Park Facility located at 1288 Georgia Road in Franklin NC. Funding for the design proposal was included in the FY 23' Recreation Parks Budget.

Macon Middle School Locker Room Facility

On October 18, 2022, a construction contract for \$2,519,250 was awarded to Carolina Specialties Construction to construct a new Macon Middle School Locker Room Facility. Following contract execution, extended lead-times for electrical distribution panels and the metal building delayed the issuance of a notice to proceed on the project. At the time of this budget message, construction of the 9,900 SF, pre-engineered metal building is projected to begin the week of April 17, 2023 and will be completed by December 2023.

Nantahala Community Club and Library

Bids were received on April 10, 2023 for renovations to the future location of the Nantahala Library and Community Center located at 36 White Oak Lane, Tipton NC, 28784. At \$198,435, the project cost is well within the \$260,000 planning budget set aside for construction. The County has received \$300,000 in state grant funding to complete this project.

Revaluation Complete

2023 marked the completion of Macon County's general reappraisal of real property. Macon County currently operates on a 4-year reappraisal cycle. The general reappraisal included 44,131 parcels of property and was conducted in-house by the Macon County Tax Office. From 2019-2023 Macon County property values increased by approximately 51% producing a new tax base of \$12,825,780,728 for FY 24'.



Transit Facility Expansion

On April 17, 2023, Macon County entered into a \$715,000 construction contract with Owle Construction for expansion of the Transit Facility located at 39 Pannell Lane in Franklin. MCT received a federal grant for the 1200 SF facility expansion in 2019 that covers approximately 80% of the total project cost. Following receipt of the grant, the Covid-19 Pandemic combined with the inability to procure construction bids forced multiple project delays. The expansion project is to be completed within 186 days of contract execution.

In 2022, the expansion grant was revised to include additional funding for construction of a 125'x 60' awning at the Transit Facility. On December 20, 2022, Macon County entered into contract with Owle Construction for the \$254,000 awning construction project. Grant funding will cover approximately 80% of the total project cost. The awning construction project will be completed by June 23, 2023.

Ernest B. Messer Award

On May 31, 2023, Macon County Senior Services will receive the Ernest B. Messer Award in recognition of the Senior Services Congregate Meal Program. The Ernest B. Messer Award issued by the North Carolina Division of Aging and Adult Services, recognizes a community or community-based organization for addressing the needs of its local older citizens. During the Covid-19 Pandemic as in-person gatherings were restricted, the Senior Services Center had no choice but to close its doors to the public. As a result, congregate meals served at lunch in the Senior Center Dining Room were no longer possible. In recognizing the importance of providing hot, nutritious meals to our Senior Population, staff at Senior Services initiated a drive-thru setting in which meals could continue being served throughout the pandemic. The drive-thru program was a huge success averaging 150 meals daily compared to 75 daily in the congregate setting prior to the COVID-19 Pandemic. As the pandemic subsided, the drive-thru program's success continued. From January 22'-November 22' over 28,000 meals were distributed to Macon County Seniors thanks to the drive-thru program.

Greenway Extension

On September 13, 2022, the Board of Commissioners unanimously approved a Memorandum of Understanding with the Town of Franklin concerning the acquisition of property and extension of the Little Tennessee River Greenway. Following approval of the MOU, the Town of Franklin purchased a 13.9-acre parcel of property along the Cartoogechaye Creek at the Siler Road terminus of the Greenway. The Town of Franklin will construct a greenway path across the property that upon completion will extend the Greenway from its current terminus on Siler Road into the Macon County Recreation Park. Under the terms of the MOU Macon County will assist the Town in pursuing funding opportunities for path expansion and maintain the path once construction is complete.



FY 23-24' General Fund Revenues

Revenues			
Budget	FY 23' Budget	Total Increase	FY 24 Budget
Tax Collections	\$33,381,295	\$1,525,541	34,906,836
Sales Tax	\$12,173,788	\$1,960,071	14,133,859
Service Fees	\$4,191,792	\$19,293	4,211,085
Intergovernmental	\$9,007,538	\$308,786	9,316,324
Miscellaneous	\$292,700	\$1,706,174	1,998,874
Total	\$59,047,113	\$5,519,865	64,566,978

2023 Revaluation and Statement of Revenue Neutral Tax Rate

The FY 23-24' Budget follows the general reappraisal of real property in Macon County. As such, 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 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 2023 reappraisal produced a tax base of \$12,825,780,728, a 51% increase in assessed value from the current fiscal year amount of \$8,520,782,794. The projected tax levy for the current fiscal year is \$34,083,131 at the current tax rate of \$.40 per \$100 of assessed valuation. As a result of the 51% increase in assessed value from FY 23'- FY 24', a reduction in the FY 23' tax rate of .40 to .2657 is needed to produce an FY 24' tax levy of \$34,083,131, equal to that in FY 23'.

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 2019, Macon County's tax base has grown 1.62% on average. Applying the 1.62% growth factor to the tax rate of \$.2657 (rate needed to produce tax levy equal to FY 23') will result in a revenue neutral tax rate of \$.27 for FY 24'. 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
2019/2020	\$8,120,570,189		\$.3747	\$30,427,776
2020/2021	\$8,254,306,639	1.65%	\$.3747	\$30,928,887
2021/2022	\$8,397,477,586	1.73%	\$.4000	\$33,589,910
2022/2023	\$8,520,782,794	1.47%	\$.4000	\$34,083,131
2023/2024	\$12,825,780,728	N/A	\$.2657	\$34,083,131
		1.62%		
2023/2024	\$12,825,780,728		\$.2700	\$34,629,608

FY 24' Assessed Value includes \$12,395,962,275 in Real and Personal and \$429,818,453 in Motor Vehicles

*** FY20'– FY 22' Assessed Value, Tax Rate and Tax Levy figures generated from Annual Comprehensive Financial Report***

*** FY 23' Assessed value generated from 2022TR-1 report***

*** FY 24' Assessed value generated by the Macon County Tax Office***

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

1.62% is average growth factor, does not include increase from FY 23'-FY24'

***Tax rates are per \$100 of assessed valuation*

Tax collection Rate

The FY 24' tax collection rate will increase to 98.94% from the current fiscal year collection rate of 98.57%. Applying the 98.94% collection rate to the FY 24' real and personal property levy amount of \$33,469,098, will result in projected real and personal property tax revenue of \$33,114,326 in the coming fiscal year.

$$\$12,395,962,275/100 \times .27 = \$33,469,098 \times .9894 = \quad \underline{\underline{\$33,114,326}}$$

Motor Vehicles

Motor vehicle tax revenue will account for \$1,160,510 in FY 24' based upon an assessed value of \$429,818,453 and a collection rate of 100%. This is representative of a **(\$423,671)** decrease from the prior fiscal year. Motor vehicles are not included in the general reappraisal. Revenue projections for motor vehicle tax collections have been budgeted conservatively in anticipation of rising interest rates having a negative impact on new vehicle purchases in the coming fiscal year.

$$\$429,818,453/100 \times .27 = \$1,160,510 \times 1.00 = \quad \underline{\underline{\$1,160,510}}$$

$$\text{FY 24' Estimated Total Levy (Revenue Neutral) =} \quad \underline{\underline{\$34,274,836}}$$



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 fire tax. The purpose for publishing revenue neutral rates for fire districts is to provide transparency for **all** taxes paid by a particular resident. Revenue-neutral rates for individual fire district are calculated in the same manner as the ad-valorem property tax rate for Macon County. FY 24' tax rates represent the rates needed in each district to produce levies equal to FY 23'. Growth factors, representative of each district's average increase in tax base since the last reappraisal, are applied to the new tax rates. The chart below illustrates FY 24' revenue neutral tax rates with growth factor added, for each fire district and the levies the new rates will produce.

REVENUE NEUTRAL W/ GROWTH FACTOR CALCULATION

Fire Districts	Current Tax Rate	Assessed Value FY 23'	FY 23' Levy	Growth Factor	FY 24' Revenue Neutral Tax Rate w/	Assessed Value FY 24'	FY 24' Levy
Franklin	0.0700	\$ 1,660,335,527	\$ 1,141,198	2.44%	0.0524	\$ 2,342,761,086	\$ 1,208,456
Clarks Chapel	0.0802	\$ 430,183,083	\$ 338,314	2.48%	0.0538	\$ 678,718,987	\$ 359,016
Otto	0.1000	\$ 508,125,758	\$ 498,116	1.54%	0.0690	\$ 758,727,770	\$ 514,465
Cullasaja	0.0720	\$ 473,223,636	\$ 334,758	1.27%	0.0480	\$ 726,451,920	\$ 344,303
West Macon	0.0724	\$ 447,061,612	\$ 319,497	1.40%	0.0487	\$ 680,790,718	\$ 328,793
Scaly Mountain	0.0586	\$ 264,119,533	\$ 153,938	1.16%	0.0418	\$ 378,307,300	\$ 157,532
Burningtown/lotla	0.1156	\$ 225,950,165	\$ 256,053	1.99%	0.0782	\$ 347,772,302	\$ 267,525
Cowee	0.1142	\$ 291,602,385	\$ 326,916	2.35%	0.0780	\$ 445,879,824	\$ 342,048
Nantahala	0.0706	\$ 330,765,643	\$ 228,500	1.56%	0.0487	\$ 496,550,945	\$ 236,549
Highlands	0.0300	\$ 3,626,505,930	\$ 1,078,704	1.24%	0.0191	\$ 5,827,004,070	\$ 1,108,729
Mountain Valley	0.1261	\$ 110,383,848	\$ 137,148	1.49%	0.0839	\$ 170,141,485	\$ 140,436

** FY 23' Assessed values generated from the FY 23' Budget**

** FY 24' Assessed value generated by the Macon County Tax Office**

** Tax levy calculations use calculated collection rates per fire district**

** Tax rates are per \$100 of assessed valuation**



Ad Valorem Property Tax and Motor Vehicles

At the revenue neutral tax rate of \$.27, ad valorem and motor vehicle tax will account for \$34,274,836 or 53% of revenue in the FY 24' General Fund Budget. The \$1,521,541 increase in revenue is due to a number of factors including; a growth factor calculation of 1.62%, increase in tax collection percentage of .37% and conservatively budgeting ad-valorem property tax growth in the FY 23' Original Budget.

In light of economic uncertainty heading into FY 23', assessed value for real and personal property was budgeted conservatively at \$8.3B in the FY 23' Original Budget, essentially flat as compared to FY 22'. During FY 23' however, residential and commercial development remained at levels not seen in over a decade and real estate sale prices continued climbing in response to sustained high demand. As a result of this unanticipated growth and development, the \$8.3B assessed value used to calculate ad-valorem tax revenue for the FY 23' Original Budget was approximately \$200M less than the \$8.5B in assessed value now projected at FY 23' year-end. This \$200M increase in assessed value during FY 23' accounts for \$870,195 of the increase in ad-valorem real and personal property tax revenue to begin FY 24'. Increase in tax collection percentage and application of growth factor as aforementioned, account for \$123,846 and \$527,510 increase in revenue respectively.

MACON COUNTY, NORTH CAROLINA	
2023 ASSESSMENT VALUE ESTIMATES	
2024 BUDGET	
ESTIMATED LEVY	
TOTAL REAL/PERSONAL VALUE	\$12,395,962,275
MOTOR VEHICLES VALUE	\$429,818,453
TOTAL ESTMATED VALUE	\$12,825,780,728
Proposed Tax Rate	\$0.2700
Real/Personal Levy	\$33,114,326
Collection Rate Real/Personal	98.94%
Motor Vehicles Levy	\$1,160,510
Collection Rate Motor Vehicles	100.00%
Estimated Total Levy	\$34,274,836
Tax Dollars per Penny	\$1,269,438



Sales Tax

At an estimated \$14,133,859 or 22% of total revenue in FY 24', sales tax revenue will increase by \$1,960,671 or 16% over the current fiscal year original budget amount. Population growth, economic development and a shift towards online spending has resulted in record sales tax growth for Macon County during the past three years. From FY 2021-2023 average actual sales tax growth at 15.3% has far surpassed the 5% average actual sales tax growth experienced from 2015-2020. Much uncertainty remains around how long growth at these levels can be sustained, as pandemic relief funding comes to an end and the federal reserve continues enacting measures to dampen inflation. Economic uncertainty will again result in conservative projections for this primary source of revenue in FY 24'.

As you will recall, sales tax collections receipts are received three months in arrears, thus the first step in calculating sales tax growth for FY 24' is projecting a year-end amount for FY 23'. Sales tax revenue growth for the remainder of FY 23' has been projected by taking actual collections data for July 22'-February 23', and adding to that a projected 5% increase over FY 22' actuals for the remaining four months of March-June 23'. This results in a sales tax revenue projection of \$14,133,859 to end FY 23'. No additional growth in sales tax revenue has been budgeted in FY 24', as we continue to anticipate a "leveling off" in the dramatic increases experienced over the past three fiscal years.

Service Fees

Service fees are those revenues generated from services provided. These include recreational fees, ambulance fees, client payments for health and social services, building permit fees, etc. \$4,211,085 has been budgeted for FY 24' service fee collections. This is an increase of \$19,293 over the current fiscal year original budget.

EMS Service Fee Chart

Macon County EMS					
Level Of Service	2023 Medicare Allowable (Rural)	200% above MFS Current Charge (Rural)	150% above MFS Current Charge (Rural)	Current Charges	Proposed Charges
ALS NE A0426	\$302.37	\$604.74	\$453.56	\$545.36	\$545.36
ALS E A0427	\$478.74	\$957.48	\$718.11	\$863.48	\$863.48
BLS NE A0428	\$251.97	\$503.94	\$377.96	\$454.46	\$454.46
BLS E A0429	\$403.15	\$806.30	\$604.73	\$727.14	\$727.14
ALS 2 A0433	\$692.92	\$1,385.84	\$1,039.38	\$1,249.78	\$1,249.78
Specialty Care Transports A0434	\$818.91	\$1,637.82	\$1,228.37	\$1,477.00	\$1,477.00
Mileage A0425	\$8.54	\$17.08	\$12.81	\$17.31	\$17.08

No increase in FY 23' EMS Rates. Increased demand however, will result in \$94,011 increase in ambulance fee revenue

Intergovernmental Revenues

Intergovernmental revenues are primarily grant funds received from outside federal and state agencies for Health Dept., DSS, Transit, Senior Services operations. Intergovernmental Revenues also include federal PILT (Payment in Lieu of Taxes) funding. \$9,316,324 has been budgeted for intergovernmental revenues in FY 24'. This amount is representative of a \$308,786 increase over the current fiscal year original budget. The increase is primarily attributable to a \$566,378 increase in Medicaid Cost Settlement funds within the Health Department.

Miscellaneous

Miscellaneous revenues include those revenues generated from collection of rental fees, administrative fees, interest earnings, etc. At \$1,998,874 the budgeted amount for miscellaneous revenues will



increase by \$1,706,174. This substantial increase is due to a \$1,690,000 increase in interest on investment earnings held in the North Carolina Capital Management Trust Fund.

Fund Balance

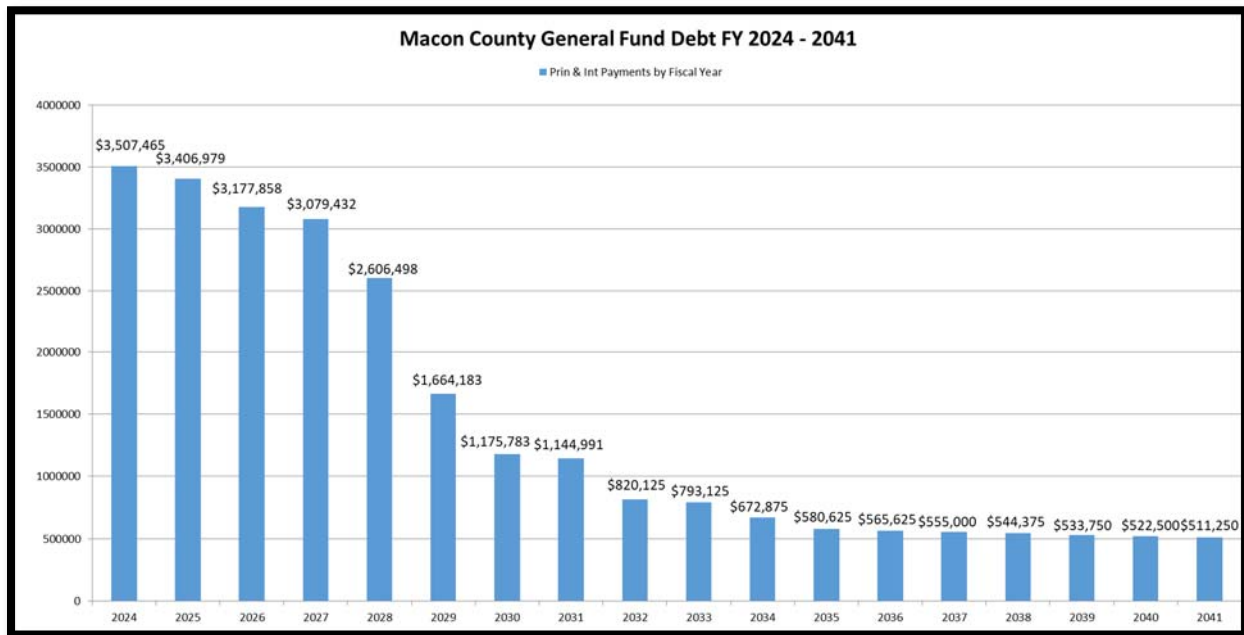
For many years, the fund balance has been a staple in Macon County’s financial stability and independence. While 20% of total expenditures is recommended by the LGC as a minimum threshold for counties with general fund expenditures less than \$100,000,000, the median available fund balance for similar units in NC is 39% of expenditures.

Fund balance in the general fund has increased significantly over the past three fiscal years as revenue growth from sales tax combined with growth in ad valorem tax, driven by development and increasing sales prices, has occurred at levels far beyond what is considered “normal” based upon over a decade of revenue growth statistics. Additionally, state and federal COVID-19 relief funding offset expenditures within certain functions of the operating budget throughout the pandemic, further contributing to revenue surpluses in the general fund.

At an estimated 68% of expenditures or \$42.4M, unassigned fund balance in the general fund will continue to provide the county with much needed financial certainty in what has proven to be extremely uncertain times. Aside from financial certainty, a healthy fund balance will play a key role in our ability to move forward with major capital projects in the coming fiscal year.

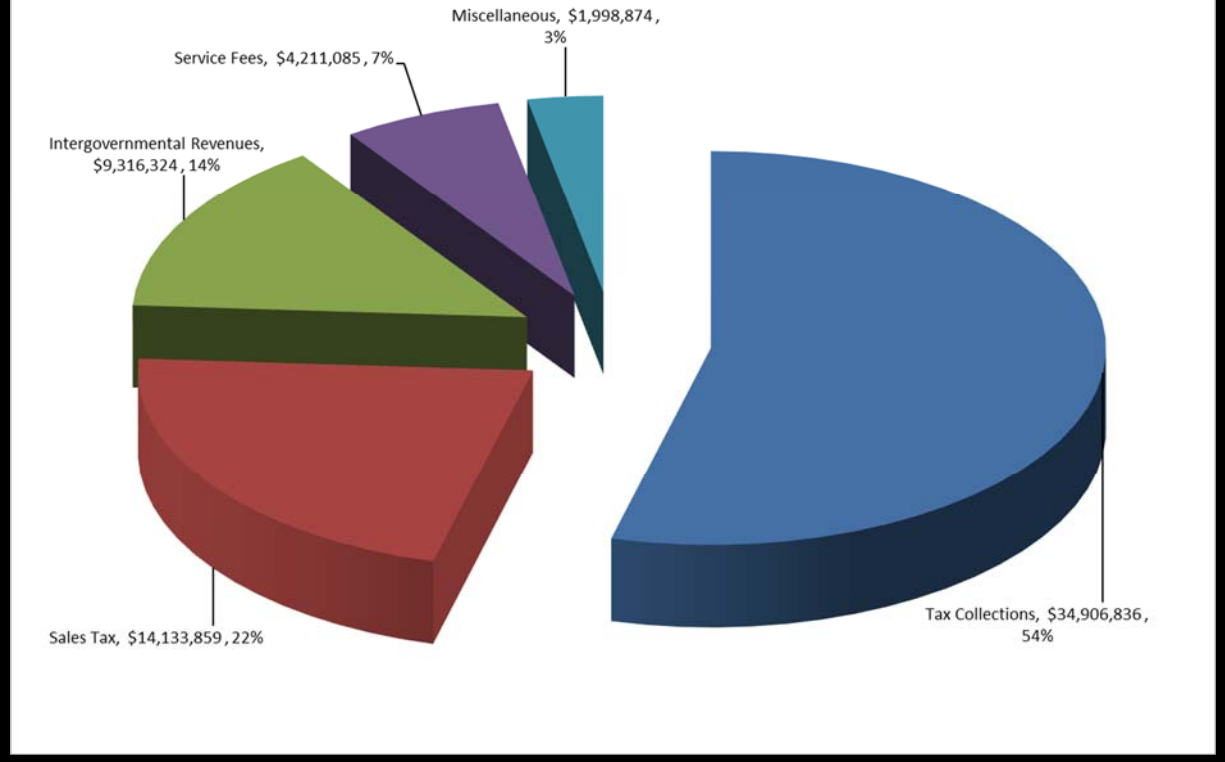
General Fund Debt

The annual principal and interest payment on outstanding debt will decrease by \$483,321 to \$3,507,465 in FY 24’. Currently the county has an outstanding debt amount (principal and interest) of \$25,862,436. Debt associated with school projects accounts for \$25,005,036 or 97% of this amount.





GENERAL FUND REVENUES BY SOURCE FY 2023-2024





FY 23-24' General Fund Expenditures

Budget	Total Increase	FY 24' Budget
Salaries and Benefits	1,847,994.00	31,953,200.00
Non S&B Total	(293,095.00)	12,352,039.00
Capital	1,594,150.00	3,793,739.00
Education Operations	\$953,120	10,118,028.00
Education Capital	177,375.00	2,138,658.00
Transfers exc. Funds 51 & 46	811,283.00	2,139,390.00
Special Appropriations	-	171,000.00
Non Dept	429,038.00	1,900,924.00
Total	5,519,865	\$64,566,978

FY 24' expenditures will increase by \$5,519,865 over the FY 23' original budget to \$64,566,978. At the proposed level of expenditures, we will continue providing efficient and effective public services to the citizens of Macon County. Increases within the operating budget will enable the organization to remain competitive in recruitment and retention of high quality employees, offset rising costs of doing business, and meet increased service demand. An increase in capital expenditures will result in replacement of the organizations most critical network infrastructure, improvements to our most heavily utilized facilities and a continued commitment to education.

FY 23-24' Salaries and Benefits

Primary accounts associated with *Salaries and Benefits* include: *Salaries, part-time salaries, overtime, retirement, 401(k), longevity, life insurance, hospitalization, Medicare/FICA*. In FY 24' salaries and benefits will account for account for \$31,953,200 or 49% of FY 24' operating expenditures. This is an increase of \$1,847,994 over FY 23' Original Budget.

New positions

Six new full-time positions have been recommended in FY 24'. Requests for new positions are evaluated closely each year as these operating expenditures have a significant financial impact on the operating budget. When asking for new positions, Department Heads must justify their requests showing how the additional positions will increase the efficiency and/or effectiveness of their operation. FY 24' new positions will result in an overall budget increase of \$496,238 that will be completely reflected in the Human Services Function. Of this amount, approximately \$215,612 will be offset by increased revenue resulting from Medicaid expansion.



- **Sheriff (2) new positions**

- (1) Deputy

- (1) Narcotics Detective

Positions 100% funded through reductions in operating budget, primarily overtime reductions, following changes to overtime policies implemented in FY 23'.

Additional Deputy will result in full time law enforcement coverage for the Nantahala Community.

Narcotics Detective recommended in response to increase in drug investigations. Following this addition, Macon County Sheriff will have two Narcotics Detectives.

- **Department of Social Services (4) new positions**

- (3) Income Maintenance Caseworker II positions

Social Workers added in response to increased demand brought about by Medicaid Expansion in FY 24'. As of March 2023, there were 7,814 Medicaid recipients enrolled across all program areas. Currently DSS has 11 Social Workers, each having an average caseload of 710. It is projected an additional 3,239 Medicaid recipients will come on line in Macon County following Medicaid Expansion. Positions and associated operating costs will be 100% covered through increased Medicaid revenues.

- (1) Income Maintenance Caseworker III (Staff Development). Position was approved by Board of Commissioners in April of 2023. While not new in FY 24', full year salary and benefit impact of the position is realized in the coming fiscal year. Position will provide training for staff on timeliness and accuracy in completing Medicaid applications and re-certifications.

- **Health Department Full-Time Physician II**

- A full-time Physician II will replace the contract physician currently used by Macon County Public Health following his retirement in the coming fiscal year. The primary purpose of the Physician II position is to fulfill the primary provider and medical director role for Macon County Public Health. Addition of the Physician II in Public Health at \$265,400, will result in a \$92,544 net increase to the Health Department operating budget following elimination of the \$172,856 Contract Physician.

- **Health Department Reclassification**

- Dissolved Coordinator Position in Health Department (grade 30) to create additional Animal Control Officer (grade 24) in response to increased demand for animal services. Will result in budget savings.

- **Emergency Management Reclassification**

- Dissolved Fire Captain Position (grade 30) to create additional Telecommunicator position (grade 26) in response to increased demand. Will result in budget savings.



Salaries

The ability to recruit and retain highly qualified employees continues to be a top priority for the organization in the coming fiscal year. Beginning with pay study implementation in 2021, Macon County has gone to great lengths to bring our pay scale to a regionally competitive level and furthermore to ensure salaries within the pay scale adequately reflect the employee's skill level and experience in position.

Like Macon, numerous local governments across the state and region will continue adjusting their pay scales in FY 24' to remain competitive in what has become an increasingly tight labor market. The North Carolina League of Municipalities recently published the *FY 23-24 Anticipated Cost of Living Adjustments and Merit Increase Survey Results*. Of the 266 respondents, 89% are planning to provide COLA and/or merit increases in their upcoming budgets. The average planned COLA for the Western Region is 4.7% with planned merit increases ranging from 1.5% to 6% according to survey results. The Southwestern Commission published a similar study for the 7 county western region in FY 24' indicating the average COLA and Merit increases for counties and municipalities to be 3% and 1.8% respectively. At the state level, the House of Representatives Budget Proposal includes a 7.25% increase for all state employees over the next two years. In addition to competition from the public sector, a lucrative private sector capable of offering higher compensation remains attractive to many, particularly those specializing in areas such as construction, environmental health and healthcare.

The aforementioned circumstances, combined with a 5% increase in the CPI from March 22' – March 23' as reported by the Bureau of Labor Statistics, will result in Macon County continuing to take steps in FY 24' to ensure our pay scale remains competitive. The FY 24' Recommended Budget proposes a 1-step advancement in the pay scale for all employees and a 3% cost of living adjustment. The 1-step advancement amounts to an approximate 1.5% increase per employee resulting in a \$424,200 increase to the FY 24' Budget. A 3% COLA will result in an FY 24' Budget increase of \$772,438.

Health Insurance

Health insurance will account for \$5,073,537 or 7.86% of the FY 24' Recommended Budget. Underwriting calls for a 2% increase in renewal for the coming fiscal year; however, the County's positive reserve position allows us to have a flat renewal. Revenue to cover the approximate \$100,200 annual increase comes from the health insurance reserve fund. As a result, employee and county contributions to health insurance will remain flat across all levels of coverage. Macon County has approximately \$1,093,000 in the health insurance reserve fund to begin FY 24'.

Retirement

An additional \$157,613 has been budgeted in retirement for FY24' as a result of increases to state retirement system contributions. Retirement contributions will account for \$2,725,492 in FY24' or approximately 4.2% of the operating budget.

The impact of proposed salary and benefit increases on each budget function is highlighted in the "Summary of Expenditure Increases/Decreases by Function" section of this budget message.



FY 23-24' Non-Salary and Benefit related operating expenditures

Non Salary and Benefit related operating expenditures consist of line items such as contracted services, gasoline, utilities, travel and training, non-capital equipment, office supplies, computer supplies, medical supplies, ammunition, telephone etc., or the recurring costs necessary to deliver services across all departments. Non-Salary and Benefit related operating expenditures account for \$12,352,039 or approximately 19% of FY 24' Recommended Budget expenditures. This is a **(\$293,095)** decrease from the prior fiscal year. The decrease in this expenditure category is attributable to multiple factors and should not overshadow the impact that rising costs and increased demand will have on certain line items throughout the FY 24' Budget.

Gained efficiencies will play a large role in the organizations ability to control non-salary and benefit related operating expenditures in the coming fiscal year. New voting equipment will result in decreased operating costs in Board of Elections and the previous replacement of water fixtures in the detention center will lead to a decrease in water and sewer costs at the facility. Upgrades to tax software continues to result in less reliance on physical inspections, allowing this department to hold fuel expenditures at prior year levels. Organization wide, installation of LED light fixtures in all county facilities has minimized the impact of FY 24' anticipated rate increases. While the costs of doing business continue to rise, all functions have done an excellent job to minimize the impacts. Supplies for instance at \$969,543 in FY 24' is representative of only a 2.8% increase over prior fiscal year.

In some cases, non-salary and benefit related operating expenditures are offset by non-general fund revenue sources such as grant funding. An example of this type expenditure would be grant funded computer supplies purchased by Macon County Transit in FY 23'. The **(\$100,052)** reduction to FY 24' *computer supplies* in Transit, while greatly contributing to the **(\$116,515)** reduction in FY 24' *computer supplies* organization wide, was 100% offset by ARPA and NCDOT grant funding, leading to a net \$0 budget impact. Thus, this expenditure reduction does not represent a true reduction in non-salary and benefit related operating expenditures.

Increases and decreases within certain non-salary and benefit related line items are timing related or "cyclical". In FY 24' a decrease in Tax Office contracted services will account for **(\$49,400)** of the **(\$190,018)** total contracted services decrease in the FY 24' Budget. The Tax Office decrease in contracted services comes following completion of the revaluation in 2023. In the two years leading up to the next revaluation however, additional contract hours will be required of the consultant who oversees the revaluation, resulting in annual increases to the contracted services line item during this time. Other non-salary and benefit related operating expenditures such as printing and postage will fluctuate not only in the Tax Office because of revaluation but Board of Elections as well depending upon the number of scheduled elections in the budget year.

Lastly, there are some non-salary and benefit related operating expenditures in which increases and decreases simply remain out of our control. Inmate care costs in the detention center at approximately \$720,000 in FY 24' includes \$275,000 for inmate medical care. As we have seen in prior fiscal years, it takes only one terrible accident or terminally ill inmate to send medical costs skyrocketing, exceeding the budgeted amount.

While FY 24' expenditures within this category have decreased overall for a number of reasons, this should not overshadow the impact that increased demand and rising costs will have on certain line items critical to the day-day- operations within the organization. Organization wide, utilities will increase by 5.4% or \$34,092 over FY 23', fuel 11%, \$48,417, supplies 2.8%, \$26,264 and telephone 23%, \$79,952, primarily due to increased monthly costs following installation of new phone system in FY 23'.



Nonetheless, departments within each function continue to do an excellent job capitalizing on efficiencies thereby minimizing the impacts of unavoidable cost increases within this category of expenditures. Notable increases and decreases to non-salary and benefit related operating expenditures within each budget function are highlighted in the “*Summary of Expenditure Increases/Decreases by Function*” section of this budget message.

FY 23-24’ Capital Expenditures

Capital expenditures are expenditures that exceed \$5,000 and have a useful life of greater than one year. FY 24’ capital expenditures will account for \$5,932,397, an increase of \$1,771,525 over the FY 23’ Original Budget. Revenue to offset the increase in capital expenditures comes from a combination of increased grant funding, increased Medicaid Cost Settlement funding and a substantial increase in interest earnings on investments revenue.

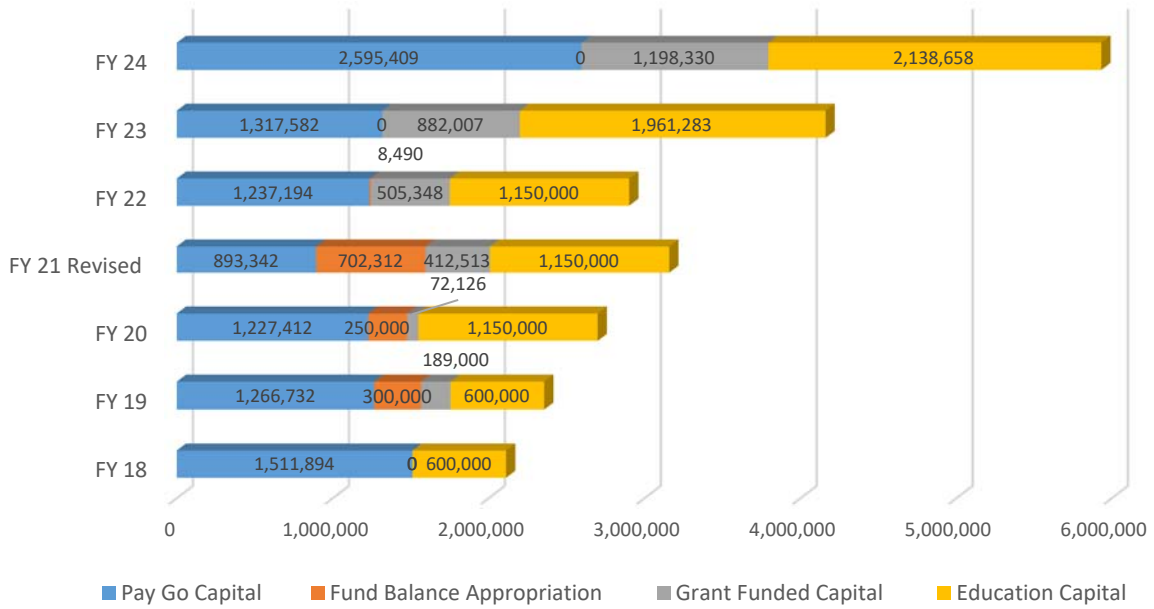
\$2,595,409 in FY 24’ capital expenditures is representative of County “Pay-Go” capital. “Pay-Go” is short for pay-as-you-go. These capital expenditures occur on an annual basis, within the organization and typically involve major equipment or software purchases, vehicle replacement and small construction or renovation projects. The FY 24’ increase in pay-go capital will enable Macon County to replace information technology equipment critical to every service we provide. Additionally, it will allow us to address top priority maintenance needs at heavily utilized facilities, replace vehicles in our highest demand departments and continue increasing recreation opportunities for Macon County residents.

\$411,370 of the \$2,595,409 in county funded pay-as-you-go expenditures will leverage an additional \$1,198,330 in grant revenue and Medicaid Cost Settlement funding. Using this revenue, we will complete a paving project at the Hyatt Road EMS Base, replace six vehicles in Transit Services and replace the Molar Roller Unit in Public Health.

Capital expenditures related to education will increase by 9% to \$2,138,658 in FY 24’. Of this amount, \$2,023,658 will go to the Macon County School System for replacement of the Highlands School Soccer Field at an estimated cost of \$873,658 and the annual \$1,150,000 base appropriation for system-wide technology and capital outlay. The remaining \$115,000 in education related capital expenditures will go to Southwestern Community College for HVAC replacement at the Groves Building Data Center and replacement of an industrial roll-up door at the National Guard Armory.



FY 18'-FY 24' Original Budget Capital





FY 2023-2024 Capital Requests			
Department			Dept. Request
114210	569502	Information Technology	1,434,725.00
		Host OS and SQL	95,518.00
		SAN PR & DR (6) Expansion Shelves	758,500.00
		Network Switch and router	524,140.00
		Backup and Archival	33,767.00
		Security and Access Control	2,800.00
		Hosts and Servers	20,000.00
114250	569502	Garage	5,095.00
		Lift	5,095.00
114260	569502	Building & Grounds	29,744.00
		HVAC unit for Community Building gymnasium	29,744.00
114310	569502	Sheriff's Office	31,950.00
		License plate readers	31,950.00
114311	569502	Crime Prevention	5,000.00
		K9 housing and storage	5,000.00
114350	569601	Permitting, Planning & Development	33,439.00
		Jeep Renegade	33,439.00
114370	569502	EMS	110,873.00
		Power lift stretcher	26,873.00
		Loading unit for new ambulance	24,000.00
		Replacement defibrillator	54,000.00
		Ventilator	6,000.00
114370	569506	Capital Improvements	65,000.00
		Paving parking lot at 125 Hyatt Rd. (\$25,000 DOT grant)	65,000.00
114370	569601	EMS	253,014.00
		Chevrolet 3500 4x4 Ambulance	253,014.00
114377	569502	Fire Task Force	12,840.00
		Hydraulic extrication tool	12,840.00
114380	569502	Animal Control	61,859.00
		Ford F-150 truck	45,000.00
		Dog box	16,859.00
114935	569601	Transit Services - 90% grant funded (\$606,952)	674,717.00
		2023 20' LTV w/wheel chair stations	143,132.00
		2023 Ford raised roof van 5 @ \$106,317 each	531,585.00
115156	569502	Child Health	5,500.00
		Portable wheelchair scale	5,500.00
115157	569502	Child Dental	869,983.00
		Mobile dental unit (\$566,378 Medicaid cost settlement offset)	869,983.00
116120	569506	Recreation Parks	200,000.00
		Pickleball courts	200,000.00
118000	571002	Macon County Schools	2,023,658.00
		Highlands Soccer Field	873,658.00
		Technology and Capital Outlay	1,150,000.00
118000	571011	Southwestern Community College	115,000.00
		Armory roll up door	15,000.00
		IT data center HVAC	100,000.00
		TOTAL	5,932,397.00



Summary of Expenditure Increases/Decreases by Function

PUBLIC SAFETY

The Public Safety Function includes *Sheriff, Courthouse Security, Forest Service, Jail, Inspections/Planning, Emergency Medical Services, Emergency Management and Animal Control*. In FY 24', under the leadership of newly elected Sheriff Brent Holbrooks, the Macon County Sheriff's Department will be re-structured, resulting in an increase of three orgs to the Sheriffs Budget in the Public Safety Function. Currently, the Sheriffs Budget contains three orgs: 114310 *Sheriff*, 114313 *Courthouse Security* and 114321 *Jail*. Newly added orgs in FY 24' include 114311 *Crime Prevention*, 114317 *Investigations* and 114319 *School Resources*. The restructuring will result in increased accountability among supervisors and easier tracking of expenditures within the smaller, more clearly defined budget orgs. The restructuring has a net-zero impact on the Sheriff's total budget from prior year. In the coming fiscal year, public safety represents \$18,470,133 of the general fund budget. This is an increase of \$755,123 over the FY 23' original budget amount.

Demand within the public safety function continues to increase dramatically moving into FY 24'. From FY 20' - FY 22' 911 service calls increased 8%, EMS calls increased 12% and the workload of the Macon County Sheriff's Department has remained consistently elevated at around 13,500 calls annually. During the same time, monthly service calls for Animal Control have increased from an average of 31 to 47. Planning, Permitting and Development has experienced a 24% increase in the number of building permits issued and a 140% increase in estimated cost of construction from FY 20' - FY 22'.

Public Safety	Increase over FY 23' Original Budget	FY 24' Public Safety Budget	% increase
Salaries and Benefits	\$609,517	\$14,694,583	4.3%
Non Salary and Benefit related operating	\$139,429	\$3,201,575	4.6%
Capital	\$6,177	\$573,975	1.1%
Total	\$755,123	\$18,470,133	4.3%



Salaries and Benefits

The Public Safety Function contains 145 full-time and 68 part time positions. At the time of this budget message, there are 6 full time vacancies, 3 of which are in Planning Permitting and Development and no vacant part-time positions. The chart below highlights the impact of FY 24' proposed step, cost of living adjustment and mandatory increase to retirement system on the Public Safety budget function.

The following new positions and position reclassifications have been included in the Public Safety Function in FY 24':

- **Sheriff Deputy**- Position funded through reduction in overtime expenditures resulting in a net zero impact to the FY 24' Budget.
- **Narcotics Investigator**- Position funded through reduction in overtime expenditures resulting in a net zero impact to the FY 24' Budget.
- Dissolve Captain position in Fire Services (grade 30) to create additional **911 Telecommunicator** (grade 26). Net budget savings captured in FY 24' Base S&B column in the chart below.
- Dissolved Coordinator Position in Public Health (grade 30) to create additional **Animal Control Officer** (grade 24). Net savings in FY 24' captured in the FY 24' Health Department Function Salaries and Benefits .

Line Item(s)	FY 24' Base S&B	Step increase (Proposed)	3% COLA (Proposed)	Retirement Increase	**Misc. Changes**	Total FY 24' Increase	FY 24' Public Safety
Salaries and Benefits	\$14,085,066	\$196,787	\$360,585	\$78,107	(\$25,962)	\$609,517	\$14,694,583

Changes to salaries and benefits have occurred outside of increases for COLA, Step and Retirement primarily due to benefit elections. An example of this would be a new hire choosing single health insurance coverage rather than the more costly, budgeted family coverage. These changes are reflected in the miscellaneous changes column

Non-Salary and Benefit Related Operating Expenditures

Non-salary and benefit related operating expenditures in the Public Safety Function will account for \$3,201,575 in FY 24'. This is an increase of \$139,429 over the FY 23' Original Budget amount. The chart below highlights various non-salary and benefit related operating expenditure line items, which contributed to the overall increase.

Line item(s)	Increase/Decrease from FY 23' Original	FY 24' Public Safety Budget	% increase/decrease	Detail
Gasoline	\$37,417	\$310,100	13.7%	Cost increase based upon EIA projections, increased demand
Utilities	(\$18,898)	\$98,300	(16%)	FY 22' Water Fixture Replacement in Detention Center resulted in (\$15,000) reduction in FY 24' water/sewer.
Travel and Training	\$43,671	\$90,144	94%	Sheriff's Department training increase includes \$15,347 in SRO training. \$7,674 is offset by revenue from schools.



Inmate Care	(\$1,500)	\$719,700	(.2%)	Medical Treatment and Food Service trends
Supplies	\$21,801	\$360,801	6.4%	General Cost increases, Medical Supplies \$10,000 Increase
Uniforms	\$5,703	\$102,846	5.8%	Cost increases, filling of new positions
Contracted Services	\$69,487	\$524,025	15.3%	\$43,000 increase in Detention Center Medical Contract to include med-passes. Reduces liability for Detention staff, improves detention officer efficiency.
Computer Supplies	(\$23,666)	\$32,390	(42%)	Replacement of devices per County Replacement Program.
Telephone	\$14,950	\$74,920	25%	\$11,000 in 911 non-emergency line bills previously paid by Building and Grounds moved to Emergency Services Management

Supplies includes 8 primary supply related accounts within this function

*Contracted Services includes Contracted Services, Professional Fees, Service Contracts, Contractor Services***

Computer supplies includes replacement of devices 5/6 years and older per County Computer Replacement Program

Capital Expenditures “Pay Go”

Capital expenditures in the Public Safety Function will increase by \$6,177 to a recommended \$573,975 in FY 24’. At this level of expenditures, we will continue making critical fleet upgrades within those departments experiencing substantial increases in demand. Additionally, equipment upgrades will lead to more efficient and effective service delivery in this “life-saving” budget function.

Department	Increase/Decrease from FY 23’ Original	FY 24’ Public Safety Budget	% increase	Detail
EMS	(\$5,260)	\$428,887	(1.2%)	New Ambulance in FY 24’ will replace 2015 model with 200,000 miles @ \$25. \$65,000 Hyatt Road Paving Project.
Planning Permitting and Development	(\$33,651)	\$33,439	(50%)	New Jeep Renegade will replace 06’ Ford Escape with 152,000 miles.
Forest Service	(\$20,400)	-		Truck Purchase FY 23’
Animal Control	\$55,359	\$61,859	852%	New Vehicle and Dog Box for additional Animal Control Officer Position.
Sheriff	(\$2,711)	\$36,950	(6.8%)	Purchase of license plate readers, K9 housing and storage in FY 24’. Detention van purchased in FY 23’.
Fire Task Force	\$12,840	\$12,840		Battery powered hydraulic extrication tool.



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. The General Government function accounts for \$9,709,530 or 15% of the FY 24' operating budget. Expenditures in this function have increased 18% over the prior fiscal year original budget.

GENERAL GOVERNMENT	Increase over FY 23' Original	FY 24' GENERAL GOVERNMENT	% increase
Salaries and Benefits	\$225,657	\$5,648,801	4.2%
Non Salary and Benefit related operating	\$29,874	\$2,591,165	1.1%
Capital	\$1,228,105	\$1,469,564	508%
Total	\$1,483,636	\$9,709,530	18%

Salaries and Benefits

The General Government Function contains 74 full-time positions and 1 part time position. At the time of this budget message, there is 1 vacant full time position. The chart below highlights the impact of FY 24' proposed step, cost of living adjustment and mandatory increase to retirement system on this budget function.

Line Item(s)	FY 24' Base S&B	Step increase (Proposed)	3% COLA (Proposed)	Retirement Increase	**Misc. Changes**	Total FY 24' Increase	FY 24' General Government
Salaries and Benefits	\$5,423,144	\$76,795	\$138,035	\$26,219	(\$15,392)	\$225,657	\$5,648,801

Changes to salaries and benefits have occurred outside of increases for COLA, Step and Retirement primarily due to benefit elections. An example of this would be a new hire choosing single health insurance coverage rather than the more costly, budgeted family coverage. These changes are reflected in the miscellaneous changes column



Non-Salary and Benefit Related Operating Expenditures

At \$2,591,965, non-salary and benefit related operating expenditures in the General Government Function will increase by \$29,874 over the FY 23' Original Budget. This 1.1% increase is attributable to a general increase in the cost of doing business as reflected in various non-salary and benefit related line items throughout this budget function.

Line item(s)	Increase/Decrease from FY 23' Original	FY 24' General Government Budget	% increase/decrease	Detail
**Contracted Services **	(\$71,565)	\$486,375	(13%)	Decrease primarily due to (\$49,400) reduction in Tax Assessment following completion of revaluation. (\$8,000) reduction in Board of Elections as new voting equipment will result in decreased operational costs.
Gasoline	(\$1,000)	\$31,215	(3%)	Cost decrease based upon EIA projections, mileage trends
Printing, Postage and Advertising	(\$15,180)	\$74,560	(17%)	Decrease primarily due to (\$14,400) in tax office reductions following completion of revaluation. (\$9,000) reduction in BOE partially due to new voting equipment
Audit /Other Contracts	\$18,620	\$100,580	22.7%	Increase to Audit Contract in Finance.
Utilities	\$20,115	\$413,375	5.1%	Cost Increase, reflected in Buildings and Grounds
Supplies	\$3,500	\$334,000	1%	Function has held line on supplies despite cost increases
Delinquent Collections Fees	\$13,000	\$30,000	76%	Tax office attorney fees to assist in collecting delinquent taxes. Offset by revenue. Through May of FY 23', \$32,391 in attorney fees has resulted in \$191,997 in taxes collected.
Relicense Fees	\$33,357	\$229,043	17%	\$9,240 increase in service contract for HR and Finance software, \$7,059 increase in Laserfiche document management.
Telephone	\$39,264	\$164,494	31%	Increased operating costs following installation of new phone system

****Contracted Services includes Contracted Services, Service Contracts, Contractor Services, Professional Fees.** \$42,000 will again be budgeted in IT *contracted services* for website re-design using a platform specifically designed for local governments. The newly designed, ADA compliant website will be more user friendly, engaging and easier to maintain. Project cost includes migration of existing data to the new platform as well training for IT staff. The last website re-design for Macon County occurred in 2010. **

****Supplies includes 8 primary supply related accounts within this function****

****Utilities includes Electricity, Water and Sewer, Fuel Oil and Natural Gas, Utilities-Franklin ****



Capital Expenditures “Pay Go”

Capital expenditures in the General Government Function will increase by \$1,228,105 in the coming fiscal year. The increase is primarily attributable to an increase in Information Technology capital expenditures to replace Storage Area Networks (SANs) at the Primary and Disaster Recovery sites.

Department	Increase/Decrease from FY 23' Original	FY 24' General Government Budget	% increase/decrease	Detail
Tax Assessment	(\$36,550)	0	-	Vehicle purchased in FY 23'
Building and Grounds	(\$20,256)	\$29,744	(41%)	Installation of HVAC unit at Robert C. Carpenter Building
Information Technology	\$1,286,407	\$1,434,725	867%	Replacement of SANs \$1,302,640. \$132,085 in other licensing and maintenance costs
Garage	(\$1,496)	\$5,095	(23%)	New lift

Storage Area Networks Replacement

At \$1,302,640, replacement of Storage Area Networks (SANs) at the Primary and Disaster Recovery sites is an essential capital need in FY 24'. In March of 23', Macon County received notification that end of service dates on our Storage Area Network solutions was revised to January 2024. According to the vendor, this revision occurred due to the closing of a chip manufacturer who was the sole source provider for those components. The revised EOS date is approximately 18 months earlier than anticipated and service costs through EOS revised date will double.

The Storage Area Networks (SANs) are the backbone of our IT infrastructure as they store, replicate and protect all data associated with the services we provide. \$758,500 will replace the SANs at the Primary and Disaster Recovery sites. \$524,140 will purchase four “core” network switches, two at the Primary site and two at the Disaster Recovery site. The switches ensure high-speed communications between SANs and servers at the PR and DR sites as well as all end users. \$20,000 will go towards upgrading host connections to match increased speeds of new SAN and networking components.



TRANSPORTATION

The Transportation Function includes *Macon County Transit* in addition to *the Macon County Airport*. Expenditures in the Transportation Function will decrease by **(\$424,639)** from the FY 23' original budget. This decrease is primarily due to a **(\$402,242)** reduction in FY 24' capital expenditures following commencement of the 1200 SF Transit addition and awning projects in FY 23'. The Transportation Function accounts for \$1,797,783 or 3% of expenditures within the operating budget. Of this amount, 24% or \$427,078 representative of county funded expenditures.

Ridership continues to rebound from record lows in FY 21' experienced because of the COVID-19 Pandemic. From FY 21'- FY 23' average monthly ridership has increased by 38% to 3,337 trips per month. Even with recent increases, ridership levels remain below the 3,947 average trips per month experienced prior to the pandemic. Being one of the hardest hit county services by the pandemic, Macon County Transit has received approximately \$1M in pandemic relief funding to offset operating costs since 2020. In FY 24' however, no pandemic relief funding will be available to offset expenditures in the Transit Budget.

Transportation	Increase/Decrease over FY 23' Original	FY 24' Transportation	% increase/decrease
Salaries and Benefits	\$61,463	\$896,226	7.4%
Non Salary and Benefit related operating	(\$83,860)	\$226,840	(27%)
Capital	(\$402,242)	\$674,717	(37%)
Total	(\$424,639)	\$1,797,783	(19%)

Salaries and Benefits

The Transportation Function contains 11 full-time positions and 10 part time positions. At the time of this budget message, there is 1 vacant full-time position. The chart below highlights the impact of FY 24' proposed step, cost of living adjustment and mandatory increase to retirement system on this budget function.

Line Item(s)	FY 24' Base S&B	Step increase (Proposed)	3% COLA (Proposed)	Retirement Increase	**Misc. Changes**	Total FY 24' Increase	FY 24' Recommended
Salaries and Benefits	\$834,763	\$10,631	\$22,076	\$3,500	\$25,256	<u>\$61,463</u>	\$896,226

****Changes to salaries and benefits have occurred outside of increases for COLA, Step and Retirement primarily due to benefit elections. An example of this would be a new hire choosing single health insurance coverage rather than the more costly, budgeted family coverage. These changes are reflected in the miscellaneous changes column****



Non-Salary and Benefit Related Operating Expenditures

Non-salary and benefit related operating expenditures in the Transit Function will decrease by **(\$83,860)** in the coming fiscal year. The decrease is attributable to a reduction in computer supplies following the FY 23' purchase of new computer equipment using CARES Act and NCDOT grant funding. Transit received an additional \$71,000 in FY 23' CARES Act funding to cover fuel costs. At \$226,840, FY 24' non-salary and benefit related operating expenditures will no longer be offset using CARES Act or American Rescue Plan Act funding.

Line item(s)	Increase/Decrease from FY 23' Original	FY 24' Transportation Budget	% increase/decrease	Detail
Computer Supplies	(\$101,002)	\$7,300	(93%)	(\$100,052) reduction in Operating and Admin Computer Supplies.
<i>Gasoline</i>	<i>\$9,000</i>	<i>\$80,000</i>	12.6%	<i>FY 23' Transit gasoline covered by CARES Act Funding</i>
<i>Airport Authority Payment</i>	-	<i>\$33,650</i>	-	<i>Contribution to the Macon County Airport Authority will remain flat</i>

Capital Expenditures "Pay Go"

Capital expenditures in the Transportation Function will decrease by **(\$402,242)** in the coming fiscal year. FY 24' capital expenditures reflect the purchase of five raised roof vans and one 20' Light Transit Vehicle with wheel chair stations. The \$674,717, six-vehicle purchase is 90% grant funded.

Department	Increase/Decrease from FY 23' Original	FY 24' Transportation Budget	% increase/decrease	Detail
Transit	(\$402,242)	\$674,717	(37%)	Construction of Addition and Awning started in FY 23' resulted in (\$1,076,959) reduction in FY 24' Capital



ECONOMIC AND PHYSICAL DEVELOPMENT

The Economic and Physical Development budget function contains; *Economic Development, Cowee School, Soil Conservation and Cooperative Extension*. In the coming fiscal year, Economic and Physical Development will account for \$625,036, a decrease of **(\$16,267)** from FY 23'. The decrease within this budget function is attributable to a **(\$50,000)** decrease in capital expenditures following roof replacement at Cowee School in FY 23'.

Economic and Physical Development	Increase/Decrease from FY 23' Original	FY 24' Economic and Physical Development Budget	% increase/decrease
Salaries and Benefits	\$10,033	\$444,120	2.3%
Non Salary and Benefit related operating	\$23,700	\$180,916	15%
Capital	(\$50,000)	\$0	
Total	(\$16,267)	\$625,036	(2.5%)

Salaries and Benefits

The Economic and Physical Development Function contains 2 full-time positions and 1 part time position. At the time of this budget message, there are no vacancies. In addition to the positions, this function includes a \$275,319 appropriation to Cooperative Extension to cover a portion of the total salary cost. The chart below highlights the impact of FY 24' proposed step, cost of living adjustment and mandatory increase to retirement system on this budget function.

Line Item(s)	FY 24' Base S&B	Step increase (Proposed)	3% COLA (Proposed)	Retirement Increase	**Misc. Changes**	Total FY24' Increase	FY 24' Recommended
Salaries and Benefits	\$434,087	\$2,189	\$4,289	\$778	\$2,777	<u>\$10,003</u>	\$444,120

Changes to salaries and benefits have occurred outside of increases for COLA, Step and Retirement primarily due to benefit elections. An example of this would be a new hire choosing single health insurance coverage rather than the more costly, budgeted family coverage. These changes are reflected in the miscellaneous changes column



Non-Salary and Benefit Related Operating Expenditures

Non Salary and benefit related operating expenditures will increase by \$23,700 to \$180,916 in FY 24'. Increase is primarily attributable to additional \$20,000 included in Cowee School Renovations line item to address a number of safety and ADA related issues at the building identified during an FY 23' Fire Inspection conducted by the school.

Line item(s)	Increase from FY 23'	FY 24' Economic and Physical Development	% increase	Detail
Cowee School	\$20,875	\$38,375	119%	\$875 increase related to electricity. One-time addition of \$20,000 included in operating for a number of small repairs needed at the facility.

Capital Expenditures "Pay Go"

Capital expenditures in the Economic and Physical Development Function will decrease by **(\$50,000)** in the coming fiscal year. The decrease is attributable to a roof-resurfacing project at Cowee School in FY 23'.

Department	Increase/Decrease from FY 23' Original	FY 24' Economic Development Budget	% increase	Detail
Cowee School	(\$50,000)	\$0		Cowee School Roof Resurfacing completed in FY 23'



HEALTH AND HUMAN SERVICES

The Health and Human Services Function includes *Health Department, Department of Social Services, Veterans, Smoky Mountain Mental Health, Juvenile Partnership Grant, Senior Services, and Housing*. In FY23' Health and Human Service expenditures will total \$14,397,455. This is an increase of \$1,297,594 over the current fiscal year original budget.

Health and Human Services	Increase/Decrease from FY 23' Original	FY 24' Health and Human Services	% increase/decrease
Salaries and Benefits	\$937,702	\$9,390,509	11%
Non Salary and Benefit related operating	(\$407,218)	\$4,131,463	(9%)
Capital	\$767,110	\$875,483	708%
Total	\$1,297,594	\$14,397,455	9.9%

Salaries and Benefits

The Health and Human Services Function contains 122 full-time and 7 part time positions. At the time of this budget message, there are 9 full time vacancies in this function. The chart below highlights the impact of FY 24' proposed step, cost of living adjustment, mandatory increase to retirement system and new positions on this budget function.

The following new positions and position reclassifications have been included in the Public Safety Function in FY 24':

- **(3) IMC II Social Workers, DSS-** Total Cost of Positions \$169,933. Salary and Benefits as well as operating costs 100% offset by Medicaid revenue
- **(1) IMC III (Staff Development), DSS** - Position funded in April of FY 23'. Total Cost \$60,905, 75% offset by Medicaid revenue.
- **(1) Physician II , Health Department.** Total position cost \$265,400. Partially offset by **(\$172,856)** reduction in contract physician salary.

Line Item(s)	FY 24' Base S&B	Step increase (Proposed)	3% COLA (Proposed)	Retirement Increase	**New Positions	**Misc. Changes**	Total FY 24' Increase	FY 24' Recommended
Salaries and Benefits	\$8,452,807	\$127,500	\$225,473	\$45,224	\$496,238	\$43,267	<u>\$937,702</u>	\$9,390,509

Changes to salaries and benefits have occurred outside of increases for COLA, Step and Retirement primarily due to benefit elections. An example of this would be a new hire choosing single health insurance coverage rather than the more costly, budgeted family coverage. These changes are reflected in the miscellaneous changes column



Non-Salary and Benefit Related Operating Expenditures

A reduction of **(\$407,218)** in non-salary and benefit related operating expenditures is due to a combination of factors in Public Health as well as Department of Social Services. In the coming fiscal year, non-salary and benefit related operating expenditures account for \$4,131,463 in the Health and Human Services Function. The chart below highlights notable reductions in non-salary and benefit related expenditures within the Health and Human Services Function from the prior fiscal year contributing to the overall decrease.

Line item(s)	Increase/Decrease from FY 23' Original	FY 24' Health and Human Services Budget	% increase/decrease	Detail
DSS Special Programs	(\$101,562)	\$1,501,895	(6.3%)	Anticipated increase in adoptions results in decrease to Title IV E and State Foster Care Benefit Program expenditures. Direct Energy Assistance Payments will reduce LIEAP and Crisis Intervention expenditures
DSS Meals	(\$19,000)	\$184,000	(9.4%)	Elimination of ARPA funding will result in closure of drive-thru program for congregate meals. Area Agency on Aging will not reimburse for drive-thru.
Public Health Contracted Services	(\$197,271)	\$463,858	(30%)	Elimination of Contract Dr. Position, elimination of contracted OSWW and Well inspectors. Environmental Health fully staffed for first time since October, 2020.

** Meals includes Adult Daycare, Home Delivered and Congregate**



Capital Expenditures “Pay Go”

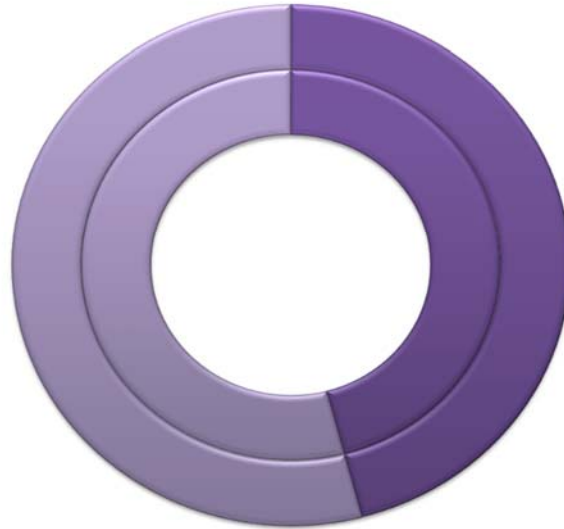
Capital expenditures in the Health and Human Services Function will increase by \$767,110 in the coming fiscal year. The increase is attributable to increased capital spending within the Health Department to replace the “Molar Roller” Unit. The Molar Roller unit provides dental care to approximately 20% of students at each school in Macon County, focusing primarily on Medicaid recipients and uninsured. On average, the “Molar Roller” provides services to 17 students per school day during the school year.

Department	Increase/decrease from FY 23' Original	FY 24' Health and Human Services Budget	% increase/decrease	Detail
Child Dental Health	\$863,610	\$869,983	13551%	\$869,983 Replacement of Molar Roller offset by \$566,378 in Medicaid Reimbursement increase
Child Health	\$5,500	\$5,500	-	Purchase of portable wheelchair scale
On-Site Wastewater	(\$68,000)	\$0	-	Two vehicles in On-Site Wastewater purchased in FY 23'
Private Drinking Water Wells	(\$34,000)	\$0	-	One Vehicle in Private Drinking Water Wells purchased in FY 23'



Health Department Sources of Revenue FY 2023-2024

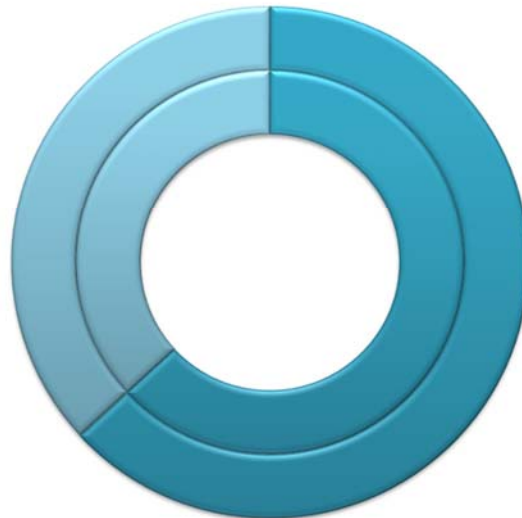
County Contribution,
\$3,616,494, 54%



Other Revenue Sources,
\$3,066,395, 46%

Social Services & Senior Services Sources of Revenue FY 2023-2024

County Contribution,
\$2,613,784, 37%



Other Revenue Sources,
\$4,476,929, 63%



CULTURE AND RECREATION

The Culture/Recreation budget function accounts for; *Recreation, Highlands Recreation, and Library*. In FY 24', Culture/Recreation represents \$3,099,041 or 5% of the general fund-operating budget. Culture and Recreation expenditures reflect a \$53,602 increase over the current fiscal year original budget. The increase is primarily attributable to an increase in recreation capital spending.

Culture and Recreation	Increase over FY 23' Original	FY 24' Culture and Recreation	% increase
Salaries and Benefits	\$3,622	\$878,961	.4%
Non Salary and Benefit related operating	\$4,980	\$2,020,080	.2%
Capital	\$45,000	\$200,000	29%
Total	\$53,602	\$3,099,041	1.8%

Salaries and Benefits

The Recreation Function contains 11 full-time and 59 part time positions. At the time of this budget message there are no vacancies. The chart below highlights the impact of FY 24' proposed step, cost of living adjustment and mandatory increase to retirement system on this budget function.

Line Item(s)	FY 24' Base S&B	Step increase (Proposed)	3% COLA (Proposed)	Retirement Increase	Misc. Changes	Total FY 24' Increase	FY 24' Recommended
Salaries and Benefits	\$875,339	\$10,298	\$21,980	\$3,785	(\$32,441)	\$3,622	\$878,961

Changes to salaries and benefits have occurred outside of increases for COLA, Step and Retirement primarily due to benefit elections. An example of this would be a new hire choosing single health insurance coverage rather than the more costly, budgeted family coverage. These changes are reflected in the miscellaneous changes column. Misc. Changes in Recreation also reflects the elimination of 1 full time position.

Non-Salary and Benefit Related Operating Expenditures

At \$2,020,080, non-salary and benefit related operating expenditures in the Recreation Function will increase by \$4,980 in the coming fiscal year. The increase is increase attributable to an increase in the contracted services line item resulting from a continual move towards contracting out mowing services at all recreation facilities. The decision to contract mowing services at recreation facilities has proven extremely beneficial and will lead to the elimination of one full-time position from the Rec. Department in FY 24'.

Line item(s)	Increase from FY 23' Original	FY 24' Culture and Recreation Budget	% increase	Detail
Contracted Services	\$9,455	\$38,155	33%	Expanded contracted mowing
Highlands Recreation Operations	-	\$550,000	-	Contribution to Highlands Recreation remains at FY 23' level, \$550,000.



Capital Expenditures “Pay Go”

\$200,000 has been included in the Culture and Recreation Function in anticipation of moving forward with recommendations contained in a forthcoming re-development plan for the Macon County Recreation Park located at 1288 Georgia Road. The \$200,000 FY 24’ capital expenditure is earmarked “Pickleball Courts”, following postponement of the Pickleball Court Project in FY 23’ to conduct a re-development plan for the Recreation Park. \$37,980 of the \$155,000 set aside in FY 23’ Recreation Capital for Pickleball Court construction was used to fund the re-development plan. McGill and Associates currently anticipates the plan to be completed by the summer of FY 24’.

Department	Increase over FY 23’ Original	FY 24’ Culture and Recreation Budget	% increase	Detail
Recreation Parks (Capital)	\$45,000	\$200,000	29%	Construction of Pickleball courts/Phase 1 of development plan



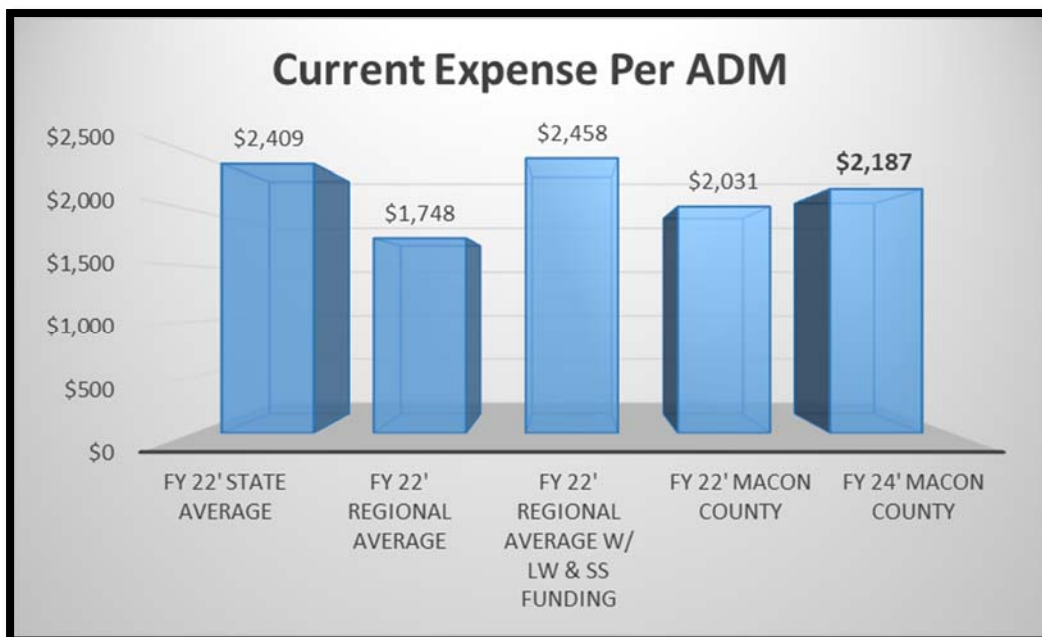
EDUCATION

Macon County School System Operations

At \$9,696,369, the FY 24' Recommended Budget is reflective of an \$880,638 increase in operational funding and teacher supplements to the Macon County School System. While the recommended funding level falls short of the School Systems \$1,584,197 requested increase, additional funding is vital to operations of the Macon County School System in the coming fiscal year. FY 20' was the last time Macon County Schools received an increase in operational funding.

The increase in local funding will enable Macon County Schools to address inflation in the cost of goods, personnel and services. Additional funding will be used to maintain locally funded teaching positions required to meet class size mandates, provide state mandated salary increases to locally paid teachers and staff, increase coaching supplement pay, enhance the Science, Technology Engineering and Math (STEM) program and expand course offerings in Career and Technical Education (CTE).

At a projected average daily membership of 4,433 students in the coming fiscal year, county per pupil appropriation for current expense will increase to \$2,187 per pupil at the FY 24' recommended level. According to the most recent information available from the Department of Public Instruction, Macon County ranked 51st out of 116 school districts in per pupil appropriation for current expense in FY 22' at \$2,031 per pupil. The state average per pupil appropriation for current expense per the FY 22' DPI report was \$2,409 per pupil.



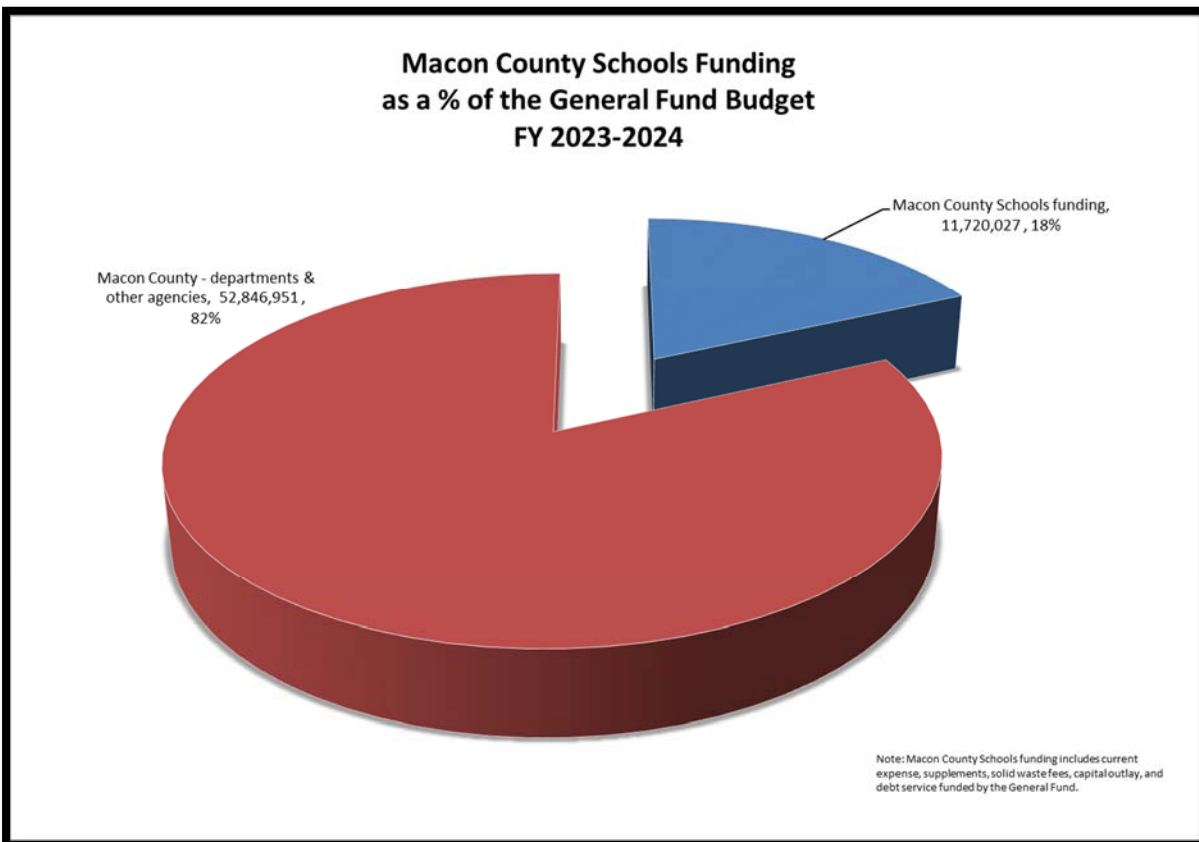
** Graham County, Clay County, Swain County and Cherokee County all receive Small School and Low Wealth Funding. In FY 22' this resulted in an average increase of \$1,244 in current expense per pupil ADM for these counties.



Macon County School System Capital

\$2,023,658 in FY 24' proposed capital expenditures includes the annual base appropriation for technology and capital outlay of \$1,150,000 and an additional \$873,658 for replacement of the Highlands Soccer Field, identified as a top priority for the School System in FY 23'.

In addition to the capital outlay appropriation, \$811,283 previously transferred from the General Fund to Fund 46 for planning and design work at Franklin High School in FY 23', will now be transferred to the debt service fund as additional revenue to offset anticipated debt service related to the Franklin High School Project. This contribution to MCS capital is in addition to the FY 24' Technology and Capital Outlay appropriation of \$2,023,658.





Southwestern Community College

An appropriation of \$476,659 has been included for Southwestern Community College in the FY 24' Recommended Budget. This represents an increase of \$187,482 over current fiscal year. \$72,482 of the increase will go towards operations to cover cost increases associated with general maintenance, software, supplies and utilities. The remaining \$115,000 of the FY 24' recommended increase will be used for capital expenditures including replacement of a roll-up door at the National Guard Armory and installation of a new commercial cooling system at the Groves Building IT data center.

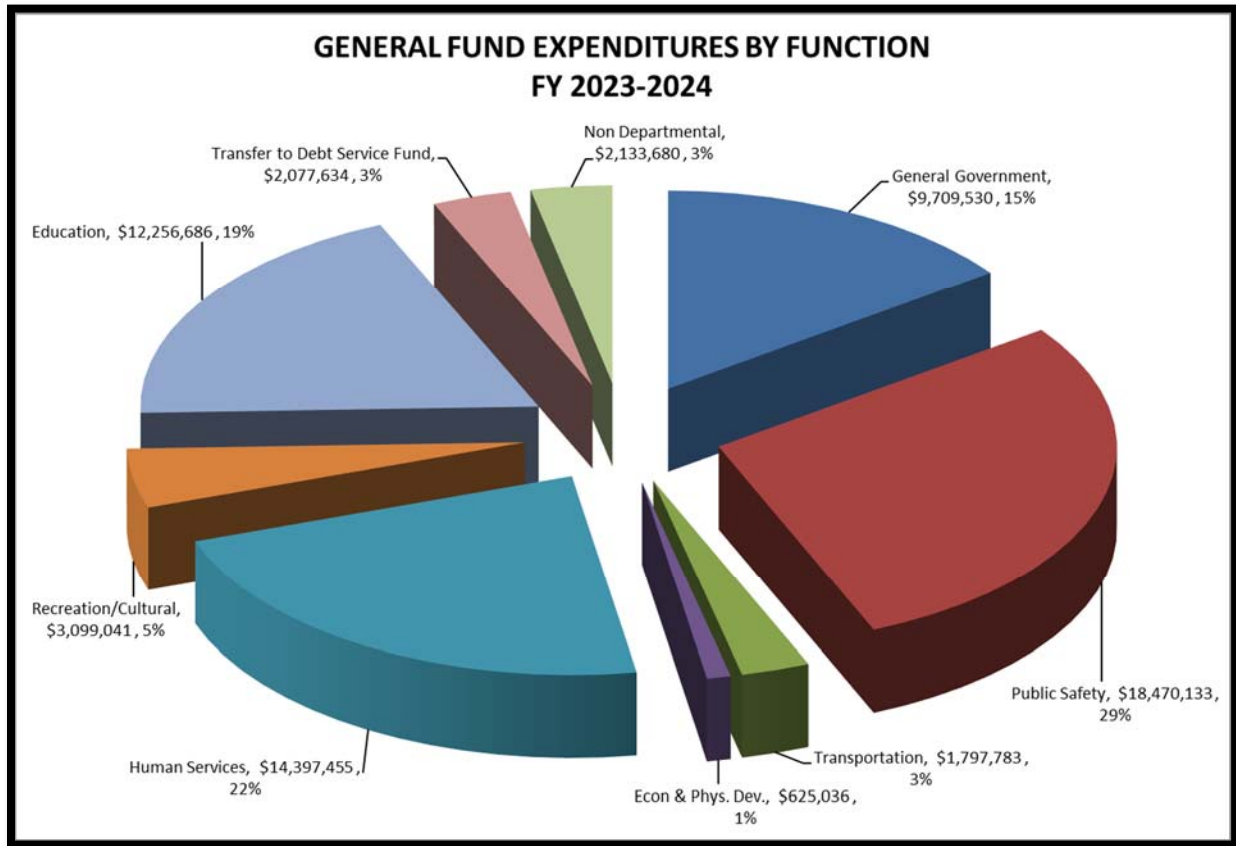
We remain hopeful that Southwestern Community College will begin expansion at the Public Safety Training Complex in the coming fiscal year. The first phase of this project will include placement of a state of the art, multi-story "burn building" adjacent to the National Guard Armory. Following installation of the "burn building", Macon County will proceed with renovations to the National Guard Armory facility. Upon completion, the PSTC expansion will result in an increase to SCC operational funding of approximately \$70,000 annually.



Transfers and Non Departmental

Transfers will increase by \$811,283 in the coming fiscal year, due to an increase in transfers to the debt service fund. This increase is 100% offset by a decrease in Education Capital as the funds were appropriated in FY 23' for continued planning and design work at the Franklin High School Project. \$811,283 is representative of the amount earmarked by the previous Board of Commissioners for the Franklin High School Project, as part of an FY 21' tax increase, and has been used since to fund on-going planning and design work at Franklin High School. It is assumed any remaining architectural fees will be appropriated from general fund balance and then be reimbursed as part of the debt issuance. As such, this funding will be transferred to debt service, where it will remain earmarked for the Franklin High School Project.

FY 24' Non-Departmental will increase by \$429,038. Of this amount, \$433,626 is attributable to an increase in the contingency fund. It is recommended that \$300,000 of the \$533,626 budgeted in FY 24' contingency be used for 1-time capital expenditures, as the revenue to support this increase in contingency is a result of increased interest earnings on investments. As previously discussed, this is not a reliable revenue source to which on-going operational expenses should be tied.



In the coming fiscal year, revenue increases resulting from a growing economy will enable the organization to meet increases in demand and rising costs, which have also accompanied it. We will accomplish this while remaining financially strong and well insulated from any economic uncertainties that might arise. A contingency fund in the amount of \$533,626 will add to our financial security while also providing an opportunity for additional, one-time capital improvements. The FY 24' Recommended Budget would not have been possible without the hard work, dedication and willingness to compromise exhibited by all department heads throughout this budget process. As required by state statute, the budget is balanced with revenues and expenditures of \$64,566,978 and is hereby submitted for your review and consideration.

Respectfully,

Derek C. Roland
Macon County Manager