

May 10, 2016

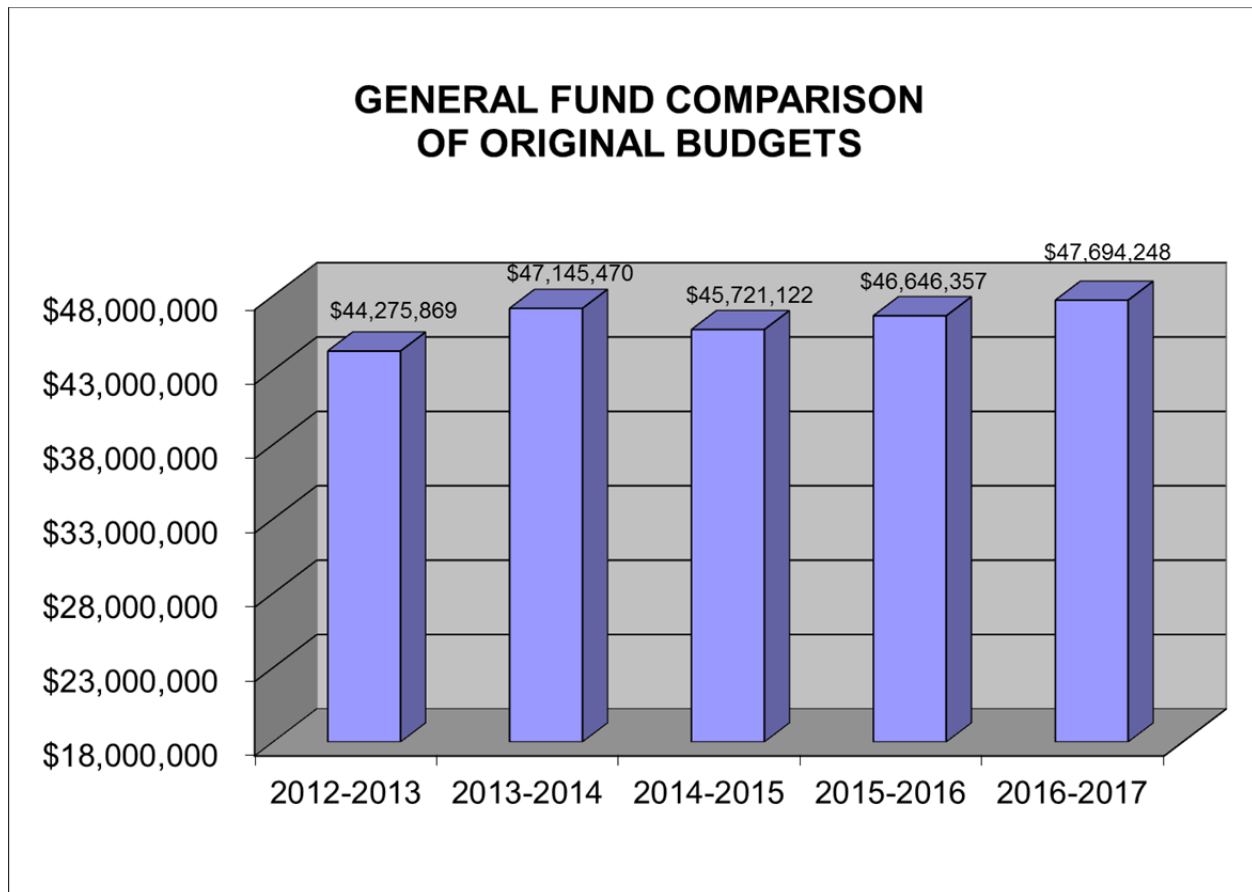
Gentlemen,

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 2016/2017. The budget as proposed is \$47,694,248 with revenues and expenditures being balanced.

Our financial position will remain strong in FY 16-17. At an estimated 40%, 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. Our debt obligations will continue to decrease. Since June 30, 2011, Macon County's general fund debt has decreased by \$18,173,682. In FY 16-17', Macon County's principal and interest payments will decrease by approximately \$93,900. The solid financial position of Macon County is a direct contributor to the county's A+ bond rating.

FY 16-17' projected expenditures have increased by \$1,047,891 over the FY 15-16' original budget. At this level of expenditures, we will finalize our organizational pay plan, make much needed capital improvements to the infrastructure of the organization, take on additional responsibilities, and continue to provide Macon County citizens with efficient and effective public service. A minimal projected increase in sales tax receipts, combined with an increase in tax collections from the prior fiscal year, will enable us to accomplish each of these things with no recommended increase to the Ad-Valorem Tax Rate and no use of fund balance. The FY 16-17' Recommended Budget includes a contingency fund of \$197,475 which is solely attributable to projected revenues exceeding projected expenditures.

Fig. 1



I. FY 15-16' Budget Accomplishments

Revaluation finalized – The 2015 Reappraisal brought new property values to approximately 44,000 parcels in Macon County and with these new values came new property value appeals. Following the reappraisal, property values declined by 19.2% leading to a new “revenue neutral” tax rate of .00349 or \$.349 per \$100 of assessed value in FY 15-16’.

The average number of appeals per North Carolina County following a reappraisal ranges from 7-10% of the total parcel count. The number of informal appeals for Macon County in FY 15-16’ was 3,115 or 7.18%. Informal appeals, while not required by North Carolina General Statutes, are encouraged by the Macon County Tax Office as this mechanism affords taxpayers with an additional opportunity for dispute resolution. Furthermore, resolution during the informal appeal process decreases the caseload for the Board of Equalization and Review thereby reducing operating expenses for this board.

The 2015 Board of Equalization and Review heard 303 appeals or .7% of total properties. As aforementioned, this small caseload is a direct result of tax appraisers and other tax office personnel working informally with taxpayers in the appeal process. As a result, Macon County spent only \$5,530 for the tax hearings coming before the Board of Equalization and Review in the 2015 Reappraisal.

Eight (8) appeals were filed with the North Carolina Property Tax Commission in Raleigh. All of these appeals however, have been withdrawn as of April 12, 2016. This marks thirty one consecutive years that the Macon County Tax Office has defended its values through the state level without incurring a loss. To date, Macon County has spent \$3,645 in legal fees handling these “state level” appeals. The total cost to defend the 2015 Reappraisal currently stands at \$9,175. The average cost to defend a reappraisal in a county the size of Macon ranges from \$150,000-\$200,000 according to figures provided by the Macon County Tax Office.

The general reappraisal was conducted in-house by the Macon County Tax Office. Conducting the reappraisal in-house, saved the County approximately \$1,000,000. This was the first reappraisal conducted since 2007. The Macon County Board of Commissioners passed a resolution on December 9, 2014 to switch the county to a four year reappraisal cycle. The next reappraisal will occur in 2019.

Health Insurance revisions implemented – Revisions to Macon County’s Health Insurance Plan as recommended by the Health Insurance Committee went into effect July 1, 2016. Highlights of these revisions include:

- Changing providers from Crescent to Blue Cross Blue Shield
- An approximate annual increase in county contribution of \$530,000 to the health insurance fund
- Dual Plan Option: 70/30 Basic Plan, 80/20 Enhanced Plan
- Mandatory Health Risk Assessment required for participation on Enhanced Plan
- Employee Health Clinic Open to all employees and dependents
- Reduced cost for many maintenance drug prescriptions

Since 2009 the net position in the Health Insurance Fund had declined by approximately 70%, making FY 14-15’ the last year the county could afford to remain on the current plan. Following these revisions the Health Insurance Fund is again becoming sustainable as approximately \$128,275 will be added to reserves in FY 15-16’ resulting in an estimated reserve fund balance of \$464,840 at June 30, 2016. This is the first increase to reserves in this fund since 2008. Furthermore, these revisions have led to a favorable claims experience in FY 15-16’ which resulted in a FY 16-17’ renewal rate from Blue Cross Blue Shield \$31,799 less than FY 15-16’. The Health Insurance Committee continues meeting regularly to monitor both the Health Insurance Fund and Health Insurance Plan.

Parker Meadows Complex Grand Opening- September 15, 2015 marked the grand opening of the \$3.5M Parker Meadows Recreation Complex. The first games held at this complex were played by teams made up of over 200 mentally handicapped and disabled Macon County Children ranging in age from elementary to high school. This inaugural event was the birth of MCARS or Macon County Adaptive Recreation and Sports. Aside from MCARS, Parker Meadows has been heavily utilized by local

baseball and softball leagues as well as our local citizens taking advantage of increased recreational opportunities in Macon County.

In addition to providing recreational opportunities for Maconians, Parker Meadows was touted from its beginnings as being an economic development tool. As this type of economic development was a new venture for Macon County, many remained uncertain as to the level of impact the park would have. Following the first two travel ball tournaments played in FY 15-16' however, any uncertainties were put to rest as the economic impact far exceeded expectations. The first two tournaments in September and October brought 71 teams to Macon County. Local motels and restaurants were full on tournament weekends. Sales tax receipts for the months of September and October were up 16% and 6% respectively, over prior fiscal year, generating an additional \$150,000 in sales tax dollars to Macon County. With an additional 25 travel ball tournaments scheduled for this spring and fall conservative estimates project a \$6-10M total economic impact to Macon County.

Parker Meadows additional safety concerns addressed- \$149,500 was allocated to address safety concerns at Parker Meadows following completion of construction. These structures include overhead ball deflection devices at each field as well as additional fencing around dugouts and the pond. An extension to the walking trail around the complex was also included in this allocation.

Phase I of SAN installation complete- \$71,916 went towards the replacement of the SAN Data Storage System. The SAN Data Storage System houses all of Macon County's production data. The old system, which had reached end of life status stored data at 1:1 ratio. The new system which compresses and de-duplicates data is currently storing data at a 5:1 ratio. The increased efficiency which the new platform provides and the scalability of adding expansion shelves is expected to meet the organization's data storage needs for at least five years.

Increase to Community Funding Pool- The community funding pool was established to assist the Macon County Board of Commissioners in allocating tax generated funds to local non-profits in a fair and efficient way. Funding for this entity increased by \$25,000 in FY 15-16', bringing the new total to \$75,000.

QZAB renovations to Highlands School and Union Academy completed- \$2,985,878 in renovations to Highlands School and Union Academy were completed in FY 15-16' using Qualified Zone Academy Bonds. The approval of this renovation project brings the total capital project funding for Macon County Schools to approximately \$50,000,000 since 2008.

Kelsey Hutchinson Founders Park - Macon County Board of Commissioners approved a \$50,000 request from Friends of Founders Park, Inc. to go towards the completion of the Kelsey-Hutchinson Founders Park in Highlands.

SRO at Highlands School – \$50,000 was approved to go towards the funding of an SRO (School Resource Officer) at the Highlands School. These funds will be used by the Town of Highlands to staff this position in their Police Department.

Increase to Schools Capital Outlay- An additional \$100,000 was placed in the School System's Capital Outlay to assist with renovation needs. This additional funding brought the capital outlay for the Macon County School System to \$300,000 in FY 15-16'.

Golden Leaf STEM Learning Initiative- The Golden Leaf STEM (Science, Technology, Engineering and Math) Learning Initiative represents a partnership between Macon County, Macon County School System, Southwestern Community College and private businesses in Macon County. This local partnership with Discovery Education will afford our local students with the latest in STEM learning opportunities. The total project cost is \$778,287 for Macon County. This amount includes \$621,337 from the Golden Leaf Foundation, \$60,950 from Macon County and \$96,000 from the Macon County School System. While the Board of Commissioners has signed a letter of commitment for this project, it has yet to receive final approval from the Golden Leaf Foundation.

Landfill Expansion Underway- Groundbreaking on Phase III, Cell I of the Landfill Expansion Project began on May 2, 2016. Shamrock Environmental Inc. was selected as the General Contractor for this project. The \$9.8M project is expected to be completed by April of 2017. Macon County financed this project for a period of ten years at a rate of 2.14% through our local Entegra Bank. The annual principal and interest payment on this amount is expected to be \$1,095,129.

Increased funding to Public Library – \$17,600 was appropriated from contingency to replace 11 computers at the Macon County Public Library. This was in addition to the \$999,390 approved by the Board of Commissioners for library funding in the FY 15-16' Original Budget.

Macon County Transit Alternative Fuel Project- Macon County Transit equipped seven transit vehicles with a propane fuel option in FY 15-16'. Within the next four years the entire transit fleet, excluding minivans, will have been equipped with propane conversion. Propane fleets can save an average of \$1.50 per gallon on fuel costs while reducing greenhouse gas emissions by approximately 25%. The NCDOT/FTA grant money reimbursed Macon County for 90% of the \$60,650 conversion costs. A propane fueling station was installed on-site in FY 15-16' as well. Transit is currently applying for a grant that will cover up to 30% of this \$28,000 expenditure.

Safe Kids Macon County- In FY 15-16' the Macon County Sheriff's Office partnered with Safe Kids NC to be the lead agency of Safe Kids Macon County in an effort to reduce and ultimately eliminate children from being killed or injured from accidental and preventable causes. Of the 42 Safe Kids Coalitions in North Carolina, Safe Kids Macon County is the farthest west and only the second hosted by a law enforcement agency.

II. FY 16-17' Projected Revenues

Ad Valorem Property Tax

Following the 2015 Reappraisal a “revenue neutral” tax rate of **.00349** was produced. 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 was 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.

In arriving at this “revenue neutral” tax rate for FY 15-16’ the Macon County Tax Office was conservative on multiple fronts; budgeting a higher value for the number of appeals and budgeting utilities and construction at levels supported by the market at that time. As a result, \$25,198,230 was representative of the levy in the original FY 15-16’ Budget. Following the revaluation however, some property values came in higher than expected. For example, a home that was 30% complete during the revaluation was finished during the year, increasing the value of that property. Revenues gained from utilities are projected to increase as well during FY 15-16’ leading to a higher FY 16-17’ revenue projection. Lastly, the majority of appeals which were addressed at the informal level did not result in property value decreases, or monies coming off of the tax base. This conservative budgeting approach by the Macon County Tax Office in anticipation of the many uncertainties that accompany a reappraisal, combined with an increase in the tax collection rate of .27% (97.61%) over FY 15-16’, has led to a projected tax levy of \$25,958,438 for FY 16-17’ based on a tax base of \$7,620,067,324. This is an increase in revenue of \$760,208 or 3% over FY 15-16’. It is important to note that this increase in revenue will be achieved without an increase to the Ad Valorem Tax Rate. **The tax rate for FY 16-17’ will remain at .00349 or \$.349 per \$100 of assessed value.**

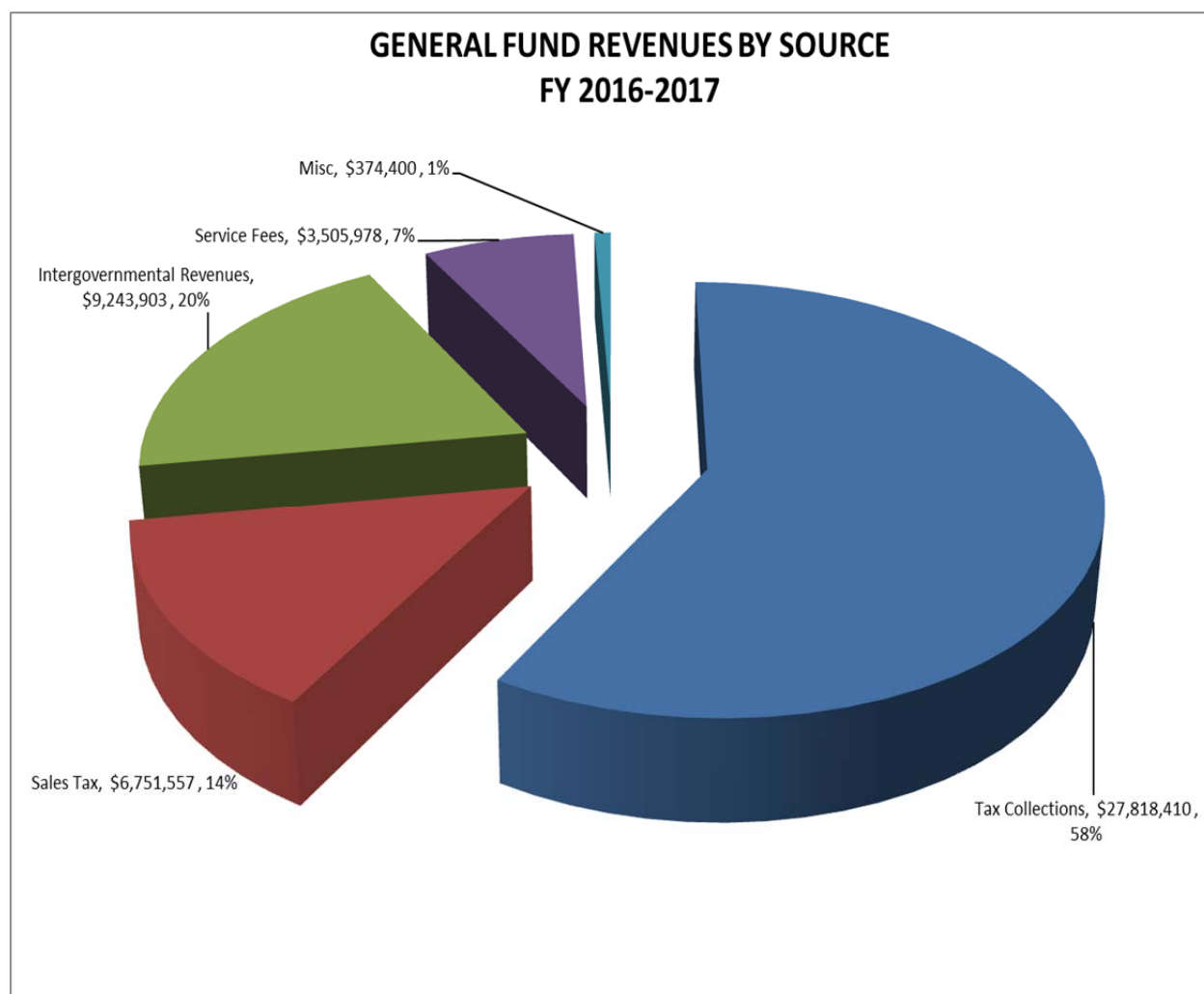
Motor Vehicle Tax

In FY 15-16’ \$825,533 was budgeted for motor vehicle tax collections. This amount was produced using a collection rate of 94.24%. In FY 16-17’ however, this collection rate will increase to 99.99% due to the North Carolina Tag and Tax Together System, which requires citizens to pay motor vehicle taxes in full prior to obtaining registration. In applying this new collection rate to the estimated \$274,947,848 in estimated motor vehicle values a new levy of \$959,472 is produced for FY 16-17’. **This is an increase in revenue of \$133,939 or 16.2% over FY 15-16’.**

North Carolina General Statute 105-524 (Distribution of additional sales tax revenue for economic development, public education, and community colleges) will become effective on July 1, 2016. The new law assumes \$67.2 million in new revenue will be produced by all 100 counties through an expansion in the sales tax base. In addition to this amount the state will appropriate \$17.6M for a total distribution amount of \$84.8M. This amount however, will only be distributed among 79 of the 100 North Carolina Counties at allocation percentages listed in NCGS 105-524(c). Macon County will not be a recipient of these funds as the current law is written.

Until the recent sales tax reform is tested by time, the impact this legislation will have on Macon County remains uncertain. This uncertainty combined with declining sales tax receipts in FY 15-16' will result in a budgeted growth amount 2% less than that recommended by the NCACC. I am confident however that the budgeted 1% growth in sales tax revenue for Macon County is reliable and adequate for FY 16-17'.

Fig. 3



Debt Obligations

General Fund debt has decreased \$18,173,682 from 6/30/2011 (\$62,246,165) to 6/30/2015 (\$44,072,483). This decrease in debt is due to making regular principal and interest payments, not taking on substantial new debt, and refinancing existing debt.

From 6/30/2011-6/30/2015, the county has issued the following amounts in new debt:

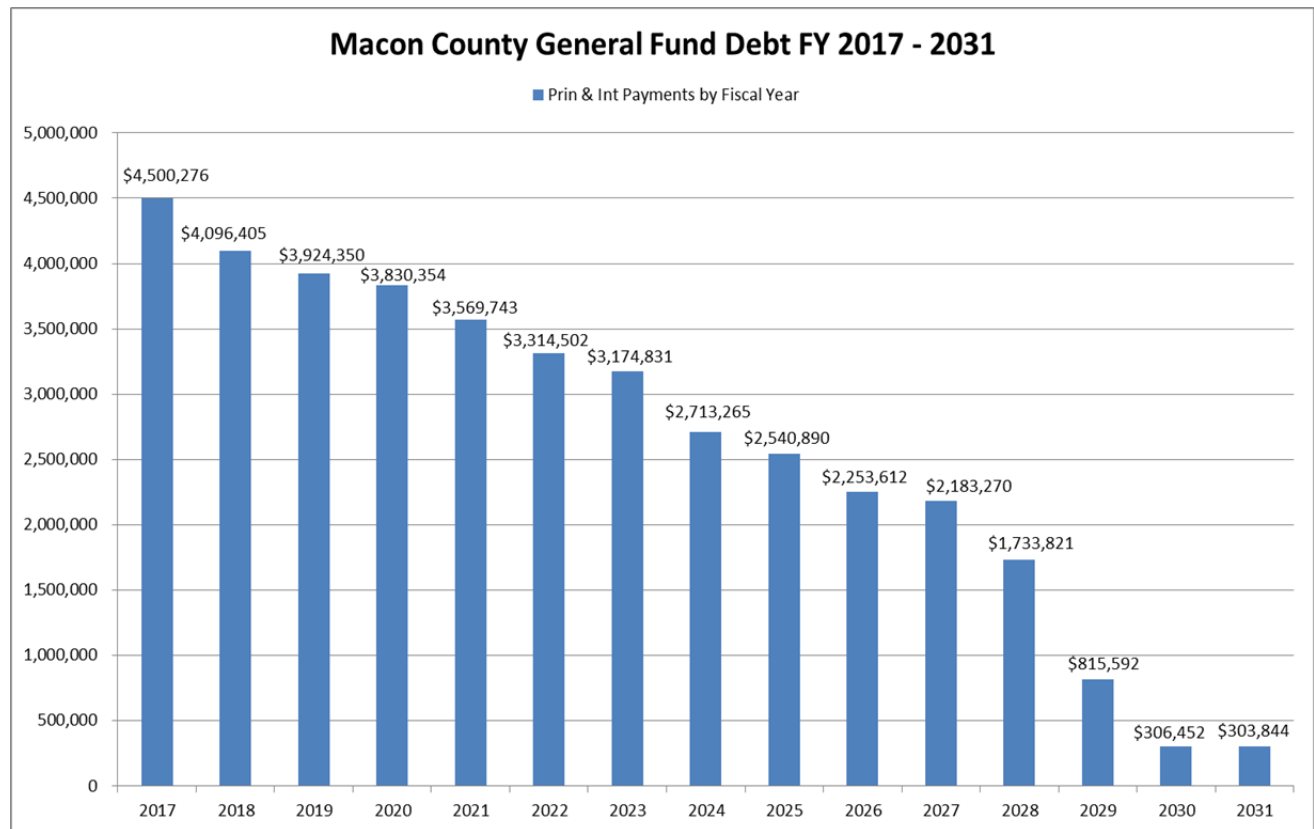
- **School Technology Upgrades-\$1,548,887**
- **Defibrillators- \$390,288**
- **Highlands School renovations- \$1,500,000**
- **Parker Meadows project- \$2,019,651**

From 6/30/2015- current, the county has issued the following amounts in new debt:

- **Union Highlands QZAB Renovations- \$2,985,878**

In FY 16-17', Macon County's total general fund debt payments will decrease by approximately \$93,900 to \$4,500,276. In FY 17-18' if no new general fund debt is added, payments will again decrease by \$403,871.

Fig 4.

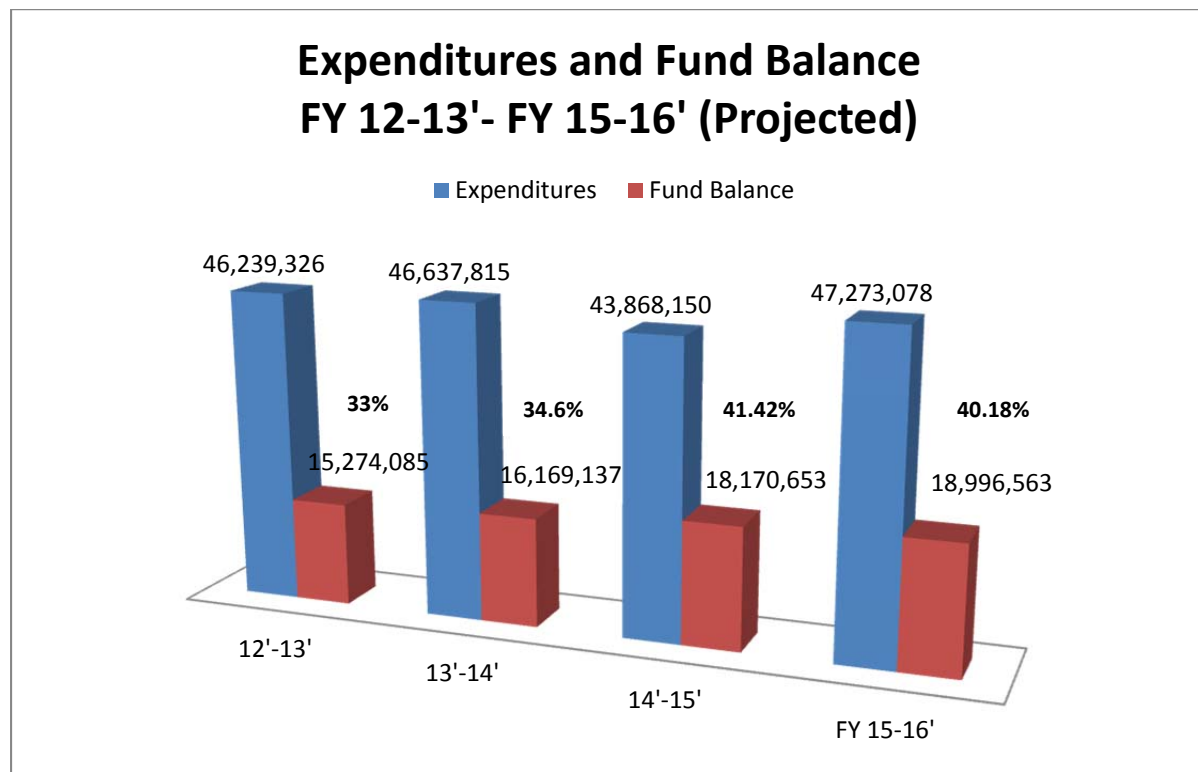


Fund Balance

Expenditures increased in FY 15-16' primarily due to a 2% Cost of Living Adjustment (COLA) and increased county contribution into the Health Insurance Fund. Furthermore, approximately \$1,000,000 in capital items were included in the FY 15-16' Operating Budget.

Increases in property tax and sales tax revenues were sufficient to offset the increase in FY 15-16' expenditures, while also leading to a projected increase in fund balance of \$825,910. Although the projected fund balance dollar amount increased in FY 15-16', a projected increase in expenditures resulted in a slight decline in projected fund balance percentage. No fund balance was appropriated in FY 15-16' to balance the operating budget.

Fig 5.



III. FY 16-17' Proposed Budget Highlights

Pay Plan Recommendation

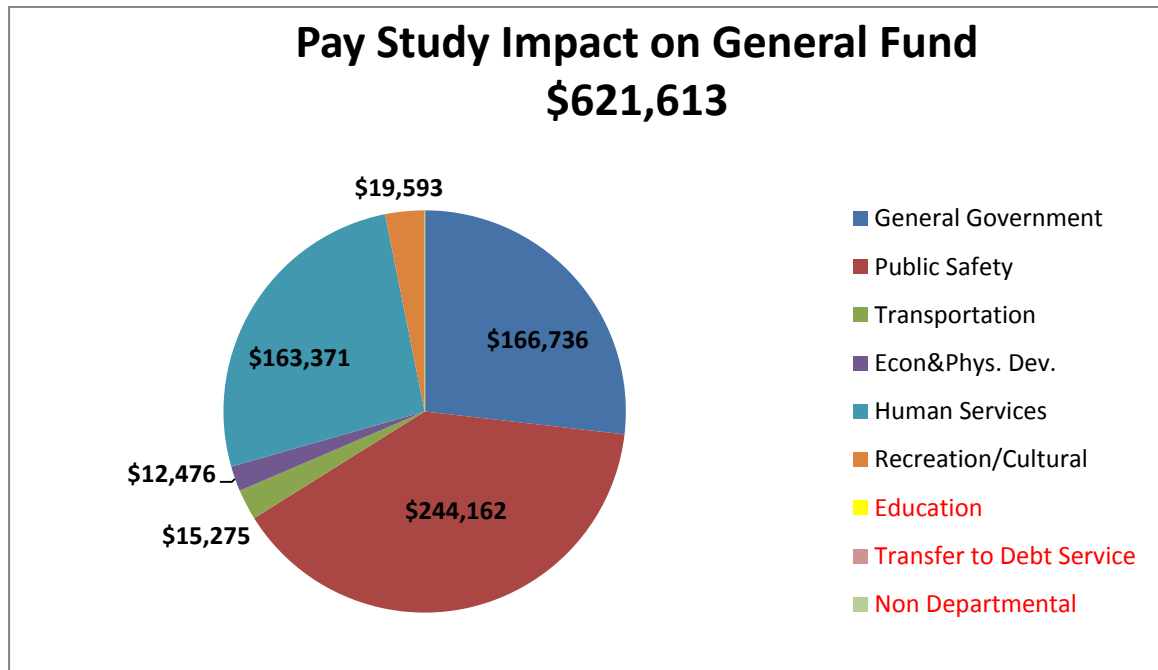
The main objective of the FY 16-17' Recommended Budget was focused towards completing the organizational pay study that began in 2012. To accomplish this task a group of eight county employees was selected by the County Manager. The focus of this committee was to identify compensation inequities within the organization and make recommendations for addressing the same.

The FY 16-17' Recommended Budget includes the increases in salaries and benefits that came as a result of this analysis. If implemented as recommended, these changes will address those areas which the 2012 Springsted Classification and Compensation Study did not. The Springsted Study, which was partially adopted in 2013, resolved many compensation issues including making the pay scale regionally competitive and bringing all employees making less than the newly established minimum pay levels within their respective grades up to those new levels. The portion of the Springsted Study which was implemented however contained no mechanism for adjusting the salaries of employees who were making above the newly established grade minimums to regionally competitive levels. These were primarily longer serving Macon County Employees.

Pay Compression is defined as the situation that occurs when there is only a small difference in pay between employees regardless of their skills or experience. While the Springsted Pay Study as aforementioned resolved many compensation issues it also enhanced pay compression within the organization dramatically. Following adoption of the Springsted Study in 2013, pay compression has created many problems within the organization including departmental inequities and declining morale especially in longer serving employees.

The salary adjustments which have been proposed by the committee and incorporated into the FY 16-17' budget will alleviate pay compression as they recognize and compensate for the enhanced skill level and experience that comes as a result of time served in the organization. The salary adjustments are in line with regional expectations, and can be implemented without an ad-valorem tax increase as requested by the Board of Commissioners. **Figure 6** on the following page illustrates the impact of the Pay Study on the General Fund by Function. **Appendix A** of the FY 16-17' Budget Message is a complete report from the pay plan committee that explains in detail all proposed changes.

Fig 6.



Functions in red do not increase

In the FY 15-16' Revised Budget, expenditures totaled \$47,701,739. Of these total expenditures employee salaries and benefits (excluding health insurance) accounted for \$17,889,112 or 37.5%. The Recommended FY 16-17' Budget, which includes the pay plan recommendation, projects expenditures to be \$47,694,248 in the coming fiscal year. Salaries and benefits (excluding health insurance) will account for \$18,696,397 or 39.2% of expenditures. I feel this percentage to be acceptable and in line with public sector/service driven organizations across the State and Country.

Public Safety

The FY 16-17' budget continues to place high priority on the health and safety of our citizens. In the coming year, public safety represents \$12,540,246 or 26.2% of the general fund operating budget. This level of expenditures represents an 8% or \$949,926 increase over the FY 15-16' original budget.

Emergency Management

Emergency Communications System Upgrade

Macon County Emergency Management will be initiating an upgrade to the emergency communications system which in some cases has not been upgraded for the last 30 years. The aging system has created numerous communication problems for end users including limited coverage area and extensive end user interaction. These deficiencies with the current system have also been identified in the January 2014 Radio System Assessment conducted by Mission Critical Partners.

The first phase of the project consists of an upgrade to the transmission and reception equipment on five remote communication sites (Cowee Bald, Wine Springs Bald, Satulah Mountain, Scaly Mountain, and Dills Knob) along with equipment at the primary and back-up 9-1-1 centers (PSAP-Public Safety Answering Points). This upgrade will allow for connectivity through a microwave system as opposed to our current analog system. As a result of microwave connectivity, communications equipment (radios) can roam between tower sites automatically accessing the best transmission tower from the current location with no manual action required by the end user. The project also includes subscriber units (radio's) for the eleven local fire departments to ensure that each department has an initial supply of communications equipment that will work effectively with the new system. In the future, Macon County hopes to partner with the local departments in pursuit of a FEMA Firefighters Assistance Grant which would result in a larger acquisition of compatibility equipment.

The second phase of the project will integrate the Sheriff's Department radio frequencies into the system. This phase will also explore the possibility of a "simulcast option" such that all five remote locations will transmit messages to the subscriber units simultaneously. The messages will be adjusted for output power strength to ensure that the end user receives a clear message regardless of their location in the county.

The emergency communications upgrade will rely on Macon County's existing tower infrastructure to eliminate many of the communication problems currently being experienced by end users. Addressing the communication problems through upgrades will be just as effective as and much more cost efficient than adding new communications tower sites throughout the county. EM Staff strongly recommends testing these upgrades following implementation, prior to locating a new communications tower site.

The emergency communications upgrade project is expected to span across two budget years at a total cost of approximately \$800,000. \$400,000 has been included in the FY 16-17' budget to go towards the purchase of tower upgrade equipment and installation (\$300,000) and subscriber units (\$100,000). The remaining project cost of \$400,000 will be included in the FY 17-18' budget and will also be used for the

purchase and installation of tower upgrade equipment (\$300,000) and subscriber units (\$100,000). It is important to note that substantial cost savings could be realized if the FEMA Firefighters Assistance is Grant is received.

EMS

Demand continues to increase for Macon County Emergency Medical Services. From 2014-2015 call volume has increased by 9.7% (5,771-6,335). Macon County has continued to meet this demand through adequate staffing and reliable equipment. Currently five ambulances are in operation 24/7 in Macon County (3 in Franklin, 1 in Highlands, 1 in Nantahala) In addition, programs such as the Community Paramedic Program, which was implemented in January of 2015, serves as an in-home healthcare resource for high risk patients, thereby reducing the number of unnecessary EMS transports. The FY 16-17' Budget through staffing adjustments, and equipment replacement, will ensure that Macon County EMS remains in position to continue addressing this ever growing demand.

Shift Supervisors

Currently, Macon County EMS has 36 full time employees. This is down from 39 on July 1, 2015 leaving 3 vacant positions. In FY 16-17' these positions will be filled enabling three paramedics currently acting as shift supervisors to come off the ambulance during their respective shifts. During each shift a supervisor will be assigned to a QRV (Quick Response Vehicle). The shift supervisors will continue serving as a management contact during each of their shifts for the five ambulance crews on duty. Bringing them off the truck however, gives them the flexibility to assist the five crews on each shift on an as-needed basis, thereby increasing the efficiency and effectiveness of the service:

- On days with high call volume, shift supervisor and full-time training officer can staff a fourth ambulance in the Franklin area, creating 6 ambulances in circulation rather than 5.
- Shift supervisors can serve as third medic on truck for critical care inter facility transports.
- Shift supervisors and full-time training officer can assist with out of county transports. This gives EMS the capability of performing two out of county transports simultaneously. Current EMS Standard Operating Procedures require a minimum of 2 ambulances in Franklin, 1 ambulance in Highlands and 1 ambulance in Nantahala at all times. Thus, it is currently impossible to have multiple out of county transports simultaneously.
- Shift supervisors can assist with Community Paramedic Program.

EMS plans to fill the 3 vacant positions by October of 2016. Utilizing the shift supervisor positions as aforementioned creates an additional full time ambulance crew on each shift as needed, without increasing the number of staff. Shift supervisors will receive a slight increase in compensation for assuming management responsibilities.

Aside from shift supervisors EMS will be taking additional steps to increase service effectiveness by assigning field training responsibilities to 3 paramedics (1 on each shift). In addition to their paramedic duties these individuals will train new staff and students as they proceed through the EMS system. Furthermore, upon the absence of a shift supervisor these individuals will take on that role, becoming

the management contact for their respective shift. This will be accomplished through a slight increase in the number of hours worked in these positions.

Ambulance Remount

\$90,000 will go towards the remount of an existing ambulance patient compartment onto a new 4x4 chassis. The remounted compartment will undergo a complete renovation prior to being remounted. The remount option is extremely cost effective as the price for a new ambulance ranges from \$130,000 to \$150,000.

The current EMS fleet contains 10 ambulances. This enables each ambulance on the five ambulance shifts to have a back-up. These ambulances cycle from on-shift to back-up on a rotating basis. The current ambulance fleet has an average mileage of 103,090 per truck. Placing the remounted truck in circulation will reduce the fleet's average mileage to 87,944 per truck as the highest mileage truck will become surplus.

The topography in Macon County combined with the high intensity use of these vehicles leads to much wear and tear. In addition, inter facility transports from Macon County to out-of-county hospitals has increased by 22% from 2014-2015. The vast majority of these transports are from Macon County (Angel Medical Center/Highlands Cashiers Hospital) to the Mission Memorial and Mission St. Joseph's Campuses. A lower mileage fleet resulting from the addition of the remounted ambulance will result in a more effective and dependable EMS service in FY 16-17'.

Rate Increase Update

EMS billing rates were adjusted for the first time in over 10 years in FY 15-16' following a steady increase in Medicare allowable charges such as base transport and mileage rates. Rates were adjusted as opposed to an increase in funding from the General Fund to help balance the financial responsibility of service provision between the taxpayers and the EMS customers. The rate increases as shown in figure 7 will result in a projected revenue increase for FY 16-17' of approximately \$150,000 or 13.6% above the FY 15-16' original budget amount. Rates will remain the same in FY 16-17'.

Fig 7.

Description	HCPC	Current Rate	Proposed New Rates
MILEAGE RATE	A0425	\$ 8.21	\$ 11.00
BLS NON EMERGENCY BASE RATE	A0428	\$ 400.00	\$ 400.00
ALS 1 NON EMERGENCY BASE RATE	A0426	\$ 400.00	\$ 475.00
BLS EMERGENCY BASE RATE	A0429	\$ 400.00	\$ 450.00
ALS 1 EMERGENCY BASE RATE	A0427	\$ 400.00	\$ 500.00
ALS 2 EMERGENCY BASE RATE	A0433	\$ 400.00	\$ 550.00
SPECIALTY CARE TPORT BASE RATE	A0434	\$ 400.00	\$ 600.00

Sheriff's Department

Vehicles

Two new fully equipped patrol cars have been included in the FY 16-17' budget (one sedan and one SUV equipped for K-9). In addition, \$24,000 has been placed in the Garage budget for the purpose of completely replacing the drive-trains in (2) 2009 Crown Victoria's, which were previously used as Macon County Patrol Cars. This decision comes following the successful refurbishment of a single Crown Victoria in FY 15-16' by the County Garage. If this project continues to prove successful, there are 9 cars in the fleet (2009 & 2010 Crown Victoria's) that would qualify for replacement in the coming years. Assuming a price of \$36,000 for a new fully equipped patrol vehicle, this replacement program, if successful at \$12,000 per car, could save approximately \$216,000 in vehicle expense.

The replacement program combined with new car purchases will continue to help reduce overall mileage in the Sheriff's Department 63 vehicle fleet. Reducing overall mileage will lead to a more effective fleet while also reducing overall maintenance costs which are projected to increase by 18% at FY 15-16' year end. In addition, it is recommended that those lower mileage and new vehicles in the fleet be assigned to the patrol unit which currently averages 18,454 miles per vehicle per year. Higher mileage vehicles in the patrol unit could then be distributed to units such as Investigations, Civil Process, and School Resource Officers, that by nature place less demand on the vehicles. Rotating these vehicles will allow the Sheriff's Department to maximize the capabilities of the existing fleet, 31% of which exceed 100,000 miles (this percentage will be reduced with the addition of FY 16-17' vehicles).

Standard Operating Procedures Manual

The Sheriff's Department will contract with outside legal counsel in the coming year to establish an up to date Standard Operating Procedures Manual for the Macon County Sheriff's Department and Detention Center. This was a top priority for the Sheriff's Department in FY 16-17' as it will reduce potential liability for both the Sheriff's Department and Detention Center.

Civil Process/Investigations

In FY 16-17' an administrative assistant position will be hired in the Sheriff's Department Civil Process Unit allowing a deputy position to be moved from this unit to Criminal Investigations. The administrative assistant will serve as a resource for citizens coming into the Macon County Courthouse during business hours. In addition, the administrative assistant will handle all clerical duties associated with civil process such as processing subpoena's, seizures, etc. Currently a deputy is filling this role which has resulted in the front desk often being unattended, as the deputy is also required to serve subpoena's, juror summonses, and other civil process related documents, in addition to required attendance at court sessions.

There are currently 5 deputies assigned to the Civil Process Unit. Upon hiring the administrative assistant however, one deputy position will be re-assigned to Criminal Investigations, leaving 4 deputies and 1 administrative assistant in civil process. Although the number of deputies will be reduced, the remaining deputies will become more efficient as they are no longer spending time on clerical duties.

The Criminal Investigations Unit will increase by 1 criminal investigator which will place 3 criminal investigators in the Investigations Unit. By adding an additional investigator to this unit more focus can be placed on investigating crimes such as drug crimes, identity theft, fraud and breaking and entering, all of which are growing problems in Macon County.

Detention Center

Both the male and female inmate populations have increased in the Macon County Detention Center. From 2014-2015, each of these populations have grown by 6%. Furthermore, requirements stemming from the North Carolina Reinvestment Act, mandating all individuals convicted of a misdemeanor to be housed at the local level has led to an increase in the average length of stay, sometimes being as long as 18 months. As a result of the aforementioned, costs associated with inmate necessities such as food have increased dramatically.

Food costs

From FY 14'-FY 15' food costs in the Macon County Detention Center have increased by 1.2% to \$291,099. These costs are projected to continue increasing through the end of FY 15-16'. Current estimates show the total costs associated with food rising to \$353,081 by fiscal year end. This is an approximate 21% increase over FY 15'. The Macon County Sheriff's Department continues to discuss meal pricing with the current provider in addition to exploring alternative options. At this time however, these discussions continue to be a work in progress. For budgetary purposes in FY 16-17' the food line item will be increased by \$80,000 to \$360,000 in anticipation of inmate population and length of stay remaining consistent with FY 15-16' levels. We remain hopeful that current discussions and the exploration of alternative options will eventually lead to a reduced price per meal.

Medical Treatment

Like food, medical treatment is an inmate necessity as well. In FY 13' the cost for medical services in the Macon County Detention Center reached an all-time high of \$291,753. In August of 2014 Macon County began contracting with Correctional Risk Services or "CRS". This company reviews each medical bill coming into the Macon County Detention Center, challenging those that are erroneous, duplicated, etc. CRS also negotiates with medical facilities requesting payment from Macon County which often times leads to a reduction in price.

Since August of 2014, Macon County has recovered \$156,216 in savings resulting from the actions of CRS. At current fiscal year end, medical costs are projected to be \$138,516. Thus, the medical treatment line item will be reduced by \$25,000 to \$175,000 in FY 16-17'.

Roof Repair

Due to a leak in the detention center roof, a request has been made for roof repair in FY 16-17'. The leak continues to worsen which has led to damage inside the Detention Center. Following conversations with the Sheriff, Detention Center Staff, Maintenance Staff and multiple vendors, \$70,000 is felt to be a reliable budget number for a complete resurfacing of the Detention Center roof. This project will be bid out and awarded to the lowest responsible bidder in the coming fiscal year.

Planning Permitting and Development

The Planner position became vacant in FY 15-16'. The primary duties and responsibilities of this position will be absorbed by the Director of Planning Permitting and Development in FY 16-17'. The salary of the Planner position will then be used to hire an additional building inspector. Currently 1 of 3 building inspectors has announced retirement in May of 2017. The new building inspector position will create 4 building inspector positions in this department, all of whom will continue working directly under the Chief Building Inspector. Assuming the new inspector has no prior inspections experience, it will take almost two years to receive a basic level of certification.

A FY 14-15' analysis of this department revealed it to be extremely efficient, issuing 21% more permits than the regional average. During the same time period, each Macon County Inspector conducted approximately 14.6% more inspections than those in the peer group comparison. This level of efficiency could not be achieved without the experienced and well trained building inspections staff. With multiple retirements expected to occur over the next 2-3 years, the new building inspections position will ensure that this department remains efficient through the expected turnover. Upon filling the expected building inspector vacancies during the next 2-3 years, this building inspector position could again become a planner position, with minimal impact to the departmental budget.

General Government

The general government function of the operating budget is representative of service provision departments as well as internal service departments. Service provision departments are those departments such as Register of Deeds, Board of Elections and Tax/Mapping, whose primary role is to provide services to the citizens of Macon County. Internal service departments such as Information Technology, Garage and Maintenance play a support role to the both the service provision departments in the general government function as well as those departments in Public Safety, Health and Human services, Transportation and Culture/Recreation , which enables each of them to provide top quality services to our citizens.

In FY 16-17', the General Government function accounts for \$6,852,931 or 14.37% of the operating budget. Expenditures in this function have increased by \$27,011 .4% or over prior fiscal year. The proposed budget includes funding that will increase the service level of all general government departments.

In the coming year, departments within the general government function will continue to provide the citizens of Macon County with the highest quality in public service. Internal service departments will continue to make improvements to technology, infrastructure and equipment. These improvements internally, combined with enhancements in the service provision departments will ensure Macon County continues to meet the growing needs of our citizenry. Highlights of the FY 16-17' General Government Expenditures will be discussed in this section.

Internal Service Departments

Human Resources

On March 8, 2016 during the regularly scheduled meeting of the Macon County Board of Commissioners the topic of a County Public Information Officer was brought up for discussion. It was noted that this person could serve a dual role, providing information on items ranging from weather to board meetings. The consensus of the board was to have the County Manager consider the new position as part of the budget process; however no formal vote was taken.

Following discussions with Human Resources, it was determined that while there was a need for a Public Information Officer, the need for an additional staff member in Human Resources was far greater. Thus, a position will be created in the Human Resources department to help address current needs including processing employees into the county database in a timely fashion, developing an employee newsletter by which all county employees can remain informed, and assist county administration as needed when public information needs arise.

Garage

The Garage currently performs all maintenance both routine and substantial on the entire county vehicle fleet which has grown to approximately 275 in FY 15-16'. With only 5 employees this department is highly efficient (55 vehicles per employee). In addition to maintaining vehicles; the garage performs maintenance on smaller equipment such as lawnmowers and weed-eaters, as well as larger equipment such as tractors and bulldozers. In FY 15-16' the entire fleet including small and large equipment is approximately 325.

In FY 16-17' \$20,000 has been placed in the Garage budget to construct an awning/addition onto the shop. The 50' x 35' structure will increase workspace by 50%, giving mechanics the capacity to work on larger equipment such as bulldozers and trailers while being protected from the elements. This will increase the productivity of this department greatly as weather will no longer play a factor in turn-around time for larger equipment repairs. Furthermore, it will enable the entire fully enclosed work area to vehicle and small equipment repairs.

\$24,000 will be placed in the Garage budget for the purpose of completely replacing the drive-trains in (2) 2009 Crown Victoria's, which were previously used as Macon County Patrol Cars. This decision comes following the successful refurbishment of a single Crown Victoria in FY 15-16' by the County Garage

Building and Grounds

\$260,000 will be budgeted for electricity in Building and Grounds for FY 16-17'. The electricity bill for the majority of county buildings is paid from this line item. As new buildings have been added and rate changes have occurred, this line item has continued to increase. In FY 15-16' \$225,000 was originally budgeted for electricity. Actual expenditures at year end however, are projected to be \$259,000.

The Health and Human Services Building is heated by a boiler unit. This unit is now approaching 17 years of age as it was originally installed during construction of the building in 2000. Industry standards recommend replacing these units every 10 years. Each year maintenance needs on the boiler unit increase as it continues to function beyond its recommended lifespan. In FY 16-17' funds have been budgeted for the installation of a new boiler unit at the Health and Human Services Building.

Building and Grounds will also replace a mower in the coming fiscal year. The additional mower will increase the fleet size to 6, helping to meet the growing demand placed on this department through the construction of new facilities such as Parker Meadows. Currently, 2 of the 5 mowers being used in Building and Grounds are over 20 years old.

FY 16-17' amount budgeted for Boiler Unit and Mower- \$34,000

Information Technology

In FY 16-17' the Information Technology budget will decrease by \$225,736 from FY 15-16' due to capital items such as the data storage system installation and security and access control system upgrades being completed in FY 15-16'.

Telephony

The FY 15-16' Budget proposed a complete replacement of the current phone system which is nearly twenty years old with a VOIP (Voice over IP) hosted solution. \$72,000 was placed in the IT department's budget to accomplish this replacement in FY 15-16'. The phone system replacement project was delayed in FY 15-16' primarily due to the heavy involvement of IT Staff in projects including SAN (data storage system) deployment and security and access control system upgrades. In addition IT Staff spent much of the fiscal year upgrading our existing network infrastructure to make it capable of supporting the demands which will be placed upon it by the new phone solution. Lastly, the RFP process for the phone system was extremely technical and labor intensive, as it required IT to produce a complete inventory of our current phone system. This included everything from handsets, to handset functionalities, to phone lines at each Macon County site. The RFP process also required numerous meetings between the finance department and IT as well as an extensive legal review process.

The RFP was posted on March 30, 2016. Eight vendors responded to the RFP and as of May 3, 2016 the RFP review committee has analyzed and ranked each of the proposals. The most favorable proposal is a five year lease agreement at an annual cost of approximately \$82,000 per year (including year one during which all new equipment will be installed). In this proposal the vendor has indicated that if the contract is awarded prior to May 31, 2016 complete system installation will be accomplished by August of 2016. No amount has been budgeted for the installation of this system in FY 16-17' as the projected savings from this new system will be more than sufficient to cover costs. In reviewing current billing statements, the county is paying approximately \$224,000 annually in phone system operating costs, which includes local bills, long distance bills and service charges. The \$82,000 per year lease which will begin in FY 16-17' includes the installation of all new equipment as well as all user fees (local and long distance) and maintenance charges. Thus, no additional funds will be required in year 1 and moving forward, this system replacement could save the county as much as \$142,000 annually in phone related costs.

Data Storage System

Phase I of SAN installation was completed in FY 15-16' at a cost of \$71,915. This included the installation of the base storage devices at the Primary and Disaster Recovery Sites. Moving forward in FY 16-17' Phase II will place an additional storage shelf at each of the locations. The base SAN Data Storage System was scaled to meet the immediate need, with the intent of scaling the solution as the need grows. The addition of the aforementioned storage shelves will prove adequate to meet this growing need. \$42,000 has been budgeted for the purchase of the expansion shelves in FY 16-17'.

Economic/Physical Development

Cooperative Extension

North Carolina Cooperative Extension in Macon County requested an increase in the salary line item. This request reflects funding for a Family and Consumer Science Agent position, currently vacant, that will be filled in the 16-17 budget year. This is a position will be shared with Haywood County, with the agent spending 20 hours per week in each county. The salary of this position is split at 33% for each county and 34% provided by the state.

Program areas of focus for this position include:

- Safe Plates food safety training formerly known as Serve Safe. This is food safety training required by local health departments for commercial and institutional food servers. Cooperative Extension has traditionally been the provider of this program in cooperation with the Macon County Health Department.
- Chronic disease management. These are classes designed to educate those with chronic health issues such as diabetes, high blood pressure, obesity and heart disease on the benefits of healthy eating, exercise and weight loss.
- The movement towards local food includes a return to home food preservation through canning, freezing and dehydration. Information on this topic is requested regularly. Classes are held during the growing season.
- Extension has cooperated with local Rural Development office on providing required educational classes for 1st time home buyers designed to prepare them for the responsibilities of home ownership.
- Radon education
- The former FCS agent assisted in the start of a commercial kitchen at the Cowee School Community Center. In filling this position Cooperative Extension can resume these efforts.

Macon County Soil and Water

From FY 13'- FY 16' Macon County Soil and Water has received \$1,898,480 in federal and state grants. These funds have been used for stream bank restoration projects, equipment purchases (lime spreader, no till seeder, weed wiper, cattle work chute) which are loaned out to local farmers for a small fee, and implementation of a cost sharing program which addresses water quality concerns on local farms.

In FY 16-17'a full time administrative assistant will be added to Macon County Soil and Water. The current part time administrative assistant position will be eliminated allowing the full time position to be added with minimal budget impact. The full time administrative assistant will be responsible for all grant reporting, educational programs, and will serve as a resource for citizens contacting or visiting the Soil and Water Office. Macon County Soil and Water had a full time administrative assistant position in place from 1987-2009. Following the economic downturn in 2009, budgetary constraints led to this position being eliminated. As workload has continued to increase in proportion with the number of grants received, a full time position is again needed.

Transportation

Macon County Transit will purchase 6 new vehicles in FY 16-17' (1 mini-van, 2 Light Transit Vehicles, and 3 lift equipped high top vans). These vehicles will replace fleet vehicles that have met their useful service life, each of which has approximately 150,000 miles. All of the new vehicles with the exception of the mini-van will be equipped with the new propane fuel option.

The cost of the six vehicle replacement including the propane fuel upgrade is estimated to be \$373,975. These vehicles will be paid for primarily (80%) using Federal Transit Administration or FTA funds, combined with (10%) state funding. The remaining 10% or \$37,398 will be paid for using county funds.

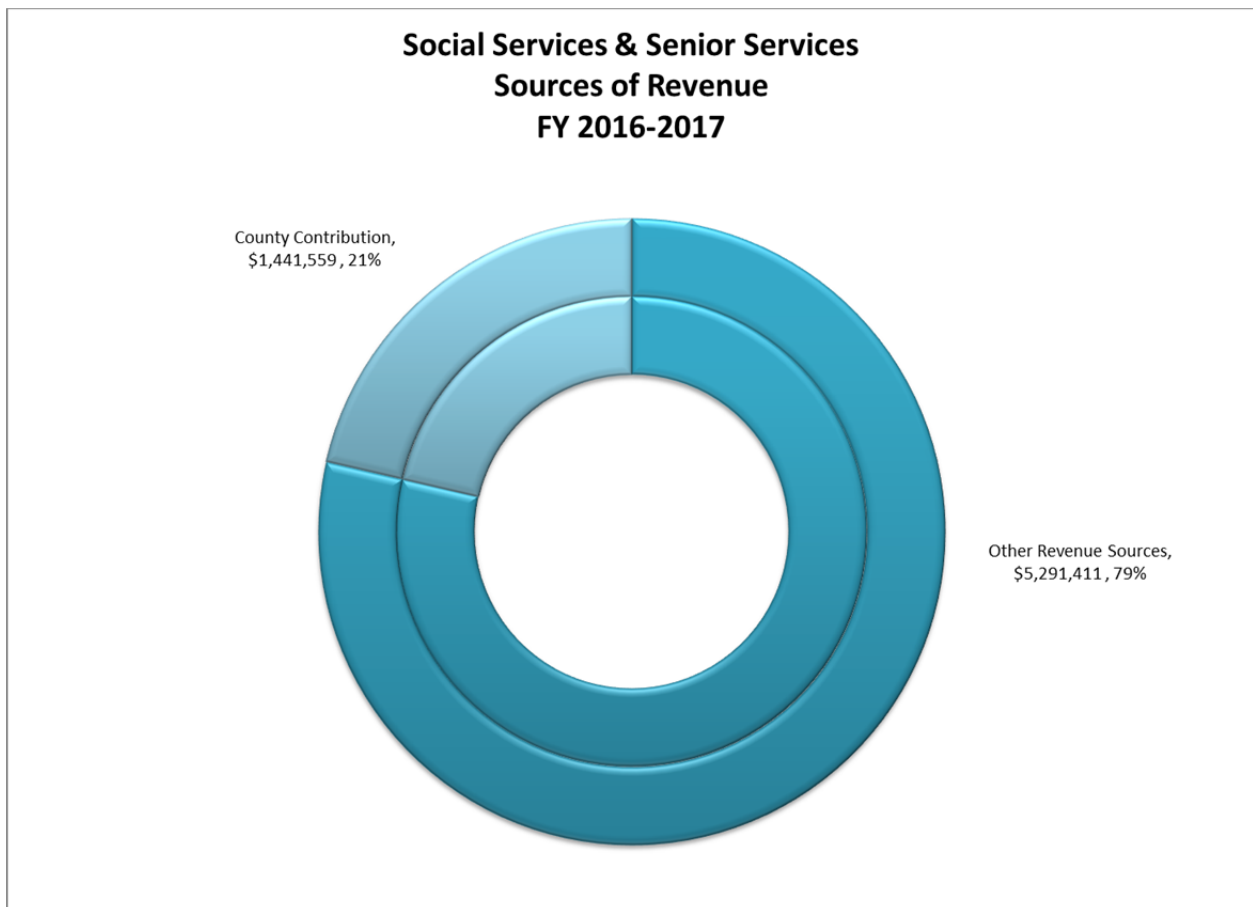
Upon adding these 6 new vehicles in FY 16-17', 10 of the 16 vehicles in the transit fleet will be new. As demand for this service continues to increase, these new vehicles will result in a more effective service, while also reducing fleet maintenance costs. All of the new vehicles are expected to be in operation by June 30, 2017.

Health and Human Services

Department of Social Services

In FY 16-17', the County Contribution to the Department of Social Services will increase by \$46,082 or 3.3%. This increase includes two additional part-time staff in Senior Services who will primarily assist with the delivery of home meals. Demand for this service continues to increase as our population ages. In FY 14-15' Senior Services provided 26,227 to Macon County Seniors. These meals include both congregate meals (10,895) which are served at the Senior Services Center as well as home delivered (15,332). In FY 15-16' it is estimated that total meals served will increase by 52% to 40,000. While over 15,000 volunteer hours were donated in FY 14-15' to assist in providing this service, the continued increase in demand will result in additional resources needed for service provision.

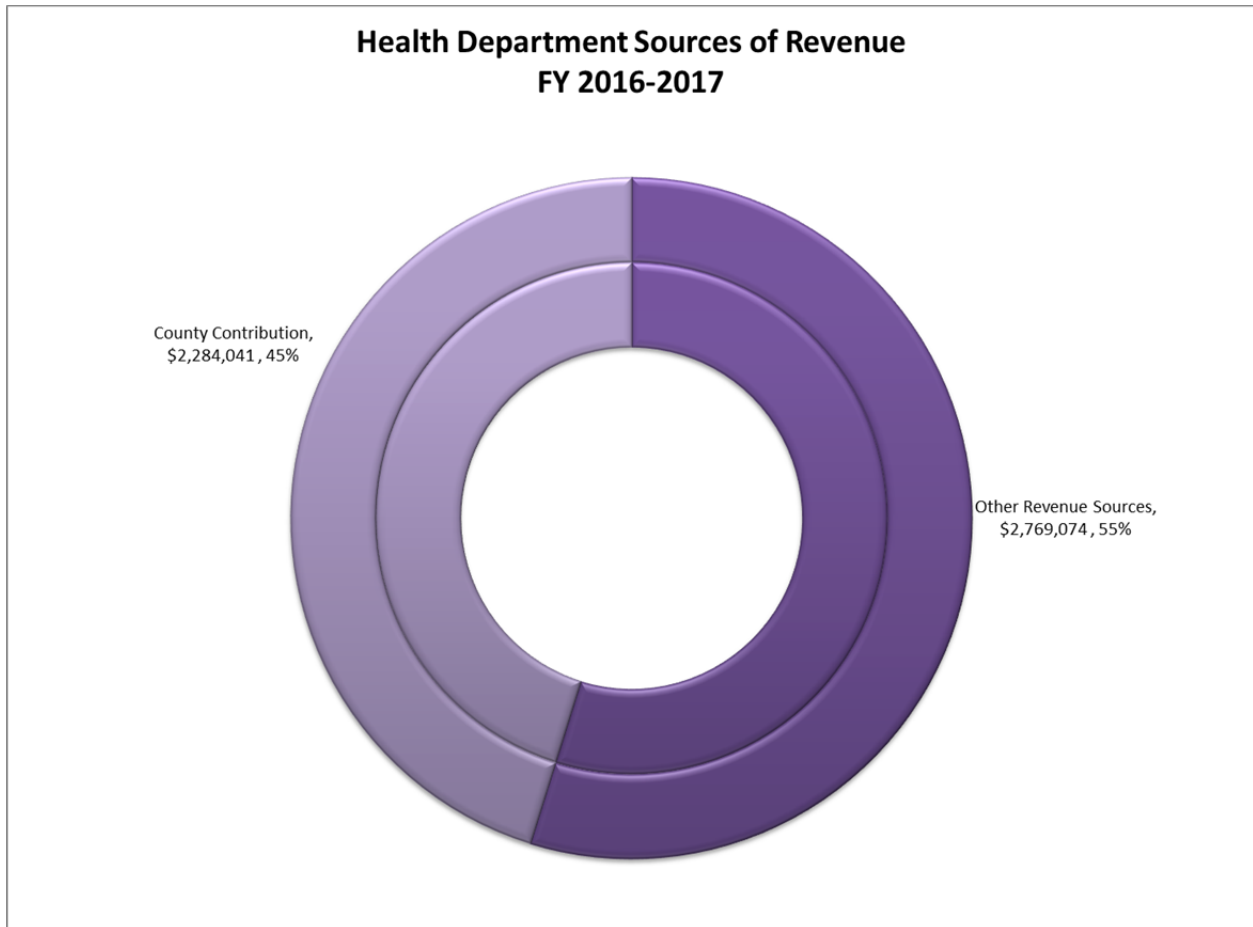
Fig.8



Health Department

In FY 16-17', the County Contribution to the Health Department will decrease by \$93,126 or 3.9% from FY 15-16'. \$26,615 has been budgeted for the replacement of dental equipment in FY 16-17'. This includes \$20,800 in Adult Dental for the replacement of two (2) Schick Sensors. Equipment replacement will lead to improved productivity and enhance the overall quality of service in Macon County.

Fig. 9



Health Insurance Reserve Fund

Changes made to the County's Health Insurance Plan which took effect in FY 15-16' will result in a projected \$128,275 increase to the Health Insurance Reserve Fund at fiscal year-end. FY 15-16' was the first time since 2009, insurance reserves were not used to cover expenditures. As previously discussed, the reserve fund had reached an all-time low in 2015 of \$336,565 (94% decline from the 2009 reserve fund balance of \$5,922,106). With the projected increase in FY 15-16' the balance in the reserve fund at fiscal year-end will be approximately \$464,840. While the changes made have resulted in a positive impact, health insurance pricing continues to fluctuate, and as always claim levels and amounts remain uncertain. The reserve fund in this account acts as a "safety net" if you will, for those years when claims come in higher than budgeted revenues. From 2009-2014 an average of \$818,223 was needed annually from the reserve fund to cover deficits. In an effort to continue building the reserve fund in this account an additional \$100,000 will be added in FY 16-17' bringing the reserve fund balance to an estimated \$564,840 (a 67% increase following implementation of changes).

Culture/Recreation

Many aging county facilities are in need of repairs and renovations. The Robert C. Carpenter Building which was constructed in 1977 serves as a primary venue for county and community events. The building continues to deteriorate substantially. Renovations including new windows, floor coverings and meeting room upgrades will lead to a more energy efficient and aesthetically pleasing building which will benefit both Macon County Citizens and Macon County Employees. The cost of these renovations is projected at approximately \$79,978.

The playground at Wesley's Park is heavily utilized by local families. Currently the playground is in a dilapidated state. Much of the equipment is broken and the rubberized ground covering has deteriorated substantially. Wesley's Park in its current state places an extreme liability on Macon County.

\$150,000 has been placed in the FY 16-17' operating budget for repairs and renovations to Wesley's Park and the Robert C. Carpenter Building.

An additional \$50,000 will be placed in the Town of Highlands Recreation Budget bringing it to \$550,000 for FY 16-17'. These funds will go towards helping offset the rise in operating costs due to new improvements such as the expansion of Kelsey Hutchinson Founders Park and the purchase of additional properties such as Zachary Park.

Fig. 10

Summary of General Fund Capital Items

<u>Department</u>	<u>Acct.</u>	<u>Amount</u>	<u>Description</u>
Garage	114250-569502	\$ 20,000	Awning Construction
Information Technology	114210-569502	\$ 42,000	Two (2) SAN Expansion Shelves
Maintenance	114260-569502	\$ 34,000	Mower & boiler
Sheriff	114310-569601	\$ 60,685	One (1) SUV & One (1) Sedan
Detention	114321-556003	\$ 70,000	Recoat roof liner
EMS	114370-569601	\$ 90,000	Ambulance remount
Emergency Management	119000-980055	\$ 400,000	Tower project
Transit - Operating	114935-569601	\$ 373,975	Six (6) Transit Lift Vans (90% grant funded)
Health - Child Dental	115157-569502	\$ 5,815	Equipment
Health - Adult Dental	115158-569502	\$ 20,800	Two (2) Schick Sensors
Macon County Schools	118000-571002	\$ 500,000	Capital Outlay
Recreation	119000-980055	\$150,000	Wesley's Park/ Robert C. Carpenter
<u>Total General Fund Capital</u>		<u>\$ 1,767,275</u>	

Summary of General Fund New Positions

- 1 full time administrative assistant Macon County Soil and Water (part time position eliminated).
- 1 full time administrative assistant Civil Processing
- 1 full time HR specialist
- 1 full time building inspector Planning Permitting and Development (Planner position absorbed by PP&D Director)
- 1 part time Consumer Science Agent in Cooperative Extension
- 2 part time workers in DSS Senior Services

Enterprise Fund

Solid Waste

In FY 15-16' Macon County Solid Waste Department broke ground on Macon County's first new landfill Phase in almost 20 years. Planning and Development of the new landfill expansion began over three years ago, and included the purchase of two additional parcels that will expand the estimated life of the landfill from approximately 20- 60 years. The development and operation of the expanded landfill will provide Macon County with disposal capacity, controlled by the County, for generations. The construction of the first Cell in Phase III of the MSW Landfill is approximately 8 acres of a total footprint of 32 acres. This Cell has an original anticipated life of 10 years; with additional capacity realized as future Cells allow for fill to higher grades as lateral expansion occurs. Construction of the Cell is contracted for significant completion within 300 days, with final completion due within 330 days. The current Phase I & II are estimated to have remaining capacity beyond this time period.

After a prequalification process, Macon County contracted with Shamrock Environmental located in Brown Summit, NC, in the approximate amount of \$7,000,000.00. An additional \$2,800,000.00 in debt was borrowed in expenses related to this construction project. These include reimbursement to the Enterprise Fund for land acquisition and professional fees that were expended prior to securing of debt; relocation of a public water supply line for fire protection and offer of connection to eight properties with drinking water wells in close proximity to the landfill; and completion of construction of new Solid Waste Administration Offices in a residence acquired in the property purchase. The Enterprise Fund will fund this debt via the issuance of special obligation bonds with Entegra Bank at an interest rate of 2.14% for ten years. This will result in annual debt service payments in the amount of approximately \$1,095,129.00 per year.

In order to fund these debt service payments, an increase in the annual Availability Fee will be required. Each dollar of Availability Fee assessed represents approximately \$26,000.00 in revenue to the Enterprise Fund. Therefore, an increase to the Availability fee in the amount of \$41.00 per year per household would be required to fully fund the debt. However, the Solid Waste Department, through retirement of previous debt, and conservative budgeting is able to absorb about 50% of this amount in the existing budget. An increase of the Availability Fee to \$95.00 per year per resident/business is requested to cover the remaining debt service. This represents an increase of \$23.00 per year to improved residential properties, and \$17.00 per year to businesses. While any fee increase is unpopular, the proposed Fee would still be less than \$8.00 per month (\$95.00/12-months); keeping it as the lowest cost utility provided to Macon County residents and businesses. Further, this is only the third time an Availability Fee increase has been requested in the over twenty-year life of the Enterprise Fund. A comparison of Solid Waste Availability Fees is included below which demonstrates the recommended fee level to be in-line with the regional market.

Fig. 11

Solid Waste Availability Fees:

County	Availability Fee	Comments
Macon	<i>\$95.00</i>	
Haywood	\$164.00	Contracted Services/ACM at Old Landfill – No Operations
Madison	\$180.00	Transfer MSW
Jackson	\$84.00	Transfer all waste: Fee up to \$105.00 depending on size.
Buncombe	N/A	Revenue via Tipping Fee only.
Clay	\$100.00	Permit Fee: 100 lbs. /week limit.
Cherokee	<i>\$75.00</i>	
Transylvania	N/A	Pay as You Throw
Rutherford	\$120.00	
Graham	N/A	Ad valorem funded.
Swain	\$75.00	Business Fee: \$300.00; Restaurant Fee: \$400.00

Education

Macon County School System

Macon County's commitment to public education is longstanding. Since 2008, county funding for operational expenses in the Macon County School System has increased by 9.4% to \$7,338,330 in FY 15-16'. In addition to the increase in funding for operating expenses, Macon County has funded approximately \$50,000,000 in capital projects during the same time period (2008- FY 15-16').

Macon County will remain committed to public education in the coming fiscal year. The FY 16-17' recommended budget proposes \$6,995,431 to go towards the School System's operational expenses and an increase in capital outlay of \$200,000 or 67% over FY 15-16' to \$500,000.

While operating expenses have been reduced, this reduction comes in response to an increase in state funding levels for operational expenses, combined with the School System's efforts in reducing the number of locally paid teachers through attrition and transfers to state and federal funds. Both state funding levels and efforts by the school system have proven to be successful and sustainable as illustrated in the substantial multi-year fund balance growth.

The School System requested the county funding level for operating expenses to remain at \$7,338,330 (FY 15-16' level). At this funding level, the School System proposes to accomplish the following:

- \$111,600 will go towards a 3% projected increase in salary and benefits for locally paid employees.
- \$80,000 in bonuses for locally paid employees
- 8.5 new locally paid positions will be created
- \$13,500 will be given in athletic supplements

Although a reduction in operating expenses to \$6,995,431 has been recommended, this funding level remains sufficient to accomplish the proposed FY 16-17' objectives.

Salary Increases and bonuses for locally paid employees

In the FY 15-16' Budget, the school system requested a \$527,343 increase over FY 14-15'. \$200,905 of this increase was to go towards the salary and benefit increases of locally paid teachers. \$90,000 of this amount was specifically to increase the \$500 state mandated pay increase for classified employees (custodians, teacher assistants, clerical and bus drivers) to \$1,000, which would have equaled the \$1,000 given to state employees in FY 14-15'. In the FY 15-16' Budget Message, the school system's annual 2% supplement of \$430,621 was recommended as a local revenue source to fill this void without increasing local contribution levels.

While an increase in local operating funds was not requested in FY 16-17' to accommodate the \$191,600 increase in salary/benefit and bonus pay to locally paid employees, I would strongly suggest that these increases, if given, come directly from the \$430,621 in revenue produced from the 2% supplement

currently being provided to the School System by Macon County in addition to operational expense funding. This current supplement is given to both locally paid and state employees who have been receiving consistent increases and bonuses from state funds. As the state continues giving bonuses and increases to state employees, the supplemental funds should become focused more directly towards meeting the needs of locally funded employees. Macon County currently provides a 1% supplement to County Employees.

8.5 locally paid positions and Athletic Supplements

In FY 15-16 \$363,122 of the requested \$527,343 increase to the operating budget was due to anticipated cuts from the State Legislature primarily in teacher assistant and drivers education funding. Those anticipated cuts however, did not come to fruition as the School System received \$336,741 in November of 2015 for teacher assistant and driver education funding. Although this funding was received, the School System did not place it towards funding either of these programs, instead it was placed into fund balance. In FY 15-16' the Driver Education Program continued to be offered and teacher assistants remained in place for the entire fiscal year *without* using the appropriated state funds. \$369,594 was also available in FY 15-16' to offset this projected deficit if needed, as this amount was added to fund balance in FY 14-15' through attrition and the transfer of local employees to State and Federal Funding Sources. This amount however, remained in the fund balance during FY 15-16' as it was not needed to off-set the expected operating shortfall.

In 2014, the School System's audited fund balance was \$379,770 at year end. The State funding for teacher assistants and the Driver Education program totaling \$336,741 along with \$148,613 in E-Rate refunds and \$197,299 in Medicaid reimbursement contributed to a fund balance increase of 1,054,562 for FY 14-15'. The 2015 audited fund balance for the School System was \$1,434,332. This is an increase of 277%. According to the School System, fund balance will continue to increase in 2016 to a projected \$2.0M-2.4M in large part due to continued attrition and the transfer of locally paid employees to state and federal funds.

In FY 16-17' state funding for teacher assistants and the Drivers Education Program, should be used to fund the same. In doing this, monies used in FY 15-16' to fund this program and these positions (\$336,741) will become unencumbered. These funds, in combination with the previous recurring savings realized through attrition and transfers (\$369,594) could be used to fund the 8.5 requested positions as well as the \$13,500 in requested athletic supplements. In assuming a \$45,000 average cost per position, \$382,500 would be needed to fund the requested positions. Under this assumption, the total cost for the new positions and the athletic supplement would equal \$396,000. Thus, the \$706,335 in recurring revenue as previously discussed should prove more than sufficient to cover these expenditures. Furthermore, fund balance is expected to again increase between \$565,668- \$965,668 in 2016, primarily due to attrition and the transfer of locally paid employees to state and federal funds which will become recurring revenue.

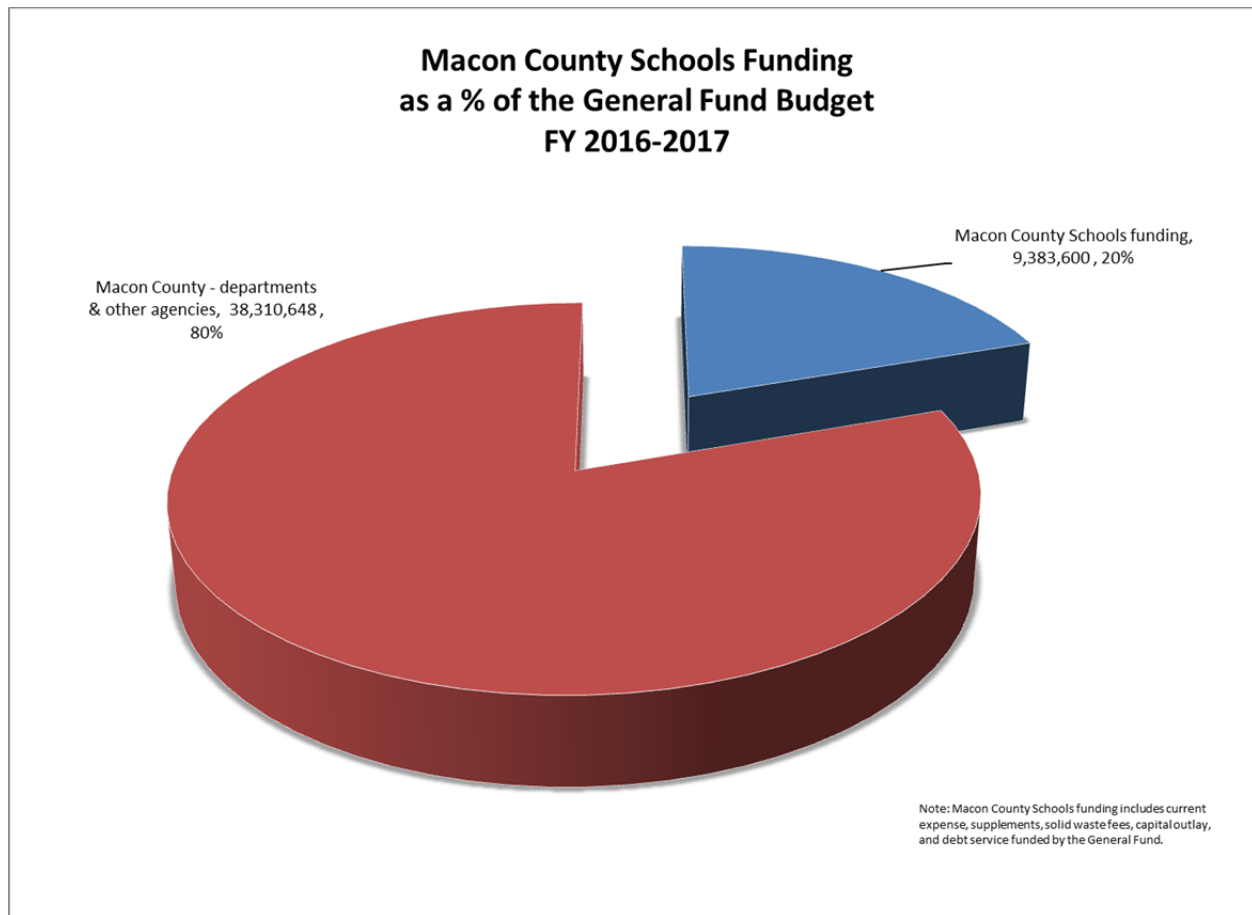
As the School System has been able to accomplish and sustain cuts through attrition and the transfer of locally paid employees to state and federal funding sources, combined with a continued increase in state

operational funding, the School System's fund balance has increased substantially. At the same time however, it has been recognized by both the Board of County Commissioners and the Macon County School Board that capital needs within the school system continue to increase. I feel strongly that FY 16-17' is an opportune time to reduce operational funding as the state continues to meet this need, while simultaneously increasing \$ in capital outlay as is required of Macon County by North Carolina General Statutes. Thus, I recommend reducing the School System's operating revenue by \$342,899 and increasing solid waste fees by \$6,158 (current budgeted amount in this line item of \$73,842 is no longer covering expenses) which is a net decrease of \$336,741. I am then recommending \$200,000 in additional funding be added to the FY 15-16' Capital Outlay appropriation of \$300,000 which will increase this line item to \$500,000 in FY 16-17'.

Fig. 12

	FY 15-16'	FY 16-17' Recommended
Operating Expenses	\$7,338,330	\$6,995,431
S/W Fees	\$73,842	\$80,000
Capital Outlay	\$300,000	\$500,000
Timber	\$150,000	\$150,000
Supplement	\$430,621	\$430,621
Total	\$8,292,793	\$8,156,052

Fig. 13



Southwestern Community College

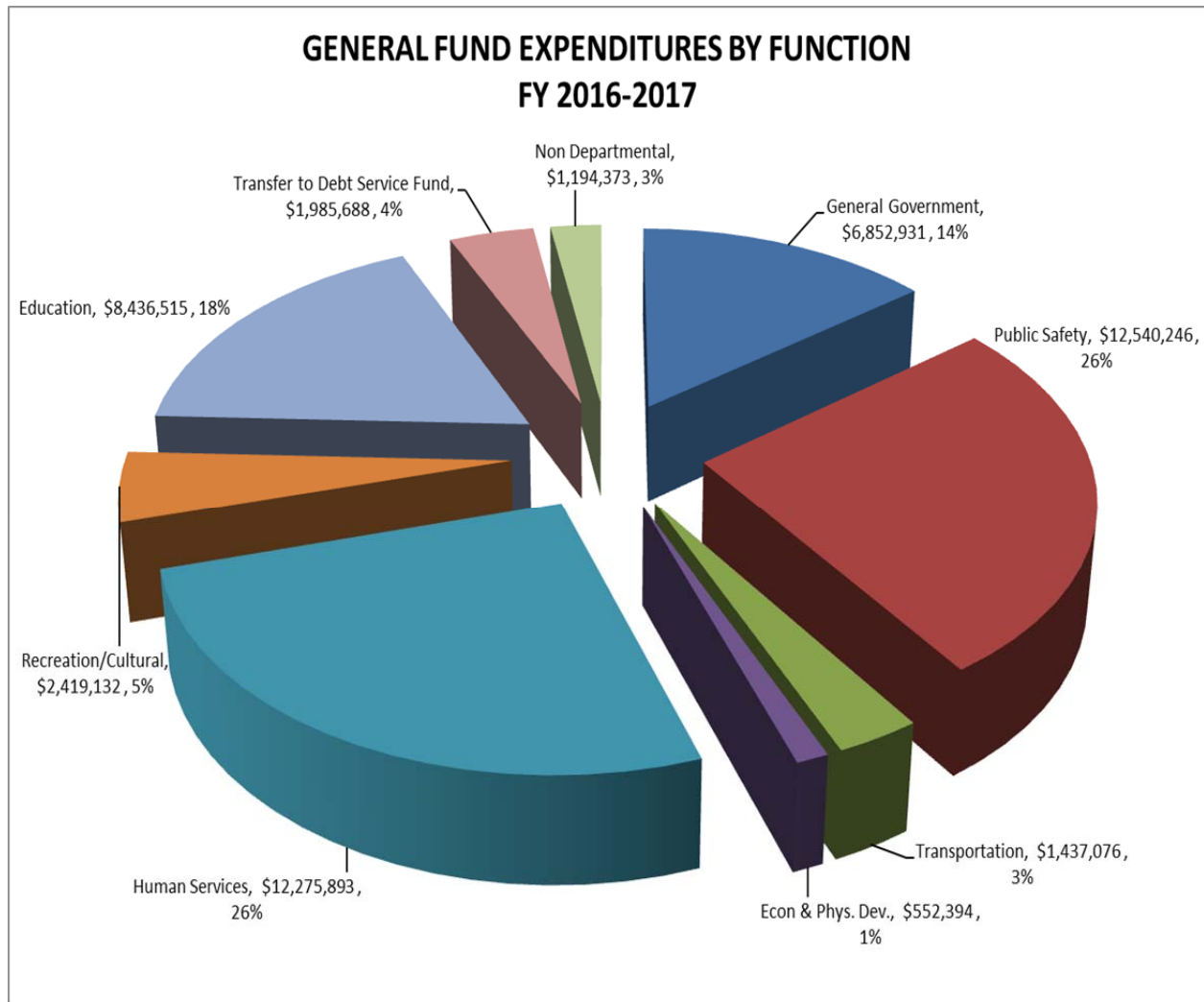
SCC funding will remain at the FY 15-16' level of \$280,463. \$21,179,823 in additional capital expenditures was requested including:

- Burn Building Replacement: \$1,900,000
- Driving Range Repaving: \$300,000
- Public Safety Program Building: \$7,400,000
- New Classroom Building: \$5,550,000
- Indoor Firing Range: \$6,000,000

Following the Passage of the Connect NC Bond in March of 2016 Southwestern Community College will receive \$7,170,597 for New Construction, Repairs and Renovations at their 3 campus locations. SCC has indicated in previous discussions that these funds could be used to accomplish any of the items listed above in Macon County. At this time however, it remains uncertain as to how these funds will be allocated between counties. As discussions continue and decisions are made by both SCC and County Boards of Commissioners regarding the NC Connect Bond, all counties including Macon will be in better position to make a decision on future capital projects.

IV. Summary

Fig 14.



The FY 16-17' 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. In the coming fiscal year we will complete the organizational pay study, continue to focus on and improve our health insurance fund and make much needed improvements to county facilities and infrastructure. Although \$1,767,275 in capital items has been recommended in the FY 16-17' budget, no appropriation of fund balance will be necessary and funding to priority areas including education and public safety will not be compromised. Furthermore, a contingency fund of \$197,475 will ensure that we are prepared for any unexpected events that might occur.

The proposed budget for Fiscal Year 2016-2017 will enhance the level of public service without compromising the strong financial position of this organization. This 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 \$47,694,248 and is hereby submitted for your review and consideration.

Respectfully,

Derek C. Roland

Macon County Manager

FY 16-17 Budget Message Appendix A

2016 MACON COUNTY COMPENSATION STUDY AND RECOMMENDATIONS

May 10, 2016

Presented To:

2016 Macon County Board of Commissioners

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I. INTRODUCTION

The Macon County Board of Commissioners authorized the County Manager to conduct an organizational compensation study on January 26th 2016. The purpose of this study is to identify compensation inequities within the organization. Upon identification of the aforementioned inequities the compensation study will make recommendations for addressing the same. Additional recommendations will be provided to ensure that the Macon County compensation program remains current and in-line with market expectations moving forward.

To assist in conducting the organizational compensation study, a group of eight county employees was selected by the County Manager:

Lori Hall- Finance Director

Chris Stahl- Solid Waste Director

Mike Decker- Human Resources Director

Warren Cabe- Emergency Management Director

Pam Perry- Human Resources Coordinator

Andy Muncey- Information Technology Director

Patrick Betancourt- Director of Social Services

Richard Lightner- Tax Administrator

Derek Roland- County Manager

The following report will summarize the research conducted and methods used to identify compensation inequities by the committee. Upon reading this report you will find the methodologies to be equitable, logical, and in-line with parameters set by the previously approved Springsted Classification and Compensation Study and the Macon County Board of County Commissioners.

II. APPLICABILITY OF THE SPRINGSTED CLASSIFICATION AND COMPENSATION STUDY

The Springsted Classification and Compensation Study served as an important tool for the committee when conducting the internal analysis. This study which was completed in late 2012 is reflective of significant County Staff involvement, as well as involvement from many outside agencies. County staff attended and participated in multiple employee orientation meetings, interviews, and completed individual Position Analysis Questionnaires. In addition, Springsted conducted approximately 70 individual job audits with County employees allowing them to better understand job classes, the essential functions performed and the minimum qualifications required.

A comprehensive wage and benefits survey was also conducted as part of this Study in March 2012. Seventy nine benchmark positions were included in the survey. The benchmark positions reflected a cross section of County positions and were chosen to reflect positions with high turnover and recruitment/retention issues and ensured that all job types were represented. Survey participants were selected based on demographics and geographic proximity. Eleven counties and two cities were approved by Macon County and invited to participate in the survey. Of the thirteen jurisdictions, ten responded, yielding a response rate of 77%. Below is a list of those who were invited to participate in the survey:

<i>Burke County</i>	<i>McDowell County</i>
<i>Henderson County</i>	<i>Richmond County</i>
<i>Person County</i>	<i>Rutherford County</i>
<i>Bladen County</i>	<i>Watauga County</i>
<i>Transylvania County</i>	<i>City of Hendersonville</i>
<i>Haywood County</i>	<i>City of Morganton</i>
<i>Jackson County</i>	

Upon analyzing data specific to Macon County as well as that received from surrounding jurisdictions, the Springsted Classification and Compensation Study brought forth three recommendations, which they felt would address internal equities within the Macon County Pay Plan. Macon County chose to implement Option 2.

Option 2 of the Springsted Classification and Compensation Study was approved by the Macon County Board of Commissioners on April 9, 2013. This option included the **implementation of a new pay scale** which allowed the county to provide salaries commensurate with market conditions, **bringing all employees falling below the newly established minimums to those minimums, and a 2% increase to individual employees**, placing them within the proposed paygrade.

Listed below are the justifications used by Springsted for each component of Option 2. These justifications were taken directly from the Springsted Study.

Implementation of a new pay scale: *On average, based on the salary survey comparisons, the County's salary ranges are 21% lower when comparing minimums, midpoints and maximum wage levels.*

Bringing all employees falling below the newly established minimums to those minimums: 55% of the general County workforce is being paid below the minimum salary rate of their proposed pay grade.

2% increase to individual employees: *Individual employee salaries were also placed within the proposed pay grade by providing a 2% increase to address **some** salary compression issues. For example if an employee has been placed at the minimum of a grade (Step 1), this option would grant a 2% increase for the employee.* ****Macon County did not implement this portion of Option 2 as recommended. A 2% increase in salary was only given to employees who were NOT brought up to newly established minimum grades.**

Fringe Benefits - Fringe benefits were taken into consideration by the Springsted Classification and Compensation Study as well. The various organizations that responded to the salary survey also provided information about their fringe benefit programs. The following observations were made by Springsted based on a review of the survey data.

Springsted Fringe Benefit Comparison

Benefit	Macon County	Survey Group
Holiday Leave (Avg.)	11 days per year	11 days per year
Annual Leave (days per year)	<5=12 days/5-9=15 days 10-14=18 days/15-19=21 days 20+= 24 days	Consistent with Macon County
Annual Leave that can carry over from year to year	30 days	28-30 days
Sick Leave (days per year)	12	12
Sick Leave that can carry over from year to year	Unlimited	Unlimited
Pay out for sick leave	No	No
Retirement and Death Benefit	Yes	Yes
Life insurance Contribution	100%	100%

The information above shows Macon County being consistent with the survey group in each of the selected fringe benefits; however, these benefits do not include 401(k), longevity or health insurance. While Health Insurance comparisons were provided by Springsted, the committee felt that changes could have taken place in many of the counties similar to those occurring in Macon County. This is largely attributable to regulations stemming from the passage of the Affordable Care Act. 401(k)

contributions and longevity were not taken into consideration in the Springsted Classification and Compensation Study.

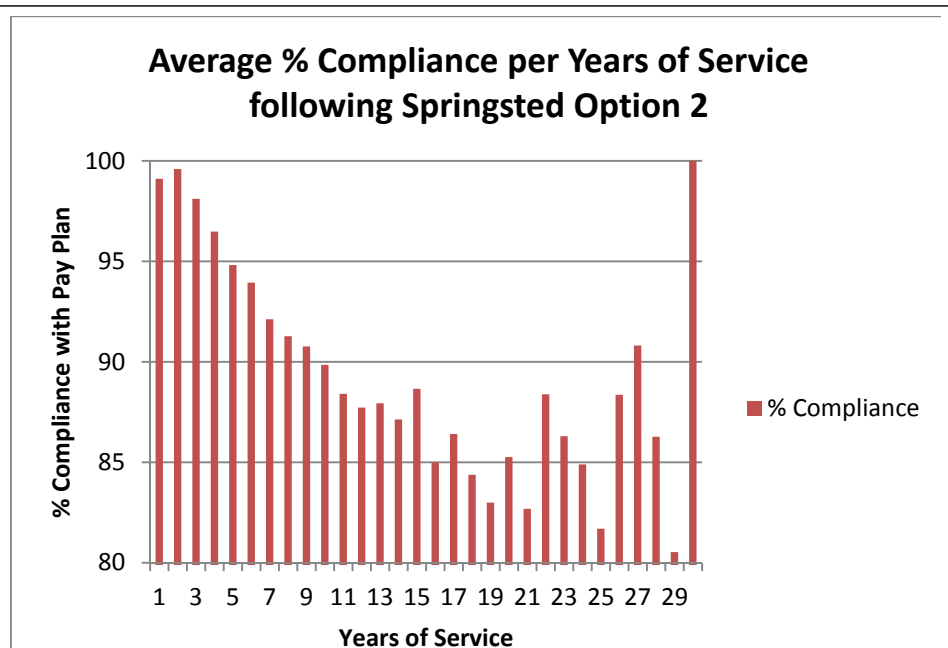
In recognizing the impact of fringe benefits such as 401(k), longevity and health insurance on an employee's total compensation, the committee felt it necessary to incorporate this information into their pay plan analysis. Thus, the committee reviewed these fringe benefits as part of their refined peer group compensation comparison. Comparative Information regarding these fringe benefits is contained in section IV of this report.

The committee acknowledged the previous research and thorough analysis conducted by Springsted in 2012. While Macon County did not implement the recommendations in their entirety, choosing to implement Option 2 has made the Springsted Classification and Compensation Study an active part of the current Macon County Pay Plan. The approved Option 2 ensured that the pay scales and job classifications for Macon County positions and selected fringe benefits were in line and competitive with other governmental entities in our region. Furthermore, it brought all those Macon County employees working below the newly established minimum grades up to those grades.

In light of the aforementioned, the committee chose NOT to re-visit the work previously accomplished by Springsted and approved by the Macon County Board of Commissioners via Option 2 implementation. Instead, the committee focused on the portion of the Springsted Classification and Compensation Study which was not adopted. Option 3, as proposed by Springsted was entitled Years of Service (YOS). Under this option, employees would have been rewarded for longevity in their current position, recognizing the value length of service has on the development of skills and abilities relevant to that position.

In choosing not to implement Option 3 (YOS) of the Springsted Classification and Compensation Study, compression issues were intensified. As previously discussed, Option 2 established a new pay scale for Macon County, increasing minimums, midpoints and maximums for Macon County positions, which were an average of 21% below the market comparison according to Springsted. The funding associated with Option 2 implementation, brought those employees who were being compensated at rates below the newly established minimums up to the new minimum levels. Thus, the beneficiaries of Option 2 were primarily recently hired employees who were brought on at previously established minimums, not having the time to advance in position or pay grade under the previous pay plan. Although Option 2 brought more recently hired employees up to a competitive market value, this option contained no mechanism to adjust the salaries of longer serving employees who were being compensated above the newly established minimums. Thus, actual salaries of recently hired employees, while at minimum levels moved closer to the salaries of longer serving employees including superiors who had not advanced consistently through the previous pay scale, nor had been given consideration under Option 2 of the Springsted Study. In some cases, these newly established minimums were extremely close to the actual salaries of longer serving employees holding the same position.

Average % Compliance per Years of Service	
Longevity	Ave % Compliance
0-1	99.11
1-2	99.59
2-3	98.11
3-4	96.48
4-5	94.81
5-6	93.94
6-7	92.12
7-8	91.27
8-9	90.76
9-10	89.85
10-11	88.40
11-12	87.72
12-13	87.94
13-14	87.13
14-15	88.65
15-16	84.99
16-17	86.40
17-18	84.37
18-19	82.99
19-20	85.26
20-21	82.68
21-22	88.38
22-23	86.30
23-24	84.90
24-25	81.70
25-26	88.36
26-27	90.81
27-28	86.27
28-29	80.53
29-30+	100.00

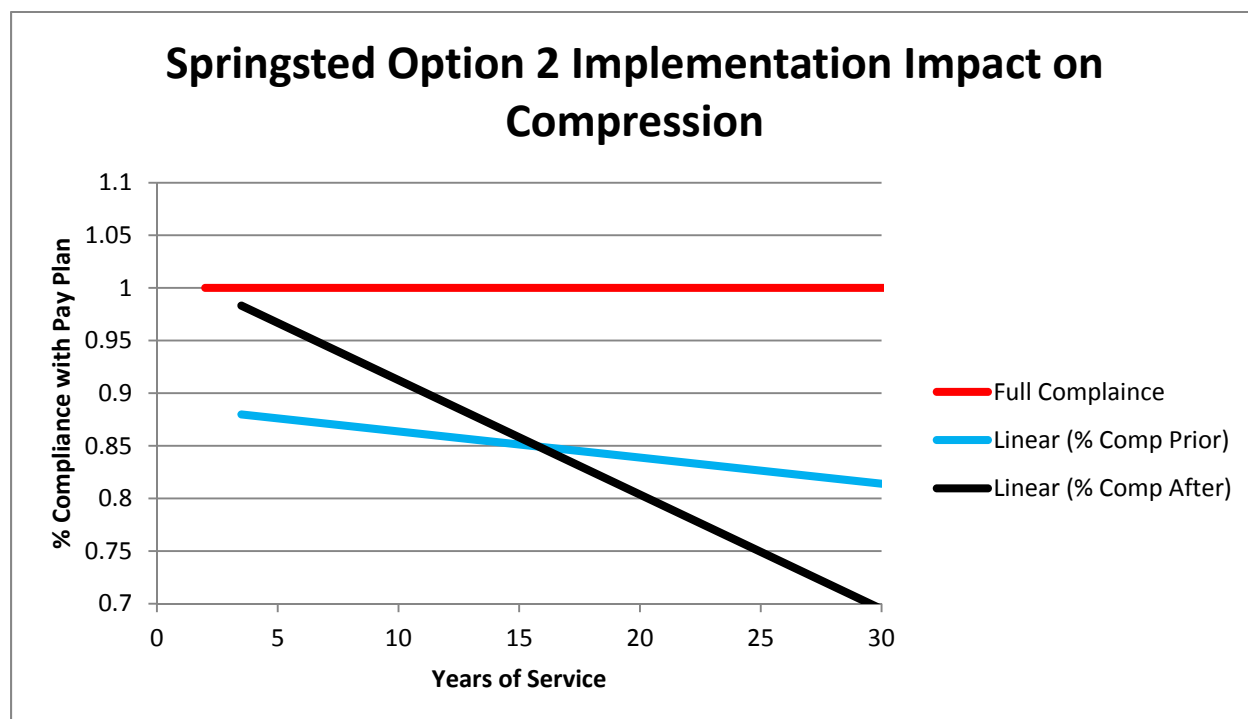


The Table and Chart on this page provide another illustration of compression existing within the current employee salary distribution. It is evident from the Chart that employee salaries are not keeping up with the market as years of service increase. It is important to note that, due to a fewer number of employees at more years of service, the compliance rates for years of service: 18 through 29 are less reliable. A single employee that is out of range in salary compliance can greatly skew the overall average.

Grade	0-5 YOS Average	5-10 YOS Average	% Increase	10-15 YOS Average	% Increase
25	\$31,766.34	\$31,471.46	-0.9283	\$31,817.08	0.1597
26	\$32,887.37	\$32,913.40	0.0791	\$36,515.07	11.0307
27	\$34,624.35	\$34,719.22	0.2740	\$36,528.34	5.4990

The Table above illustrates the percent increase over time for employees in the same Pay Grade. In these examples, 5-10 year employees are making, at best 0.27% more than 0-5 year employees; with Grade 25 actually making less on average. The numbers improve some for 10-15 year employees, except in Grade 25. Two important items to consider from this Table: 1) These Grades were chosen because they have enough employees to evaluate. 2) There were fewer employees to evaluate at the longer service times, so the averages could be more easily skewed by one or two employees out-of-range with the pool in their respective categories.

Macon County has taken many steps towards addressing compensation inequities within the Macon County Pay Plan. Following adoption of the Springsted Study Option 2, the county's pay scale and pay grades are in-line and regionally competitive. The county's starting salaries for new Macon County employees are regionally competitive as well and serve as an excellent recruiting tool for the organization. Actions taken by Macon County following Springsted implementation have attempted to keep salaries from becoming further compressed and remain in line with market expectations; however, compensation issues linger.



The Graph titled “Springsted Option 2 Implementation Impact on Compression” illustrates compliance trends before and after Implementation of Option 2. The X axis, or Years of Service represents time served in the organization from 0-30 years. The Y axis or % of Compliance with Pay Plan is labeled 0.7-1.1 and represents salaries of employees. To be **fully compliant** with the pay plan in this illustration, it is assumed that an employee will advance one step per year within their respective pay grade. A step is defined as the grade maximum minus grade minimum divided by 30 (as 30 years of service is assumed to be a full career) 100% or **full compliance** is illustrated by the red line for comparative purposes.

The blue line, or “before line,” illustrates the trend in actual salaries of Macon County employees before implementation of Springsted Option 2. From this line, it is evident that prior to Springsted Implementation all Macon County Employees were being compensated below the calculated 100% compliance mark. The gradual downward slope of the blue line shows salaries trending further away from the 100% compliance mark as years of service increase.

The black line, or “after line,” illustrates the trend in actual salaries after implementation of Springsted Option 2. As you will notice, the downward trend away from the 100% compliance mark is much

steeper following implementation of Springsted Option 2. This is due to the fact that the majority of employees serving five years or less were brought up to the newly established minimum grades with Option 2 implementation. When these employees (approx. 55% of county workforce according to Springsted) were brought up to the new minimums they were at 100% compliance as defined herein. The longer serving employees who were typically those working at levels above the newly established minimums saw only a 2% increase in salary with the implementation of Option 2. Although these longer serving employees did see a compensation increase, they fell further away from 100% compliance as grade maximums increased as well. In some cases grade maximums increased as much as 46%.

Implementation of the Springsted Classification and Compensation Study Option 2 addressed many inequities within the Macon County Pay Plan as aforementioned. Unfortunately, failure to implement this study in its entirety, as shown in the graph on the preceding page has adversely affected longer serving Macon County employees and intensified compression within the current Macon County Pay Plan.

III. Lingering Compensation Issues

Compression- Pay compression is the situation that occurs when there is only a small difference in pay between employees regardless of their skills or experience. In adopting Option 2 of the Springsted Classification and Compensation Study, minimum salaries were raised and employees making below those minimums were brought to the new levels. As previously discussed, the beneficiaries of Option 2 were primarily those employees who were newer to the organization and had been hired on at previously established minimum levels. In addition, future Macon County employees would benefit as well, being hired on at levels in line with the established market. As Option 2 did not adjust the salaries of those longer serving employees who were, for the most part, being compensated at levels above the new Option 2 minimums, pay compression within many departments occurred. The charts below show salaries of new hires, as well as the actual salaries and years of service for employees currently serving in the Maintenance Worker I and Sheriff's Deputy positions. Compression becomes evident in these examples as the pay difference between those longer serving employees and those recently hired is minimal.

Maintenance Worker I	Current Salary	Years of Service
New Employee	\$22,932	0
Employee 1	\$23,390	1.8
Employee 2	\$23,390	4.5
Employee 3	\$23,842	12.8
Employee 4	\$23,855	13.9

Sheriff Deputy	Current Salary	Years of Service
New Employee	\$32,268	0
Employee 1	\$32,913	1.6
Employee 2	\$32,913	7.4
Employee 3	\$32,913	8.2

Inability to advance through Pay Plan/ Salary Range- The Macon County Pay Plan contains thirty two (32) pay grades ranging from 17 to 48. Each of the pay grades are 5% apart with a minimum to maximum range of 50%. While minimums and maximums were adjusted for many of the pay grades as part of the Springsted Study, the separation between each pay grade of 5% and the minimum to maximum range within each pay grade of 50% remained consistent with the original Macon County Pay Plan.

The Macon County Personnel Policy contains guidelines which dictate an employee's advancement within the pay plan and/or salary range. Under the current policy there are essentially four ways for an employee to receive an increase in compensation:

1. **Promotion-** When an employee is promoted to a position with a higher salary grade the employee's salary shall normally be advanced to at least the minimum level of the new

position. However, the new salary may not exceed the maximum rate of the new salary range. The purpose of the promotional pay increase is to recognize and compensate the employee for assuming increased responsibility.

2. **Transition to a new Salary Plan-** All employees being paid at a rate above the minimum and below the maximum are considered as being paid at a competitive rate for the job class and may receive any approved salary plan implementation increases as authorized by the board. All employees being paid at a rate lower than the minimum rate established for their respective classes shall have their salaries raised to the new minimum of their classes (unless on probationary status).
3. **Cost of Living Adjustment (COLA)-** An annual adjustment that may be made by the Board of Commissioners to all pay ranges for all regular employees who have served a minimum of six months in a permanent position.
4. **Performance Evaluation System-** A periodic review of an employee's performance designed to facilitate year and equitable merit pay decisions, recognizing performance as the basis for pay increases within the established pay range. ** While a Performance Evaluation System is in place for Macon County it has not been utilized in quite some time according to department heads and administrative staff.**

While there are mechanisms contained within the Personnel Policy for advancement, lack of funding has resulted in Macon County's inability to take advantage of them. Following the recession, which began in 2009, Cost of Living Increases for Macon County, like many counties across our state and region, have been minimal due to budgetary constraints. These same constraints have also given way to department heads placing less priority on the Performance Evaluation System over time, as no new funding was available to reward an employee's high level of performance.

Promotions are given in Macon County and most of the time these promotions do result in salary increases in recognition of employees increased responsibilities and duties. If the employee is being promoted to a higher pay grade, the minimum of the new pay grade (if higher than their compensation in the previous grade) becomes their new salary. The aforementioned issues however have made advancement for the promoted employee within this new pay grade problematic. While Macon County did transition to a new salary plan in 2013, the portion implemented had no substantial effect on those employees being paid at a *competitive rate* as defined by the Macon County Personnel Policy (listed in # 2 above).

The Macon County Personnel Policy defines *Salary Range* as the *minimum and maximum salary levels for a given classification for hiring purposes*. While the personnel policy does not address length of service as a mechanism for advancing an employee within these salary ranges, it does indicate through the mechanisms listed above that an employee's sustained high level of performance should result in pay increases throughout their career. The examples on the following page illustrate, that this is not always the case for Macon County Employees.

Grade	Min	Max	Actual	YOS
25	\$30,731	\$46,097	\$32,470	18.5
27	\$33,881	\$50,822	\$37,391	20.3
31	\$41,183	\$61,774	\$43,798	19.7

Springsted highlighted the importance of ongoing administration in the Classification and Compensation Study: *“After initial implementation is achieved, the County will need to develop administrative procedures that provide for annual salary adjustments based on market and economic conditions and adjustments that recognize individual employee performance.”* This recommendation by Springsted was not adhered to by Macon County following the adoption of the Springsted Study. Thus, many Macon County Employees continue to have difficulties advancing within their salary ranges.

Departmental Inequities

Compression issues and the inability to advance in pay scale/grade have been more prevalent in some departments than others. This has occurred for a number of reasons including:

1. **Redistribution of funds-** In some cases when an employee retires that was making above the minimum grade of their salary and that employee is replaced, he or she is replaced with someone making the minimum grade. The difference in salaries between the retired employee and the new employee is then distributed among others in the department at the discretion of the department head. A second example is when an employee retires and they are not replaced. In this instance all or a portion of the retired employee’s salary is distributed among others in the department particularly those that have assumed the duties of the previous employee.
2. **Reducing operating expenses-** Departments who have line items for operating expenses in their budgets that are not being utilized 100% often times use these savings to compensate employees who have taken on additional responsibilities within the department. While these increases in compensation are justified for the particular department, other departments, namely those smaller in size, do not have room within their smaller budgets to reduce operating expenses and use these monies towards compensation increases.
3. **Negotiations upon hire/Negotiations for Retention-** When a new employee is hired that has previous experience in a position or has a skillset which far exceeds the minimum requirements for a position, it is possible for their starting salary to be negotiated to a level above the minimum. This same negotiation process can potentially occur when a skilled or experienced employee has a job offer from an outside organization. These negotiations are more common among department head and supervisory positions.

Each of the reasons listed above have contributed to departmental inequities in terms of employee compensation. While two employees in separate departments each working at a grade 25 have taken on additional responsibilities and continued performing at a high level, one employee could have received increases over time which has positioned them appropriately in their pay grade due to reasons listed above, while the other did not.

Decline in Morale

Each of the lingering compensation issues mentioned above has contributed to a decline in the morale of many Macon County Employees. Those most affected are the longer serving employees who during their tenure with Macon County have developed knowledge and skills that are invaluable to the organization. The committee feels strongly that addressing these compensation issues will boost employee morale leading to a higher performing organization.

IV. Comparative Analysis

The committee selected six counties for the comparative analysis. Like the Springsted Classification and Compensation Study, these counties were chosen based on demographics and geographic proximity. Five of the six counties selected were previously approved for use in the Springsted Study by the Macon County Board of Commissioners. The counties selected were:

Jackson	Transylvania	McDowell
Haywood	Watauga	Cherokee

Through conversations and information exchange with county and regional representatives, the committee achieved a 100% response rate for all information requested. This information included salary ranges, actual salaries, and years of service for all positions in each county. In addition the committee requested from each county benefit contribution levels for health insurance, 401(k) and longevity as each of these had been left out of the Springsted Study. The committee used the information received for the following purposes:

1. Assess the regional competitiveness of Macon County pay scale.
2. Assess each county's pay plan compliance rate using actual salary and years of service data to determine an acceptable rate of compliance for the western region.
3. Assess the regional competitiveness of key Macon County benefits.

Regional competitiveness of Macon County pay scale

To assess the regional competitiveness of the Macon County pay scale 66 individual Macon County positions were selected ranging in grade from 19 to 44. The positions selected were taken directly from those used in the Springsted Study. The committee then selected 66 positions from each of the counties in the peer group that were identical or closely similar to the Macon County positions selected. The minimum and maximum salary amounts for each of the selected Macon County positions were compared to those from each of the peer counties. The comparison showed Macon County's minimum salary levels to be an average of 3.63% higher than those of the peer group. Macon County's maximum salaries were 0.54% higher than those of the peer group.

The results of this comparison clearly illustrates Macon County's pay scale to be in line and regionally competitive. Furthermore, the committee felt that this validated Macon County's decision to adjust the pay scale following Springsted's 2012 recommendation. Although it has been almost three years since Option 2 of the Springsted Classification and Compensation Study was adopted, the passage of time appears to have had no effect on regional pay scales.

Regional pay plan compliance rates

Upon finding that Macon County's pay scale was in-line and competitive with peer counties, discussions then turned to how compliant each county, including Macon, was in terms of adherence to the pay scale in place. To assess compliance:

- The actual salaries and years of service for employees filling the 66 positions used in the pay scale comparison were attained from each county.
- The salary ranges for each of the positions were then calculated by subtracting the grade minimums from the grade maximums.
- The salary ranges were then divided by 30 (assuming a 30 year career) to establish each county's annual step for the 66 positions selected.
- The annual step increases for each position were then multiplied by the actual years of service of the employees filling those positions.
- This number, when added back to the grade minimum of each position was illustrative of 100% compliance.
- The actual salaries of the employee's filling these positions were then compared to the positions 100% compliant salaries to determine the rate of compliance.
- The compliance rates for each of the 66 positions were then averaged for each county to determine the county's overall compliance rate.

It was evident that no county in the six county comparative analysis was funding all positions at 100% compliance. The normal limits of compliance ranged from 89.59% to 95.43% with Macon County at 92.63%. After much discussion, the committee felt that a goal of 94% pay plan compliance was acceptable, as this rate would be among the most competitive in the region, while still remaining within the established normal limits.

Regional competitiveness of key Macon County benefits

As previously discussed in section II of this report, the Springsted Classification and Compensation Study determined that a number of Macon County fringe benefits were consistent with the survey group used in that study. Springsted, however did not consider what this committee felt to be key fringe benefits including health insurance, 401(k) contributions, and longevity.

Health Insurance

	Emp. Only (Total Cost)	Emp. Only County\$	Emp./Child (Total Cost)	Emp./Child County \$	Emp./Children	Emp./Children County \$	Emp./ Spouse	Emp./ Spouse County \$	Family	Family County \$
Macon	\$562	\$562	\$730	\$655	\$961	\$782	\$1064	\$838	\$1413	\$1030
Jackson	\$744	\$744	\$1,157	\$951	\$1,356	\$1050	\$1356	\$1050	\$1576	\$1160
Haywood	\$770	\$770	\$909	\$770			\$1119	\$770	\$1282	\$770
Transylvania	\$639	\$589					\$1097	\$843	\$1476	\$1033
Watauga	\$570	\$570	\$694	\$570	\$694	\$570	\$889	\$570	\$1145	\$570
McDowell	\$384	\$384	\$609	\$384			\$867	\$384	\$1098	\$384
Cherokee	\$667	\$667			\$997	\$667	\$1167	\$667	\$1367	\$667

All responding counties aside from Transylvania pay 100% of employee only coverage. As Macon County pays 100% of employee only coverage, it is in line with the peer group. On average employees in the peer group pay \$348 per month for spousal coverage while Macon County Employees pay \$226. For family coverage, Macon County Employees pay \$383 per month while the peer group average is \$535.

Macon County Employees have an insurance benefit second to none in the region. While employees carrying dependent coverage pay less than employees in peer counties, Macon County's contribution levels remain extremely close to the normal limits established for county contribution levels in dependent coverage categories. Thus, Macon County Employees enjoy a first class health benefit at an extremely attractive rate without placing an undue cost burden on the county. This has been made possible through the hard work of the Macon County Insurance Committee.

401(k)

Three of the six counties from the selected peer group make a 401(k) contribution for non-law enforcement employees. The contribution levels range from \$32.64 per month, to 5% annually. At 2% annually, Macon County appears to be in-line with those counties contributing to non-law enforcement employees. It is important to note that all counties in North Carolina are required by law to make a 5% 401(k) contribution for sworn law enforcement officers.

Macon- 2% of Employee Annual Salary/ 5% for Law Enforcement

Jackson- 5% for Law Enforcement

Haywood- 2% of Employee Annual Salary/5% for Law Enforcement

Transylvania- 5% for Law Enforcement

Watauga- 5% of Employee Annual Salary 401(k) or 457/ 5% for Law Enforcement

McDowell- \$32.64 per month per Employee/5% for Law Enforcement (Annual Salary)

Cherokee- 5% for Law Enforcement

Longevity

Five of the six counties from the selected peer group provide a longevity benefit to employees. Macon County contribution levels appear to be consistent with those counties currently providing this benefit.

Macon	10-15	15-20	20-25	25+		
	1.5%	2.25%	3.25%	4.5%		
Haywood	5-10	10-15	15-20	20-30	30+	
	2%	2.5%	3%	3.5%	4%	
Jackson	0-5	5-10	10-15	15-20	20+	
	\$100	\$400	\$600	\$750	\$1000	
Transylvania	5-10	11-15	16-20	21+		
	2%	3%	4%	5%		
Watauga	0-5	5-10	10-15	15-20	20-25	25+
	\$100	1%	1.5%	2%	2.5%	3%
McDowell	10-15	15-20	20-25	25+		
	1.5%	2.25%	3.25%	4.25%		

Cherokee- No Longevity

Summary of Comparative Analysis

The results of the comparative analysis conducted by the committee in combination with the previous work completed by Springsted led to the following conclusions:

1. The Macon County Pay Scale is in-line and regionally competitive with peer counties.
2. Macon County's compensation levels at 92.63% compliant appear to be in-line and regionally competitive with Peer Counties. As the normal range of compliance was 89.59% to 95.43%. The committee feels a goal of 94% compliance for Macon County is acceptable and justified.
3. Macon County's benefit package, aside from Health Insurance, is in-line and regionally competitive with peer counties based on the analysis conducted by the committee and the previous benefit comparison conducted by Springsted. While 83% or 5 of the 6 counties surveyed by the committee provide employee only coverage at no cost to the employee, Macon County employees pay significantly less for dependent coverage than those employees in the peer counties. Thus, the committee feels the Macon County Health Insurance Benefit is above average.

V. Compensation Calculations

The committee evaluated numerous methodologies in addition to the un-implemented Springsted Study recommendations. Springsted's Option 3 would recognize the value of length of service and the development of skills and abilities in regards to performing the tasks of the position. This would be accomplished by increasing employee salaries by 0.5% for each year of service in their current position. Second, the committee evaluated the Springsted recommendation based on total years of service with Macon County, and not limited to service time in current position, increasing employee salaries by .5% for each year of service with Macon County (this methodology was not included in the Springsted Classification and Compensation Study but was provided to the County at the request of administration). Third, the committee evaluated fully funding the Springsted Pay Plan as approved by the Board of Commissioners. The calculations for this option are based on the Minimum and Maximum of each Pay Grade, with an annual step increase granted for each year of service in position with Macon County. This option also considers overall service by using the calculated longevity formula described herein. Finally, the committee evaluated the Pay Plan referenced in the previous option, incorporating the results of the Comparative Analysis as described in Section IV of this report.

Section V will demonstrate the methodologies and assumptions regarding each of the options listed above. Additionally, the advantages and disadvantages of each option will be summarized as related to the determined goals of the committee. The goals established for these evaluations, in order of importance, are as follows:

- Alleviate compression within the current salary structure.
 - Recognize the value gained through longevity in ability, efficiency, and institutional knowledge

- Tool for Recruitment and Retention of employees.
- Perform analyses using a standard methodology that considers all employees without consideration of impacts to individual employee salaries.
- Ensure that pay structure is in line with the regional employment market for like skills and positions.
- Select a Pay Plan Option that can be implemented without an ad-valorem tax increase.
- Propose a Pay Plan and methodology that can be maintained administratively and sustainably funded.

V.I. Method 1: Springsted – Option 3.

For Method 1, members of the committee applied the recommendation from Option 3 of the Springsted Classification and Compensation Study to the current employee roster as of the time of the evaluation. Salaries of each employee were increased by **0.5% per year of service, in position**, with Macon County. A summary of the **Method 1** Evaluation is listed below:

EE Salary + ((Employee Salary x 0.5%)(Years in Position)) = Recommended Salary @ Method 1.

County Average Employee Time in Position:	6.60 Years
Total Employees Evaluated:	367
Average Employee Salary – Current:	\$36,645.89
Average Employee Salary – Method 1 Implemented:	\$37,852.40
Average Increase per Employee – Method 1 Implemented:	\$1,206.51
(\$37,852.40 - \$36,645.89)	
Average Increase per Employee per Year in Position – Method 1 Implemented:	\$182.80
(\$1,206.51 / 6.60 Years in Position)	

****All budget #'s representative of 80 hr. pay period**

Total County Salary Budget – Current:	\$13,449,039.80
Total County Salary Budget – Method 1 Implemented:	\$13,891,829.48
Budget Increase to Fund Method 1:	\$442,789.68
% Increase to Fund Method 1:	3.29%

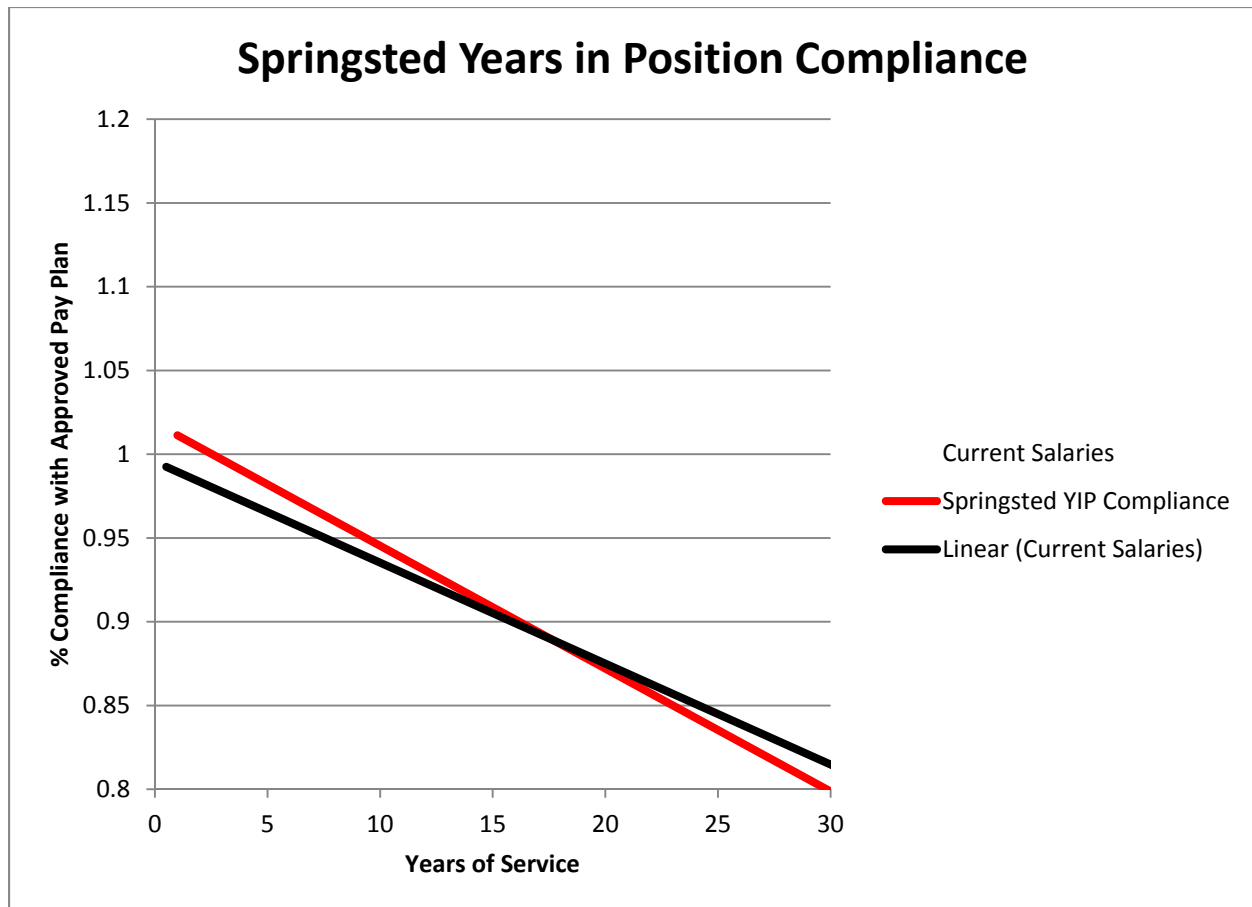


Chart Assumptions:

- 1) Employee pool static: no new hires, retirements, change in position or grade.
- 2) No changes to Pay Grade Structure via C.O.L.A. or other.

Evaluation of Option 1:

- Increased negative impact on compression based on Years of Service.
 - Years in Position does not recognize employees overall longevity. Longer serving employees may actually be penalized for earning a promotion.
 - Example: A 20 year employee at grade 25 earning 32,000 per year would receive a 10% or \$3,200 increase in salary. If the same 20 year employee however, had been promoted to the grade 26 minimum 2 years prior to implementation of this option, the same employee would receive a 1% or \$323 increase in salary.
- (Grade 25 @ 20 yrs)** * (0.5% * 20 Years) = 10%
 \$32,000.00 * 1.10% = \$35,200 Springsted Recommended Salary
- (Grade 26 Promotion)** * (0.5% * 2 Years) = 1%
 \$32,268 (Gr. 26 min.) * 1.01% = \$32,591 Springsted Recommended Salary

V.II. Method 2: Springsted Revised to Years of Service.

For Method 2, members of the committee applied the recommendation from Option 3 of the Springsted Classification and Compensation Study to the current employee roster as of the time of the evaluation. Salaries of each employee were increased by **0.5% per year of service** with Macon County; without regard for time in position. This methodology was selected for analysis due to potential inequities discovered during the evaluation of Method 1; as listed above. A summary of the **Method 2** Evaluation is listed below.

<u>EE Salary + ((Employee Salary x 0.5%)(Years of Service)) = Recommended Salary @ Method 2.</u>	
County Average Employee Years of Service:	9.33 Years
Total Employees Evaluated:	367
Average Employee Salary – Current:	\$36,645.89
Average Employee Salary – Method 2 Implemented:	\$38,400.96
Average Increase per Employee – Method 2 Implemented:	\$1,755.07
(\$38,400.96 - \$36,645.89)	
Average Increase per Employee per Year of Service – Method 2 Implemented:	\$188.11
(\$1,755.07 / 9.33 Years of Service)	
**All budget #'s representative of 80 hr. pay period	
Total County Salary Budget – Current:	\$13,449,039.80
Total County Salary Budget – Method 2 Implemented:	\$14,093,153.88
Budget Increase to Fund Method 2:	\$644,114.08
% Increase to Fund Method 2:	4.79%

The graph below, demonstrates the impact on compression represented by implementation of **Method 2**:

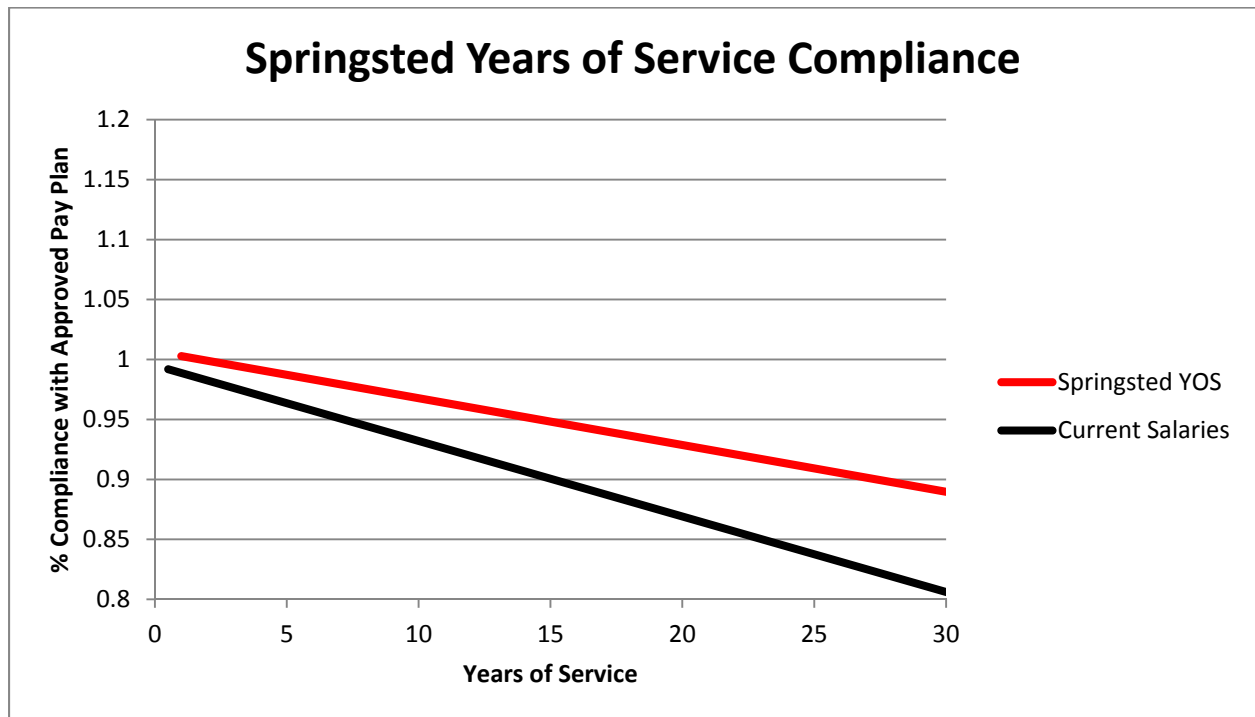


Chart Assumptions:

- 1) Employee pool static: no new hires, retirements, change in position or grade.
- 2) No changes to Pay Grade Structure via C.O.L.A. or other.

Evaluation of Method 2:

- Moderate improvement to compression. Salary increases spread more equitably.
- Compensation for an entire service career is based on a percentage of employee's current pay.

V.III. Method 3: Fully Funded Pay Plan

For Method 3, the committee developed its own calculation method to recognize each employee's entire service career as well as time served in current position. The calculation method, which was unanimously approved by the committee, used the minimum of each employee's current salary grade as a starting point. Each employee's **calculated longevity** with the organization was then multiplied by the annual step amount for the employee's current salary grade. This amount was then added to the minimum of the employee's current grade producing the recommended salary amount.

Macon County Pay Grades/Steps

Grade	Maximum	Minimum	Range	Step	Grade	Maximum	Minimum	Range	Step
17	31,200	20,800	10,400	346.67	33	68,106	45,404	22,702	756.73
18	32,760	21,840	10,920	364	34	71,511	47,674	23,837	794.57
19	34,398	22,932	11,466	382.2	35	75,087	50,058	25,029	834.3
20	36,118	24,079	12,039	401.3	36	78,841	52,561	26,280	876
21	37,924	25,283	12,641	421.37	37	82,783	55,189	27,594	919.8
22	39,820	26,547	13,273	442.43	38	86,922	57,948	28,974	965.8
23	41,811	27,874	13,937	464.57	39	91,268	60,845	30,423	1014.1
24	43,902	29,268	14,634	487.8	40	95,832	63,888	31,944	1064.8
25	46,097	30,731	15,366	512.2	41	100,623	67,082	33,541	1118.03
26	48,401	32,268	16,133	537.77	42	105,654	70,436	35,218	1173.93
27	50,822	33,881	16,941	564.7	43	110,937	73,958	36,979	1232.63
28	53,363	35,575	17,788	592.93	44	116,484	77,656	38,828	1294.27
29	56,031	37,354	18,677	622.57	45	122,308	81,539	40,769	1358.97
30	58,832	39,222	19,610	653.67	46	128,423	85,616	42,807	1426.9
31	61,774	41,183	20,591	686.37	47	134,845	89,896	44,949	1498.3
32	64,863	43,242	21,621	720.7	48	141,587	94,391	47,196	1573.2

Calculated Longevity: The committee spent a great deal of time in debate over years in service versus years in position. Years in position, as mentioned in Method 1, could penalize recently promoted employees based on the arbitrary timing of plan implementation. Additionally, it has the potential to minimize the importance of loyalty, institutional knowledge, or efficiencies and abilities gained through service.

Concerning years of service, the committee did not find it logical to compensate an employee for their entire time served using the step of their current salary grade if portions of their service occurred at lower grades. Thus, the committee sought an equitable solution to compensate employees for their years in current position as well as those years served outside of that position and grade. The table labeled “Macon County Pay Grades/Steps” on page 19 lists the County Pay Grades and Ranges . There is a 5% uniform increase between each pay grade and range. Therefore, time served at different pay grade can be translated to time at the current grade based on the percentage value of the previous grades to the current grade. Calculated longevity can then be determined by adding time in each grade multiplied by the percentage value of each grade to current grade. These percentages are listed below:

Calculated Longevity Multiplier

Promotion From Lower Pay Grade Multiplier										
Current Pay Grade:	1 Grade	2 Grades	3 Grades	4 Grades	5 Grades	6 Grades	7 Grades	8 Grades	9 Grades	10 Grades
	0.9524	0.9070	0.8638	0.8227	0.7835	0.7462	0.7107	0.6768	0.6446	0.6139
Relocation to Lower Pay Grade Multiplier										
Current Pay Grade:	1 Grade	2 Grades	3 Grades	4 Grades	5 Grades	6 Grades	7 Grades	8 Grades	9 Grades	10 Grades
	1.0500	1.1025	1.1576	1.2155	1.2763	1.3401	1.4071	1.4775	1.5513	1.6289
Demotion to Lower Pay Grade Multiplier										
Current Pay Grade:	No Multiplier									

****Time served in current pay grade is calculated at 100%****

**** If calculated longevity exceeds actual service time, actual service time will be used in calculation.****

Example 1: Employee worked at Grade 20 for 5 years; was promoted to a Grade 22 for 5 years; and was again promoted to Grade 24 for the last 3 years. The employee has 13 years of service, but their calculated longevity would be 11.64 years:

$$\begin{aligned}
 & (4 \text{ Grades below} \times 5 \text{ years}) + (2 \text{ Grades below} \times 5 \text{ years}) + (\text{Current Grade} \times 3 \text{ years}) = \text{Calc Long.} \\
 & (0.8227 \times 5 \text{ years}) \quad + \quad (0.9070 \times 5 \text{ years}) \quad + \quad (1 \times 3 \text{ years}) \quad = \\
 & (4.1135 \text{ years}) \quad + \quad (4.535 \text{ years}) \quad + \quad (3 \text{ years}) \quad = \quad \mathbf{11.6485 \text{ years.}}
 \end{aligned}$$

**** While the employee has 13 years of actual service, the calculated longevity formula yields 11.6485 calculated years of service which will be applied at the current grade. ****

To determine placement in pay plan at the current Grade 24 the employee's calculated longevity of 11.64 years would be multiplied by the Grade 24 step amount of \$487.80. This amount would then be added to the Grade 24 minimum to determine the recommended salary:

$$\begin{aligned} & ((\text{Grade 24 Minimum}) + (\text{Grade 24 Step} \times \text{Calculated Longevity})) = \text{PPR Salary} \\ & ((\$29,268.00) + (\$487.80 \times 11.6485 \text{ years})) = \$34,950.14 \end{aligned}$$

There are two important things to notice in these calculations. First, calculated longevity is a methodology for determining placement within the range of each Grade; it does not alter actual longevity with respect to total years of service-time, longevity pay, or retirement. Second, there is nothing in the calculations that ties back to the current salary for the employee. This is a mathematical calculation to determine pay plan recommended salary. It treats every employee equally without bias.

A summary of **Method 3** findings is listed below

<u>EE Pay Grade Min. + ((Step)(Calculated Longevity)) = Recommended Salary @ Method 3.</u>	
County Average Employee Years of Service:	8.85 Years
Total Employees Evaluated:	367
Average Employee Salary – Current:	\$36,645.89
Average Employee Salary – Method 3 Implemented:	\$39,505.25
Average Increase per Employee – Method 3 Implemented:	\$2,859.36
(\$38,968.32 - \$36,645.89)	
Average Increase per Employee per Year in Position – Method 3 Implemented:	\$323.09
(\$2,859.36/ 8.85 Years in Position)	
**All budget #'s representative of 80 hr. pay period	
Total County Salary Budget – Current:	\$13,449,039.80
Total County Salary Budget – Method 3 Implemented:	\$14,498,425.97
Budget Increase to Fund Method 3:	\$1,049,386.17
% Increase to Fund Method 3:	7.80%

The graph below, demonstrates the impact on compression represented by implementation of **Method 3**:

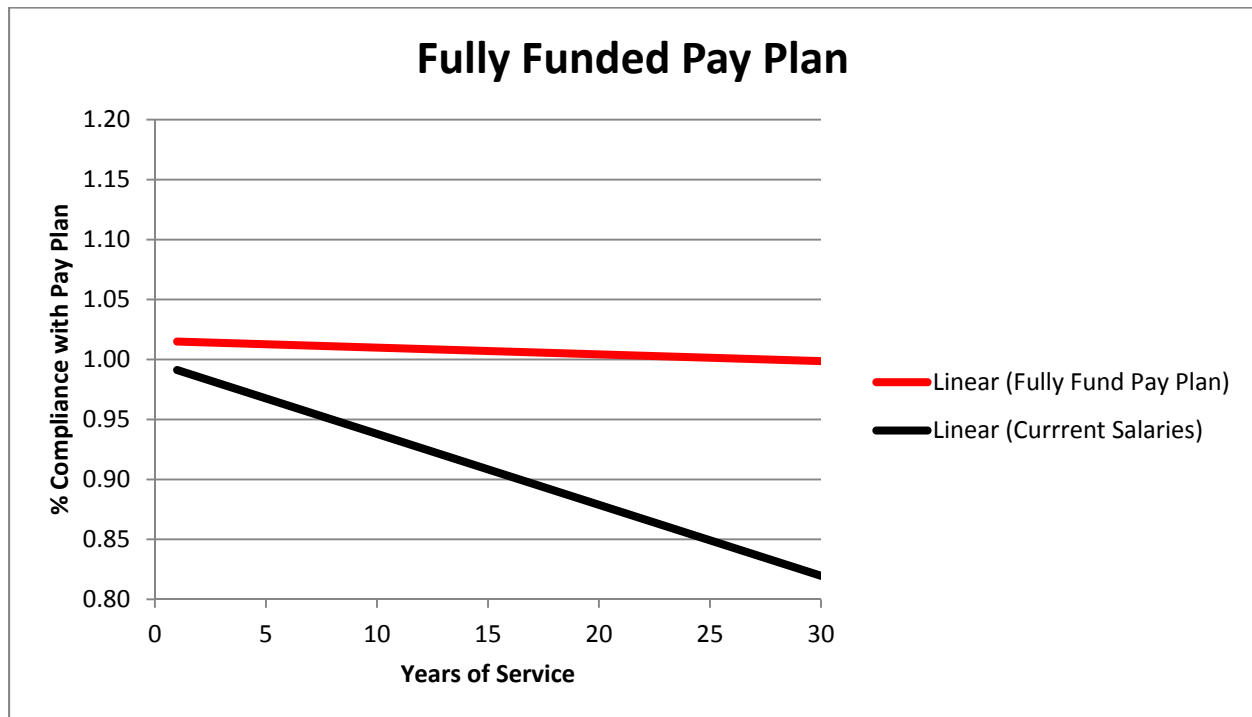


Chart Assumptions:

- 1) Employees with 30 years plus years of service increased to Pay Plan Maximum.
- 2) Employee pool static: no new hires, retirements, change in position or grade.
- 3) No changes to Pay Grade Structure via C.O.L.A. or other

Evaluation of Method 3:

- Compression problems fully resolved.
- All employees below 100% compliance are brought to 100% compliance based on calculated longevity.
- Does require additional future evaluation of employees currently above 100% Pay Plan compliance.
- Reflects FY 15-16' 30+ year employees salary adjustment
- Most expensive option.

V.IV. Method 4: Partially Funded Pay Plan.

Like Method 3, Method 4 also uses the calculated longevity formula to arrive at recommended employee salaries. In addition however, this method uses the results of the comparative analysis in section IV in addition to the calculated longevity formula. The committee believes that adding these factors encompass justified considerations resulting in a Method that best meets the goals of the committee. Explanations of the additional considerations are listed below:

1) **Regional Market Comparisons:** While Springsted did look at several other Counties and Municipalities in their Study, the committee took a more in depth approach to evaluating comparable pay plans in the region. A more complete explanation of this process is provided in section IV of this report. For the current purpose of defining the methodologies used in Method 4, it is sufficient to state the conclusion of the comparable analyses recommends that Macon County fund the existing pay plan at 94%.

Example 1: Employee worked at Grade 20 for 5 years; was promoted to a Grade 22 for 5 years; and has been working at a Grade 24 for the last 3 years. The employee has 13 years of service, but their calculated longevity and salary would be:

$$\begin{array}{rclclcl} (4 \text{ Grades below} \times 5 \text{ years}) & + & (2 \text{ Grades below} \times 5 \text{ years}) & + & (\text{Current Grade} \times 3 \text{ years}) & = \text{Calc Long.} \\ (0.8227 \times 5 \text{ years}) & + & (0.9070 \times 5 \text{ years}) & + & (1 \times 3 \text{ years}) & = \\ (4.1135 \text{ years}) & + & (4.535 \text{ years}) & + & (3 \text{ years}) & = \mathbf{11.6485 \text{ years.}} \end{array}$$

To determine placement in pay plan at the current Grade 24, the employee's calculated longevity of 11.648 years would be multiplied by the Grade 24 step amount of \$487.80. This amount would then be added to the Grade 24 minimum. This total would then be multiplied by 94% to determine the recommended salary.

$$\begin{array}{rcl} ((\text{Grade 24 Minimum}) + (\text{Grade 24 Step} \times \text{Calculated Longevity})) & \times 94\% & = \text{PPR Salary} \\ ((\$29,268.00) + (\$487.80 \times 11.6485 \text{ years})) & \times \mathbf{94\%} & = \mathbf{\$32,853.13} \end{array}$$

A summary of **Method 4** findings is listed below:

<p>Calculated Longevity: (Previous Grade/Current Grade x Years at Previous Grade) + (Repeat as needed for each previous Grade) + Years of Service at Current Grade= Calculated Longevity.</p> <p>Pay Plan Recommended Salary: {(Current Grade Minimum) + (Current Grade Step x Calculated Longevity)} x94% = PPR Salary</p>	
County Average Employee Years of Service - Calculated:	8.85 Years
Total Employees Evaluated:	367
Average Employee Salary – Current:	\$36,645.89
Average Employee Salary – Method 4 Implemented:	\$37,950.76
Average Increase per Employee – Method 4 Implemented: (\$37,950.76 - \$36,645.89)	\$1,304.87
Average Increase per Employee per Year in Position – Method 4 Implemented: (\$1,304.87/ 8.85 Years of Service - Calculated)	\$147.44
**All budget #'s representative of 80 hr. pay period	
Total County Salary Budget – Current:	\$13,449,039.80
Total County Salary Budget – Method 4 Implemented:	\$13,927,979.15
Budget Increase to Fund Method 4:	\$478,939.35
% Increase to Fund Method 4:	3.56%

The graph below demonstrates the impact on compression represented by implementation of **Method 4**:

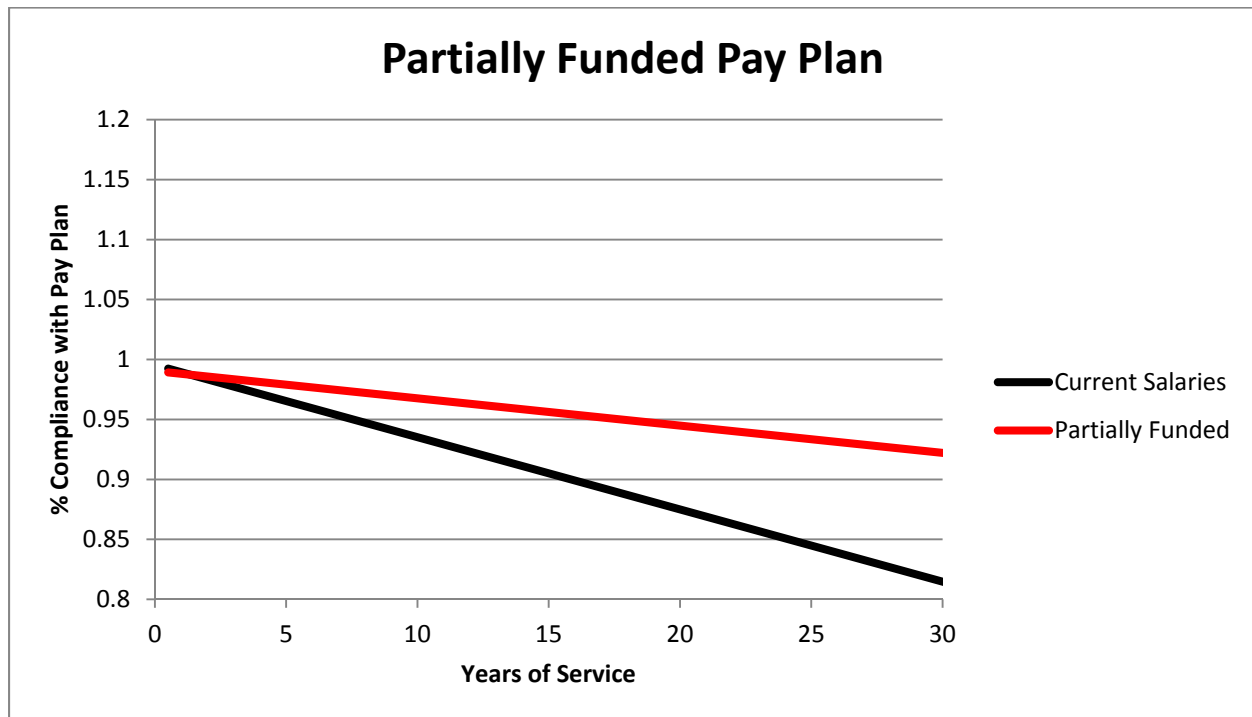


Chart Assumptions:

- 1) Employees with 30 plus years of service increased to Pay Plan Maximum.
- 2) Employee pool static: no new hires, retirements, change in position or grade.
- 3) No changes to Pay Grade Structure via C.O.L.A. or other.

Evaluation of Method 4:

- While compression is not eliminated, it is improved.
- All employees below 94% compliance are brought to 94% compliance.
- Does require additional future evaluation of employees currently above 94% Pay Plan compliance.
- Reflects FY 15-16' 30+ year employees salary adjustment

VI. Available Revenue

Preliminary Sales Tax Projections

As of March 18, 2016 Macon County has received six months of actual sales tax receipts (July through December). In projecting 2% growth over the prior fiscal year for the remaining six months of FY 15-16' (January through June) the estimated sales tax revenue at current fiscal year end is \$6,754,790. Moving forward into FY 16-17' and assuming a 3% growth in sales tax revenues over the estimated FY 15-16' year-end amount, \$6,957,434 will be budgeted for sales tax revenue next fiscal year. This estimate represents an increase in revenue of **\$215,018** over the current fiscal year's budgeted sales tax amount of \$6,742,416.

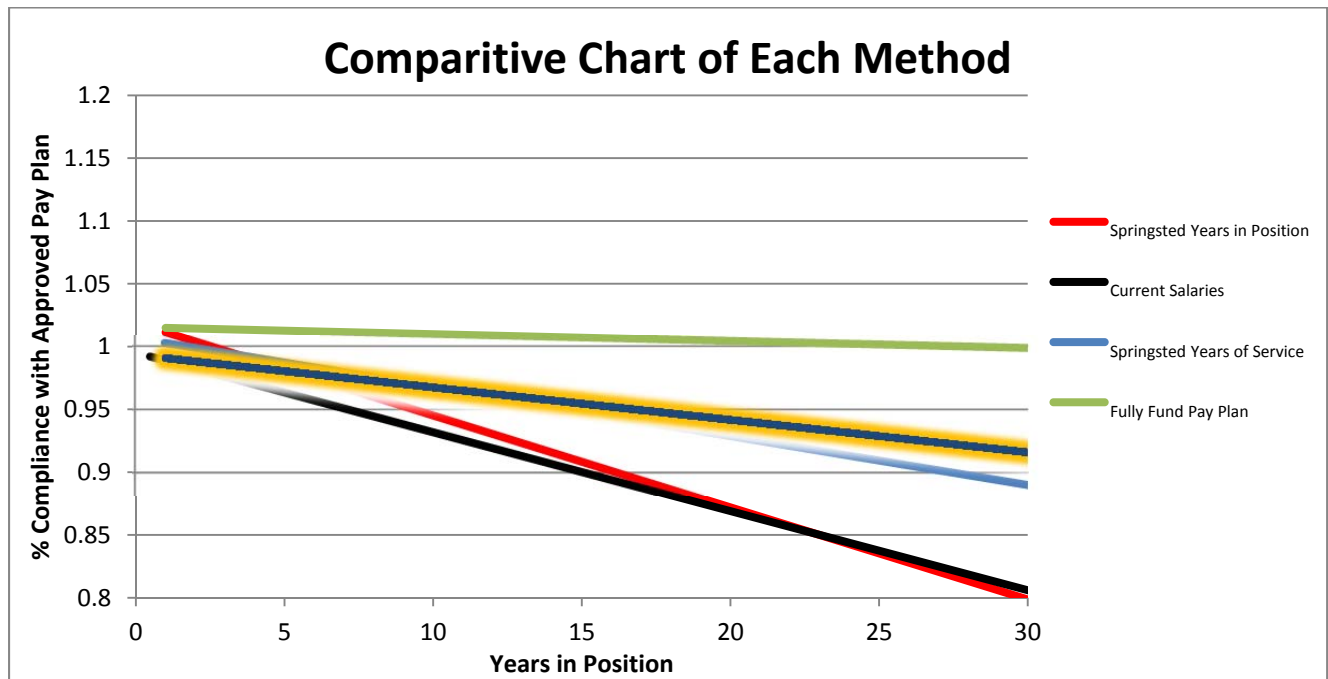
Preliminary Property Tax Projections

Property tax revenues in the budget consist of seven line items: interest charged, advertising costs, tax-prior years, current year taxes, motor vehicle tax-prior years, motor vehicle tax-current year and delinquent collections. Based on estimated values supplied by the Macon County Tax Office and applying a 97.61% collection rate to property/utilities and a 99.9% collection rate to vehicles, the FY 16-17' budget for current year taxes is projected to be \$25,958,438 and the FY 16-17 budget for motor vehicle tax-current year is projected to be \$959,472. Using historical data, the remaining five items that make up the property tax revenue budget were projected. As of March 18, 2016 the projected FY 16-17' budget for property tax revenues is estimated to be \$27,798,410 as compared to \$27,069,263 which was budgeted for the current fiscal year. This results in a projected increase in revenues of **\$729,147** for next fiscal year.

In assuming that all operating expenditures in the FY 16-17' budget remain at current year levels, the projected revenue increases from Macon County's two primary revenue sources yield an estimated **\$944,165 in additional revenue for FY 16-17'**. ** The estimates contained in this section were made on March 18, 2016 and are subject to change before adoption of the FY 16-17' budget.**

VII. Recommendations

1. Implement Method 4 as proposed, bringing all employees with less years of service to a minimum of 94% Compliance with approved Pay Plan. All employees receiving less than \$175 as determined by the study will receive 16 hours annual leave rather than an increase in compensation.



As the fully funded or 100% compliance method (green line) was neither affordable nor in-line with regional comparisons for compliance, the committee has recommended 94% compliance method (blue line highlighted in yellow). This option alleviates compression and ensures that all county employees are being compensated at levels in line with the region.

2. Department Heads to provide justification for all employees currently being compensated above the 100% compliance level prior to recommending step increase.
 - a. These employees will not receive a decrease in salary upon implementation.
 - b. Justifications for these employees are for administrative purposes only and will be taken into consideration as part of any recommended increase in step.
3. Use formula in Method 4 when evaluating salary adjustments or promotions.
 - a. Consider calculated longevity and regional compliance
4. Compensation Study Group will continue working to develop a meaningful performance based measurement system to be used with Method 4 formula when evaluating salary adjustments or promotions on an annual basis.