



May 15, 2018

Macon County Board of Commissioners

Chairman: Jim Tate

Vice Chairman: Ronnie Beale

Commissioner: Paul Higdon

Commissioner: Gary Shields

Commissioner Karl Gillespie

Gentlemen,

In accordance with the North Carolina Local Government Budget and Fiscal Control Act, I am honored to present to you the proposed budget for Fiscal Year 2018/2019. The budget as proposed is \$49,837,009 with revenues and expenditures being balanced at a property tax rate of 34.9 cents per \$100 of property valuation.

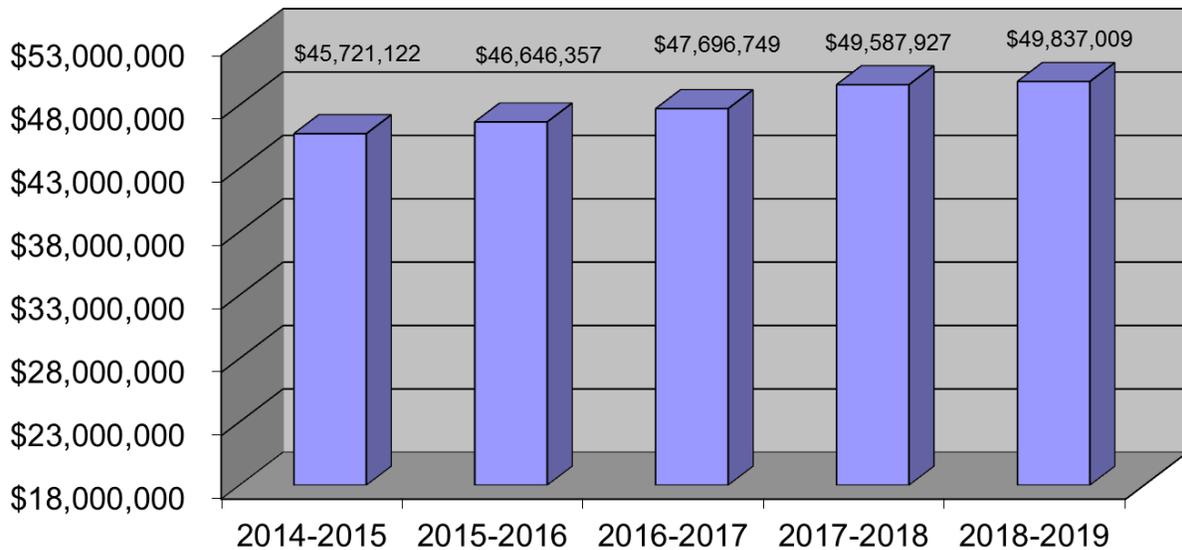
Our financial position will remain strong in FY 18-19'. At an estimated 45.68% our fund balance in the general fund continues to provide the county with a high degree of financial security in terms of being prepared for unexpected emergencies and shortfalls in revenue. In FY 18-19' it is recommended that \$300,000 be appropriated from fund balance for the purpose of completing a county-wide space needs analysis. The space needs analysis, will work in conjunction with the recently completed capital improvement plan, allowing us to evaluate and better prioritize our forthcoming capital needs.

In FY 18-19' Macon County's principal and interest payments will increase by approximately \$164,875. This anticipated increase in debt service comes as result of the six classroom addition/cafeteria renovation to South Macon School which is planned for the coming fiscal year. The projected increase assumes a project cost of \$3,000,000 @ 4.5% over a 15 year term. At the time of this budget message we are awaiting formal bid submission and bank interest rate proposals on this project.

Since June 30, 2011, Macon County's general fund debt has decreased by \$28,960,600. This reduction in debt combined with our ability to maintain a healthy fund balance has led to the strong financial position we enjoy today. Perhaps even more noteworthy is the fact that we have been able to attain this position without compromise to our excellent public services or the price at which these services are provided. Macon County currently holds the second lowest ad-valorem property tax rate in the State of North Carolina. All of these accomplishments are directly attributable to the strong leadership and sound fiscal management exhibited by the Macon County Board of Commissioners.

FY 18-19' projected expenditures have increased by \$249,082 over the FY 17-18' Original Budget. At this level of expenditures, we will continue providing efficient and effective public services to the citizens of Macon County today, while also planning for and evaluating the needs of tomorrow. An increase in sales tax receipts, combined with an increase in property tax collections from the prior fiscal year, will enable us to accommodate the increase in expenditures with no recommended increase to the Ad-Valorem Tax Rate. The FY 18-19' Recommended Budget includes a contingency fund of \$125,000 which is solely attributable to projected revenues exceeding projected expenditures.

GENERAL FUND COMPARISON OF ORIGINAL BUDGETS



I. FY 17-18' Budget Accomplishments

County Leadership Forum on Opioid abuse – County and Municipal leaders came together on November 28, 2017 to discuss the Opioid epidemic and the tremendous impact it is having across our nation, state and county. The forum, which was hosted by the Macon County Department of Public Health, stemmed from the NCACC “meeting in a box” initiative and provided all those in attendance with statistics regarding opioid abuse, the current status of education, treatment and prevention efforts and how we as Macon County can work collaboratively to address this problem in the future.

Cowee School Arts and Heritage Center– The Cowee School Arts and Heritage Center continues to make progress towards becoming self-sustaining. The center had 9,000 visitors in 2017 up from 7,000 in the prior year which led to an increase in revenue. In addition the center received a \$47,500 grant from the Cherokee Preservation Foundation. We feel confident the partnership with the Eastern Band of Cherokee Indians will play a vital role in the sustainability of the Center.

Renovations to Recreation Facilities- A complete renovation of the Robert C. Carpenter Building was completed in FY 17-18' at a cost of \$796,000. In addition \$350,000 was included in the FY 17-18' Budget to go towards a complete renovation of the Highlands Civic Center. Other notable enhancements to recreation included; improvements to shelters on the Greenway, replacement of the water feature at Wesley's Park, and improvements to the Nantahala Recreation Park.

Employee Health Clinic- While insurance costs continue to rise and have had a dramatic impact on the Macon County Budget, the Employee Health Clinic has continued to do an excellent job in preventing these costs from reaching even higher levels. From July 2017- April 2018 the Employee Health Clinic had 519 clinical visits and 196 chronic disease management visits. Based on the cost savings figures provided to Macon County from Blue Cross Blue Shield, the Employee Health Clinic prevented an additional \$681,189 in claims experience from being incurred by Macon County during FY 17-18'.

Detention Center Roof Repair- While \$150,000 was budgeted for roof replacement at the Detention Center in FY 17-18', we were able to negotiate a contract amount of \$85,920 for this project which is expected to be completed in June of 2018. The project savings was applied to the Robert C. Carpenter Building Roof Replacement Project which is currently getting underway.

Patrol Vehicles– The FY 17-18' budget contained funding for six new patrol vehicles at a cost of \$181,973. These new vehicles dramatically reduced the overall mileage of the Sheriff's fleet which has resulted in a more effective and efficient service leading in to FY 18-19'.

Capital Improvement Plan– \$30,000 was budgeted in FY 17-18' to complete the Macon County Capital Improvement Plan. This plan was representative of a collaborative effort between Davenport and Company, Macon County Administration, Macon County Department Heads and Outside Agencies. The CIP will enable us to accomplish those Capital Projects which are critical to Macon County's service provision in the future without compromise to our strong financial position. The draft document was presented in February of 2018.

Increase to Schools Capital Outlay- Capital outlay to the Macon County School System increased to \$600,000 in the FY 17-18' operating budget. \$300,000 of this amount was earmarked for Capital Improvements and \$300,000 was earmarked for technology. Annual Capital Outlay to the Macon County School System has increased by \$500,000 since FY 13-14'.

SCC Fire Safety Training Complex- The Macon County Board of Commissioners voted unanimously to move forward with the \$2.71M Fire Rescue Training Facility which will be located at the Siler Road Campus. The project was funded using \$1.4M from the NC Connect Bond and a \$1,312,605 appropriation from Macon County. The project is anticipated to break ground in FY 18-19'

South Macon School Project- The Board of Commissioners approved a \$3,000,000 six classroom addition/ cafeteria renovation to South Macon School in FY 17-18'. At the time of this budget message we are awaiting bid submission. The project will break ground in the summer of 2018. Anticipated Debt Service with this project is expected to be approximately \$332,000 annually.

FHS Vocational Building Heating Project- \$17,650 was appropriated from the county's contingency fund in FY 17-18' to replace the heating system in the FHS vocational building. This new gas system will be a more efficient and cost effective heating option in the future.

II. FY 18-19' Projected Revenues

Ad Valorem Property Tax

As requested by the Macon County Board of Commissioners, no ad-valorem tax increase has been budgeted for FY 18-19.' At **34.9 cents per \$100 of property valuation** Macon County currently has the second lowest property tax rate in the State of North Carolina situated well below the state and regional averages of 67 cents and 45 cents per \$100 of property valuation respectively. In FY 18-19' ad-valorem tax collections will generate \$26,608,736 in revenue to Macon County at an applied tax collection rate of 98.41%.

\$26,608,736 is representative of a \$318,699 increase in ad-valorem revenue from FY 17-18'. This 1.21% revenue increase is attributable to a combined increase in the tax collection rate of .23% (98.18% to 98.41%) and an increase in estimated value of \$74,861,108.

Motor Vehicle Tax

Motor Vehicle tax collections will generate an estimated \$1,099,688 in revenue to Macon County in FY 18-19'. This amount is representative of no increase from the FY 17-18' original budget amount.

MACON COUNTY, NORTH CAROLINA			
2018 ASSESSMENT VALUE ESTIMATES			
2019 BUDGET			
ESTIMATED LEVY			
TOTAL REAL/PERSONAL VALUE			\$7,747,464,340
MOTOR VEHICLES VALUE			\$315,096,734
TOTAL ESTMATED VALUE			\$8,062,561,074
	Proposed Tax Rate		\$0.349
	Real/Personal Levy		\$26,608,736
	Collection Rate Real/Personal		98.41%
	Motor Vehicles Levy		\$1,099,688
	Collection Rate Motor Vehicles		100.00%
	Estimated Total Levy		\$27,708,424
	Tax Dollars per Penny		\$793,938

Sales Tax

Upon receiving 7 months of actual sales tax receipts for FY 17-18' we are projecting to end current fiscal year at \$7,841,364 in sales tax collections. This projection is 4.9% above the FY 16-17' actual distribution amount of \$7,475,130. In applying a 3% growth rate to the projected \$7,841,364 at FY 17-18' year end, \$8,077,138 will be budgeted for sales tax collections in FY 18-19'. This is an increase in revenue of \$714,606 over the FY 17-18' budgeted amount.

It is important to note that the aforementioned sales tax projections are in line with the "Projections for State-Collected Local Government Tax Revenue". This report, which was recently released by the North Carolina League of Municipalities, projects FY 17-18' statewide sales tax distributions to finish 5% above FY 16-17' actual distribution amounts. Additionally, the report projects FY 18-19' statewide local sales tax distributions to be 4.5% above FY 17-18'.

Service Fees

Service fees are those revenues generated from charges associated with recreational fees, ambulance fees, client payments for health and social services etc. \$3,994,402 has been budgeted for service fee collections in FY 17-18'. This is an increase of \$47,907 over the FY 17-18' budgeted amount.

Intergovernmental Revenues

Intergovernmental revenues are primarily grant funds received from outside federal and state agencies for Health Dept., DSS, Transit & Senior Services operations as well as PILT (Payment in Lieu of Taxes). \$8,256,225 has been budgeted for intergovernmental revenues in FY 18-19'. This amount is representative of a \$1,192,187 decrease from FY 17-18'. The decrease comes following the removal of the daycare subsidy pass-through grant in the amount of \$1,359,626 during FY 17-18'.

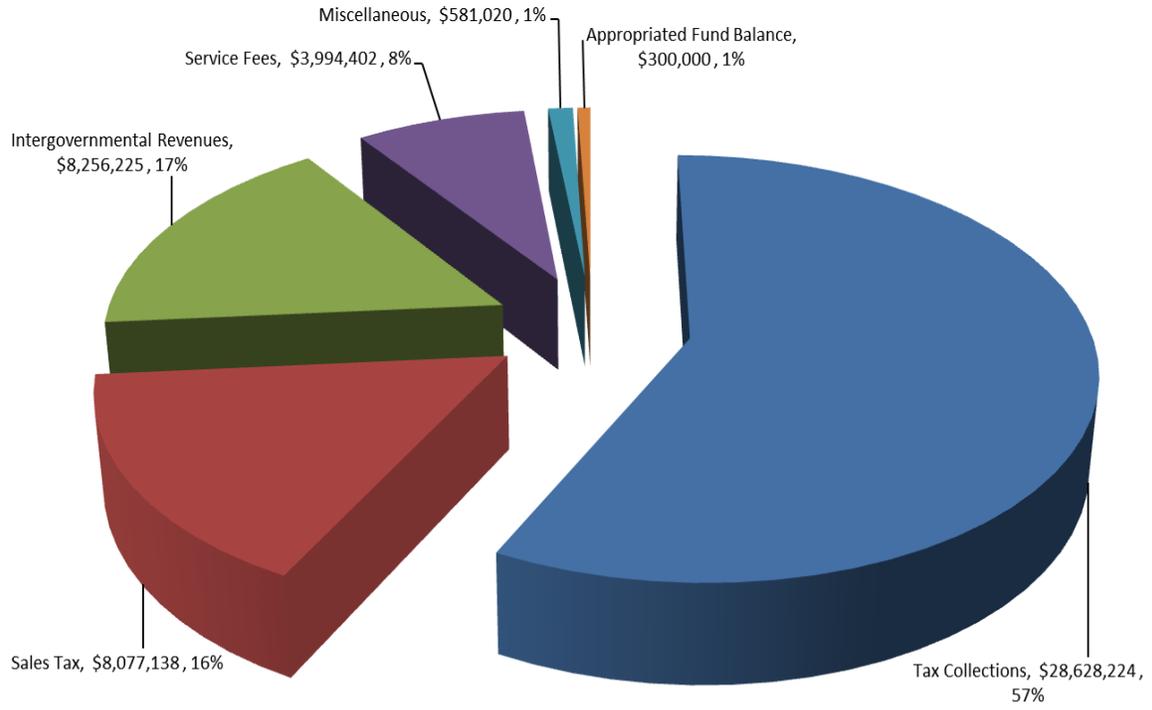
Miscellaneous

Miscellaneous revenues include those revenues generated from collection of rental fees, administrative fees, interest earnings, etc. This revenue source which accounts for approximately 1% of total general fund revenue increased by \$82,057 from the FY 17-18' budgeted amount.

Appropriated Fund Balance

A one-time appropriation of \$300,000 from fund balance has been recommended in the FY 18-19' Budget which will enable us to complete a space needs analysis. As previously discussed, this study will work in conjunction with the recently completed capital improvement plan which will allow us to evaluate and better prioritize our forthcoming capital needs.

GENERAL FUND REVENUES BY SOURCE FY 2018-2019



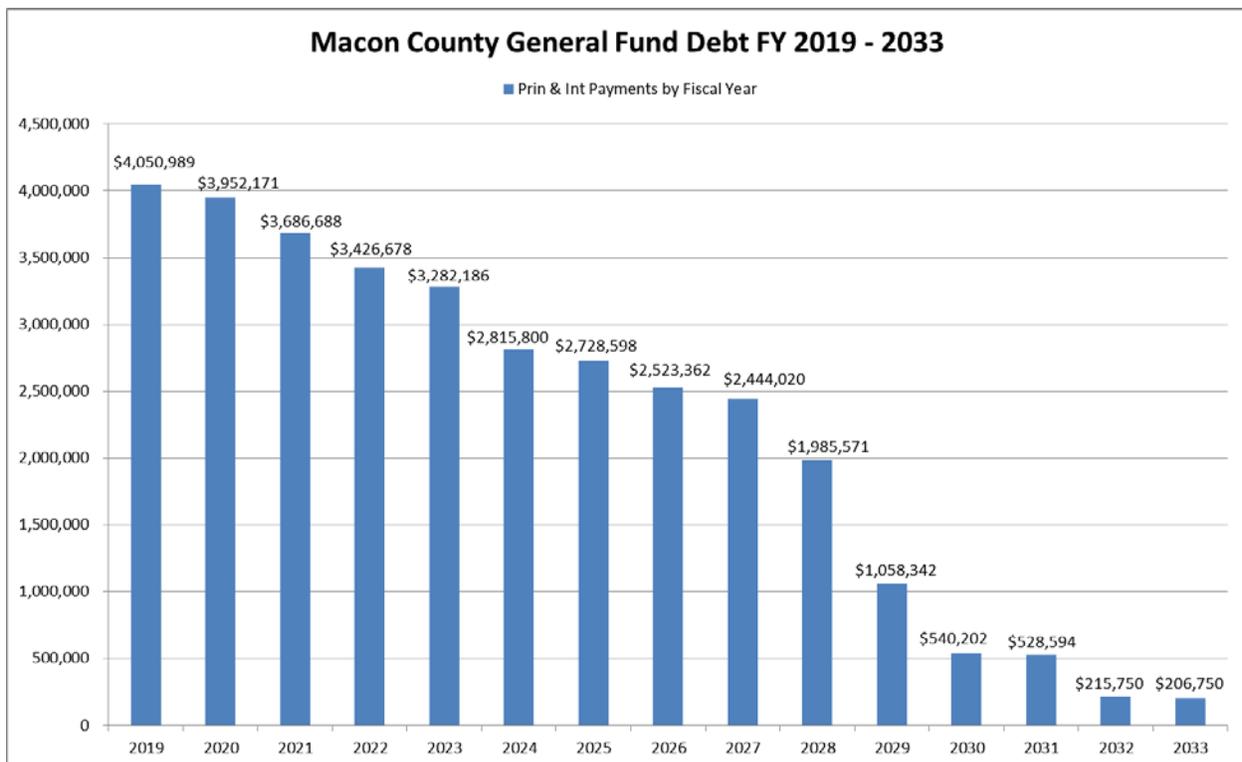
Debt Obligations

General Fund debt has decreased \$28,960,600 from 6/30/2011 (\$62,246,165) to 6/30/2017 (\$33,285,565). This decrease in debt is due to making regular principal and interest payments, not taking on substantial new debt, and refinancing existing debt.

From 6/30/2011-6/30/2017, the county has issued the following amounts in new debt:

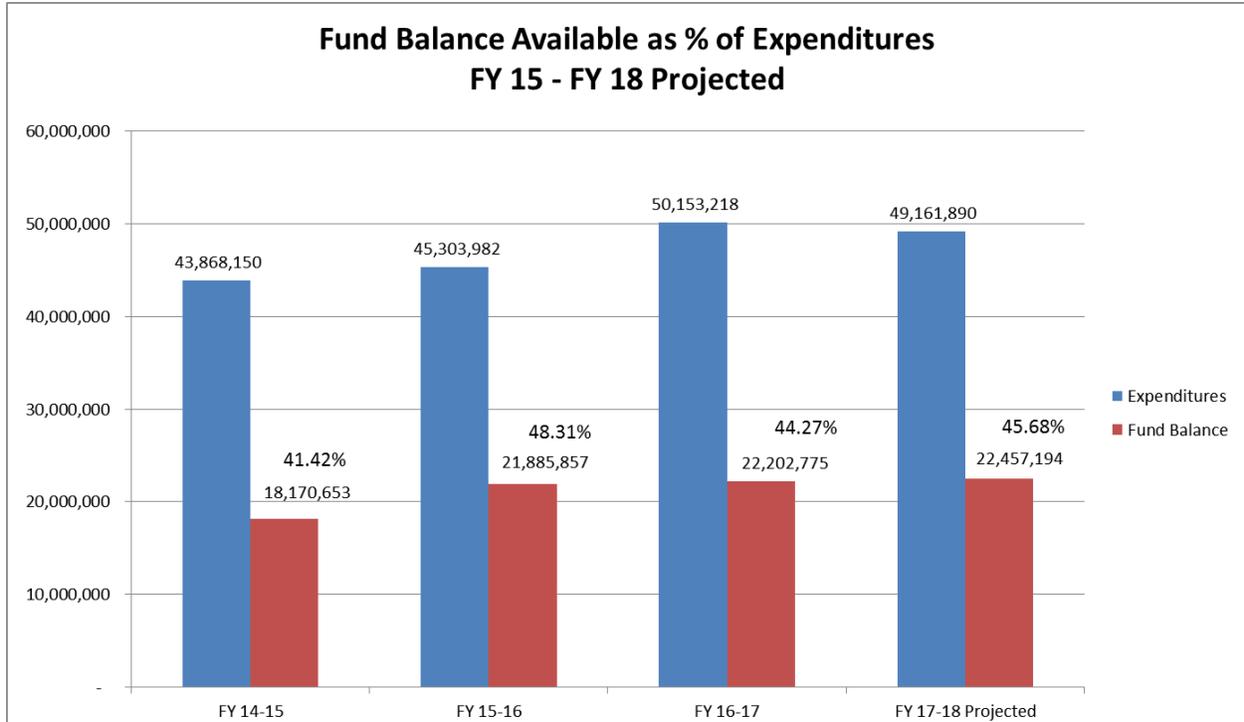
- **School Technology Upgrades-\$1,548,887**
- **Defibrillators- \$390,288**
- **Highlands School renovations- \$1,500,000**
- **Parker Meadows project- \$2,019,651**
- **Union Highlands QZAB Renovations- \$2,985,878**

In FY 18-19', Macon County's total general fund debt payments will increase by approximately \$164,875 to \$4,050,989. This increase assumes new debt issuance in the amount of \$3,000,000 for the South Macon Elementary School addition. This new debt is anticipated to be issued in July of 2018. The schedule below includes the estimated payments associated with this project.



Fund Balance

Fund balance is projected to increase by 1.41% or approximately \$254,419 in FY 17-18'. This increase is due to projected revenues exceeding projected expenditures in the current fiscal year. Moving in to FY 18-19' a one-time appropriation from fund balance in the amount \$300,000 has been recommended to complete a county-wide space needs analysis.



III. FY 18-19' Proposed Budget Highlights

Public Safety

The FY 18-19' budget continues to place high priority on the health and safety of our citizens. In the coming year, public safety represents \$13,864,305 or 28% of the general fund operating budget. This level of expenditures represents a 2.8% or \$373,503 increase over the FY 17-18' original budget.

\$185,388 is representative of the increase in county contribution to health insurance needed within the Public Safety Function following the FY 18-19' Health Insurance rate increases.

Emergency Management

Emergency Communications System Upgrade

In FY 18-19' Macon County Emergency Management will complete the \$1,000,000 9-1-1 Communications System Upgrade. The planning process associated with the overhaul of the current aging communications system has been extensive, spanning the previous two budget cycles. This process however, has proven to be extremely valuable as it will result in a more reliable, economical and user friendly method of communication for our emergency services personnel.

Upon completion, Macon County will be integrated into the North Carolina VIPER (Voice Interoperability Plan for Emergency Responders) System. The \$189 million dollar 800 MHz VIPER system, which includes 240 transmitter sites statewide, affords local agencies such as Macon County the opportunity to upgrade our communications system and achieve interoperability without major outlay for infrastructure. We are currently initiating equipment installation at our local tower sites including installation of equipment to upgrade our current UHF paging and fire dispatch system and anticipate completion on or before July 1, 2018. The cost associated with the equipment installation is approximately \$800,000. This amount, as you will recall has accrued over the past two budget cycles, with \$400,000 being appropriated each year.

\$200,000 has been placed in the FY 18-19' budget which will go towards purchasing subscriber units for all Macon County Emergency Services Personnel. This includes Emergency Management, EMS, Sheriff's Department and Volunteer Fire Departments. Following distribution of the subscriber units the 9-1-1 Communications System Upgrade will be complete. Upon completion, on-going maintenance costs for the upgraded system will be minimal as they will primarily be the responsibility of the North Carolina Department of Public Safety.

Fire Task Force

During a recent NC Office of State Fire Marshal Protection Class inspection, six Macon County Volunteer Fire Departments underwent inspection. Each department was given credit for one (1) additional 24 hour career employee based on the current staffing model of the Fire Task Force. We are optimistic and

reasonably assured that when the results of the inspections are announced this summer, the overall impact will be significant to the citizens of Macon County.

In FY 18-19' funds for a part time position have been added to help maintain our current staffing model, thereby ensuring future coverage meets the standards necessary for service delivery. The part time position will fill in vacant shift positions for the Fire Task Force to maintain a minimum staffing of two (2) employees per 12 hour shift to cover sick and vacation leave for the existing employees. In addition, an increase of \$94,310 to salaries and benefits in the Fire Task Force portion of the EM budget will come as a result of a full year's worth of salary and benefits being budgeted for the four (4) full time employees. As you will recall, the task force employees came on mid-year in FY 17-18' thus a full year of salary and benefits was not budgeted.

EMS

Community Paramedic Program

Call volume in Macon County Emergency Services has decreased from 2016-2017 (6,816-6,621) by 2.9%. Factors contributing to this reduction include increased hours of service for the Mission Hospital transport ambulance along with the expansion of the Community Medic Program. The Community Paramedic Program which now covers five days per week has been recognized for its excellence at both the national and state level through receipt of the Ewald Busse Award in 2018. The program which now includes 61 patients has expanded primarily through grant funding and most recently has begun offering mental health assistance. The weekly at home visits made by paramedics has resulted in a reduction of hospital readmissions, a reduction in 911 responses to high utilizers and an overall improvement to the patients quality of life. Additionally, the program has increased availability of our EMS service allowing our units to respond to more 9-1-1 calls for service without delayed response times. In taking this proactive approach to addressing health care issues, we are seeing a slight decrease in short term revenues but in the long term we remain confident the program will continue improving the quality of life for Macon County Citizens through improved healthcare and decreased medical expenses.

EMS will add a "floater position" in the FY 18-19' Budget which will increase the effectiveness of the Community Paramedic Program. This position will enable a trained staff member to be relieved of their duties on an assigned shift to complete Community Paramedic Program-Integrated Healthcare duties without the use of overtime. Duties assigned will among other things specifically enable continued participation with the Mobile Medication Program which assists with home visits, support, education and skill-building services for adults with psychiatric illness. This coordinated program with local health system staff should increase adherence to medication regimens and decrease trips to emergency departments. Funding for this position in FY 18-19' was gained through reductions to the EMS FY 17-18' part-time and overtime line items.

Rate Increase Update

EMS billing rates will be adjusted in FY 18-19' to the 2018 Medicare Allowable amounts. 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.

Description	HCPC	Current Rate	Proposed New Rates
MILEAGE RATE	A0425	\$ 11.00	\$ 16.77
BLS NON EMERGENCY BASE RATE	A0428	\$ 400.00	\$ 400.00
ALS 1 NON EMERGENCY BASE RATE	A0426	\$ 475.00	\$ 475.00
BLS EMERGENCY BASE RATE	A0429	\$ 522.96	\$ 528.72
ALS 1 EMERGENCY BASE RATE	A0427	\$ 621.02	\$ 627.86
ALS 2 EMERGENCY BASE RATE	A0433	\$ 898.83	\$ 908.75
SPECIALTY CARE TPORT BASE RATE	A0434	\$ 1062.26	\$ 1073.97
MEDICAID NE ROUND TRIP	T2003	\$ 117.36	\$117.36

Sheriff's Department

Vehicles and equipment

Four AWD Patrol Pursuit Vehicles have been budgeted in FY 18-19' at a cost of \$131,016 bringing the two year total for new Sheriff's patrol vehicles to ten (10). In addition \$30,000 (\$7,500 per vehicle) has been budgeted to equip the vehicles with radios, flashlights, stop sticks, marking package for exterior, lighting package, etc. As we continue replacing those high mileage vehicles in the patrol unit, both fleet mileage and vehicle maintenance requirements will continue to decrease. In FY 17-18' the patrol fleet had an average mileage of 62,527. Upon replacing the four highest mileage vehicles in the patrol fleet for the coming fiscal year, patrol fleet average mileage will decrease by approximately 34% to 40,349.

mileage calculations based upon 2/15/18 odometer readings

In Car Camera Systems

\$46,000 has been budgeted in FY 18-19' to equip four patrol vehicles with in car cameras and their respective operating systems. These cameras will begin replacing those outdated, and non-functioning camera systems in the patrol fleet. The Sheriff's Department will work closely with our IT Department throughout the purchasing and installation process.

Special Response Team

An additional \$7,663 will be placed in the Special Response Team line item in FY 18-19'. These funds will go towards replacing ballistic vests which will expire in the coming fiscal year. These vests are specifically designed for tactical use and provide our highly trained officers with the greatest protection possible.

Overtime

In FY 17-18' the tactical team was called out to conduct four high risk search warrant entries and one call dealing with a barricaded suspect. Hazardous situations such as these require numerous hours and specialized training in order to be resolved in a safe manner. In addition, Investigations worked a total of 647 new cases, served 625 felonies, 401 misdemeanors and 87 search warrants. These incidents often times have required a combination of uniformed officers, detectives, tactical team members and command staff to work hours above and beyond their normal work schedules. As a result, overtime costs in the Sheriff's Department have continued to rise in FY 17-18'. In FY 18-19' there are no indicators that point to a reversal in this trend, thus an additional \$22,461 has been added to the Sheriff's overtime budget.

Courthouse Security

In 2017 a committee was formed under the direction of Resident Superior Court Judge Bill Coward and Macon County Sheriff Robert Holland to study the security needs of the Macon County Courthouse in light of changing times. The final report, which will contain numerous security related recommendations both capital and operational in nature, will be presented by Judge Coward to the Board of Commissioners for consideration in the coming fiscal year, following conclusion of the committees work.

In anticipation of forthcoming operational needs which will arise from the security report, an additional \$55,881 has been added to Courthouse Security in the FY 18-19' budget. At the time of this budget message, the committee is finalizing the courthouse security report which will be presented to the Commission in late summer/early fall. It should be noted that recommendations contained within this report could result in additional capital and operational costs in the future.

Detention Center

The average daily population in the Macon County Detention Center continues to increase dramatically. In FY 13-14' the 75 bed detention center facility had an average daily population of 52.5 inmates, 10.6 of which were female. In FY 16-17' the average daily population has increased to 98.25 inmates, with 22.3 of those being female. This 88% increase in average daily population during the aforementioned three year period has resulted in Macon County literally outgrowing our 75 (includes 12 female beds) bed detention center facility. As a result, inmates are continually being housed at out of county facilities, while the Macon County Detention Center remains at full capacity. Overhead costs associated with out of county housing, inmate medical, and inmate oversight (staffing) have continued to increase during this time period in order to accommodate the dramatic rise in average daily population.

Food costs

FY 17-18' was the first year of operation under our new food service vendor. Prior to our new arrangement, food service costs, like other overhead costs associated with inmate housing, continued to rise, reaching an all-time high in FY 16-17' at \$365,519. In FY 17-18' however, we have achieved great success and savings working with Summit Food Services. In sharp contrast to FY 16-17' we are projecting to end the current fiscal year at \$176,500. \$213,525 will be budgeted for inmate food costs in FY 18-19'.

Medical Treatment

In FY 12-13' costs associated with inmate medical treatment reached an all-time high totaling \$291,753. In August of 2014 Macon County began contracting with Correction Risk Services or "CRS". The company reviews each medical bill coming into Macon County Detention Center, challenging those that are erroneous, duplicated, etc. CRS also negotiates prices with numerous medical facilities on behalf of the Macon County Detention Center.

While the savings through CRS has been substantial and we remain optimistic for the future, inmate medical costs remain volatile and must continue to be carefully monitored moving forward. In FY 18-19' an additional \$100,000 has been placed in the inmate medical line item bringing it to \$275,000. This increase comes as a direct result of the inmate population increase combined with increases in health care costs.

Detention Center Personnel Costs

In FY 18-19' both the part-time and overtime line items within the detention center budget have been adjusted upward (by \$28,600 and \$24,520 respectively) from FY 17-18'. Part time and overtime salary combined in the detention center will equal \$200,000 in the coming fiscal year. These increases are directly attributable to transportation requirements stemming from the large number of inmates currently being housed in out of county facilities. In addition to the increase in part-time and overtime line items, an increase in the number of inmates housed out of county will also result in a \$50,000 increase to the out-of-county line item in the FY 18-19' Detention Center Budget bringing it to \$350,000.

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 18-19', the General Government function accounts for \$8,107,568 or 16% of the operating budget. Expenditures in this function have increased by \$677,339 or 9% over prior fiscal year. **\$94,404 is representative of the increase in county contribution to health insurance needed within the General Government Function following the FY 18-19' Health Insurance rate increases.** 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 improve upon 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 18-19' General Government Expenditures will be discussed in this section.

Governing Board

\$100,000 has been placed in the Governing Board's contracted services line item for the purpose of furthering broadband expansion in Macon County during the coming fiscal year. In October of 2016 a committee was formed at the direction of the Macon County Board of Commissioners to evaluate broadband availability and assess the potential for expansion within Macon County. Research over the past two years has confirmed that Macon County, like Western North Carolina is severely lacking in "last mile" broadband coverage. The budgeted funds will assist us as we continue searching for solutions to this problem.

Building and Grounds

The building and grounds budget will increase by \$87,053 in FY 18-19'. \$185,000 has been placed in the capital improvements line item and will be used to replace all lights in county facilities with LED lighting. We are confident the light replacement project will result in a decrease to county electricity costs in the future. The light replacement project was listed in the Capital Improvement Plan for completion in 2019.

Information Technology

In FY 18-19' the Information Technology budget will increase by \$506,955 from FY 17-18'. Of this increase, \$505,281 is representative of capital improvements (referenced in the CIP) which are critical to maintaining the confidentiality, integrity and availability of our technology assets. The improvements include the replacement of our current backup solution, network router and switch refresh and bringing all server licensing up-to-date.

Backup and Archival Replacement: \$160,000 (1 time)

Network Router and Switch Refresh: \$137,500 (per year/ 2 years)

Host OS and SQL Server Licensing: \$207,781 (per year/ 3 years)

\$505,281

Tax Assessment

In January of the coming Fiscal Year property owners in Macon County will receive revaluation notices based on the value of their real and personal property as of January 1, 2019. As you will recall, the Board of Commissioners approved a "*Resolution Regarding the Time for General Reappraisal of Real Property*" in December of 2014 which changed the reappraisal cycle in Macon County from eight years back to four years. The last revaluation occurred in 2015. According to the tax office, the 2019 Revaluation is approximately 80% complete at this time. The new values, which will come as a result of the revaluation will take effect in the FY 19-20' Fiscal Year.

The 2015 revaluation, which was the first reappraisal that had been conducted following the recession in 2009, resulted in a 19.2% decline in the tax base. Thus, an increase in the ad-valorem tax rate from \$.00279 to \$.00349 was needed to produce revenue in the amount equal to that which was generated prior to the revaluation. In sharp contrast to the 2015 revaluation, preliminary estimates from the tax office indicate no significant changes in the tax base from 2015-2019. As a result, we anticipate no significant adjustments to our current \$.00349 tax rate will be needed to achieve a "revenue neutral" tax rate in 2019. It is estimated that conducting the 2019 reappraisal in-house will result in a savings of at least \$1.5M to Macon County when compared to the costs associated with contracting this service to an outside firm.

Finance

The Finance Department's budget will increase \$36,827 from FY 17-18'. This increase is primarily due to additional compliance regulations imposed by the State Auditor (\$16,255) and actuarial valuations required by the Governmental Accounting Standards Board (GASB) of certain retirement benefits including Health Care/Other Post-Employment Benefits (OPEB) and the Law Enforcement Officers Special Separation Allowance (LEOSSA) (\$7,500).

Transportation

The Transportation function in the FY 18-19' Budget will increase by \$76,949 or 7.4% from FY 17-18'. **\$12,592 is representative of the increase in county contribution to health insurance needed within this function following the FY 18-19' Health Insurance rate increases.**

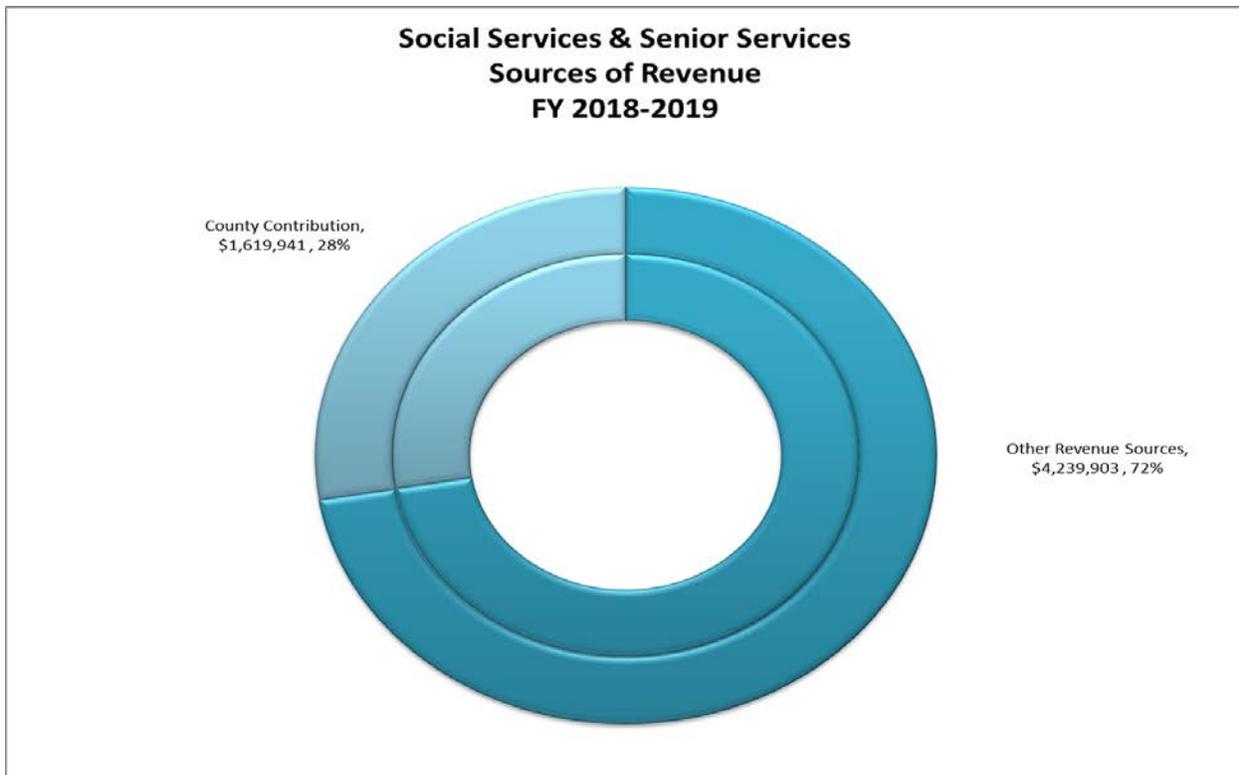
Transit

Macon County Transit will purchase three lift equipped vans in FY 18-19' at a cost of \$210,435. 90% of this amount will be covered using grant funds. The remaining 10% will be the responsibility of Macon County. These vehicles will replace those in the fleet which have met their useful service life. The new vehicles will be equipped with the propane fuel option.

Health and Human Services

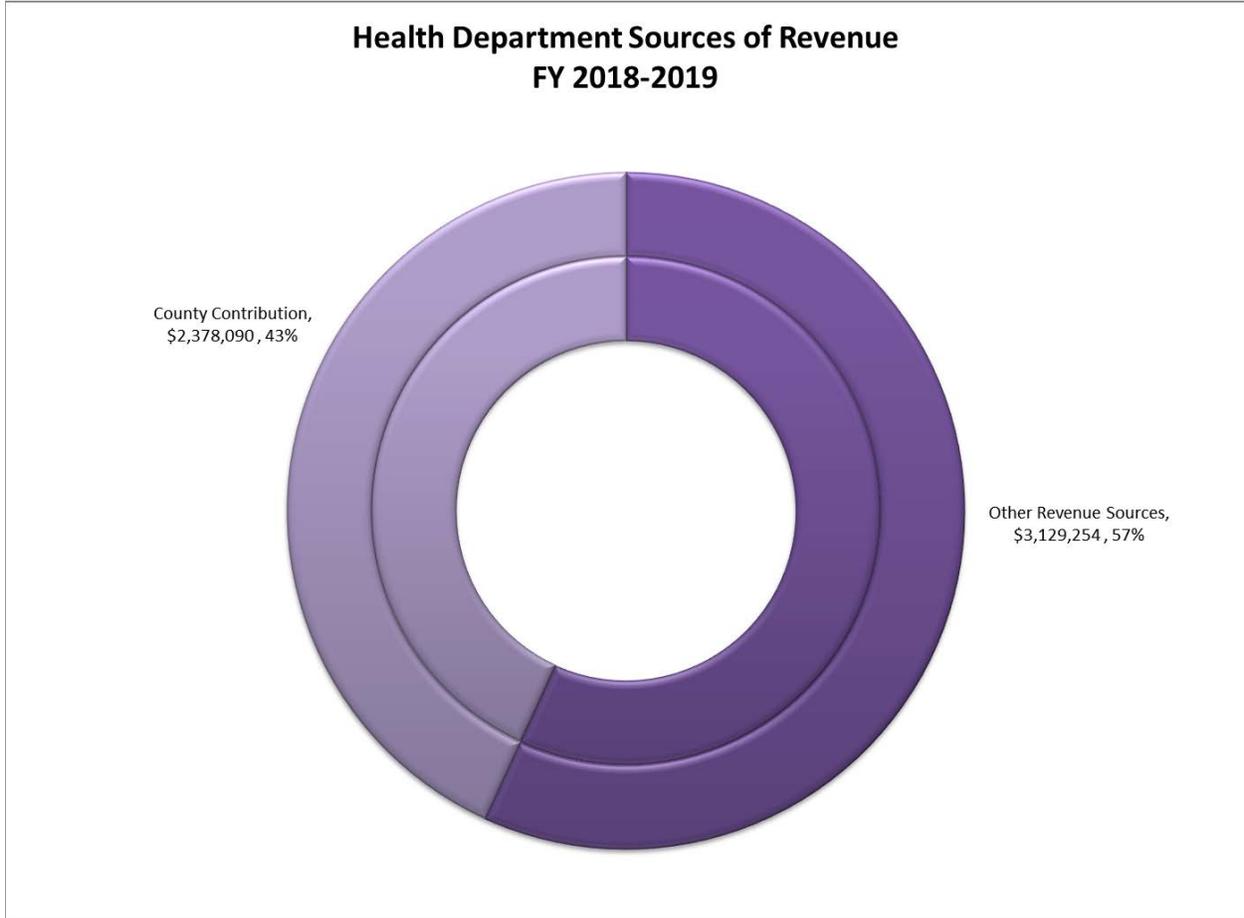
Department of Social Services

In FY 18-19', the County Contribution to the Department of Social Services will increase by \$102,548 from FY 17-18'. Of this increase, \$59,478 is attributable to the addition of a Child Foster Care Worker to meet the growing demand within this area of service. **\$63,996 is representative of the increase in county contribution to health insurance needed by Social Services following the FY 18-19' Health Insurance rate increases.**



Health Department

In FY 18-19', County Contribution to the Health Department will increase by \$4,099 from FY 17-18'. **\$71,949 is representative of the increase in county contribution to health insurance needed by the Health Department following the FY 18-19' Health Insurance rate increases.**



Culture/Recreation

In the coming year, Culture/Recreation represents \$2,290,754 or 5% of the general fund operating budget. This level of expenditures represents a 12% or \$318,577 decrease from the FY 17-18' original budget. The decrease comes as the FY 18-19' budget does not contain the one-time \$350,000 contribution to the Town of Highlands for Civic Center Renovations. **\$7,176 is representative of the increase in county contribution to health insurance within the Culture/Recreation function following the FY 18-19' Health Insurance rate increases.**

Fontana Regional Library System

Operational funding for Macon County libraries will increase in FY 18-19' to \$1,019,390. At 2% of our operating budget, Macon County continues to place the highest priority on our local libraries.

Health Insurance

Macon County received seven Health Insurance renewal proposals for FY 18-19'. At an increase of 24.3% or \$762,469 over FY 17-18', Blue Cross Blue Shield, the county's incumbent provider, submitted the lowest health insurance renewal offer for FY 18-19'. \$258,321 of this increase was absorbed by those employees and retirees who currently have dependent coverage through a 10% reduction in county subsidy on both the base (55%-45%) and enhanced (40%-30%) level plans. The County absorbed the remaining \$504,148 in its operating budget. The direct impact of this cost increase on each function has been highlighted throughout this budget message.

*Crescent: **36.97%** *UHC: **38.91%** *Cigna: **46.54%** *MedCost: **39.54%**

*BCBS: **24.27%** *Healthscope: **47.26%** *Aetna/Meritain: **38.15%**

Like businesses in both the public and private sectors, rising health insurance costs have dramatically impacted the county's operating budget in recent years. This impact has come not only in the form of annual increases to the Health Insurance operating fund, but increases to the Health Insurance reserve fund as well, just to keep it from ending each fiscal year at a negative balance. The chart below summarizes the annual impact rising health insurance costs have had on the county's operating budget since FY 15-16'.

County Appropriation	Operating Increases	One-time Contributions to Reserve
FY 18-19	504,148.00	280,325.00
FY 17-18	121,049.00	861,802.00
FY 16-17	100,000.00	700,000.00
FY 15-16	526,462.00	-
Total	1,251,659.00	1,842,127.00

Similar to the impact on the county's FY 18-19' budget, health insurance increases will impact those county employees with dependent coverage as well. Even with these increases however, Macon County's high quality health insurance plan will continue to be among the most "affordable" out there by today's industry standards. Monthly increases to both the Base and Enhanced Plans in FY 18-19' are shown below.

FY 16-17' Enhanced Coverage (Emp Cost/mo.)	FY 17-18' Enhanced Coverage (Employee Cost/mo.)	FY 18-19' Enhanced Coverage (Employee Cost/mo.)	
Individual= \$0	Individual = \$0	Individual \$0	N/A
Emp/Spouse= \$226	Emp/Spouse = \$273	Emp/Spouse= \$394	44% increase from FY 17-18'
Emp/Child= \$75	Emp/Child = \$120	Emp/Child = \$160	33% increase from FY 17-18'
Family= \$383	Family = \$488	Family = \$693	42% increase from FY 17-18'

FY 16-17' Base Coverage (Emp. Cost/ mo.)	FY 17-18' Base Coverage (Employee Cost/mo.)	FY 18-19' Base Coverage (Employee Cost/mo.)	
Individual = \$0	Individual = \$0	Individual \$0	N/A
Emp/Spouse= \$208	Emp/Spouse = \$173	Emp/Spouse= \$266	54% increase from FY 17-18'
Emp/Child= \$70	Emp/Child = \$76	Emp/Child = \$108	42 % increase from FY 17-18'
Family= \$353	Family = \$309	Family = \$469	52% increase from FY 17-18'

While increases in health insurance costs have impacted both the county budget and the personal budgets of Macon County employees, we have worked especially hard to lessen the burden these increases have placed on Macon County Employees. This has been accomplished through ensuring that all Macon County employees are compensated at regionally competitive levels through pay plan implementation and cost of living increases. Pay increases since FY 15-16' along with the impact to the operating budget in each fiscal year are listed below.

Fiscal Year	Macon County Pay Increase	Cost	Social Security Administration COLA
FY 15-16'	2% COLA	\$353,726	0.0%
FY 16-17'	3.56% Avg. Increase (Pay Plan Implementation)	\$621,613	0.3%
FY 17-18'	2% COLA	\$387,507	2.0%
Total	7.56%	\$1,362,846	2.3%

Summary of General Fund Capital Items

FY 18-19 GENERAL FUND CAPITAL ITEMS			
Department	Acct.	Amount	Description
Information Technology	114210-569502	\$ 505,281	IT Upgrades
Garage	114250-569502	\$ 6,000	Tire Changer
Maintenance	114260-569502	\$ 34,000	One (1) Truck
Maintenance	114260-569506	\$ 185,000	LED Light Replacement - Countywide
Sheriff	114310-569601	\$ 131,016	Four (4) Police Pursuit SUV's
PP&D	114350-569601	\$ 24,000	One (1) SUV
EMS	114370-569502	\$ 10,000	Stretcher
EMS	114370-569601	\$ 90,000	One (1) Ambulance Remount
Emergency Management	119000-980055	\$ 200,000	Phase II of the Tower Project
Fire Task Force	114377-569502	\$ 9,000	Hydraulic Extraction Tool
Animal Control	114380-569502	\$ 44,000	One (1) Truck and One (1) Animal Box
Transit - Operating	114935-569601	\$ 210,435	Three (3) Transit Vans (90% grant funded)
Health - Adult Dental	115158-569502	\$ 7,000	Auto-clave
Macon County Schools	118000-571002	\$ 600,000	Technology and Capital Outlay
Non-Departmental	119900-555104	\$ 300,000	Space Needs Analysis
Total General Fund Capital		\$ 2,355,732	

The FY 18-19' budgeted amount for capital items increased by \$243,838 or 11.5% from FY 17-18'.

Education

Macon County School System Operations

Local funding for Macon County School System operations will increase by 3% or \$206,811 in FY 18-19' to \$7,345,141. This increase in local funding combined with an increase in teacher allotments for geographically isolated K-12 schools and continued flexibility in state law concerning K-3 class size requirements should result in a favorable operating position for the School System in FY 18-19'. In addition, state teaching allotment will increase by two positions in the coming fiscal year due to a projected increase in average daily membership (ADM) according to school system administration, which should free up previously allocated local funds.

School Resource Officers

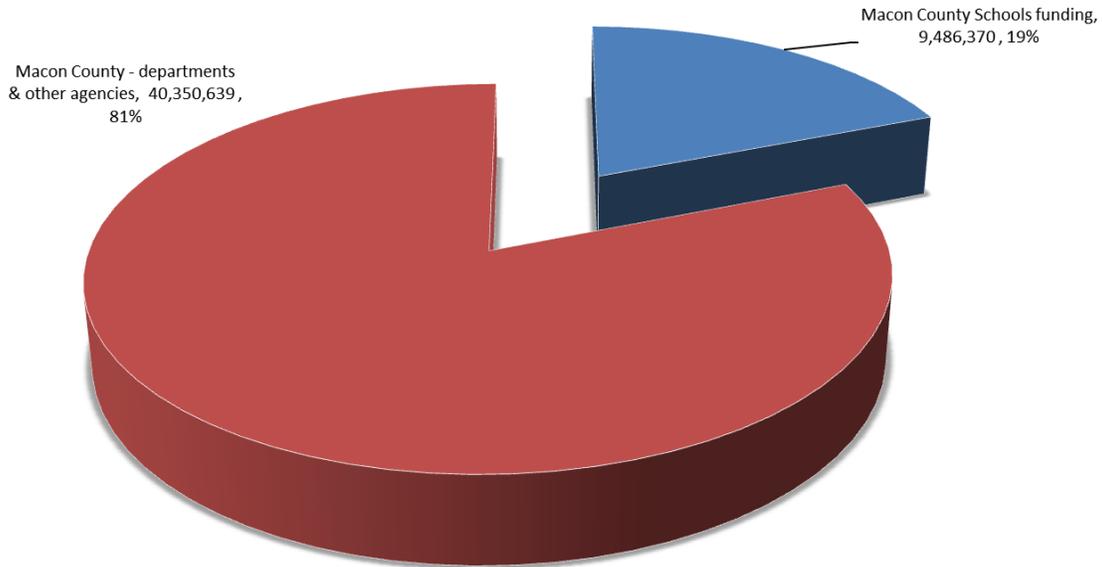
Beginning with a four year Community Oriented Policing (COPS) grant in 2000 the first two Macon County School Resource Officers were hired. Since that time the number of SRO's in the Macon County School System has grown to ten (10) with at least one officer stationed at each school (FHS has 2). We are currently awaiting verification of funding from the North Carolina Center for Safer Schools/Department of Public Instruction which would place two (2) additional SRO's in the Macon County School System during FY 18-19'. To date, Macon County is one of four counties across the state that has an SRO stationed at each school at an annual cost of approximately \$800,000. This amount however, is not reflected in the county contribution to the school system as it comes from the Sheriff's budget. Macon County has and will continue to place the highest priority on our children and their safety.

Macon County Schools Capital Outlay and Technology

\$600,000 will be placed in the FY 18-19' capital outlay budget for the school system. This amount is reflective of \$300,000 for capital improvements and \$300,000 for technology needs in the coming fiscal year. Since FY 13-14' annual capital outlay to the Macon County School System has increased by \$500,000.

	FY 17-18' Original	FY 18-19' Recommended
Operating Expenses	\$7,138,330	\$7,345,141
S/W Fees	80,000	\$80,000
Capital Outlay	\$600,000	\$600,000
Timber	\$53,000	\$60,000
Supplement	\$479,401	\$472,590
Golden Leaf Grant	\$24,277	-
Total	\$8,375,008	\$8,557,731

**Macon County Schools Funding
as a % of the General Fund Budget
FY 2018-2019**

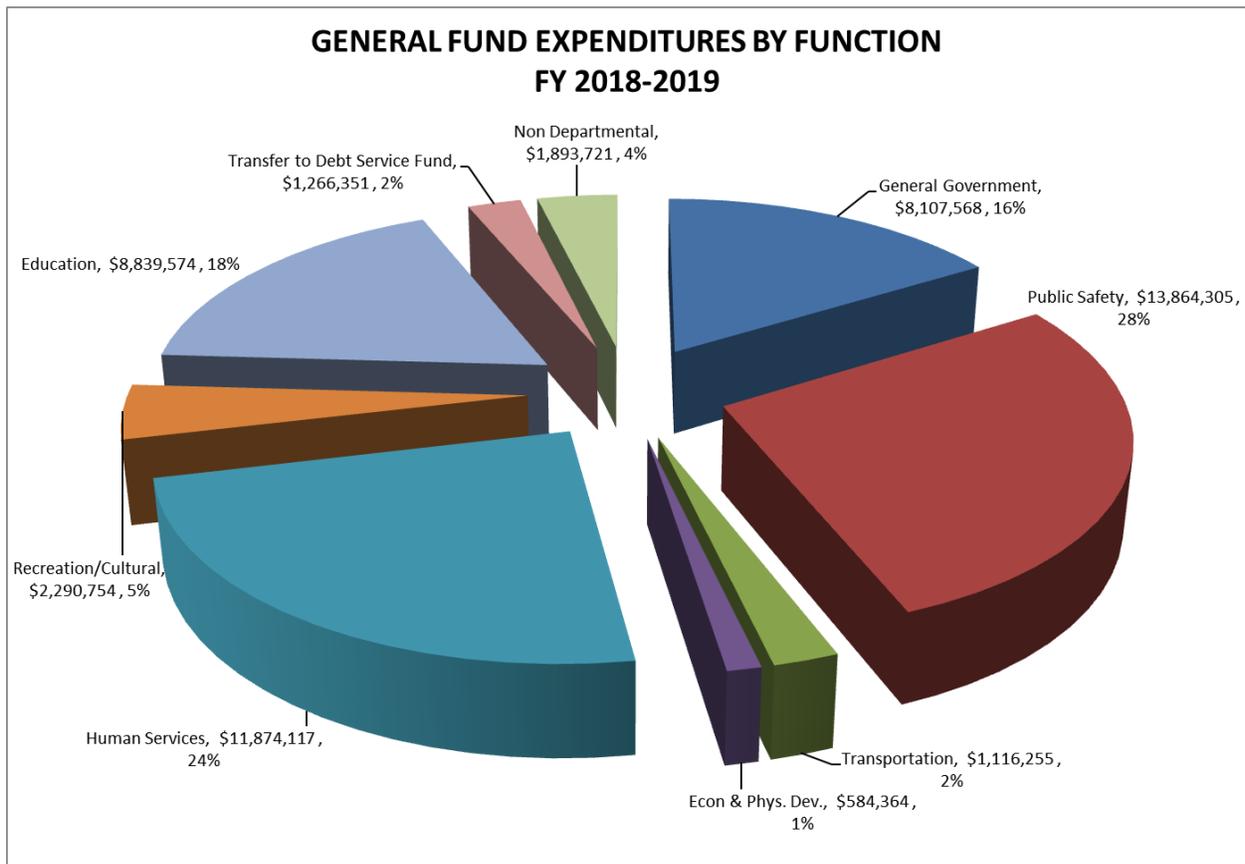


Note: Macon County Schools funding includes current expense, supplements, solid waste fees, capital outlay, Golden Leaf match funds, and debt service funded by the General Fund.

Southwestern Community College

Funding for Southwestern Community College will remain at \$281,843 for FY 18-19'. Upon completion of the \$2,712,605 Fire Training Facility in the coming fiscal year however, the county will be obligated to increase this funding level in FY 19-20' to accommodate for increased operating expenses brought about by the new facility. In addition, the anticipated debt service for the new facility has been factored in to the CIP for FY 19-20'.

IV. Summary



The FY 18-19' budget will allow us to continue providing high quality services to the citizens of Macon County at one of the lowest tax rates in the state and without compromise to our strong financial position. Furthermore, a contingency fund of \$125,000 will ensure that we remain prepared for any unexpected events that might occur. This budget could not have been accomplished without the hard work and willingness to compromise shown by all Macon County department heads during budget discussions. As required by state statute, the budget is balanced with revenues and expenditures of \$49,837,009 and is hereby submitted for your review and consideration.

Respectfully,

Derek C. Roland
Macon County Manager