



May 21, 2024

**Macon County Board of Commissioners**

Chairman: Gary Shields

Vice Chair: Josh Young

Commissioner: Paul Higdon

Commissioner: Danny Antoine

Commissioner: John Shearl

Gentlemen,

Of the eleven budgets I have had the privilege of presenting, the FY 25' Budget is the one of which I am most proud. The strong financial position anchoring this budget did not happen overnight nor did it happen by accident. It is the product of a decade of fiscally responsible leadership on the Macon County Board of Commissioners and the hard work and dedication of Macon County Employees who have acted under their direction. Decisions of this body have successfully navigated the organization through economic highs and lows, unfunded mandates, natural disasters and most recently a pandemic. While these decisions weren't always easy nor popular, their cumulative effect has resulted in a financially strong, well running organization perfectly positioned to lead us into the future.

It is an undeniable fact as illustrated by a Aa2 credit rating, that Macon County is one of the most financially solid county government organizations in the state of North Carolina. Highlighting this financial position is a 48.7M fund balance that has earned the county approximately \$3.1M in interest in FY 24'. Under conservative revenue and financing assumptions in the Capital Improvement Plan, we have the debt capacity to support \$70,100,000 of \$133,650,000 in education related capital projects through the Capital Reserve Fund in the coming fiscal year. We will get the most favorable rates the market has to offer on this debt because of our strong financial position. The remaining funds will come from the \$62M Needs Based Capital Grant Macon County received in 2024, \$900,000 Repair and Renovation funds and \$650,000 in reserves. The most significant year of capital expenditures in the history of Macon County can be accomplished with no increase to the ad-valorem tax rate, without maxing out the county's debt capacity (currently at \$22.4M outstanding principal and interest) and our fund balance will not fall below \$25M.

The strong financial position we enjoy today did not happen overnight. FY 15' was the first revaluation of property in Macon County since the recession of 2008. The following year, the revaluation would result in a 19% decline in the ad-valorem property tax base leading to an FY 16' tax rate of .349 per \$100 of assessed value. At this time, Fund balance was approximately \$16M and the county had approximately \$44M in outstanding debt. Annual Capital Outlay to the Macon County School System was \$99,000. A new Franklin High School was far more of a dream than a reality and the Capital Improvement Plan did not yet exist. The remainder of a 2014 pay-study was suspended following partial implementation in the prior year, as any additional revenue was needed to keep a health insurance fund solvent that was losing (\$818,000) annually and depleted what was once a \$6M Reserve Fund in 2009. At \$45M, the FY 15' Budget was \$1.9 less than prior year, left contributions to the Macon County School System flat at \$7.3M and 16 hrs. and annual leave was approved for county employees as opposed to a COLA.



A decade of annual budgets approved by this board and implemented by this organization, while all have been unique and accompanied by their own set of challenges, are similar in that each one has been grounded in fiscal responsibility. Year in and year out, through economic highs and lows, periods of high inflation, periods of low inflation even a pandemic, these budgets have consistently delivered high quality public services to the citizens of Macon County, without exceeding the third lowest price tag (ad-valorem tax rate) in the state. Over the course of these budgets, a health insurance fund was saved, county employee contribution to health insurance has not increased in 5 years and \$1.2M currently sits in reserves. Two pay studies, conducted in house by county employees, were fully implemented, with the latest resulting in a 72% decline in vacancies since 2021 despite the toughest labor market in the Nation's history. A Capital Improvement Plan was developed and put into place, funding to education has increased, new facilities have been built, old facilities have been renovated, our reserves have grown by 50% and our debt has decreased 50%.

Fiscal responsibility will remain the prescription for the FY 25' Recommended Budget, as it has resulted in a decade of success for this organization and the citizens of Macon County. Revenues in the FY 25' recommended budget are based upon the most conservative revenue assumptions and reflect a "leveling out" of the dramatic economic growth Macon County experienced during the Pandemic. While revenues have decreased slightly overall, the decrease is due to a reduction in intergovernmental or grant funded revenue, combined with a reduction to interest on investment earnings which gave Macon County the ability to increase annual capital funding in FY 24' to a level well above the historic "norm". The anticipated decline in interest on investments comes following an anticipated reduction in principal of approximately \$20M to fund the proposed \$145.9M in FY 25' CIP improvements. In addition, as the economy continues to cool from the record highs experienced during the pandemic, reductions to the federal funds interest rate are felt to be forthcoming in the next fiscal year. While an FY 25' reduction by the Fed would have a positive impact on *operating revenue* sources in the budget, it will negatively impact large surpluses in interest on investment earnings. An anticipated decline in capital revenue will lead to capital expenditures in the operating budget being brought back to a level felt to be sustainable under normal growth conditions. Although the proposed level of annual capital expenditures represents a decline from prior year, it remains approximately 27% above the pre-pandemic average, representing a "new and enhanced" level of spending with respect to annual capital improvements.

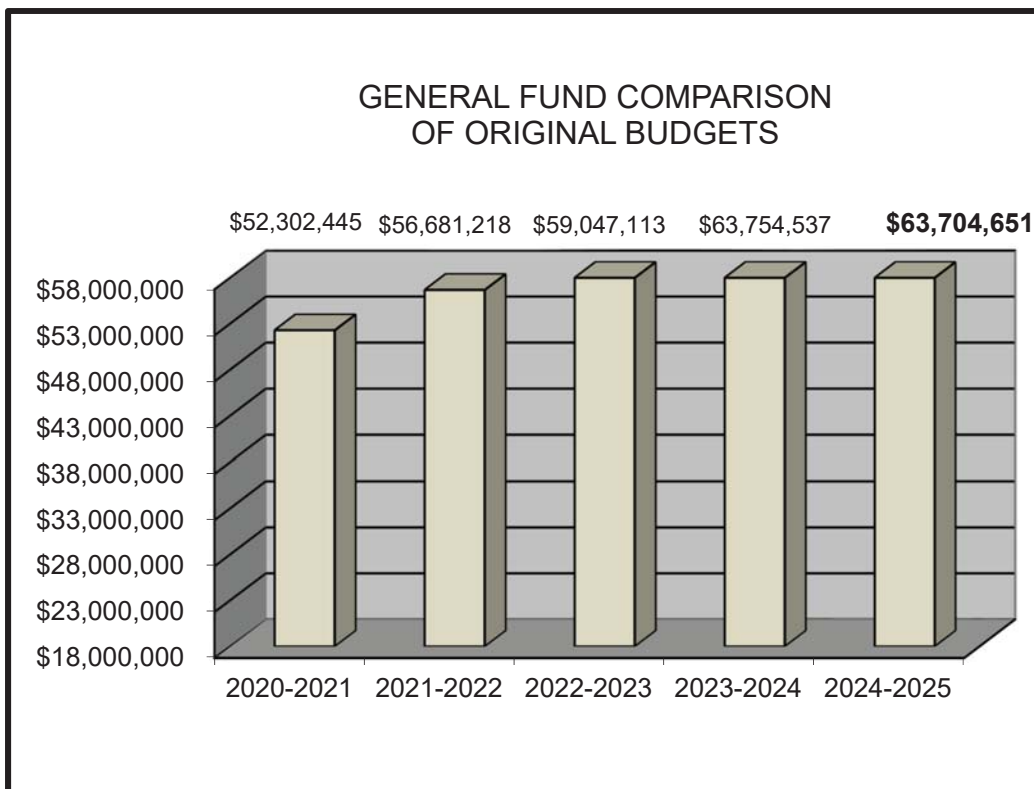
Real estate development and property values remaining at all-time highs will again lead to FY 25' ad-valorem tax base growth albeit not at levels experienced over the past few years. This additional revenue combined with revenue made available following a reduction in annual capital expenditures will be directed to those areas of operations the organization needs it most, allowing us to overcome the challenges of today as we literally "build" the future of tomorrow. The distribution of expenditures in the operating budget will result in a second year of increased operational funding to the Macon County School System, (13% in 2 years) a second year of increased funding to Southwestern Community College, (76% in 2 years) a 7% increase to the Fontana Regional Library System, add two positions in Environmental Health, provide a 2% Cost of Living Adjust for all Macon County Employees and a 1-step increase in the pay-plan for all full time employees.

At \$1.9M in annual capital expenditures or 27% above the pre-pandemic average, we will continue to make critical upgrades in our emergency services fleet replacing patrol cars and ambulances, increase annual capital outlay to the Macon County School system by \$100,000, continue making needed capital



improvements to our county owned facilities and begin planning for the future of the Dorothy and John R. Crawford Senior Center.

The FY 25' Budget, would not be possible without a group of Macon County Employees who have gone "all in" with respect to the fiscally responsible culture established by this organization. Year after year these men and women have implemented annual budgets effectively and with a degree of efficiency that is unprecedented for a small rural county. They are the ones who saved the health insurance fund, they are the ones who worked to develop a competitive plan for the recruitment and retention of employees. These individuals, acting under the fiscally responsible leadership of this governing body are responsible for the \$48.7M in fund balance and the lowest tax rate in the State of North Carolina that Macon County enjoys today. As we move forward in FY 25' and on into the future, we must never forget that these men and women are the organizations most valuable asset and as such, should forever remain it's top priority.





## **FY 23-24' Accomplishments**

### **Broadband Expansion**

- Macon County continued moving forward with broadband expansion in FY 24'. A second round of "GREAT" Growing Rural Economies with Access to Technology was made available by the North Carolina Department of Information Technology in 2023. Following a Macon County commitment of \$50,000 in American Rescue Plan Act (ARPA) funding in June, and a \$175,000 match commitment of their own, Balsam West was awarded a GREAT grant in the amount of \$992,404 in October 2023. The project will make broadband internet service available to 263 unserved locations in Macon County and will be completed in Q3 of 2025.
- On September 12, 2023, Macon County Board of Commissioners unanimously approved \$350,000 in funding to Balsam West for the construction of fiber internet in the Nantahala area. The \$600,000 project will construct and provide broadband service to 5 county facilities including: *Nantahala Fire Station on Wayah*, Nantahala Fire Substation, Nantahala EMS on Junaluska, *Library and Community Center on Whiteoak*, *Nantahala Recreation Center on Winding Stairs*. In addition to providing broadband internet service to county facilities, it will be made available to all Nantahala residences and businesses within 500 ft. of the fiber line. Project will be completed by fall 24'.

### **Macon County School System Operational Funding**

The FY 24' Budget increased operational funding by \$880,638 over prior fiscal year to \$9,696,369. FY 20' was the last time operational funding had been increased to the School System prior to the FY 24' Budget. Additional funding was used to maintain locally funded teaching positions required to meet class size mandates, provide state mandated salary increases to locally paid teachers and staff, enhance Science, Technology Engineering and Math (STEM) program and expand course offerings in Career and Technical Education (CTE).

### **Franklin High School Project**

The Franklin High School Project continued moving forward in FY 24'.

- The Board of Commissioners voted unanimously on July 11, 2023 to incorporate Bartram Academy, formerly known as Union Academy, into the new Franklin High School Project Design. Combining these two facilities greatly improved the Franklin High School Project's application score in what was an extremely competitive grant process for Needs Based Capital Funding through the North Carolina Department of Public Instruction. Prior to FY 24' the FHS project application was submitted to DPI for funding consideration 2x. Each time was unsuccessful.
- On September 12, 2023, the Board of Commissioners voted 3-2 to amend the architectural agreement with LS3P to include construction documents for the FHS Main Campus (\$1,666,565). To date, Macon County has allocated \$3,797,968 towards architectural fees at the Franklin High School Project or 63% of the total architectural agreement amount.
- On September 12, 2023, the Board of Commissioners voted 4-1 to approve a lease agreement between Macon County and the Board of Education for the "Higdon House" property. The lease agreement will enable the School Board to begin planning for incorporation of this 11 acre facility and iconic residential structure into their curriculum.



- On January 23, 2024, North Carolina Superintendent of Public Instruction, Catherine Truitt, accompanied by State Senator Kevin Corbin and State Representative Karl Gillespie, presented a check in the amount of \$62,000,000 from the North Carolina Department of Public Instruction Needs Based Capital Fund to go towards construction of the approximate \$130M New Franklin High School Main Campus and Athletic Stadium.
- The Board of Commissioners approved a Construction Manager at Risk pre-construction contract with Carroll Daniel Construction for the Franklin High School Project on March 25, 2024. The pre-construction contract, in the amount of \$275,000 will enable Carroll Daniel Construction, (CM at Risk for the Franklin High School Project) to work alongside project architect, LS3P to produce a Guaranteed Maximum Price (GMP) for the Franklin High School Project. Carroll Daniel anticipates delivering the GMP to Macon County in August 2024. Following establishment of the Guaranteed Maximum Price, Macon County will enter into construction contract negotiations with Carroll Daniel for the \$130M Franklin High School project and Athletic Complex. Construction is anticipated to begin in the fall of 2024.

### **Highlands School Project**

The Board of Commissioners approved a Construction Manager at Risk pre-construction contract for the Highlands School Project on March 25, 2024. The Highlands School Project, consists of the following:

- Installation of new HVAC equipment and windows in middle school building
- Roofing and flooring replacement in the middle school building
- 4-classroom addition to the middle school building
- Renovations to the existing media center
- Renovations to (2) Pre-K classrooms
- Renovations to (3) makerspaces/labs
- All associated architectural, civil, structural, plumbing, mechanical and electrical work required for these scope areas

The pre-construction contract, in the amount of \$28,528 will enable Vannoy Construction, (CM at Risk for the Highlands School Project) to work alongside project architect, LS3P to produce a Guaranteed Maximum Price (GMP) for the project. Following establishment of the Guaranteed Maximum Price, Macon County will enter into construction contract negotiations with Vannoy Construction for the Highlands School Project. LS3P and Vannoy are working with Macon County to try and keep the Highlands School Project and Franklin High School Project on similar timelines. Grant funding from the North Carolina Repair and Renovation Fund will be applied towards the renovation portions of this project.

### **Nantahala School Wastewater Treatment**

The Macon County Board of Commissioners voted unanimously on April 9, 2024 to purchase approximately 1.29 acres adjoining the Nantahala K-12 School property for \$90,000. The property will be used to accommodate drain lines for an in-ground septic system that will be installed to replace the failing point-source discharge system currently in use. Replacement of the point-source discharge system has been identified as a top capital priority by the School Board. The total cost of this project is estimated at \$650,000 per the February 8, 2024 version of the Capital Improvement Plan.



### **Recreation Park Master Plan**

On March 12, 2024 the Macon County Board of Commissioners unanimously approved a contract with McGill and Associates for \$163,700 to design and bid phase 1A of the Recreation Master Plan at the Robert C. Carpenter Building/Veterans Memorial located at 1288 Georgia Road. Phase 1A consists of newly constructed Pickleball courts, Tennis courts, bathroom and changing facility as well as a new bridge capable of accommodating vehicular traffic. The estimated cost of Phase 1A is approximately \$1,766,275 per the February 8, 2024 version of the Capital Improvement Plan.

### **Macon Middle School Locker Room Facility and Track**

- The 9,900 SF Macon Middle School Locker room Facility was completed in May, 2024 at a cost of \$2,797,755. The new facility addresses much needed space shortfalls in athletic programming, providing additional restrooms, locker room space and practice facilities for sports teams year round.
- On May 14, 2024 Commissioners approved the bid for the construction of a new track on the Macon Middle School Campus in the amount of \$930,180.

### **Panther PULSE**

Panther Unified Learning and Skill exchange is a work based partnership between Macon County Schools and Macon County Government. This collaborative initiative aims to provide high school students with enriching, practical and “on the job” experiences that bridge the gap between academic learning and real-world application. The Macon County Board of Commissioners unanimously approved Macon County’s participation in the PULSE program by way of resolution on March 12, 2024.

### **Southwestern Community College Capital Projects**

The Macon County Board of commissioners on February 13, 2024 unanimously approved an appropriation of \$3,050,000 towards the construction of a new fire training facility at the Public Safety Training Center and the addition of a science classroom at the Groves Center.

- Fire Training Facility - \$2,673,791 County Funded + \$1,400,000 State Funded= \$4,073,791 Total Project Cost.
- Science Classroom- \$376,209 County Funded + \$1,100,000 State Funded= \$1,476,209 Total Project Cost.

### **Southwestern Community College Operational Funding**

Operational funding to Southwestern Community college was increased by \$72,482 in FY 24’. This funding increase was used to cover cost increases associated with general maintenance, software, supplies and utilities. This was the first increase to SCC operational funding in 4 years.

### **Nantahala Community Club and Library**

Approximately 1 year from start of Construction, the Nantahala Community Club and Library Renovation Project at 36 White Oak Lane, Topton NC, 28784 nears completion. To date, \$168,093 has been spent on the project and completion is projected for mid-June 2024. Macon County received \$300,000 in state grant funding to complete this project.



### **Recruitment and Retention Pay**

In April of 2023 Macon County was notified by the Federal Government that the \$6.9M received in American Rescue Act Funding could no longer be used for “premium pay” as originally intended and approved by the Macon County Board of Commissioners in 2021. Under the Premium Pay Policy all Macon County Employees received an additional \$2.00 per hour for each hour worked through October of 2024. Due to the Federal Government ruling however, premium pay was discontinued in April of 2023. On November 14, 2023 The Board of Commissioners voted 3-2 to approve the “Recruitment and Retention Pay Policy”. While the remainder of the \$6.9M in ARPA funding could no longer be used for “premium pay”, it could still be used as “revenue replacement” per ARPA funding guidelines. Using the ARPA funding in this manner freed up county dollars which funded the “Recruitment and Retention Policy”. Adoption of this policy ensured that county employees would continue receiving an additional \$2.00 per hour worked through October 2024 as originally intended. These policies have and continue to be extremely beneficial in the recruitment and retention of high quality employees in what has become an increasingly tight labor market following the COVID-19 Pandemic.

### **Project Iron Dome**

Duotech Services LLC, an engineering company that specializes in the repair and maintenance of legacy defense equipment, will expand its operations in Macon County, creating 95 jobs at an average annual salary of \$82,144. On March 25, 2024 the Board of Commissioners approved the sale of the former “Business Incubator” located in the Industrial Park to Duotech at a price \$797,720. In addition to the sale of property the Board of Commissioners approved an incentive agreement by which Duotech agrees to meet or exceed the job creation numbers within 5 years of beneficial occupancy. The \$6.5M expansion will be facilitated in part, by a Job Development Investment (JDIG) grant through the North Carolina Department of Commerce. Over the 12-year term of the JDIG grant, the project is expected to grow the state’s economy by \$416M. Duotech has continuously operated in Franklin since 1986.



## FY 24-25' General Fund Revenues

| <b>FY 25' General Fund Revenues</b> |                      |                       |                      |
|-------------------------------------|----------------------|-----------------------|----------------------|
| <b>Source</b>                       | <b>FY 24' Budget</b> | <b>Total Increase</b> | <b>FY 25' Budget</b> |
| Tax Collections                     | \$34,906,836         | \$698,196             | \$35,605,032         |
| Sales Tax                           | \$14,133,859         | \$0                   | \$14,133,859         |
| Service Fees                        | \$4,211,085          | \$112,715             | \$4,323,800          |
| Intergovernmental                   | \$9,316,324          | (\$668,287)           | \$8,648,037          |
| Miscellaneous                       | \$1,186,433          | (\$192,510)           | \$993,923            |
| <b>Total</b>                        | <b>\$63,754,537</b>  | <b>(\$49,886)</b>     | <b>\$63,704,651</b>  |

### **Ad Valorem Property Tax and Motor Vehicles**

Ad valorem and motor vehicle tax collections will account for \$35,605,032 or 56% of revenue in the FY 25' General Fund Budget. An increase in real and personal property value of approximately \$245M over prior year will translate into a \$581,481 increase in this revenue source for FY 25', despite a slight decrease (.21%) in tax collection percentage. Motor vehicle values at approximately \$473M in FY 25' represents a \$43M increase over prior year, generating an additional \$116,715 in motor vehicle tax revenue.

| <b>MACON COUNTY, NORTH CAROLINA</b>    |                         |
|--|-------------------------|
| <b>2024 ASSESSMENT VALUE ESTIMATES</b> |                         |
| <b>2025 BUDGET</b>                     |                         |
| <b>ESTIMATED LEVY</b>                  |                         |
| <b>TOTAL REAL/PERSONAL VALUE</b>       | <b>\$12,640,462,495</b> |
| <b>MOTOR VEHICLES VALUE</b>            | <b>\$473,046,229</b>    |
| <b>TOTAL ESTIMATED VALUE</b>           | <b>\$13,113,508,724</b> |
| <b>Proposed Tax Rate</b>               | <b>\$0.2700</b>         |
| <b>Real/Personal Levy</b>              | <b>\$33,695,807</b>     |
| <b>Collection Rate Real/Personal</b>   | <b>98.73%</b>           |
| <b>Motor Vehicles Levy</b>             | <b>\$1,277,225</b>      |
| <b>Collection Rate Motor Vehicles</b>  | <b>100.00%</b>          |
| <b>Estimated Total Levy</b>            | <b>\$34,973,032</b>     |
| <b>Tax Dollars per Penny</b>           | <b>\$1,295,297</b>      |

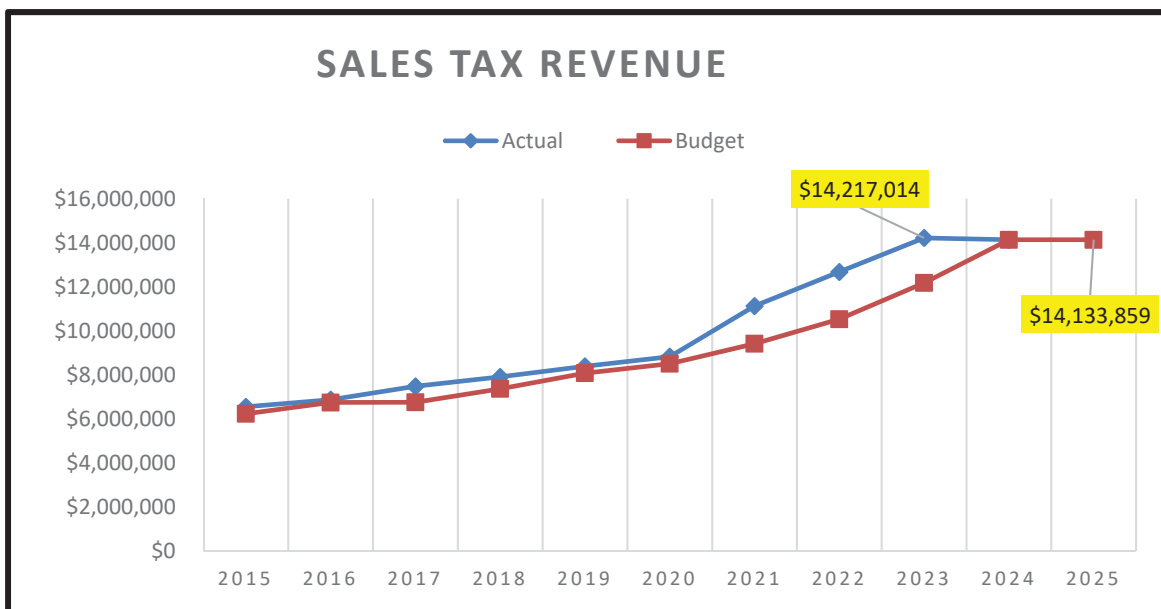




## Sales Tax

At an estimated \$14,133,859 or 22% of total revenue in FY 25', sales tax revenue growth will come to a standstill. Despite increasing to \$14,217,014 to end FY 23', actions taken by the Federal Reserve to dampen inflation have impacted the local economy and sales tax growth. At the time of this budget message, sales tax collections through February of 2024 is (1.7%) below prior year actuals. This is in sharp contrast to the 15% increase in this revenue source experienced through February of the prior year.

At the time of this budget message, a sustained, elevated federal funds interest rate of 5.25%-5.5% appears to be hitting its mark as GDP growth, wage growth and job growth are slowing down. Inflation, although rising slightly in recent months, is coming down overall. In light of these circumstances, economists remain optimistic that reductions to the federal funds interest rate are forthcoming in 2024, which should have positive impact on this revenue source.



## Service Fees

Service fees are those revenues generated from services provided. These include recreational fees, ambulance fees, client payments for health and social services, building permit fees, etc. \$4,323,800 has been budgeted for FY 25' service fee collections. This is an increase of \$112,715 over the current fiscal year original budget. In addition to EMS revenues, those service fee revenues tied to the real estate and construction industries are some of the most significant revenue sources in this category and as such will reflect local economic conditions. For instance, \$136,000 in additional revenue has been budgeted for *excise fees* collections in Register of Deeds as property values remain at record highs, while *recording fees*, or fees collected based upon the number of deeds recorded, will be reduced by 10%. Building Inspections fees will increase by \$89,000 to \$510,000 as the number of building permits issued YTD through April of 24' is approximately 13% above prior year.



*EMS Service Fee Chart*

| Macon county EMS                | 2024 Medicare Allowable (Rural) | 130% above MFS Current Charge (Rural) | 150% above MFS Current Charge (Rural) | Current Charges | Current Charges % to Current MFS | Proposed Charges 2024/2025 |
|---------------------------------|---------------------------------|---------------------------------------|---------------------------------------|-----------------|----------------------------------|----------------------------|
| ALS NE A0426                    | \$319.29                        | \$415.08                              | \$478.94                              | \$545.36        | 171%                             | \$545.36                   |
| ALS E A0427                     | \$505.55                        | \$657.22                              | \$758.33                              | \$863.48        | 171%                             | \$863.48                   |
| BLS NE A0428                    | \$266.08                        | \$345.90                              | \$399.12                              | \$454.46        | 171%                             | \$454.46                   |
| BLS E A0429                     | \$425.72                        | \$553.44                              | \$638.58                              | \$727.14        | 171%                             | \$727.14                   |
| ALS 2 A0433                     | \$731.71                        | \$951.22                              | \$1,097.57                            | \$1,249.78      | 171%                             | \$1,249.78                 |
| Specialty Care Transports A0434 | \$864.75                        | \$1,124.18                            | \$1,297.13                            | \$1,477.00      | 171%                             | \$1,477.00                 |
| Mileage                         | \$9.02                          | \$11.73                               | \$13.53                               | \$17.08         | 189%                             | \$17.08                    |
| ALS Treatment, No Transport     |                                 |                                       |                                       | \$150.00        |                                  | \$150.00                   |

*\*\*No increase in FY 25' EMS Rates. \*\**

**Intergovernmental Revenues**

Intergovernmental revenues are primarily grant funds received from outside federal and state agencies for Health Dept., DSS, Transit, Senior Services operations. Intergovernmental Revenues also include federal PILT (Payment in Lieu of Taxes) funding. \$8,648,037 has been budgeted for intergovernmental revenues in FY 25', a **(\$668,287)** decrease from the current fiscal year original budget. The decrease is largely due to a **(\$533,304)** reduction in Health Department program revenues, which includes a **(\$366,378)** reduction in Medicaid Cost Settlement funding.

**Miscellaneous**

Miscellaneous revenues include those revenues generated from collection of rental fees, administrative fees, interest earnings, etc. At \$993,923, the budgeted amount for miscellaneous revenues will decrease by **(\$192,510)**. The decrease is due to a reduction in interest on investment earnings of **(\$169,510)**.

The reduction to interest on investment earnings comes in anticipation of a \$20M transfer from funds (fund balance) held in the North Carolina Capital Management Trust Fund, thereby reducing the principal amount of roughly \$53.4M on which interest can be earned. Furthermore, as economic growth continues to level off, a reduction in the federal funds interest rate could potentially occur later this year. Each of these actions will have a negative impact to interest on investment revenue. At \$818,049 in FY 25' however, interest on investment revenue remains well above the FY 18'- FY 20' pre pandemic annual average of \$550,000.

**Fund Balance**

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

Fund balance in the general fund has increased significantly during the past few years as revenue growth from sales tax combined with growth in ad valorem tax, driven by development and increasing sales prices, has occurred at levels far beyond what is considered "normal" based upon a decade of revenue

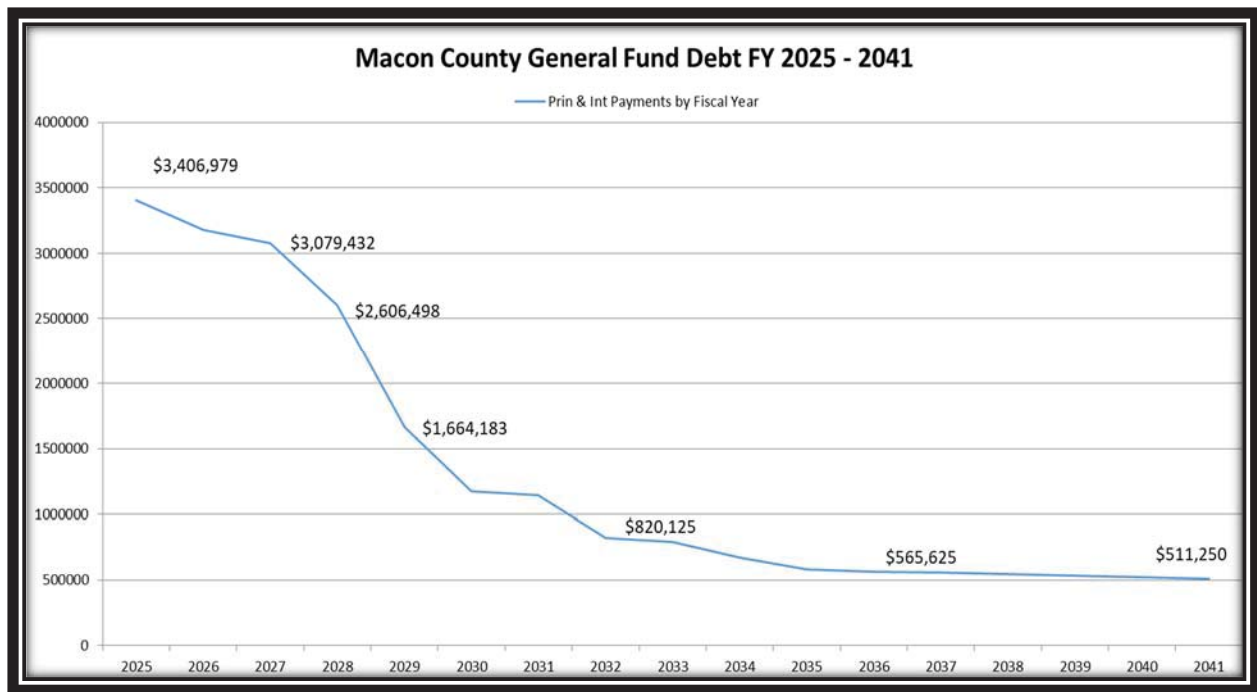


growth statistics. Projected unassigned fund balance will again increase by approximately \$3.6M to end FY 24'.

Moving into FY 25' as economic growth appears to be leveling out, an unassigned fund balance of \$48.7M or 72% of expenditures continues to provide the county with a high degree of financial certainty. In addition, a fund balance appropriation of approximately \$20M to capital reserves in the coming fiscal year will enable the county to move forward with over \$180M in capital improvements.

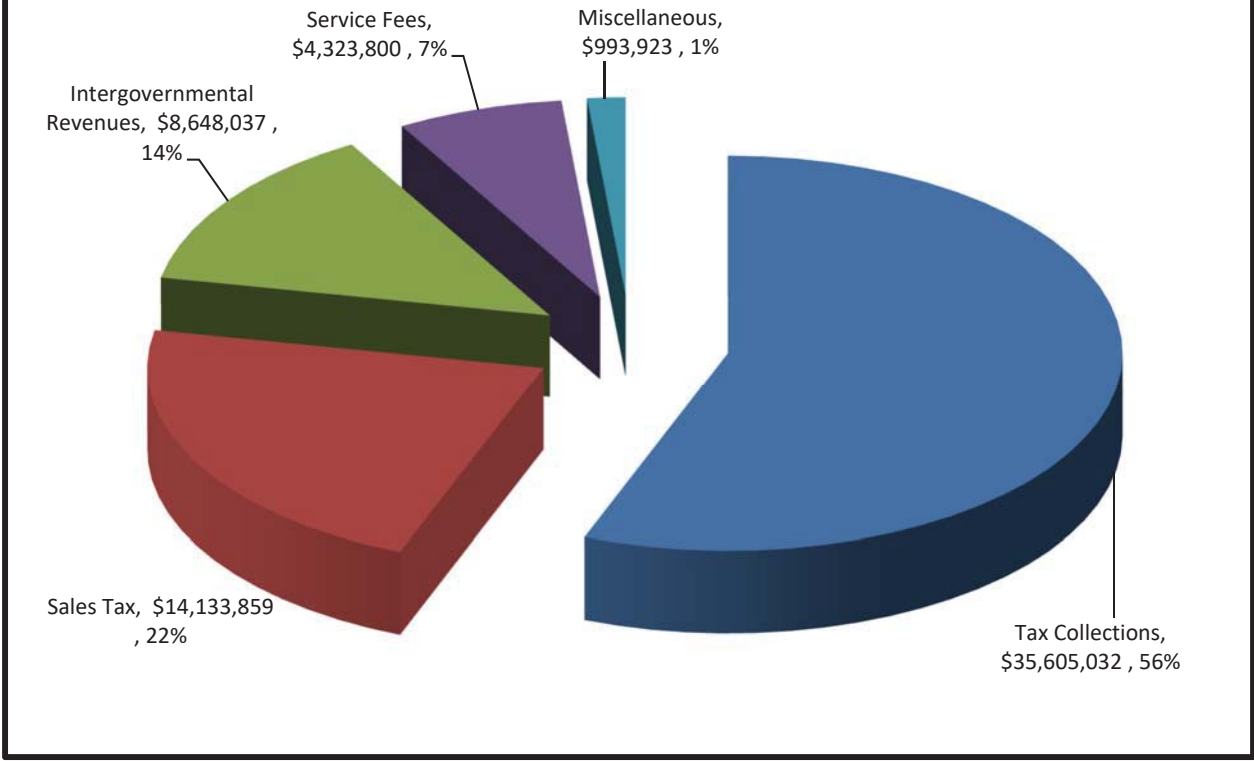
### General Fund Debt

The annual principal and interest payment on outstanding debt will decrease by \$100,486 to \$3,406,979 in FY 25'. Currently the county has an outstanding debt amount (principal and interest) of \$22,354,971. Debt associated with school projects accounts for \$21,611,571 or 96.67% of this amount.





### GENERAL FUND REVENUES BY SOURCE FY 2024-2025





## FY 24-25' General Fund Expenditures

Despite an increase in annual inflation of 3.4% for the 12 months ending in April 2024, expenditures in the FY 25' Recommended Budget will decrease by **(\$49,886)**. At \$63,704,651, FY 25' expenditures as proposed will enable the organization to maintain the high level of public service to which Macon County residents and visitors have become accustomed. Pesky inflation, sustained high demand for services and record low levels of unemployment will continue to present challenges with respect to operating costs. In addition to these challenges, economic growth has slowed resulting in a "leveling off" of revenue in the operating budget. The distribution of FY 25' expenditures, as shown in the chart below, reflects this organizations plan for addressing these challenges in the coming fiscal year.

New revenue generated through ad-valorem tax growth combined with revenue made available through a reduction in annual capital expenditures, will be directed towards operations in the FY 25' Recommended Budget. Increased revenue to operations will offset unavoidable increases in salaries and benefits as well as non-salary and benefit related operating costs coming as a result of the challenges discussed above. Annual capital spending at approximately \$3.63M remains well above the FY 18'- FY 20' pre pandemic average of \$2.4M and is representative of a "new and enhanced" normal if you will, for this expenditure category.

| <b>FY 25' Expenditures</b> | <b>Increase/Decrease</b>    | <b>FY 25' Budget</b> |
|----------------------------|-----------------------------|----------------------|
| <i>By Category</i>         | <i>From FY 24' Original</i> |                      |
| Salaries and Benefits      | \$1,158,781                 | \$33,032,061         |
| Non S&B Operating Increase | \$258,108                   | \$12,606,678         |
| Capital                    | <b>(\$1,852,136)</b>        | \$2,206,489          |
| Transfers ex. 46 & 51      | <b>(\$61,756)</b>           | \$2,077,634          |
| Non Dept.                  | \$84,089                    | \$1,699,356          |
| Special Appropriations     | \$43,000                    | \$214,000            |
| Education Operations       | \$371,313                   | \$10,489,341         |
| Education Capital          | <b>(\$51,285)</b>           | \$1,379,092          |
|                            | <b>(\$49,886)</b>           | <b>\$63,704,651</b>  |

\*\*Special appropriations includes \$50,000 contribution to Macon County Fairgrounds, reflected as Capital on FY 25' Capital Chart (pg.19)\*\*



### ***FY 24-25' Salaries and Benefits***

Primary accounts associated with *Salaries and Benefits* include: *Salaries, part-time salaries, overtime, retirement, 401(k), longevity, life insurance, hospitalization, Medicare/FICA*. In FY 24' salaries and benefits will account for account for \$33,032,061 or 52% of FY 25' operating expenditures. This is an increase of \$1,158,781 over the FY 24' Original Budget. Funding at this level is representative of 374 full time positions, 106 part time positions, 29 seasonal part time positions and 13 vacancies. Vacancies lie in the Public Safety function (4) and Health and Human Services (9). Vacancies in the Health and Human Services Function are primarily in healthcare occupations.

### ***New positions***

Two new Environmental Health Specialist positions have been included in the FY 25' Original Budget. On April 9, 2024 the Board of Commissioners instructed Health Director, Kathy McGaha to address what was then a six week backlog of well and septic permits at Macon County Environmental Health. As part of these discussions, the Board of Commissioners approved \$20,000 to fund overtime and contract labor in environmental health for the remainder of the fiscal to help eliminate the backlog.

Ms. McGaha indicated that while overtime and contract labor would be helpful to address the backlog in the short term, a long term solution to this problem would require two additional environmental health specialists and a restructuring of the department to more closely mirror Jackson County, who currently has no backlog of permits. The Board of Commissioners indicated on April 9, 2024 that they would support the inclusion of these positions and the department restructuring in the FY 25' Budget. The financial impact to salaries and benefits resulting from the additional positions in FY 25' is \$171,571. An illustration of the department restructuring is shown in the Public Health summary of increases/decreases by function section of this budget report.

### ***Salaries***

The ability to recruit and retain highly qualified employees remains a priority for the organization in the coming fiscal year. Beginning with pay study implementation in 2021, Macon County has gone to great lengths to bring our pay scale to a regionally competitive level and furthermore to ensure salaries within the pay scale adequately reflect the employee's skill level and experience in position. This has proven extremely successful as vacancies in the organization have decreased by 72% during this time. In October 2021 there were 47 vacancies across the organization, 21 in public safety, 18 in Health and Human Services, and 8 spread out across other functions.

Like Macon, numerous local governments across the state and region will continue adjusting their pay scales in FY 25' to remain competitive in what has become an increasingly tight labor market. During this fiscal year Macon County HR has been contacted by the MAPS group and the Archer Company requesting information for pay studies they were conducting in Cherokee County and Swain County respectively.

The North Carolina League of Municipalities along with the North Carolina Association of County Commissioners recently published the *FY 24-25 Anticipated Cost of Living Adjustments and Merit Increase Survey Results*. Of the 235 respondents, 87% are planning to provide COLA and/or merit increases in their upcoming budgets. The average planned COLA for the Western Region is 3.6% with planned merit increases ranging from 1% to 6% according to survey results.

The Southwestern Commission published a similar study for the 7 county western region in FY 25' indicating the average combined COLA and Merit increases for 11 out of 17 responding organizations to



be 4%. At the state level, the budget includes a 3% increase for all state employees as part of a 7.25% total increase over the biennium.

The FY 25' Recommended Budget proposes a 1-step advancement in the pay scale for all full time employees and a 2% cost of living adjustment for all employees. The 1-step advancement amounts to an approximate 1.65% increase per employee resulting in a \$454,072 increase to the FY 25' Budget. A 2% COLA will result in an FY 25' Budget increase of \$534,399.

### **Health Insurance**

Health insurance will account for \$5,079,767 or 7.97% of the FY 25' Recommended Budget. Underwriting calls for a 1% increase in renewal for the coming fiscal year; however, the County's positive reserve position allows us to have a flat renewal. Revenue to cover the approximate \$50,146 annual increase comes from the health insurance reserve fund. As a result, employee and county contributions to health insurance will remain flat across all levels of coverage. Annual contribution rates for Macon County Employees have remain unchanged since 2019. Macon County has approximately \$1.3M in the health insurance reserve fund to begin FY 25'. Reserves again increased in FY 24' by \$200,000.

### **Retirement**

An additional \$163,459 has been budgeted in FY 25' retirement, as a result of increases to state retirement system contributions. Retirement contributions will account for \$2,965,857 in FY25' or approximately 4.66% of the operating budget.

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

### **FY 24-25' Non-Salary and Benefit related operating expenditures**

Non Salary and Benefit related operating expenditures consist of line items such as contracted services, gasoline, utilities, travel and training, non-capital equipment, office supplies, computer supplies, medical supplies, ammunition, telephone etc., or the recurring costs necessary to deliver services across all departments. Non-Salary and Benefit related operating expenditures account for \$12,606,678 or approximately 20% of FY 25' Recommended Budget expenditures. This is an increase of \$258,108 over prior fiscal year.

The organization's ability to control non-salary and benefit related operating costs through gained efficiencies and cost avoidance will enable us to direct FY 25' revenue into salaries and benefits, where it is needed most. While the cost of doing business and demand for services is rising, albeit not at levels experienced during the pandemic, all departments continue to do an excellent job minimizing the impacts. The proposed level of non-salary and benefit related operating expenditures in the coming fiscal year, while increasing from prior year is **(\$30,358)** less than the FY 23' budgeted amount of \$12,637,036.

Macon County began closely monitoring non-salary and benefit related operating expenditures in FY 21' due to anticipated revenue shortfalls coming as a result of the pandemic. At this time, all non-salary and benefit related operating expenditures were brought to levels felt to be representative of the "bare minimum" needed to continue providing services. The following is an excerpt from the *FY 21' Budget Message* that provides some insight to the challenges we were experiencing at this time. *The illustration referenced in this excerpt has been omitted:*



## FY 21' RECCOMENDED BUDGET EXCERPT

### **Maintaining current level of service**

*In an attempt to offset substantial declines in revenue, and increases in employee benefit costs, while maintaining the current level of service in FY 21', departmental budget requests were closely evaluated, resulting in requests such as those listed below being eliminated:*

- *New Employees (with the exception of Macon County Transit, who was able to offset full-time employee costs through eliminating part-time positions)*
- *New Phones*
- *New Programs and initiatives*
- *Increases in service contracts, office supplies, computer supplies, etc. within the operating budget, unless necessary for maintaining the current service level.*

*The illustration titled "FY 21 Recommended Level of Operations" contains various operating accounts, all of which are crucial to conducting the business of this organization. Upon viewing this chart, it becomes clear the level of organization-wide sacrifice that has been made, in attempt to maintain the current level of service while offsetting unforeseen declines in revenue. The FY 21' total budgeted amount of \$1,321, 810 within the accounts of telephone, printing, advertising, equipment maintenance, operating supplies, computer supplies, office supplies, supplies, uniforms and vehicle maintenance is representative of a (\$67,776) decrease in expenditures from FY20' original budget amount. Expenditures at the FY21' levels are further representative of an (11%) or (\$150,000) decrease from FY 18' and a (14%) or (\$183,731) decrease from FY19'*

The FY 25' total budget amount for the same cross section of accounts referenced above is \$1,401,021 or an increase of 6%, illustrating this organization's longstanding commitment to controlling costs within this category of expenditures. Cumulative inflation during the same time period was approximately 16.5%.

Notable increases and decreases to non-salary and benefit related operating expenditures within each budget function are highlighted in the "Summary of Expenditure Increases/Decreases by Function" section of this budget message.

### **FY 24-25' Annual Capital Expenditures**

Annual Capital expenditures are expenditures that exceed \$5,000, have a useful life of greater than one year and are paid for annually with cash on hand. These expenditures typically include the purchase of major equipment or software, replacement of ambulances, vehicles and small construction projects. FY 25 annual capital expenditures will account for \$3,635,581, a decrease of (\$1,826,676) from the FY 24' original budget. While the decrease from FY 24' is significant, \$855,661 or nearly 47% of the reduction is due to a decrease in grant funded capital within the functions of Transportation and Public Health.

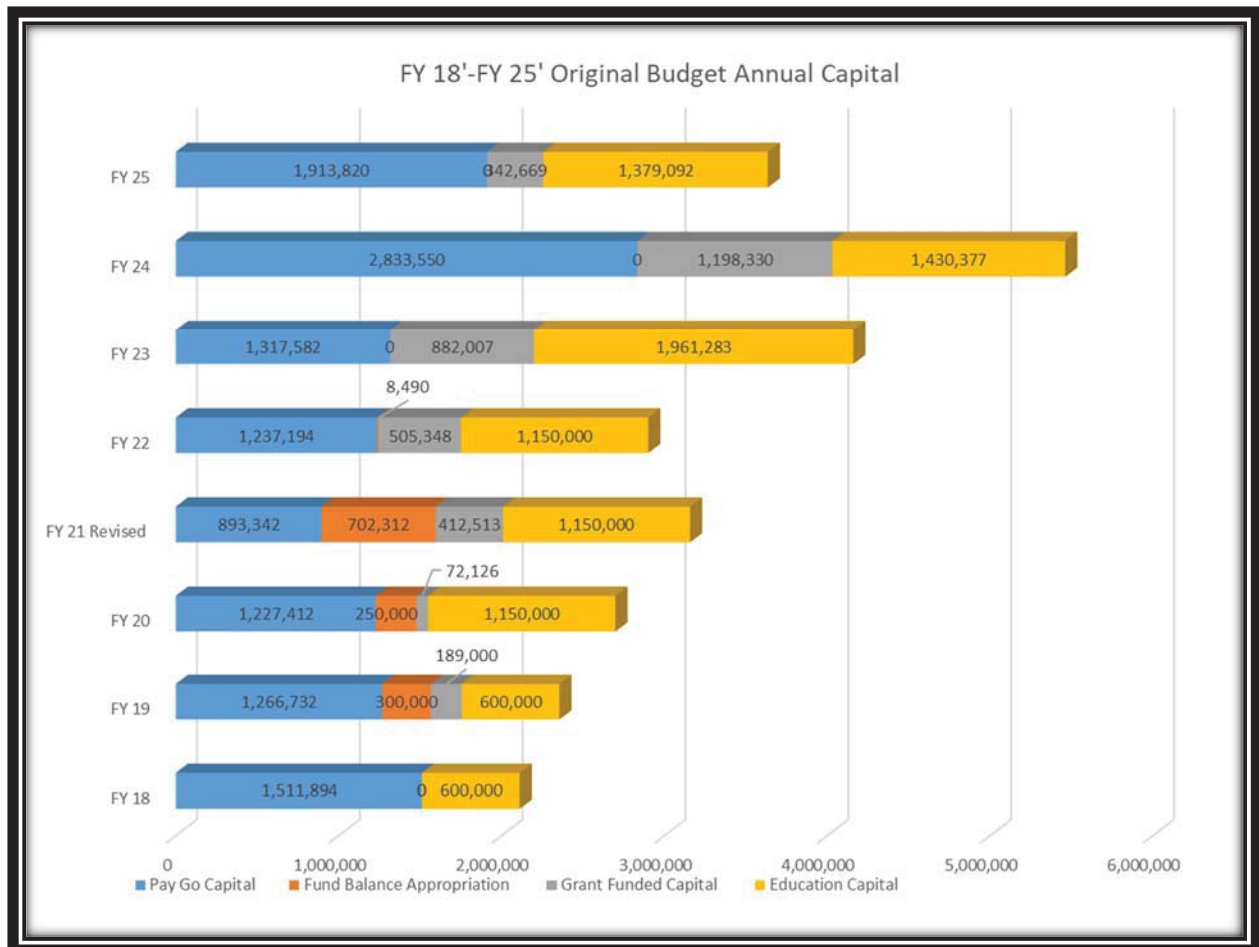
County capital expenditures or "Pay-Go" expenditures, as referenced in the Capital Improvement Plan will decrease by (\$919,730) from FY 24' levels. The reduction in county capital expenditures is an attempt to begin bringing these expenditures back down to levels that are considered sustainable under "normal revenue growth conditions" and more closely in-line with current CIP revenue assumptions. This comes as previous, "pandemic driven" economic growth from prior years appears to be leveling out. At \$1,913,820, FY 25' county capital expenditures will remain 27% above the pre-pandemic average of approximately \$1.5M from FY 18'- FY 21' Revised Budget. From FY 18'-FY 24' county or "pay-go" capital expenditures have averaged \$1.7M annually. While \$1.9M is a decline from prior year, it is





representative of a “new and enhanced normal” for annual “pay-go” capital expenditures heading into FY 25’.

At the proposed level of \$1.38M education capital will essentially remain flat with prior year levels. Of this amount, \$1,250,000 will go to the Macon County School System, representing a \$100,000 increase over prior year. Annual capital outlay to Southwestern Community College will increase by \$14,092 to \$129,092. Offsetting the aforementioned increases in education capital is a decrease of (\$165,377) going towards the remaining architect fees at Highlands Pre-K/Renovation Project.





| FY 2024-2025 Capital Requests |        |  |                     |
|-------------------------------|--------|--|---------------------|
| Department                    |        |  | Admin Recommended   |
| 114141                        | 558506 | <b>Mapping</b>                             | <b>11,854.00</b>    |
|                               |        | Autocad software & ArcPro Training         | 11,854.00           |
| 114142                        | 558506 | <b>Tax Assessment</b>                      | <b>176,161.00</b>   |
|                               |        | Pictometry                                 | 176,161.00          |
| 114210                        | 569502 | <b>Information Technology</b>              | <b>645,640.00</b>   |
|                               |        | Host OS and SQL                            | 59,552.00           |
|                               |        | Network switch and router                  | 298,500.00          |
|                               |        | Backup and Archival                        | 60,000.00           |
|                               |        | Security and Access Control & Fire Systems | 150,000.00          |
|                               |        | Inspections Software                       | 77,588.00           |
| 114260                        | 569502 | <b>Building &amp; Grounds</b>              | <b>14,000.00</b>    |
|                               |        | Service body for work truck                | 14,000.00           |
| 114311                        | 569502 | <b>Crime Prevention</b>                    | <b>46,732.00</b>    |
|                               |        | Drone                                      | 31,732.00           |
|                               |        | Rife rated ballistic shield                | 10,000.00           |
|                               |        | K9 housing and storage                     | 5,000.00            |
| 114317                        | 569601 | <b>Investigations</b>                      | <b>195,164.00</b>   |
|                               |        | 2024 Dodge Ram 1500                        | 4 @ \$48,791 each   |
| 114321                        | 569502 | <b>Jail/Law Enforcement Center</b>         | <b>63,500.00</b>    |
|                               |        | Roof over sally port                       | 32,000.00           |
|                               |        | Flooring for control room and booking area | 31,500.00           |
| 114370                        | 569502 | <b>EMS</b>                                 | <b>106,000.00</b>   |
|                               |        | Replacement defibrillator                  | 2 @ \$53,000 each   |
| 114370                        | 569601 | <b>EMS</b>                                 | <b>194,676.00</b>   |
|                               |        | 2025 Chevrolet ambulance remount           | 194,676.00          |
| 114375                        | 569506 | <b>Emergency Services Management</b>       | <b>15,000.00</b>    |
|                               |        | Fire alarm system upgrade                  | 15,000.00           |
|                               | 569601 | <b>Emergency Services Management</b>       | <b>46,356.00</b>    |
|                               |        | 2024 Ford F150 pickup truck                | 46,356.00           |
| 114380                        | 569502 | <b>Animal Control</b>                      | <b>19,248.00</b>    |
|                               |        | Light bars for trucks                      | 9,000.00            |
|                               |        | Cover over sally port                      | 10,248.00           |
| 114935                        | 569601 | <b>Transit Services - 90% grant funded</b> | <b>380,743.00</b>   |
|                               |        | 2025 raised roof van with lift             | 2 @ \$116,656       |
|                               |        | 2025 22' light transit van with lift       | 147,431.00          |
| 115157                        | 569502 | <b>Child Dental</b>                        | <b>9,415.00</b>     |
|                               |        | Steam sterilizer                           | 9,415.00            |
| 115182                        | 569502 | <b>On-Site Wastewater</b>                  | <b>31,000.00</b>    |
|                               |        | 2024 Ford Escape                           | 31,000.00           |
| 115184                        | 569502 | <b>Food &amp; Lodging</b>                  | <b>31,000.00</b>    |
|                               |        | 2024 Ford Escape                           | 31,000.00           |
| 115831                        | 555100 | <b>Senior Services - Administration</b>    | <b>200,000.00</b>   |
|                               |        | Senior Services assessment study           | 200,000.00          |
| 118000                        | 571002 | <b>Macon County Schools</b>                | <b>1,250,000.00</b> |
|                               |        | Technology and Capital Outlay              | 1,250,000.00        |
| 118000                        | 571011 | <b>Southwestern Community College</b>      | <b>129,092.00</b>   |
|                               |        | Capital Outlay                             | 129,092.00          |
| 114926                        | 556611 | <b>Cowee School</b>                        | <b>20,000.00</b>    |
|                               |        | Building Improvements                      | 20,000.00           |
| 119200                        | 575034 | <b>Macon County Fair Association</b>       | <b>50,000.00</b>    |
|                               |        | Fairgrounds security system                | 50,000.00           |
|                               |        | <b>TOTAL</b>                               | <b>3,635,581.00</b> |



## Summary of Expenditure Increases/Decreases by Function

### **PUBLIC SAFETY**

The Public Safety Function includes *Sheriff, Courthouse Security, School Resources, Crime Prevention, Detention Center, Investigations, Forest Service, Inspections/Planning, Emergency Medical Services, Emergency Management, Fire Safety, 911 Dispatch and Animal Control*. In the coming fiscal year, public safety represents \$18,958,882 of the general fund budget. This is an increase of \$407,252 over the FY 24' original budget amount. Demand remains elevated, at prior year levels across the public safety function as reflected by calls for service within each of the departments.

| Public Safety                            | Increase over FY 24' Original Budget | FY 25' Public Safety Budget | % increase  |
|--|--------------------------------------|-----------------------------|-------------|
| Salaries and Benefits                    | \$375,274                            | \$15,013,213                | 2.6%        |
| Non Salary and Benefit related operating | \$57,418                             | \$3,258,993                 | 1.8%        |
| Capital                                  | (25,440)                             | \$686,676                   | (3.5%)      |
| <b>Total</b>                             | <b>\$407,252</b>                     | <b>\$18,958,882</b>         | <b>2.2%</b> |

### **Salaries and Benefits**

The Public Safety Function contains 149 full-time positions, 65 part time positions and 4 vacancies. Vacancies include 2 Deputies, 1 Detention Officer and 1 Code Enforcement Official. The chart below highlights the impact of FY 25' proposed step, cost of living adjustment and mandatory increase to retirement system on this budget function.

| Line Item(s)          | FY 24' Base S&B | Step increase (Proposed) | 2% COLA (Proposed) | Retirement Increase | **Misc. Changes** | Total FY 25' Increase | FY 25' Public Safety |
|-----------------------|-----------------|--------------------------|--------------------|---------------------|-------------------|-----------------------|----------------------|
| Salaries and Benefits | \$14,637,939    | \$212,904                | \$249,970          | \$80,499            | (\$168,099)       | \$375,274             | \$15,013,213         |

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



### Non-Salary and Benefit Related Operating Expenditures

Non-salary and benefit related operating expenditures in the Public Safety Function will account for \$3,258,993 in FY 25'. This is an increase of \$57,418 over the FY 24' Original Budget amount. The chart below highlights various non-salary and benefit related operating expenditures contributing to the overall increase.

| Line item(s)                              | Increase/Decrease from FY 24' Original | FY 25' Public Safety Budget | % increase/decrease | Detail  |
|---|--|-----------------------------|---------------------|---|
| Gasoline                                  | (12,600)                               | \$297,400                   | (4%)                | Fuel trends.  |
| Utilities                                 | (\$9,500)                              | \$88,800                    | (9.6%)              | Reductions in electricity, fuel oil, water and sewer, usage trends, fixture upgrades  |
| Travel and Training                       | (\$4,699)                              | \$85,455                    | (5.2%)              | Primarily due to reductions in Sheriff Dept. travel and training lines following completion of Captain and Sheriff Training in FY 24'               |
| Inmate Care                               | (\$1,200)                              | \$718,500                   | -                   | Food service trends resulted in slight increase. Includes inmate medical, food, and out of county housing costs. All line items extremely volatile. |
| **Supplies**                              | \$8,800                                | \$409,434                   | 2.2%                | General Cost Increases  |
| NC Forest Service                         | \$6,796                                | \$97,616                    | 7.5%                | Increase in Annual Contract match amount  |
| Uniforms                                  | \$10,232                               | 113,078                     | 10%                 | Cost increases, filling of new positions  |
| Contracted Services and Professional Fees | \$84,424                               | \$608,449                   | 16.1%               | \$66,441 increase in Courthouse security for cloud-based storage of body cam footage.   |

*\*\*Supplies includes 12 primary supply related accounts \*\**

*\*\*Utilities include electricity, fuel oil, water and sewer\*\**



### Capital Expenditures “Pay Go”

Capital expenditures in the Public Safety Function will decrease by **(\$25,440)** to a recommended \$686,676 in FY 25’. At this level of expenditures we will make critical fleet upgrades within those departments experiencing sustained levels of high demand. Additionally, equipment upgrades and facility repairs will continue to ensure efficient and effective service delivery within this budget function.

| Department               | Increase/Decrease from FY 24’ Original | FY 25’ Public Safety Budget | % increase   | Detail   |
|--------------------------|--|-----------------------------|--------------|--|
| **EMS**                  | <b>(\$128,211)</b>                     | \$300,676                   | <b>(30%)</b> | Ambulance Remount-\$194,676<br>(2)Replacement Defibrillators-\$106,000                       |
| Emergency Services Mgmt. | \$61,356                               | \$61,356                    | -            | \$15,000 Fire alarm system upgrade in Barret Building<br>\$46,356 New 24’ F-150 pickup truck |
| Animal Control           | \$19,248                               | \$19,248                    | -            | Light bars for AC trucks/Cover for “Sally Port”.   |
| Crime Prevention         | \$41,732                               | \$46,732                    | -            | Drone, Rifle Rated Ballistic Shield, K9 Housing/Storage                                      |
| Investigations           | \$195,164                              | \$195,164                   | -            | (4) 24’ Dodge Ram 1500’s @ 48,791 per vehicle  |
| Jail                     | \$63,500                               | \$63,500                    | -            | Roof over sally port/flooring for booking area   |



## GENERAL GOVERNMENT

The General Government function in the operating budget is representative of service provision departments as well as internal service departments. Service provision departments are those departments whose primary role is to provide services to the citizens of Macon County. Service provision departments include; *Board of Elections, Register of Deeds, Tax Assessment, Tax Supervision, and Mapping*. Internal service departments such as *Administration, Legal, Finance, Human Resources, Information Technology, Garage and Buildings and Grounds* play a support role to the service provision departments in the General Government function, as well as those departments in other functions such as Transportation, Recreation and Public Safety, enabling them to continue providing top quality services to our citizens. The General Government function accounts for \$9,458,168 or 15% of the FY 25' operating budget. Expenditures in this function have decreased (2.6%) from prior year.

| GENERAL GOVERNMENT                       | Increase over FY 24' Original | FY 25' GENERAL GOVERNMENT | % increase    |
|--|-------------------------------|---------------------------|---------------|
| Salaries and Benefits                    | \$278,267                     | \$5,906,768               | 4.9%          |
| Non Salary and Benefit related operating | \$99,025                      | \$2,703,745               | 3.8%          |
| Capital                                  | (\$628,654)                   | \$847,655                 | (42%)         |
| <b>Total</b>                             | <b>(\$251,362)</b>            | <b>\$9,458,168</b>        | <b>(2.6%)</b> |

### Salaries and Benefits

The General Government Function contains 74 full-time positions and 2 part time positions. At the time of this budget message, there are no vacancies. The chart below highlights the impact of FY 25' proposed step, cost of living adjustment and mandatory increase to retirement system on this budget function.

| Line Item(s)          | FY 24' Base S&B | Step increase (Proposed) | 2% COLA (Proposed) | Retirement Increase | **Misc. Changes** | Total FY 25' Increase | FY 25' General Government |
|-----------------------|-----------------|--------------------------|--------------------|---------------------|-------------------|-----------------------|---------------------------|
| Salaries and Benefits | \$5,628,711     | \$79,471                 | \$94,598           | \$27,815            | \$76,383          | <u>\$278,267</u>      | \$5,906,768               |

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



### Non-Salary and Benefit Related Operating Expenditures

At \$2,703,745, non-salary and benefit related operating expenditures in the General Government Function will increase by \$99,025 over the FY 24' Original Budget. The 3.8% increase is attributable to a general increase in the cost of doing business as reflected in various non-salary and benefit related line items throughout this budget function. Aside from increases in Building and Grounds and Tax Assessment, the average increase in total non S&B related operating costs across the remaining 11 orgs was \$1,744. These 11 orgs account for \$1,498,330 in FY 25' non S&B related expenditures.

| Line item(s)                              | Increase/Decrease from FY 24' Original | FY 25' General Government Budget | % increase/decrease | Detail   |
|---|--|----------------------------------|---------------------|--|
| Contracted Services and Professional Fees | \$54,074                               | \$224,285                        | 32%                 | Increase primarily due to increase in FY 27' reappraisal contract in Tax Assessment. |
| **Utilities**                             | \$13,325                               | \$426,700                        | 3.2%                | Cost Increase, reflected in Buildings and Grounds                                    |
| **Supplies**                              | \$6,818                                | \$374,768                        | 1.9%                | General Government Function has held line on supplies despite cost increases         |

*\*\*Supplies includes 12 primary supply related accounts within this function\*\**

*\*\*Utilities includes Electricity, Water and Sewer, Fuel Oil \*\**

### Capital Expenditures "Pay Go"

Capital expenditures in the General Government Function will decrease by **(\$628,654)** in the coming fiscal year. The decrease is primarily attributable to a decrease in Information Technology capital expenditures of **(\$789,085)** following the completion of major network upgrades in FY 24'.

| Department             | Increase/Decrease from FY 24' Original | FY 25' General Government Budget | % increase/decrease | Detail  |
|------------------------|--|----------------------------------|---------------------|---|
| Tax Assessment         | \$176,161                              | \$176,161                        | -                   | Pictometry Aerial Flight. Upgrade to 3" imagery. Substantial improvement in quality. Benefits numerous county departments. Continual investment in software helps to control operating costs in Tax Office. |
| Mapping                | \$11,854                               | 11,854                           | -                   | Autocad software and ArcPro Training  |
| Building and Grounds   | <b>(\$15,744)</b>                      | \$14,000                         | <b>(52%)</b>        | Service Body for Truck  |
| Information Technology | <b>(\$789,085)</b>                     | \$645,640                        | <b>(55%)</b>        | \$1,302,640 budgeted for replacement of SAN's (IT Backbone) in FY 24'. IT upgrades to continue in FY 25'. Includes \$150,000 for replacement of access control and Fire Systems.                            |
| Garage                 | <b>(\$5,095)</b>                       | \$0                              | -                   | New lift purchased FY 24'   |



## TRANSPORTATION

The Transportation Function includes *Macon County Transit* in addition to *the Macon County Airport*. Expenditures in the Transportation Function will decrease by **(\$227,273)** from the FY 24' original budget. This decrease is primarily due to a **(\$293,974)** reduction in FY 25' capital expenditures as only 3 vehicles will be purchased in FY 25', 90% grant funded. Macon County Transit accounts for \$1,536,860 of the \$1,570,510 Transportation Budget. Of this amount, only 20% or \$304,708 is representative of county funded expenditures.

Transit continues trying to recover from substantial declines experienced as a result of the COVID-19 Pandemic. During the Pandemic years of FY 21'- FY 23' average monthly ridership fell to 3,337 trips per month or well below the pre-pandemic average of 3,947. Through February of 24' average monthly ridership continues to lag at 3,156 trips per month. Mileage at 237,251 through February 24' is **(15%)** below prior year levels.

| Transportation                           | Increase/Decrease over FY 24' Original | FY 25' Transportation | % increase/decrease |
|--|--|-----------------------|---------------------|
| Salaries and Benefits                    | \$76,924                               | \$973,150             | 8.5%                |
| Non Salary and Benefit related operating | <b>(\$10,223)</b>                      | \$216,617             | <b>(.1%)</b>        |
| Capital                                  | <b>(\$293,974)</b>                     | \$380,743             | <b>(44%)</b>        |
| <b>Total</b>                             | <b>(\$227,273)</b>                     | <b>\$1,570,510</b>    | <b>(13%)</b>        |

### Salaries and Benefits

The Transportation Function contains 12 full-time positions, 10 part time positions and no vacancies. The chart below highlights the impact of FY 25' proposed step, cost of living adjustment and mandatory increase to retirement system on this budget function. Transit added 1 full time-grant position during FY 24' following approval by the Board of Commissioners.

| Line Item(s)          | FY 24' Base S&B | Step increase (Proposed) | 2% COLA (Proposed) | Retirement Increase | **Misc. Changes** | Total FY 25' Increase | FY 25' Recommended |
|-----------------------|-----------------|--------------------------|--------------------|---------------------|-------------------|-----------------------|--------------------|
| Salaries and Benefits | \$896,226       | \$13,641                 | \$16,017           | \$3,884             | \$43,382          | <u>\$76,924</u>       | \$973,150          |

*\*\*Changes to salaries and benefits have occurred outside of increases for COLA, Step and Retirement primarily due to benefit elections. An example of this would be a new hire choosing single health insurance coverage rather than the more costly, budgeted family coverage. These changes are reflected in the miscellaneous changes column. 1 grant funded position added by Transit in FY 24' approved by Board of Commissioners will also impact miscellaneous changes column\*\**





### Non-Salary and Benefit Related Operating Expenditures

Non-salary and benefit related operating expenditures in the Transit Function will decrease by **(\$10,223)** in the coming fiscal year.

| Line item(s)              | Increase/Decrease from FY 24' Original | FY 25' Transportation Budget | % increase/decrease | Detail  |
|---------------------------|--|------------------------------|---------------------|---|
| Supplies                  | <b>(\$6,150)</b>                       | \$39,750                     | <b>(15%)</b>        | Demand, Trends  |
| Gasoline                  | <b>(\$9,000)</b>                       | \$71,000                     | <b>(11.6%)</b>      | Fuel prices, Alternative Fuel Vehicles, Demand                      |
| Airport Authority Payment | -                                      | \$33,650                     | -                   | Contribution to the Macon County Airport Authority will remain flat |

### Capital Expenditures "Pay Go"

Capital expenditures in the Transportation Function will decrease by **(\$293,974)** in the coming fiscal year. FY 25' capital expenditures will go towards the purchase of three new vehicles. 2 Raised Roof Vans and 1 22' LTV, both of which are to be lift equipped.

| Department | Increase/Decrease from FY 24' Original | FY 25' Transportation Budget | % increase/decrease | Detail   |
|------------|--|------------------------------|---------------------|--|
| Transit    | <b>(\$293,974)</b>                     | \$380,743                    | <b>(44%)</b>        | Six vehicles were purchased in FY 24' @ \$674,717. |



## ECONOMIC AND PHYSICAL DEVELOPMENT

The Economic and Physical Development budget function contains; *Economic Development, Cowee School, Soil Conservation and Cooperative Extension*. In the coming fiscal year, Economic and Physical Development will account for \$635,936, an increase of \$10,900 from FY 24'.

| Economic and Physical Development        | Increase/Decrease from FY 24' Original | FY 25' Economic and Physical Development Budget | % increase/decrease |
|--|--|---|---------------------|
| Salaries and Benefits                    | \$9,270                                | \$453,390                                       | 2.2%                |
| Non Salary and Benefit related operating | \$1,630                                | \$162,546                                       | .9%                 |
| Capital                                  | \$0                                    | 20,000  |                     |
| <b>Total</b>                             | <b>\$10,900</b>                        | <b>\$635,936</b>                                | <b>1.74%</b>        |

### Salaries and Benefits

The Economic and Physical Development Function contains 2 full-time positions, 1 part time position and no vacancies. In addition to these positions, this function includes a 280,271 appropriation to Cooperative Extension to cover the county portion of employee salaries and benefits, the remainder of which is funded through NC State University. The chart below highlights the impact of FY 25' proposed step, cost of living adjustment and mandatory increase to retirement system on this budget function.

| Line Item(s)          | FY 24' Base S&B | Step increase (Proposed) | 2% COLA (Proposed) | Retirement Increase | **Misc. Changes** | Total FY25' Increase | FY 25' Recommended |
|-----------------------|-----------------|--------------------------|--------------------|---------------------|-------------------|----------------------|--------------------|
| Salaries and Benefits | \$444,120       | \$2,527                  | \$2,966            | \$803               | \$2,974           | <u>\$9,270</u>       | \$453,390          |

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

### Non-Salary and Benefit Related Operating Expenditures

Non Salary and benefit related operating expenditures account for \$162,546 or approximately 26% of budgeted expenditures within this function. This representative of a \$1,630 increase over the prior fiscal year.

### Capital Expenditures "Pay Go"

Capital expenditures in the Economic and Physical Development Function will remain flat in the coming fiscal year as \$20,000 will again be budgeted for building improvements at the Macon County owned Cowee School Arts and Heritage Center.



## HEALTH AND HUMAN SERVICES

The Health and Human Services Function includes *Health Department, Department of Social Services, Veterans, Smoky Mountain Mental Health, Juvenile Partnership Grant, Senior Services, and Housing*. In FY23' Health and Human Service expenditures will total \$14,257,298. This is a decrease of **(\$140,157)** over the current fiscal year original budget.

| Health and Human Services                | Increase/Decrease from FY 24' Original | FY 25' Health and Human Services | % increase/decrease |
|--|--|----------------------------------|---------------------|
| Salaries and Benefits                    | \$456,559                              | \$9,844,092                      | 4.9%                |
| Non Salary and Benefit related operating | \$7,352                                | \$4,141,791                      | .2%                 |
| Capital                                  | <b>(\$604,068)</b>                     | \$271,415                        | <b>(69%)</b>        |
| <b>Total</b>                             | <b>(\$140,157)</b>                     | <b>\$14,257,298</b>              | <b>(1%)</b>         |

### Salaries and Benefits

The Health and Human Services Function contains 120 full-time, 9 part time positions and 9 vacancies. All vacancies are in the field of healthcare. The addition of two environmental health specialists in FY 25' will result in a \$171,571 increase in county contribution to salaries and benefits.

The chart below highlights the impact of FY 25' proposed step, cost of living adjustment, mandatory increase to retirement system and new positions on this budget function.

| Line Item(s)          | FY 24' Base S&B | Step increase (Proposed) | 2% COLA (Proposed) | Retirement Increase | **New Positions | **Misc. Changes** | Total FY 25' Increase | FY 25' Recommended |
|-----------------------|-----------------|--------------------------|--------------------|---------------------|-----------------|-------------------|-----------------------|--------------------|
| Salaries and Benefits | \$9,427,533     | \$133,428                | \$156,642          | \$46,900            | \$171,571       | <b>(\$51,982)</b> | <u>\$456,559</u>      | \$9,884,092        |

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

The Board of Commissioners acknowledged the FY 25' addition of environmental health specialists on April 9, 2024, following numerous complaints on what had become a long-standing permit backlog delaying approvals 6-12 weeks. Commissioners approved \$20,000 at this time, to go towards contract labor and overtime in an attempt to begin reducing the backlog prior to implementation of the FY 25' Budget in July.



On May 9, 2024, Health Director, Kathy McGaha reported to the Board of Commissioners that permit backlog had been reduced from 6 weeks to 6 permits. According to Ms. McGaha, this tremendous accomplishment was the result of contract labor and overtime in addition to implementation of best management practices, following consultation with neighboring counties.

In the coming fiscal year, Environmental Health will be under new leadership in Supervisor Lisa Browning following months of this position remaining vacant. Environmental Health and Building Inspections will upgrade permitting software, leading to a more coordinated and efficient permitting process. GIS software upgrades will result in a more user friendly website and readily available permit data. Lastly, as economic growth returns to normal levels, the potential for another significant backlog seems unlikely at this time. In light of the aforementioned circumstances, I would recommend postponing the advertisement of the new positions until January 1, 2025.

### Non-Salary and Benefit Related Operating Expenditures

AT \$4,141,791, non-salary and benefit related operating expenditures in the Health and Human Services Function remain essentially remain flat. The chart below highlights notable reductions in non-salary and benefit related expenditures within the Health and Human Services Function from the prior year.

| Line item(s)                          | Increase/Decrease from FY 24' Original | FY 25' Health and Human Services Budget | % increase/decrease | Detail   |
|---------------------------------------|--|---|---------------------|--|
| Supplies                              | (\$15,828)                             | \$170,267                               | (8.5%)              | Cross section of 11 supply related accounts in this function.  |
| Travel and Training                   | \$8,397                                | \$100,847                               | 9%                  | \$10,135 increase in Environmental Health Associated with 2 new positions.   |
| Contracted Services/Professional Fees | (\$4,753)                              | \$1,671,355                             | (.28%)              | Elimination of remaining contract MD. Position following retirement (\$88,828) reduction in Public Health. Does not include \$200,000 increase in DSS, Senior Center Cont. Serv. as this has been included in Capital Expenditures |
| SMMH/MCH Special Appropriations JCPC  | \$64,402                               | \$1,881,672                             | (3.5%)              | All orgs in DSS Budget. Represent payments to outside agencies. Increase primarily due to \$42,110 increase in Emergency Foster Care Placement.  |



### Capital Expenditures “Pay Go”

Capital expenditures in the Health and Human Services Function will decrease by **(\$604,068)** in the coming fiscal year to \$271,415. The decrease is primarily attributable to replacement of the Molar Roller Unit in FY 24’. An appropriation of \$200,000 has been included in the Senior Services to begin evaluating possible options for replacement/expansion of the current facility.

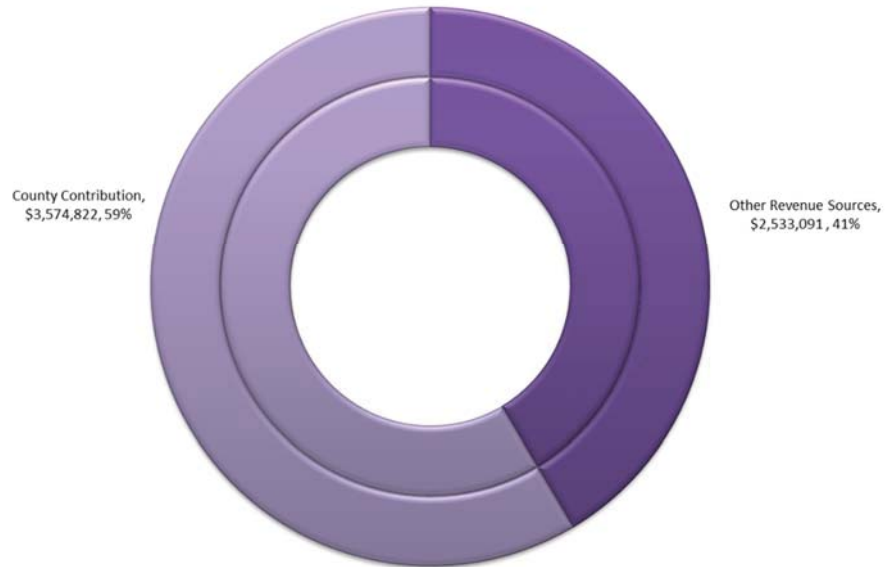
| Department                               | Increase/decrease from FY 24’ Original | FY 25’ Health and Human Services Budget | % increase/decrease | Detail  |
|--|--|---|---------------------|---|
| Child Dental Health<br>**Public Health** | <b>(\$869,983)</b>                     | \$9,415                                 | -                   | Molar Roller Replacement funded in FY 24’. Small equipment replacement in FY 25’ (steam sterilizer) |
| On site Wastewater<br>**Public Health**  | \$31,000                               | \$31,000                                | -                   | 2024 Ford Escape, following authorization of new positions.   |
| Food and Lodging<br>**Public Health**    | \$31,000                               | \$31,000                                | -                   | 2024 Ford Escape, following authorization of new positions.   |
| DSS                                      | \$200,000                              | \$200,000                               | -                   | Senior Center Assessment  |

Mosely Architects was retained by Macon County in November of 2018 to perform a detailed building assessment and master planning service for County facilities. The goal of the Space Needs Analysis was to provide an “orderly and objective assessment of each department’s current space needs and those projected for the next 20 years. A Renovation of the Macon County Senior Services Center was recommended as a Tier III (lowest priority) project at this time with an estimated project budget of \$4.1M. The study found the current Senior Center to be suitable for programs housed there now and in the future, following necessary building and site renovations.

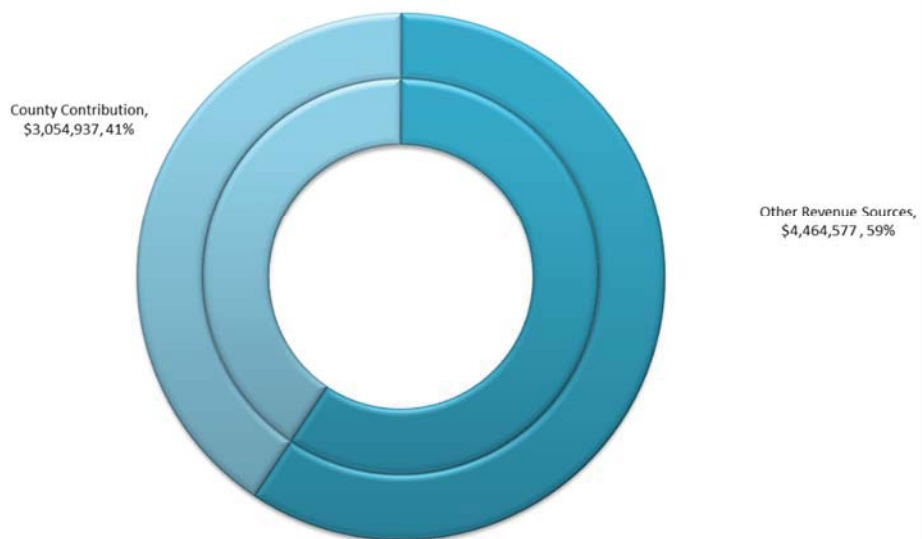
Moving into FY 25’ \$200,000 has been included in the contracted services line item of the Senior Services Budget to act upon the recommendations of the 2018 Space Needs Analysis. The design professional will provide detailed plans for building and site renovations that will lead to a safer and more functional Senior Services Center in the future.



### Health Department Sources of Revenue FY 2024-2025



### Social Services & Senior Services Sources of Revenue FY 2024-2025





## CULTURE AND RECREATION

The Culture/Recreation budget function accounts for; *Recreation, Highlands Recreation, and Library*. In FY 25', Culture/Recreation represents \$2,964,434 or 5% of the general fund-operating budget. Culture and Recreation expenditures at this amount is reflective of a **(\$234,607)** decrease from the prior fiscal year. The decrease is primarily attributable to a reduction in capital expenditures of **(\$300,000)** from the Recreation Budget.

| Culture and Recreation                   | Increase over FY 24' Original | FY 25' Culture and Recreation | % increase    |
|--|-------------------------------|-------------------------------|---------------|
| Salaries and Benefits                    | <b>(\$37,513)</b>             | \$841,448                     | <b>(4.2%)</b> |
| Non Salary and Benefit related operating | \$102,906                     | \$2,122,986                   | 5%            |
| Capital                                  | <b>(\$300,000)</b>            | \$0                           |               |
| <b>Total</b>                             | <b>(\$234,607)</b>            | <b>\$2,964,434</b>            | <b>(7.3%)</b> |

### Salaries and Benefits

The Recreation Function contains 10 full-time, 19 part time, 29 seasonal part time positions and no vacancies. The chart below highlights the impact of FY 25' proposed step, cost of living adjustment and mandatory increase to retirement system on this budget function. Following the addition of contract mowing labor, the Recreation Department has eliminated 2 full time positions over the past two fiscal years.

| Line Item(s)          | FY 24' Base S&B | Step increase (Proposed) | 2% COLA (Proposed) | Retirement Increase | Misc. Changes     | Total FY 25' Increase | FY 25' Recommended |
|-----------------------|-----------------|--------------------------|--------------------|---------------------|-------------------|-----------------------|--------------------|
| Salaries and Benefits | \$878,961       | \$12,101                 | \$14,206           | \$3,558             | <b>(\$67,378)</b> | <b>(\$37,513)</b>     | \$841,448          |

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

### Non-Salary and Benefit Related Operating Expenditures

At \$2,122,986, non-salary and benefit related operating expenditures in the Recreation Function will increase by \$102,906 in the coming fiscal year. The increase is attributable to an increase in operational funding to the Fontana Regional Library System of \$81,431 and various increases to the overall cost of doing business in Parks and Recreation.

| Line item(s)             | Increase from FY 24' Original | FY 25' Culture and Recreation Budget | % increase | Detail  |
|--------------------------|-------------------------------|--------------------------------------|------------|---|
| Fontana Regional Library | \$81,431                      | \$1,183,291                          | 7%         | Re-location to White Oak in Nantahala, salary and benefit increases |
| Electricity              | \$5,000                       | \$100,000                            | 5.3%       | Rate increases, usage trends  |



|                     |         |          |     |  |
|---------------------|---------|----------|-----|--|
| Contracted Services | \$7,075 | \$45,230 | 19% | Expanding contracted mowing to include section of Greenway   |
| Custodial Supplies  | \$5,400 | \$27,000 | 25% | General increases in product costs   |
| Water and Sewer     | \$5,000 | \$35,000 | 17% | Town Rate Increase. Potential Reduction following installation of Well for water feature at Wesley's Park. |

### Capital Expenditures "Pay Go"

The Culture/Recreation Function contains no capital expenditures in the coming fiscal year. As you will recall, \$300,000 was included in FY 24' to develop a Recreation Park Master Plan for the Robert C. Carpenter Building/Veterans Memorial Park. In March of 2024, \$163,700 was awarded to McGill and Associates to design, bid and administer construction on Phase 1A of the Recreation Master Plan in FY 25'. Phase 1A consists of newly constructed Pickleball courts, Tennis courts, bathroom and changing facility as well as a new bridge capable of accommodating vehicular traffic. The estimated cost of Phase 1A is approximately \$1,766,275 per the February 8, 2024 version of the Capital Improvement Plan. This expenditure however, is not reflected in annual capital as it will be paid for through the Capital Reserve Fund.

| Department | Increase/decrease from FY 24' Original | FY 25' Health and Human Services Budget | % increase/decrease | Detail                            |
|------------|--|---|---------------------|-----------------------------------|
| Recreation | (\$300,000)                            | \$0                                     |                     | Recreation Master Plan and Design |





## EDUCATION

### Macon County School System Operations

The FY 25' Recommended Budget proposes an increase of \$335,405 in operational funding to the Macon County School System, bringing the annual contribution for operations excluding debt service to \$10,031,774. Over the past two fiscal years Macon County has increased operational funding to the Macon County School System by \$1,216,043 or 13.7% enabling the school system to maintain locally funded teaching positions and provide state mandated salary increases to locally paid teachers and staff. FY 24' was the first increase in local operational funding to the Macon County School System since FY 20'.

While the proposed funding level falls short of the requested \$2,546,433 increase, it will enable Macon County Schools to maintain their current level of service with respect to local funding by providing a 3% state mandated salary increase and corresponding supplement increase to all locally funded teachers and staff.

The School system requested 26 new locally funded positions in FY 25'. The positions were created during the COVID-19 Pandemic and funded through the Elementary and Secondary Schools Emergency Relief Fund. The primary purpose of establishing these positions was to mitigate adverse impacts of COVID-19 during the pandemic. Employment for each of these positions was contracted, with the understanding that employment would end when ESSER funding was no longer available. In the coming fiscal year, ESSER funding will no longer be available to fund the positions. Recognizing the enhanced level of service these positions provided, the school system is now seeking to make the ESSER funded positions an on-going addition to the local operating budget.

Of the 26 positions requested, 19 are teaching positions at an annual cost of \$1,735,811. Since 2018, local funding has covered an average of 30 local teaching positions annually. Adding the requested teaching positions would constitute a 63% increase in the number of locally paid teaching positions. An increase of this magnitude constitutes a "new level" of commitment from what history has shown to be usual and customary for locally funded teaching positions.

In addition to teaching positions, 7 new mental health professionals were requested at an annual cost of approximately \$489,040. Prior to the COVID-19 Pandemic there were no locally paid mental health professionals working in the school system. This proposed scope expansion of local funding into a completely new program area, again signals a "new level" of commitment in terms of local funding to public education operating expenses. Lastly, a requested increase in athletic supplements of \$31,720, while small in comparison to position requests, would again be expanding the scope of local funding for operations. The aforementioned requests will not be recommended for funding in the FY 25' Budget as the dramatic increase and proposed expansion of local funding illustrates "a new level" of commitment to locally funded operations that has not yet been agreed upon by the Board of Commissioners and Board of Education.

- 9 NEW Local Teaching Positions- \$1,017,524
- 10 NEW Art/Music Steam Positions- \$718,287
- 7 NEW Mental Health Professionals- \$489,040
- 10% increase in Athletic Supplements- \$31,720
- 3% Raise for Classified Employees- \$289,863

**\$2,546,433**



### **Macon County School System Capital**

A productive relationship between the Macon County School Board and Macon County has proven to be extremely beneficial for Macon County Students in recent history resulting in \$21,348,824 in capital improvements completed over the last six years beginning with the South Macon Elementary Renovation in 2018. In FY 25' however this commitment will climb to a level that represents the “pinnacle” if you will, of education related capital spending in Macon County.

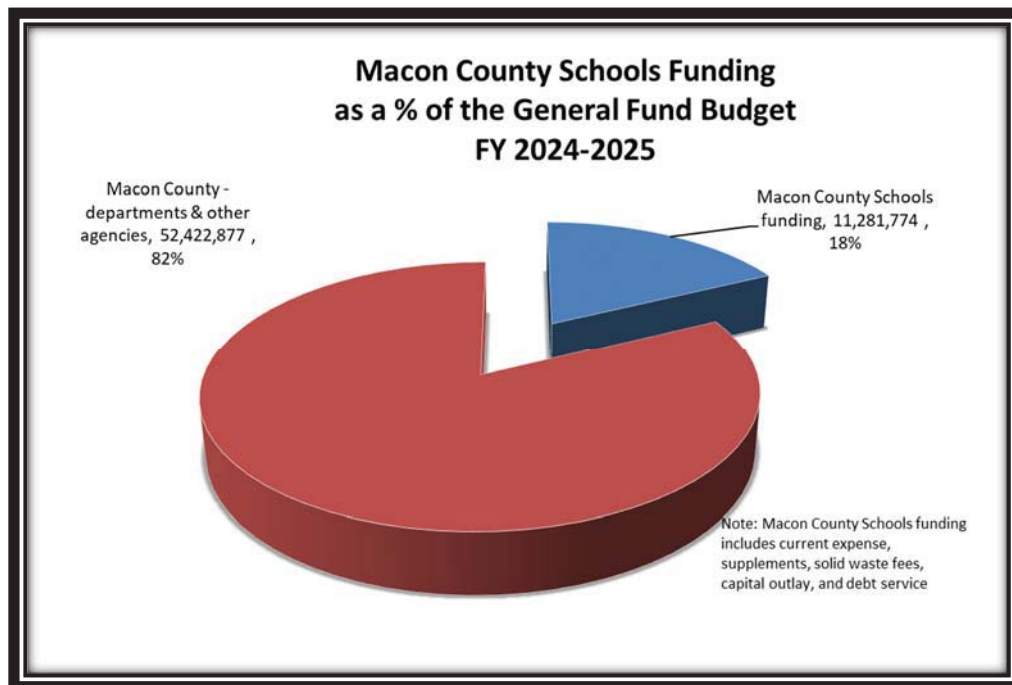
Annual Capital Outlay to the Macon County School System will increase by \$100,000 to \$1,250,000 in the coming fiscal year. This comes as the need for enhanced emergency responder radio coverage is likely to be needed in some of our schools, following the approval of system wide signal testing in May of 24'. In addition to annual capital outlay, approximately \$134M in capital improvements have been identified in the FY 25' Capital Improvement Plan and are set to be funded in the coming fiscal year. These projects include:

New Franklin High School- \$127,000,000

Highlands Middle School Renovation and Pre-K- \$6,000,000

Nantahala Wastewater Treatment Plant- \$650,000

At the time of this budget message the financing calendar produced by Davenport and Associates has identified September 26, 2024 as the closing date on the sale of \$70,100,000 in limited obligation bonds or Macon County's portion of the \$134M in capital improvements. Project costs listed above are reflective of the February 2024 CIP. The cost figures will be updated following delivery of the Guaranteed Maximum Price (GMP) by the Construction Managers at risk for each of these projects in the coming weeks.





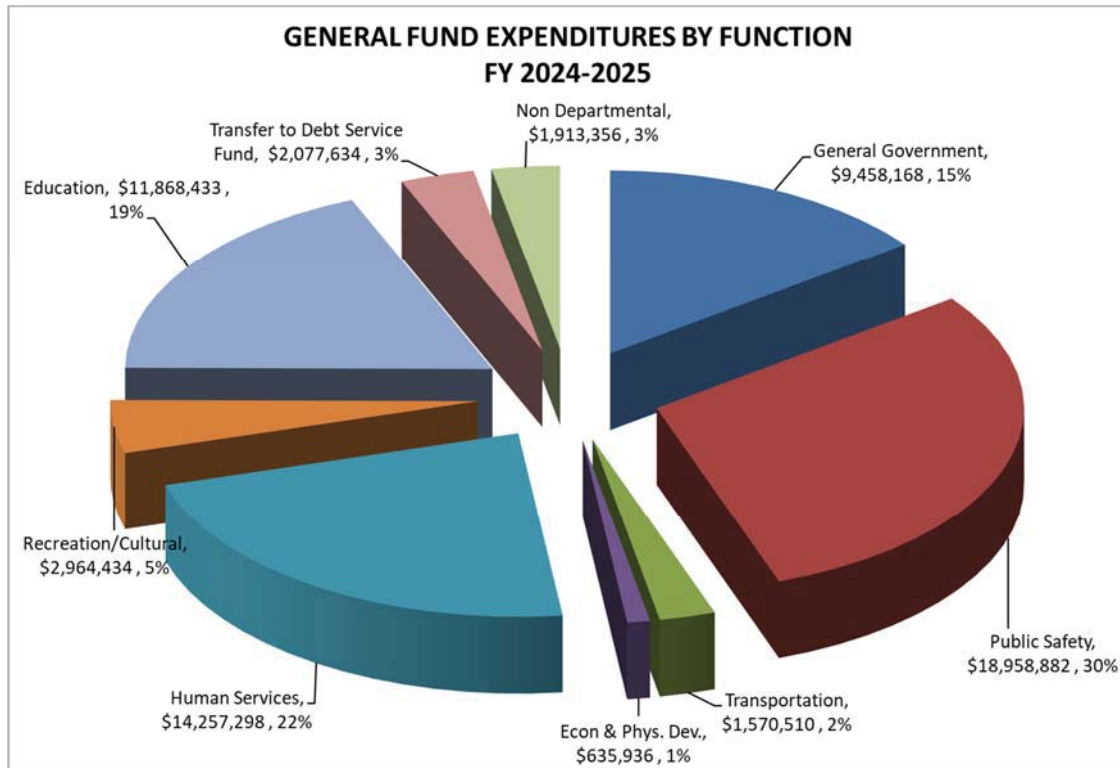
### **Southwestern Community College**

An appropriation of \$526,659 has been included for Southwestern Community College in the FY 25' Recommended Budget. This represents an increase of \$50,000 over current fiscal year. Since 2023, annual funding to Southwestern Community College has increased by 72%. \$397,567 of the total appropriation will be go towards funding annual operating expenditures such as general maintenance, software, utilities and supplies at all Macon County SCC locations. The remaining \$129,092 is representative of annual capital funding.

While the recommended level of funding falls short of SCC's requested \$1,581,951 total request, the operating portion of the request has been funded in full and will be used to cover general cost increases in operations. In addition to annual budget funding, Macon County unanimously approved an appropriation of \$3,050,000 towards the construction of a new fire training facility "burn building" at the Public Safety Training Center and the addition of a science classroom at the Groves Center in February of 2024. Each of these projects will begin in FY 25'. Following installation of the "burn building", Macon County will proceed with renovations to the National Guard Armory facility. Upon completion, the PSTC expansion will result in an increase to SCC operational funding of approximately \$70,000 annually.

### **Transfers and Non Departmental**

Transfers and Non-Departmental combined at \$3,776,990, will increase by \$22,333 in the coming fiscal year. Reductions in Transfers will be largely offset by increases in Non-Departmental appropriations for Workman's Compensation \$48,050 and Property and Liability Insurance \$61,938. \$221,570 has been placed in General Fund Contingency.



The FY 25' Budget has been a decade in the making. It is representative of years of conservative budgeting and tough decisions, guided by fiscal responsibility. The cumulative effect of these decisions, and all the work performed to carry them out brings to the point we are at today. This organization is as financially solid as it has ever been and positioned perfectly to move forward with capital improvements that will impact Macon County for generations to come. The budget as proposed is \$63,704,651 with revenues and expenditures balanced and is hereby submitted for your consideration.

Respectfully,

Derek C. Roland  
Macon County Manager