



May 12, 2020

**Macon County Board of Commissioners**

Chairman: Jim Tate

Vice Chair: Ronnie Beale

Commissioner: Paul Higdon

Commissioner: Gary Shields

Commissioner: Karl Gillespie

Gentlemen,

In accordance with the North Carolina Local Government Budget and Fiscal Control Act, I am honored to present to you the proposed budget for Fiscal Year 2020/2021. The budget as proposed is \$52,302,445 with revenues and expenditures balanced. No adjustment to the prior year ad-valorem tax rate of 37.47 cents per \$100 of assessed property valuation is recommended for the coming fiscal year.

At the time of this budget message, states and counties throughout the United States of America remain impacted by the COVID-19 Pandemic. On March 11, 2020, the World Health Organization officially declared the virus a pandemic, with the WHO Director referring to COVID-19 as “not just a public health crisis” but a “crisis that will touch every sector.” In the days and weeks following this assessment, it has become increasingly evident that the COVID-19 pandemic has and will continue to have a global impact.

Through May 8, 2020, Macon County Public Health had administered 145 COVID-19 tests. This number does not include tests administered by local hospitals or private providers. Local testing has confirmed three COVID-19 cases, 0 active, 2 recovered and 1 death. The combination of good fortune and a tremendous mitigation effort has resulted in Macon County largely being spared from the public health impacts of the COVID-19 pandemic.

At the state level, implementation of strict policy measures, including a statewide stay at home order, school closures, limitations on mass gatherings, social distancing requirements and closure of non-essential businesses have been successful in North Carolina’s slowing the spread of COVID-19 infection. As a result, the state has now begun implementation of a phased approach to “reopening” the economy, starting with the expiration of the “stay home order” on May 8, 2020. North Carolina had reported 13,868 COVID-19 cases and 527 deaths, as of May 8, 2020.

While strict policy measures have been successful in slowing the spread of COVID-19 across the state and nation, economic indicators confirm this success has not come without a price. Nationally, GDP fell 4.8% in Q1 of 2020 when compared to Q2-Q4 of 2019. This is the largest decrease in GDP since Q4 of 2008 when the economy shrank by 8.4%. Retail sales declined by 8.7% from February to March, or the largest decrease in retail sales since the United States Census Bureau began tracking this data in 1992.

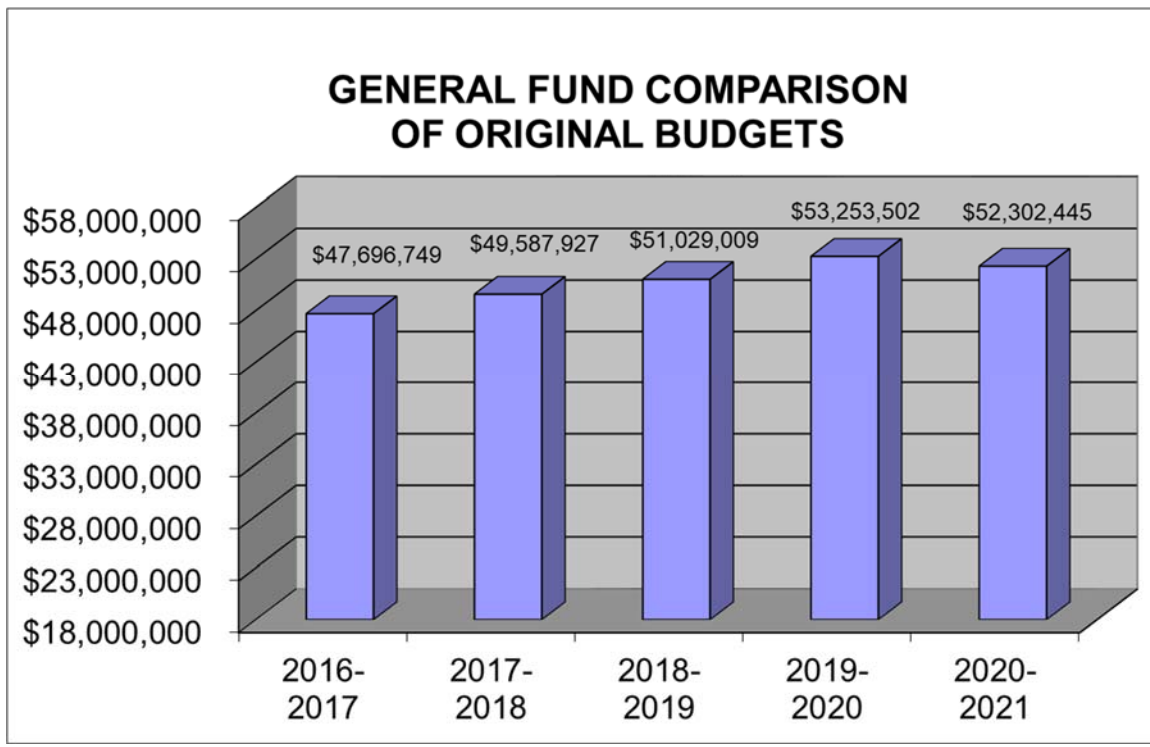


National unemployment continues to skyrocket as well, with approximately 30 million Americans filing over the past six weeks. North Carolinians have accounted for 789,348 during the period of March 15-April 29, 2020, according to figures recently released by the North Carolina Department of Commerce. For perspective, in 2009 during what many Americans now refer to as the “Great Recession”, 221,763 North Carolinians filed unemployment claims in the months of March and April. (*U.S. Employment and Training Administration*)

In light of the economic uncertainty accompanying the COVID-19 pandemic, the FY 21’ Recommended Budget assumes a worst-case, but realistic revenue forecast. Our strong financial position however, has left us prepared. At an estimated 44.09% of total expenditures or approximately \$23,492,678, fund balance in the general fund will give us the ability to complete “mission critical” capital projects that will continue moving this organization forward during these uncertain times. Furthermore, through prioritization and gained efficiencies, we have reduced operating expenditures to levels that will be sustainable, even in worst-case revenue projections.

I feel it is extremely important not to underestimate the degree to which the FY 21’ Recommended Budget has been impacted by the COVID-19 pandemic. Entering into the 2021 budget process, all signs pointed to increased revenues in the operating budget resulting from a rapidly growing economy. As such, we were anticipating making much needed improvements within the organization including pay scale adjustments, improvements at facilities, replacing outdated equipment, and moving into the next generation with respect to data storage platforms. Following the COVID-19 pandemic, priorities changed from service enhancement and organizational improvement to maintaining the current level of service with significantly less revenue. While these circumstances have presented a great challenge, the FY 21’ Recommended Budget positions us to overcome this challenge without sacrificing our primary services or financial position.

<b>Projected revenue loss due to COVID-19</b>	<b>Budget absent COVID-19</b>	<b>Budget with COVID-19</b>	<b>Revenue loss</b>
Sales tax	\$9,066,460	\$8,063,941	(\$1,002,519)
Current year property tax	\$28,525,630	\$28,235,440	(\$290,190)
Motor vehicle tax	\$1,432,149	\$1,311,807	(\$120,342)
Register of deeds fee	\$230,000	\$201,024	(\$28,976)
Excise fees/deeds	\$380,000	\$366,489	(\$13,511)
Register of deeds fees-technology	\$24,000	\$20,586	(\$3,414)
Building inspections	\$435,000	\$393,612	(\$41,388)
Onsite wastewater fees	\$140,000	\$109,982	(\$30,018)
Well fees	\$40,000	\$29,882	(\$10,118)
Interest earnings	\$550,000	\$110,000	(\$440,000)
			<b>(\$1,980,476)</b>



### **FY 19-20' Budget Accomplishments**

**Upgrades to Emergency Medical Equipment-** EMS has upgraded several pieces of medical equipment in addition to providing the associated training to each fire department through funding awarded by the Dogwood Health Trust Fund, \$195,000 and Federal Assistance to Fire Fighters Grant, \$69,955.

**In-Car and Body Camera System installation-** The Macon County Sheriff's Office patrol unit is now equipped with vehicle and body camera systems. The Panasonic camera solution was purchased and installed at a cost of \$216,795. Macon County received a \$65,000 grant from the North Carolina General Assembly to assist with the project.

**Courthouse Security Improvements-** The following security improvements were made to the Macon County Courthouse during FY20' through fund balance appropriations:

- "Sally Port" -\$37,567
- Alarm System, security camera, data storage- \$34,403

**Greenway Connector Project-** Upon completion, project will connect the northern and southern portions of the Greenway at Town Bridge, through construction of a 10 ft. wide paved walkway. Macon County, acting as the lead agency will work with the NCDOT in completing the project. In October of 2019, the board authorized Macon County to act as the lead agency, working with the North Carolina



Department of Transportation on the Greenway Connector Project. Project is now in the planning and development phase following approval of contract and appropriation of the required 30% or \$21,000 match in January of 2020.

**LED Lighting Project Completed-** All light fixtures in county buildings have now been replaced with LED lighting. Project was completed by the Building and Grounds Department at a materials cost of \$74,800, following substantial energy rebates.

**Community Care Clinic financial assistance-** \$37,500 was appropriated from fund balance to assist the Community Care Clinic with operating costs. The request came in September of 2019, following decreased operational funding from the state.

**Highlands Performing Arts Center financial assistance-** The board voted in August of 2019 to provide the Highlands Performing Arts Center with \$60,000 in funding to go towards the construction of a new performing arts center in the Highlands Community. \$30,000 of this amount was provided in FY20'. The remainder will be granted in FY21'

**Space Needs Analysis completed** - Moseley Architects completed the Space Needs Analysis in February of 2020. The project was authorized during the FY 19' Budget and was completed at a cost of \$167,570. The Space Needs Analysis will be an extremely useful tool in the county's future capital planning efforts.

**Franklin High School Athletics financial assistance-** The board voted to appropriate \$12,000 from contingency in November of 2019, \$7,000 for completion of the FHS softball batting cages, and \$5,000 towards current expenses in the FHS wrestling program.

**South Macon School Project** - The \$3,000,000, 6-classroom addition and cafeteria renovation to South Macon Elementary School was completed in August of 2019. This project finished on time and under budget.

**Increased funding to the Macon County School System** –The FY 20' Budget represented a \$1,665,000 or 20% increase in annual school funding over FY 18'. Funding was generated through an increase to the ad-valorem tax rate in FY 20'.

- \$1,250,000 originally added to the school system's operating budget in FY 19' through an appropriation of county fund balance:
  - \$700,000- operations
  - \$300,000- technology (from Fund 46 fund balance)
  - \$250,000-annual capital outlay
- \$415,000 in new expenses for FY 20':
  - \$100,000 increase in CTE
  - \$75,000 for STEM Coordinator previously grant funded



- \$75,000 to replace lost funding to MEC following change in tier designation
- \$60,000 in teacher supplement increases
- \$105,000 for two additional STEM teachers

**MMS Renovation Project-** In February of 2020, the board entered into a \$1,029,768 contract with the architecture firm of SGA Narmour Wright for architectural services associated with a complete renovation of the Macon Middle School. On April 9, 2020, SGA Narmour Wright submitted a schematic design of the MMS renovation project, for review. The estimated cost of construction based on the schematic design is approximately \$13,331,298. The county, school system and the county's financial consultants are currently reviewing the schematic design and evaluating funding options for the project.

**North Carolina Health Insurance Risk Pool-** FY 20' marked the first year of Macon County's participation in the North Carolina Health Insurance Pool. NCHIP, was formed in 2018 to assist mid to large size NC government groups, better manage health insurance risk. As of 2019 NCHIP had grown its membership to approximately 6000 members. Under the new arrangement, Macon County's health insurance plan retains its self-funded structure providing a higher degree of control and flexibility in plan design. We remain optimistic that increased purchasing power brought about through the pool arrangement will continue to limit volatile increase in health insurance premiums. The increase in FY 20' annual premium at 10.9% or \$471,930 was 6% less than that of the closest competitor, and approximately 15% less than the FY 19' increase of 24%.



## FY 20-21' General Fund Revenues

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

Ad Valorem Property Tax is the primary source of revenue in the general fund accounting for approximately \$28,235,440 or approximately 54% of total revenue in FY 21'. This amount is representative of a (\$128,064) decrease in revenue from the current year budget. The reduction in revenue is the result of a projected 1% decrease in the tax collection rate from the current fiscal year to 97.3%.

The tax collection rate was adjusted to compensate for the anticipated decline in taxpayers' ability to pay, resulting from large-scale unemployment and uncertain economic recovery brought about by the COVID-19 pandemic. This adjustment came following a recommendation of the North Carolina Association of County Commissioners in the *FY 21 COVID-19 Revenue and Budget Updates* produced in April of 2020, in addition to guidance received from Macon County Tax Administrator Abby Braswell. It is important to note that similar declines in collection percentages occurred in Macon County in the years following the economic downturn of 2008.

Revenue generated by the Motor Vehicle tax levy will account for \$1,311,807 in FY 21' revenue, representing a slight increase of \$19,092 over the current year budget amount. Although a slight increase will be realized in FY 21', COVID-19 resulted in a total motor vehicle assessed value for FY 21' that was \$32.1M or (8.4%) less than the \$382,212,060 FY21' value that would have been budgeted had the pandemic not occurred. This translates to approximately (\$120,342) in lost revenue.

MACON COUNTY, NORTH CAROLINA	
2020 ASSESSMENT VALUE ESTIMATES	
2021 BUDGET	
ESTIMATED LEVY	
TOTAL REAL/PERSONAL VALUE	\$7,744,582,804
MOTOR VEHICLES VALUE	\$350,095,225
TOTAL ESTMATED VALUE	\$8,094,678,029
Proposed Tax Rate	\$0.3747
Real/Personal Levy	\$28,235,440
Collection Rate Real/Personal	97.30%
Motor Vehicles Levy	\$1,311,807
Collection Rate Motor Vehicles	100.00%
Estimated Total Levy	\$29,547,247
Tax Dollars per Penny	\$788,557



## Sales Tax

In the coming fiscal year, sales tax will be the most severely impacted revenue source in the operating budget due to the economic uncertainty accompanying the COVID-19 pandemic. At an estimated \$8,063,941 or 16% of total revenue in FY 21', projected sales tax revenue will decline by (5.2%) or (\$442,000) from the current fiscal year budgeted amount. While this decline is significant, it does not illustrate the true impact that lost sales tax revenue will have on the FY 21' Recommended Budget. Prior to the COVID-19 pandemic, Macon County was conservatively estimating \$9,066,040 in sales tax revenue for the coming fiscal year.

The sales tax revenue projection has relied upon guidance issued in light of the COVID-19 pandemic by the North Carolina Association of County Commissioners as well as the North Carolina League of Municipalities. In following this guidance, FY 21' sales tax revenue projections were reduced from FY 20' actuals on a quarterly basis, with the exception of March-June, as information was not yet available for Q4 in the current fiscal year. As you will see from the accompanying table, this method anticipates a sharp decline to begin fiscal year 21', followed by a gradual recovery.

<b>FY 21' Phased Sales Tax Growth Assumption</b>		
	<b>FY 21'% projected decrease</b>	<b>FY 20' Months</b>
<b>Q1</b>	-24.5%	July- September
<b>Q2</b>	-11.5%	October-December
<b>Q3</b>	0	January-February (2020)
<b>Q4</b>	0	March-June (2019)

## Service Fees

Service fees are those revenues generated from charges associated with recreational fees, ambulance fees, client payments for health and social services, building permit fees, etc. \$3,837,843 has been budgeted for service fee collections in FY 21'. This is a decrease of (\$322,279) or (7.8%) from the current fiscal year. The decrease in service fee revenue is due to budgeted reductions of (10%) from 2019 actual fees collected in Register of Deeds, Building Inspections, Onsite Wastewater and Wells. Reductions were made in light of the uncertain economic impact the COVID-19 pandemic will have on local construction and real estate industries. This came following information received from local government sources in addition to analyzing Macon County's current trends. From April 2019 to April 2020, Building Inspections revenue declined approximately (14%), and Register of Deeds revenue declined approximately (15%) largely due to a (29%) decrease in the number of deeds recorded. According to information gathered from *Carolina Smokies Association of Realtors*, revenue produced from real estate sales in Macon County during April of 2020 was (\$2.6M) or (24%) less than revenue produced during April of 2019.





Macon County EMS					
2020 Medicare Allowable Amounts					
28734					
Level Of Service	2020 Medicare Allowable (Rural)	Current Charge	200% of 2020 MCR Fee Schedule	Recommended	
BLS NonEmer A0428	\$ 227.23	\$ 450.74	\$ 454.46	\$ 454.46	
BLS E A0429	\$ 363.57	\$ 721.18	\$ 727.14	\$ 727.14	
ALS NonEmer A0426	\$ 272.68	\$ 540.88	\$ 545.36	\$ 545.36	
ALS E A0427	\$ 431.74	\$ 856.40	\$ 863.48	\$ 863.48	
ALS 2 A0433	\$ 624.89	\$ 1,239.54	\$ 1,249.78	\$ 1,249.78	
Spec Care A0434	\$ 738.50	\$ 1,464.90	\$ 1,477.00	\$ 1,477.00	
Rural Mileage A0425	\$ 11.54	\$ 17.15	\$ 23.08	\$ 17.31	
ALS TNT A0998		\$ 150.00		\$ 150.00	
BLS TNT A0998		\$ 150.00		\$ 150.00	
MCD Roundtrip T2003*	\$ 474.00	\$ 424.00	\$ 474.00	\$ 474.00	

### Intergovernmental Revenues

Intergovernmental revenues are primarily grant funds received from outside federal and state agencies for Health Dept., DSS, Transit & Senior Services operations as well as PILT (Payment in Lieu of Taxes). \$8,841,902 has been budgeted for intergovernmental revenues in FY 21'. This amount is representative of a \$287,426 increase from FY 20'.

### Miscellaneous

Miscellaneous revenues include those revenues generated from collection of rental fees, administrative fees, interest earnings, etc. The county will see a significant reduction in interest earnings during FY 21' following a cumulative reduction in interest rates by the Federal Reserve of (1.81%) from July 2019- April of 2020. Of this reduction, (1.04%) has occurred following the COVID-19 pandemic. As a result of the decline in interest earnings, miscellaneous revenues have been projected to decline by (\$589,000) or (45%) from FY 20'.

### Fund Balance

For many years, the fund balance has been a staple in Macon County's financial stability and independence. The primary purpose of fund balance is to ensure Macon County remains prepared and able to continue moving forward during unexpected emergencies. While only 8% of total expenditures, estimated to cover two months of operating expenses is required for counties by the LGC, numerous surveys have shown the average available fund balance for small local governments to be at least 30% of expenditures.

At an estimated 44.09% of expenditures or \$23,492,678, fund balance available for appropriation will provide the county with much needed financial certainty during what is anticipated to be an extremely



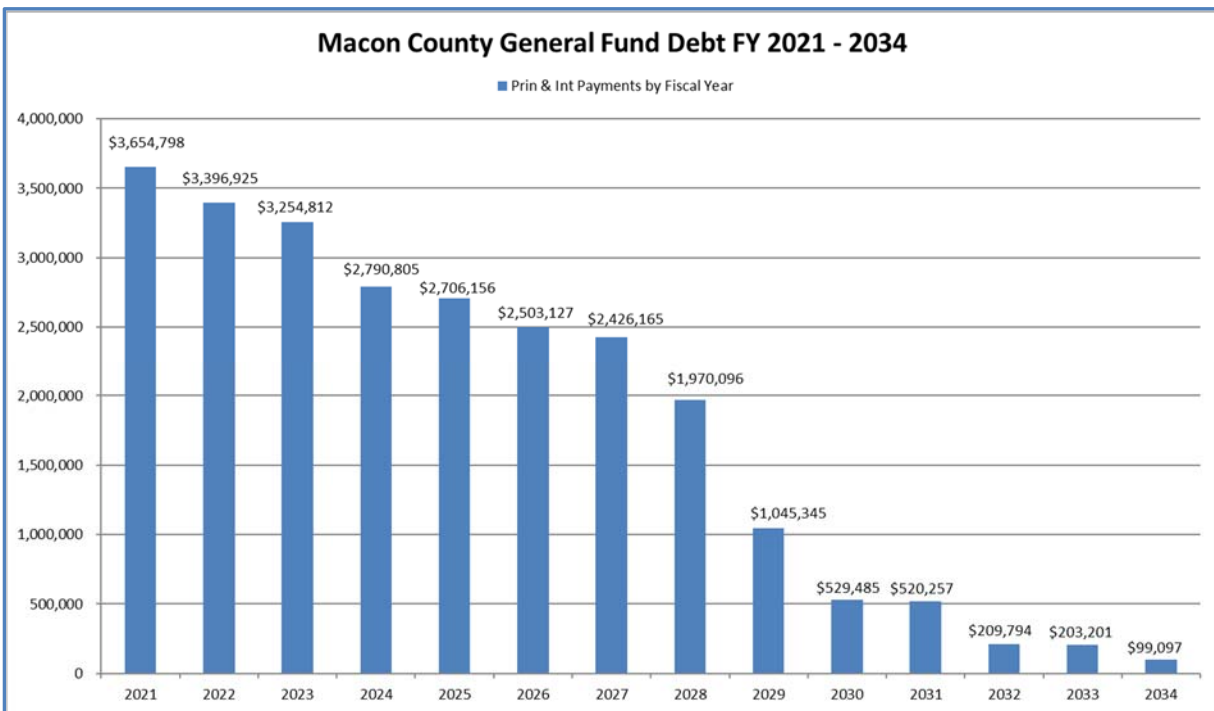


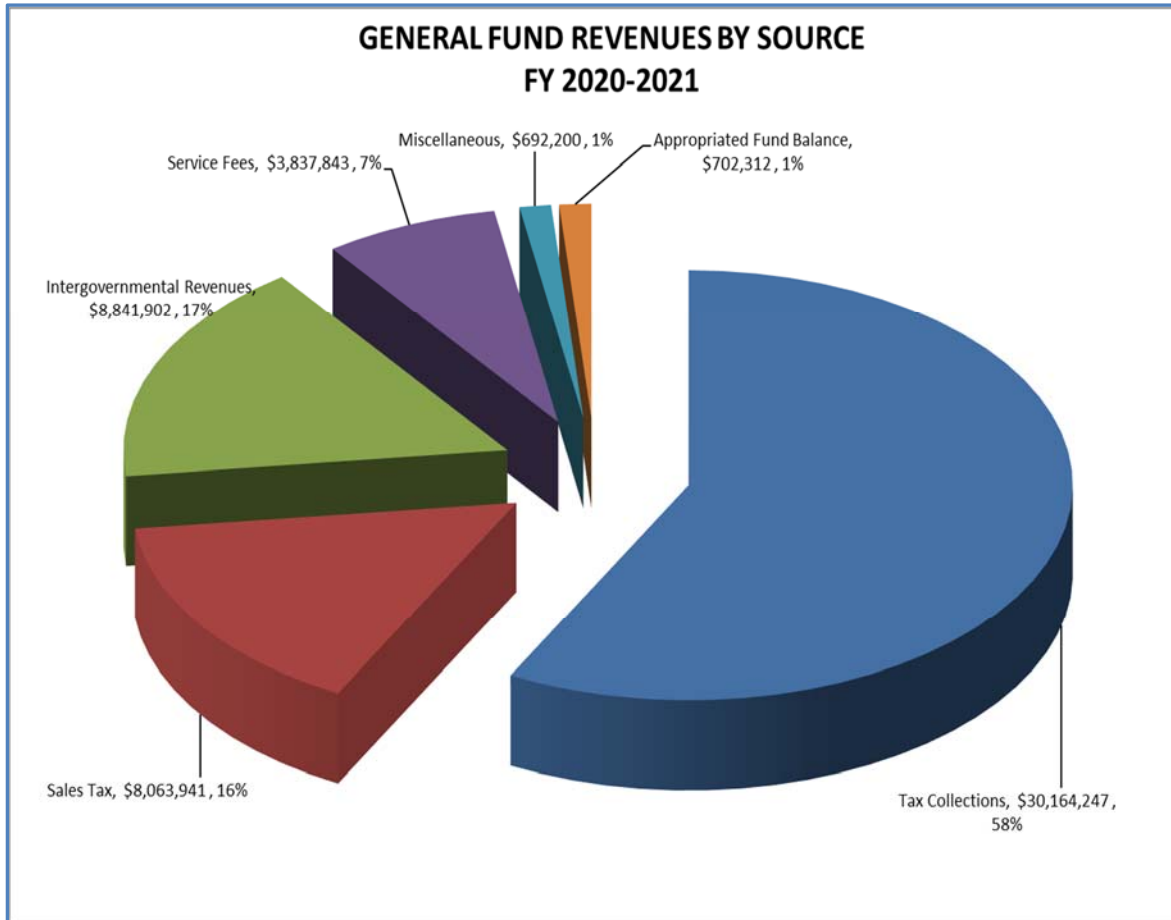
uncertain time. In FY 21' \$702,312 in fund balance appropriation will be recommended to fund three capital projects. Two of these projects are "mission critical" as they affect every department in the organization. The remaining project has been previously approved by the board and is largely offset by grant revenue.

- \$400,000-conversion and installation costs associated with new tax collection software.
- \$218,600-upgrade Macon County's SAN/NAS data storage and
- \$83,712 in matching funds to construct a 1200 SF addition onto the Macon County Transit Administrative Offices, at an estimated total project cost of \$418,560.

### General Fund Debt

General Fund debt will decrease by (\$262,860) from FY21'.





### **FY 20-21' General Fund Expenditures**

At \$52,302,445, expenditures will decrease by (\$951,000) or (1.8%) from current year original budget, in response to substantial revenue shortfalls brought about by the COVID-19 pandemic. This level of expenditures is representative of an approximate (\$3.2M) or (5.7%) reduction from the amount requested by department heads of \$55,487,743. The significant discrepancy in expenditures at the recommended and requested levels highlights the impact COVID-19 has had on the budget process from both a timing and economic standpoint.

At the February 6<sup>th</sup> Budget Kickoff Meeting during which the board discussed priorities for the coming fiscal year, COVID-19 was not even on the radar in Macon County. A week later, on February 13<sup>th</sup> as these priorities were relayed to department heads during the internal budget kickoff meeting, COVID-19



was mentioned one-time, as the meeting concluded, only in reference to its potential for reducing fuel costs in the FY 21' operating budget. On the March 13<sup>th</sup> deadline for department budget submittal to the county manager, President Trump declared COVID-19 a National Emergency. In the following days, leading up to departmental budget meetings, scheduled to begin on March 23, rapid escalation of the pandemic across the state and nation had resulted in the mandated closure of local schools, businesses and mass gathering restrictions limited to 50 people or less. At the local level, Macon County had now become involved in a full-scale planning and mitigation effort, passing multiple emergency regulations, appropriating emergency funding, and taking enhanced measures to protect employees, visitors, and residents from the adverse health effects of COVID-19. Macon County declared its first COVID-19 positive case on April 1<sup>st</sup>, as department head budget meetings now turned "conference calls" began.

As the pandemic continued to escalate during the following weeks, so did uncertainty as to what the future would hold for the FY 21' Recommended Budget. Upon conclusion of departmental budget discussions on April 17<sup>th</sup>, priorities for FY 21' had transitioned from those of service enhancement and organizational improvement reflected in budgets submitted by department heads one month prior, to maintaining current service levels and bracing the organization to withstand a worst-case economic scenario.

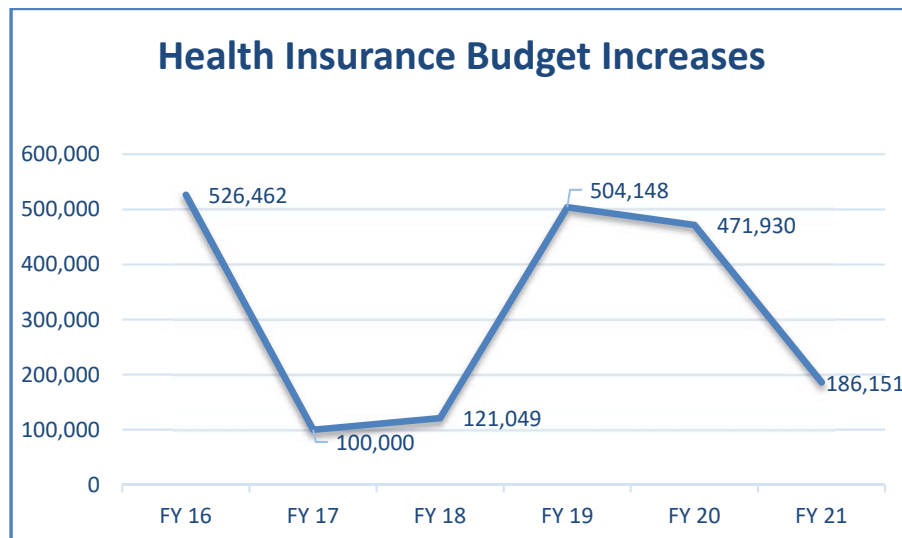
### **Operating Expenditures**

Operating expenditures consist of salaries and benefits, supplies, utilities, fuel, etc. which are considered to be recurring in nature, therefore must be supported by recurring revenue sources. In evaluating budget requests submitted by each department, a strong attempt has been made by administration to maintain current service levels, with respect to operations. While this was accomplished across the majority of budget functions, unprecedented revenue shortfalls combined with increasing employee benefit costs, created the need to further prioritize operating expenditures. As a result, reductions have been recommended in FY21', that will allow Macon County to continue providing those services upon which the majority of citizens depend, without compromise to our financial position, or adversely impacting county employees.

### ***Employee Benefit Costs***

#### ***Health Insurance***

Operating costs associated with health insurance will increase by \$186,151 in the coming fiscal year or 4%. While this is an increase to the operating budget, it remains well below those experienced in the two prior fiscal years at 24.27% and 10.9% respectively. Health insurance accounts for \$4,242,893 in FY21' or approximately 8% of the FY21' operating budget.



#### **Retirement**

An additional \$198,831 has been budgeted in retirement for FY21', as a result of increases to state retirement system contributions. Retirement contributions will account for \$1,704,322 in FY21 or approximately 3.3% of the operating budget.

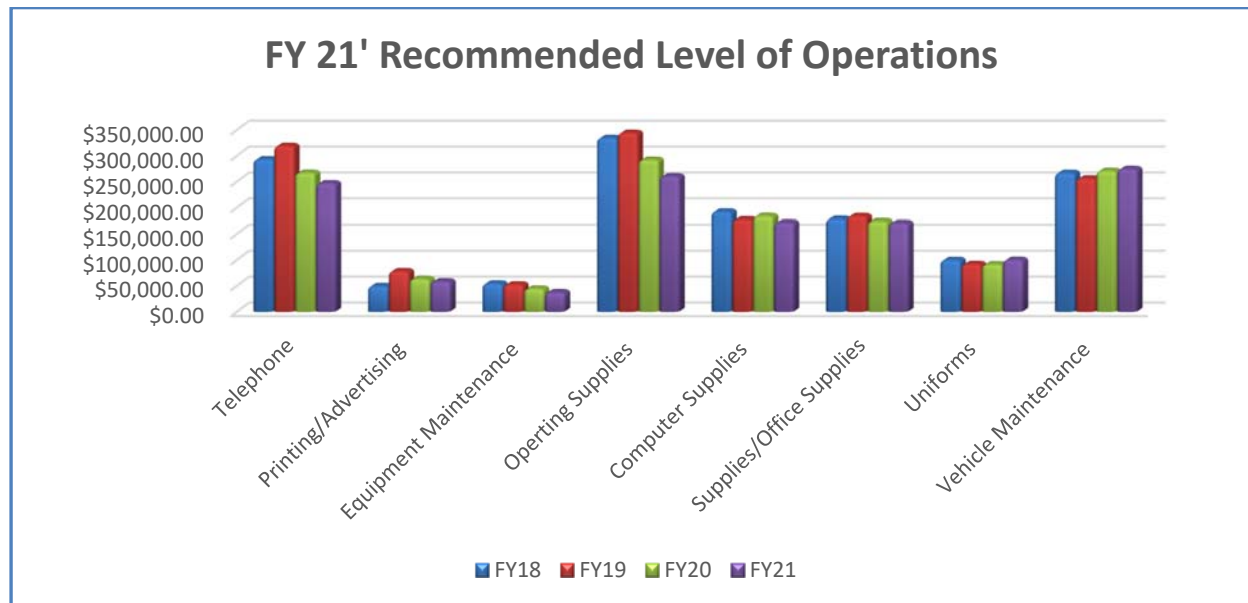
#### **Maintaining current level of service**

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’.



**Accounts directly impacted by COVID-19**

Certain accounts within the operating budget have and will remain impacted by the COVID-19 pandemic. As long as travel restrictions are in place, demand for gasoline will remain suppressed. Similarly, mass gathering restrictions, anticipated to remain in place for the near future, will limit the need for travel and training related expenditures. In FY 21’, these circumstances will lead to a total reduction of (\$164,584) from the FY20’ original budget amounts in *gasoline, fuel, travel, training and conferences*.

- *Gasoline/Fuel*- Travel restrictions put in place across the globe have resulted in decreased fuel prices. The Energy Information Administration anticipates these decreases to continue in the coming fiscal year, as petroleum average price per gallon is expected to fall by 16% from



\$2.28/gal in FY 20 to \$1.91/gal in FY 21'. In response, FY 21' gasoline expenditures have been budgeted at 84% of the FY 20' original budget amount, a reduction of (\$70,556).

- Travel/Training/Conferences- Travel restrictions along with limitations on mass gatherings will result in a 25% reduction (\$94,028) in these expenditures from FY 20' original budget amounts.

**Non-Profit Reductions**

While Macon County recognizes the tremendous services non-profit organizations provide to residents within our community, the revenue shortfall faced during the coming fiscal year will result in a recommended 50% reduction to the following non-profit and community organizations in FY21'.

Organization	50% Reduction Amount
Community Funding Pool	\$37,500
Scaly Mountain Community Development	\$2,500
Macon County Historical Society	\$10,000
Cowee School	\$18,000
<b>Total</b>	<b>\$68,000</b>

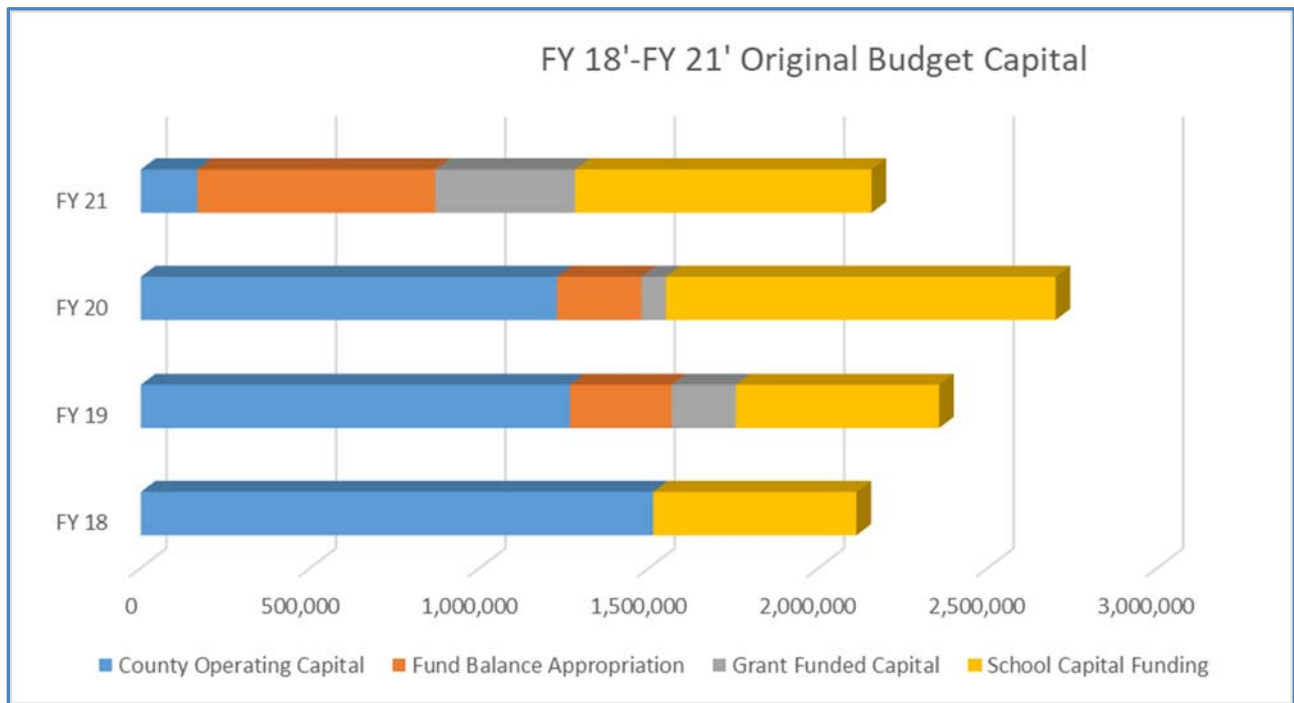
**Capital Expenditures**

Capital expenditures are defined as those expenditures which exceed \$5,000 and have a useful life of greater than one year. In FY21' capital expenditures will account for \$2,156,358 or 4.1% of the General Fund Budget. This is a decrease of (\$543,180) from the current fiscal year. The proposed budget will contain only those capital items which are (1) "mission critical" meaning they impact the operations of every county department (2) are largely offset by grant funding, or (3) have previously been prioritized by the Board of Commissioners.

Of the FY21'recommended \$2,156,358 in capital spending, \$412,513 is representative of grant-funded expenditures and \$875,000 will be set aside for Macon County School's annual technology and capital needs. Of the \$868,845 in remaining capital expenditures, \$702,312 are funded through an appropriation from fund balance, following a substantial decline in operating revenue anticipated in the coming fiscal year:

- Transit Facility Expansion \$418,560 @ 20% match- \$83,712
  - Computer Assisted Mass Appraisal System- \$400,000
  - Storage Area Network (SAN)/software refresh- \$218,600
- \$702,312**

Only \$166,533 in the FY21' operating budget will be available to fund the county's capital expenditures. Of this amount, \$155,643 will go towards fulfilling licensure requirements on the county's operating and SQL database platforms and \$10,890 provides a 10% funding match on an \$88,555 Transit bus.



At nearly (88%) or (\$1,168,813) below the three-year average level of capital spending in the operating budget, this recommendation is clearly not sustainable to maintain the current level of service. I am confident however, that adequately funded and well-executed capital improvements, made on a consistent basis during prior years, will enable us to maintain our service level in FY21', while weathering the economic uncertainty brought about by the COVID-19 pandemic.

Approximately \$1.3M in capital requests have not included in the FY21' Recommended Budget and should be re-evaluated midway through the fiscal year (January-February). At mid-year, the county is preparing its annual TR-1 form for submittal to the Department of Revenue and as such, will have a much clearer picture of the economic impact COVID-19 has or has not had on the following FY21' revenue projections:

Revenue Source	FY21' Projected Change from FY20' Original
Ad Valorem Property Tax (Actual ad valorem levy Jan 20'- Jan 21')	(\$128,064)
Motor Vehicle Tax (Actual Levy Jan 20'- Jan 21')	\$19,092
Service Fees (8 mo. FY21' actuals in Feb)	(\$322,279)
Sales Tax Collections (5 mo. FY21' actuals in Feb 21')	(\$442,000)
<b>Total</b>	<b>(\$892,343)</b>

\*\*Total does not include increase in MV Tax, as revenue gained is essentially flat. It was included in the table however, because the projected revenue is based on \$32.1M decline from the FY21' levy amount which would have been used, absent the COVID-19 pandemic.\*\*





At the mid-year evaluation of capital expenditures as outlined above, a best-case scenario, resulting in higher than projected revenues, will allow those now unfunded capital projects, felt to be “top priority”, to be added into the FY21’ Recommended Budget where they will be offset by revenues, as in a normal year. Conversely, a worst-case scenario, resulting in revenue coming in at or below projected levels, will require further prioritization of capital expenditures, and the continued use of fund balance to maintain a consistent level of service.

<b>2020-2021 BUDGET CAPITAL ITEMS RECOMMENDED</b>			
<b>Department</b>	<b>Acct.</b>	<b>Amount</b>	<b>Description</b>
Tax Assessment	114142-569502	\$ 400,000	Computer Assisted Mass Appraisal (CAMA) System
Information Technology	114210-569502	\$ 155,643	Host Operating System (OS) and SQL Server
Information Technology	114210-569502	\$ 200,000	Storage Area Network (SAN) Equipment and Furnishings Primary Site (PR) and Disaster Recovery (DR)
Information Technology	114210-569502	\$ 18,600	SAN Refresh - one time software cost
Transit - Operating	114935-569300	\$ 418,560	Facility expansion (\$334,848 grant funds)
Transit - Operating	114935-569601	\$ 88,555	One (1) Transit Bus (\$77,665 grant funds)
Macon County Schools	118000-571002	\$ 875,000	Technology and Capital Outlay
<b>Total General Fund Capital</b>		<b>\$ 2,156,358</b>	



FY 2020-2021 Capital Requests			
Department			Dept. Request
114141	569502	<b>Mapping</b>	<b>13,000.00</b>
		Mapping Equipment	13,000.00
114142	569502	<b>Tax Assessment</b>	<b>400,000.00</b>
		CAMA System	400,000.00
114142	569601	<b>Tax Assessment</b>	<b>21,000.00</b>
		Vehicle (Jeep or Escape)	21,000.00
114210	569502	<b>Information Technology</b>	<b>605,578.00</b>
		Host OS and SQL	155,643.00
		Equip/Furnishings SAN PR & DR	400,000.00
		One Time Cost of Software	18,600.00
		Network Switch and router	26,441.00
		Backup and Archival	2,094.00
		Security and Access Control	2,800.00
114250	569502	<b>Garage</b>	<b>28,060.00</b>
		Drive on lift	28,060.00
114260	569502	<b>Building &amp; Grounds</b>	<b>23,500.00</b>
		Excavator	23,500.00
114310	569502	<b>Sheriff</b>	<b>123,204.00</b>
		(21) Body Cameras	34,450.00
		(15) In-Car Camera Systems	88,754.00
114310	569601	<b>Sheriff</b>	<b>228,660.00</b>
		Patrol Vehicles 6 @ \$38,110 each	228,660.00
114321	569502	<b>Detention Center</b>	<b>21,000.00</b>
		AFIS Machine	21,000.00
114370	569502	<b>EMS</b>	<b>40,000.00</b>
		Stretcher and Lift	40,000.00
114370	569601	<b>EMS</b>	<b>148,395.00</b>
		Ambulance Remount	113,623.00
		EMS Coordinator SUV	34,772.00
114373	569601	<b>E911 Addressing</b>	<b>28,421.00</b>
		Vehicle	28,421.00
114377	569502	<b>Fire Task Force</b>	<b>11,000.00</b>
		UTV	11,000.00
114380	569502	<b>Animal Control</b>	<b>39,761.00</b>
		Viper Radio	6,399.00
		Sally Port Cover	5,500.00
		Horse Trailer	8,000.00
		Backup Generator	7,862.00
		Animal Control Box	12,000.00
114926	569506	<b>Cowee School</b>	<b>25,000.00</b>
		Security Upgrade	25,000.00
114935	569300	<b>Transit Services - Operating</b>	<b>418,560.00</b>
		Facility Expansion (\$334,848 grant funds)	418,560.00
114935	569601	<b>Transit Services - Operating</b>	<b>88,555.00</b>
		Bus (\$77,665 grant funds)	88,555.00
115111	569502	<b>Health - Operations</b>	<b>8,000.00</b>
		(4) Handicap Accessible Doors	8,000.00
115120	569502	<b>School Health Nurse</b>	<b>7,500.00</b>
		Welch Allyn Spot Vision Screener	7,500.00
115150	569502	<b>Emergency Preparedness</b>	<b>40,000.00</b>
		Vehicle	40,000.00
115157	569502	<b>Child Dental</b>	<b>5,710.00</b>
		Autoclave	5,710.00
115831	569502	<b>Senior Services - Admin</b>	<b>19,498.00</b>
		Vehicle	19,498.00
118000	571002	<b>Education</b>	<b>1,150,000.00</b>
		MCS Technology and Capital Outlay	1,150,000.00
		<b>TOTAL</b>	<b>3,494,402.00</b>



## **Public Safety**

The Public Safety Function includes Sheriff, Courthouse Security, Forest Service, Jail, Inspections/Planning, Emergency Medical Services, Emergency Management and Animal Control. In the coming year, public safety represents \$14,175,904 or 27% of the general fund budget. This is a (\$1,316,424) or (8.4%) decrease from the FY20' Original Budget.

### **Capital Expenditures**

The FY20' public safety operating budget contained \$1,086,646 in capital expenditures which included the purchase of a new ambulance, patrol cars, installation of in-car and body camera systems in the Sheriff's Department and connectivity for our volunteer fire departments to the newly upgraded VIPER Communications System. No public safety related capital expenditures are contained in the FY21' operating budget, which will account for the majority of the overall decrease in the public safety function for coming fiscal year.

### **Operating Expenditures**

#### ***Detention Center***

This decrease in FY21' public safety operating expenditures is primarily attributable to a (\$250,000) combined reduction in medical treatment and out of county housing at the Macon County Detention Center. While out of county housing costs have historically risen, Macon County saw an approximate (50%) decrease in actual expenditures from FY18' - FY19' and the trend has continued into FY20'. As a result, FY20' out of county housing costs are projected to finish the year below \$100,000, or the amount which is budgeted in FY21'. This is down from \$300,000 in the FY20' original budget. While much of this reduction is attributable to good management in the detention center, the impact COVID-19 has and will continue to have on moving inmates between facilities will contribute to this reduction in expenses as well.

A (\$50,000) reduction to the medical services line item in the detention center will be budgeted for FY21'. This reduction comes as FY20' medical costs have decreased significantly, following the decision to begin contracting with a full-time Registered Nurse. Working alongside the part-time Medical Doctor and detention center staff, the RN position has led to reduced inmate trips to the ER and helped to find significant savings in prescription drug costs. \$275,000 has been budgeted in FY21' for medical treatment in the Macon County Detention Center.



## **General Government**

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

In FY21', the General Government function accounts for \$8,149,582 or 16% of the operating budget. Expenditures in this function have increased \$178,254 over the prior fiscal year original budget. This increase is primarily attributable to an increase in capital spending of \$564,566 over the prior fiscal year.

### **Capital Expenditures**

In FY21', capital expenditures will account for \$774,243 in the General Government Function. Each of these capital expenditures are "mission critical" to the organization, as they have an impact on the operations of every department.

#### ***Computer Assisted Mass Appraisal System***

The tax software system is crucial to the county's ability to collect ad-valorem tax revenue, which will account for 58% of the total FY21' budgeted revenue amount. The current tax software is over 30 years old and has become both maintenance intensive and inefficient. In addition, maintenance/technical support on the current system will soon become unavailable. In February of 2020, the board approved the issuance of an RFP to replace the current tax software. Following the receipt and evaluation of four responses to the RFP in March of 2020, the selection committee unanimously selected Bi-Tek to provide the software upgrades. The initial cost of installation and data conversion for is approximately \$324,655. Annual maintenance costs at approximately \$50,171, are in line with those of the current tax software, thus are expected to have no impact on the operating budget

#### ***Technology***

\$155,643 will go towards purchasing licensure on virtual machines for the operating system and SQL server database platforms. FY21' is the final year in the license procurement process for the aforementioned database platforms, as reflected in the *Macon County Capital Improvement Plan*. Following procurement of licensing, the county will only be responsible for maintaining software assurance on the operating system and SQL server databases at approximately \$60,000 annually.



\$218,600 has been budgeted for replacement of the current SAN data storage platform and expansion shelves. SAN replacement will allow us to accommodate increased data storage needs brought about by the new tax software, while continuing to meet increasing storage demands across the organization.

## **Transportation**

The Transportation function includes Macon County Transit in addition to the Macon County Airport. The Transportation function will increase by \$459,724 from the FY20', Original Budget. This increase is due to an increase in capital expenditures over the current fiscal year.

### **Capital Expenditures**

On June 11, 2019, the board of commissioners voted unanimously to commit \$83,712 from general fund balance, representing a 20% match, towards the \$418,560 federally funded expansion project at Macon County Transit. The expansion will consist of a 1,200SF addition onto the Macon County Transit Administrative Office. \$418,560 will be budgeted in FY21' to complete this project.

\$88,555 will go towards purchasing an additional transit bus. \$77,665 or 90% of this amount will be covered using grant funds.

### **Operating Expenditures**

Through the elimination of four part-time driver positions, Macon County Transit will add two additional full-time drivers in FY21'. This will lead to a more efficient and effective transit service, through increased scheduling efficiencies and route coordination. Furthermore, this will have a net-zero impact on the operating budget. While budgeted in FY21', the two new positions will remain unfilled until ridership numbers recover to normal levels. Following the COVID-19 pandemic, Transit ridership has decreased by approximately (70%). This unanticipated decline in revenue has led to MCT separating employment with eight part-time drivers in FY20'. Like the full-time vacant positions, Macon County Transit will not begin re-hiring the four vacant part-time positions until ridership recovers.



## **Health and Human Services**

The Health and Human Services Function includes the following departments: Health Department, Department of Social Services Veterans, Smoky Mountain Mental Health, Juvenile Partnership Grant, Senior Services, and Housing. In FY21' Human Service expenditures will total \$12,652,563. This is a decrease of (\$131,844) from the current fiscal year original budget. Health Department, Department of Social Services and Senior Services account for \$12,091,671 of the FY 21' total Human Services Budget.

### **Department of Social Services and Senior Services**

The FY 21' DSS and Senior Services budgets will decrease by a combined (\$54,597) in the coming fiscal year. County funding to these agencies will remain essentially flat, increasing by only \$29,029 or 1.5% over FY20'.

### **Health Department**

The FY 21' Health Department Budget will decrease (\$107,575) from the current fiscal year original budget. While decreasing overall, county funding to the Health Department will increase by \$185,109 over the FY 20' original budget amount. The county funding increase is a result of unavoidable increases in service contracts and contracted services, necessary to maintain the current service level, combined with increases in employee benefit costs.

### **Operating Expenditures**

The overall decrease in Health Department expenditures of (\$107,575) comes following the expiration of the Community Health Grant, which previously accounted for \$150,000 of grant-funded expenditures in the Health Department Budget. In addition to expiration of the Community Health Grant, the FY21' Recommended Budget further proposes eliminating the Adult Dental Clinic, resulting in a (\$99,798) decrease in county funding.

### ***Expiration of Community Health Grant***

Macon County Public Health requested an increase of \$158,832 in FY 21' to continue providing behavioral health services as part of their primary care program for Macon County residents. The integration of behavioral health into primary care began in 2017, following receipt of a Community Health Grant. FY 20' will be the last year MCPH receives this grant funding and thus has requested for Macon County to absorb the cost in its entirety beginning in FY 21'. In FY 20' this grant was used to fund one part-time Physician Extender (FNP/PA) at 80%, a full-time medical office assistant to assist provider during office visits and with follow up services and a licensed Behavioral Health Clinician hired through



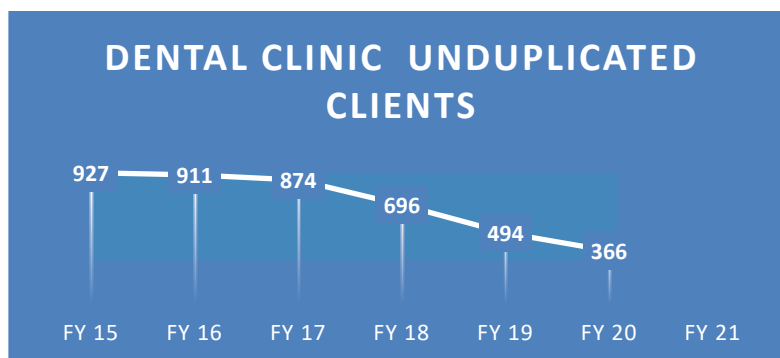
Appalachian Counseling. Due to substantial revenue reductions anticipated in the coming fiscal year, this request has not been included in the FY 21' Recommended Budget.

The budget as proposed will contain a separate Community Health Grant of \$150,000 received by Macon County Public Health in FY 20'. Under this grant agreement, Macon County Public Health, working with the school system has established a School Based Health Center, which provides behavioral health services to school aged children. In addition to grant funding, the FY 21' budget includes a \$106,623 appropriation to VAYA Health to assist in providing mental and behavioral health services to Macon County residents. Furthermore, through a \$20,000 contribution to "No Wrong Door", matched in full by the Town of Franklin, Macon County will continue to provide mental health and substance abuse counseling for inmates at the Macon County Detention Center.

### **Adult Dental**

A continued decline in participation at the Adult Dental Clinic combined with the inability to recruit and retain a dentist or dental hygienist will lead to an estimated revenue shortfall in the program of (\$99,798) for coming fiscal year. Due to significant revenue loss anticipated in the coming year and uncertainty surrounding economic recovery, the FY21' operating budget cannot continue absorb annual revenue losses in Adult Dental, without sacrifice to those services upon which the majority of our residents depend. As a result, the FY21' Recommended Budget proposes to eliminate the Adult Dental Program.

In FY 20', according to figures provided by Macon County Public Health, the Adult Dental Clinic provided services to 366 individuals, or approximately 1% of the county's total population. The number of individuals receiving services in FY20' represents a (48%) decrease when compared to FY 18'.



The dentist position in the Adult Dental Clinic has remained vacant since March of 2018, despite continued recruitment efforts by MCPH, including a significant increase in the starting salary amount, in the current year budget. During this period, MCPH has contracted with a staffing agency to fill the dentist position, as needed. While this arrangement has enabled the service to continue, the annualized rate charged by the contract dentist is 32% higher than the \$180,937 total compensation package





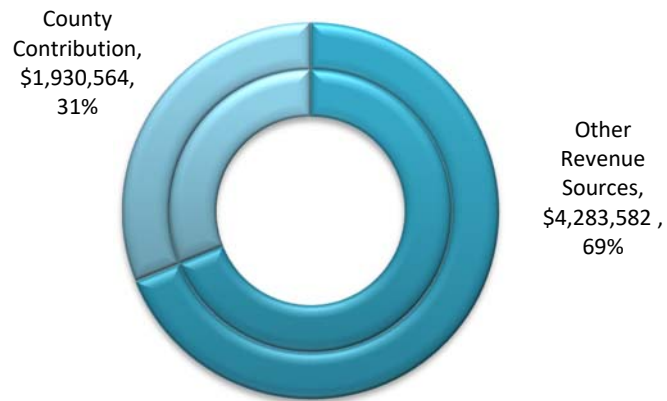
budgeted for a full-time dentist. In addition to the significant rate increase, MCPH also must pay mileage reimbursement and overnight lodging costs for the Dentist.

The dental hygienist position in Adult Dental has remained vacant since September of 2019. This position, like the dentist, has been difficult to recruit as well as retain, due to higher starting salaries offered by the private sector. Similar to the arrangement with the dentist, MCPH pays a premium to fill the hygienist position using contract labor provided through a staffing agency. The annualized rate charged by the contract hygienist is approximately 19.3% higher than the \$69,515 total compensation package budgeted for a dental hygienist position.

In addition to eliminating direct costs associated with Adult Dental, the county will indirectly benefit as regular cleaning, disinfecting and upkeep of the leased space, currently performed by Building and Grounds will no longer be required. Future costs will be avoided as well, due to software upgrades in Adult Dental, which were projected during the coming fiscal year.



### Social Services & Senior Services Sources of Revenue FY 2020-2021



### Health Department Sources of Revenue FY 2020-2021





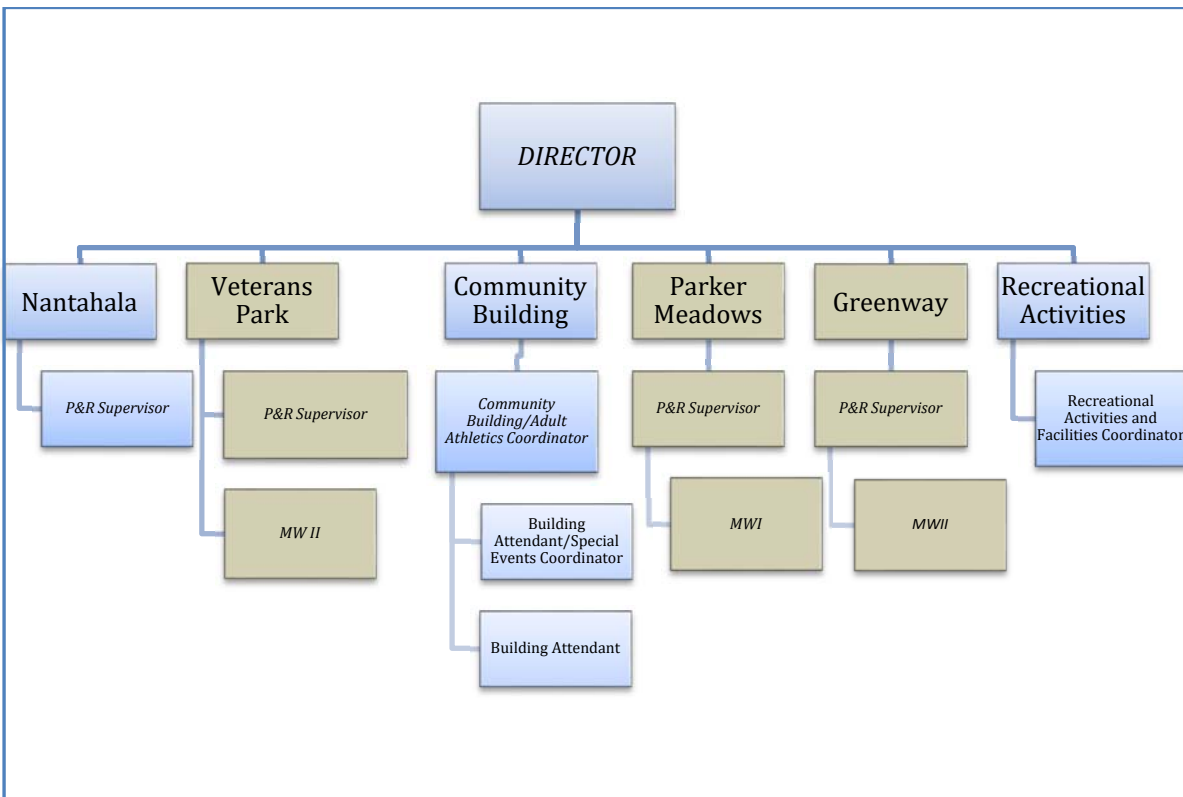
## Culture/Recreation

The Culture/Recreation budget function accounts for; Recreation, Highlands Recreation, and Library. In the coming year, Culture/Recreation represents \$2,634,647 or 5% of the general fund operating budget. This is a \$330,472 increase over the current fiscal year original budget.

### Recreation

#### Operating Expenditures

The \$330,472 increase in recreational spending is offset by a (\$341,111) reduction in Building and Grounds. This comes following the Recreation Department assuming all routine indoor/outdoor maintenance responsibilities at recreation sites. This transition will benefit each department as well as the organization making for a cleaner, less confusing arrangement. As a result, Building and Grounds can now focus directly on general building maintenance while responsibility for things like mowing and cleaning bathrooms at recreation facilities, coordination of field maintenance with tournament and league play, etc. will fall under Recreation, who is already being held accountable for these things. The organizational chart below highlights the incorporation (in tan) of the six-employees from Building and Grounds into the current organizational chart for Recreation (shown in blue).





### **Fontana Regional Library System**

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

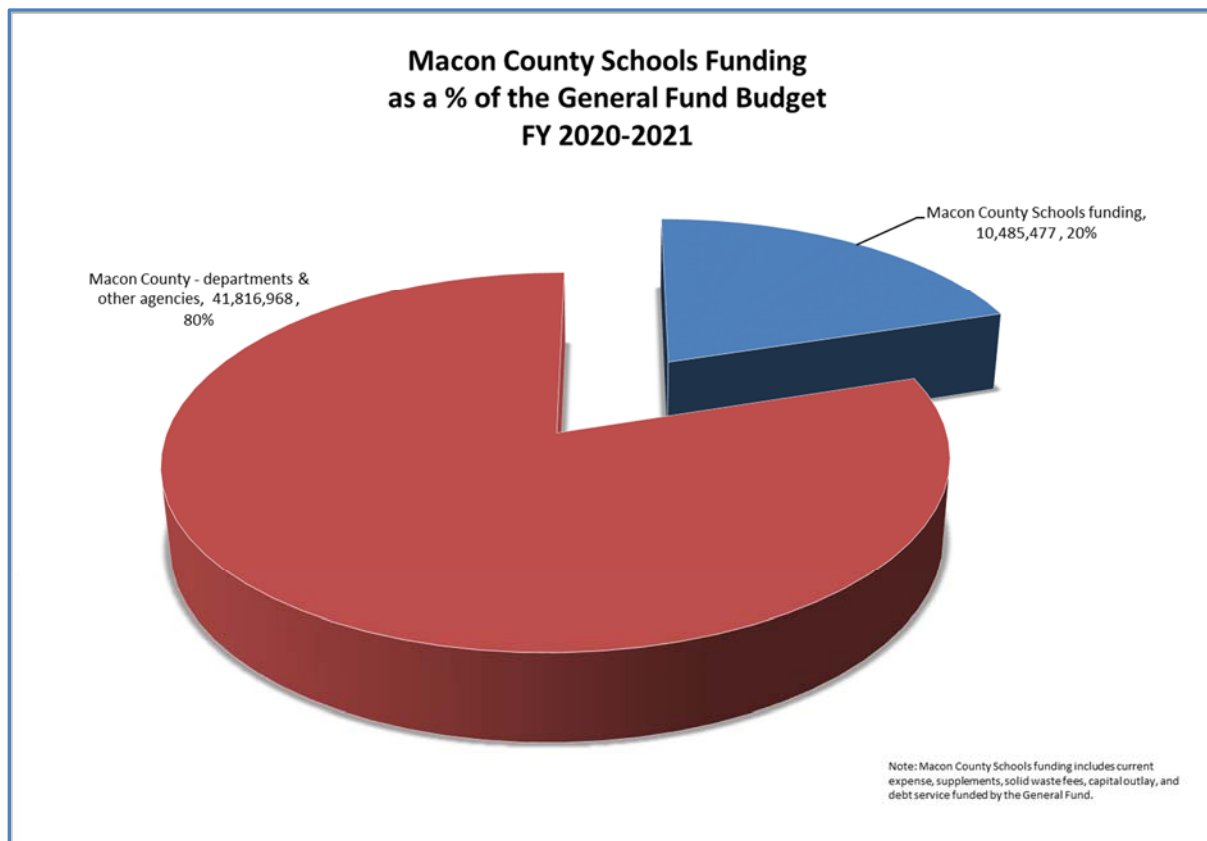
### **Economic and Physical Development**

The Economic and Physical Development budget function contains; *Economic Development, Cowee School, Soil Conservation and Cooperative Extension*. In the coming year, Economic and Physical Development will account for \$555,730, which is a decrease of (\$84,070) from the current fiscal year.



## **Schools**

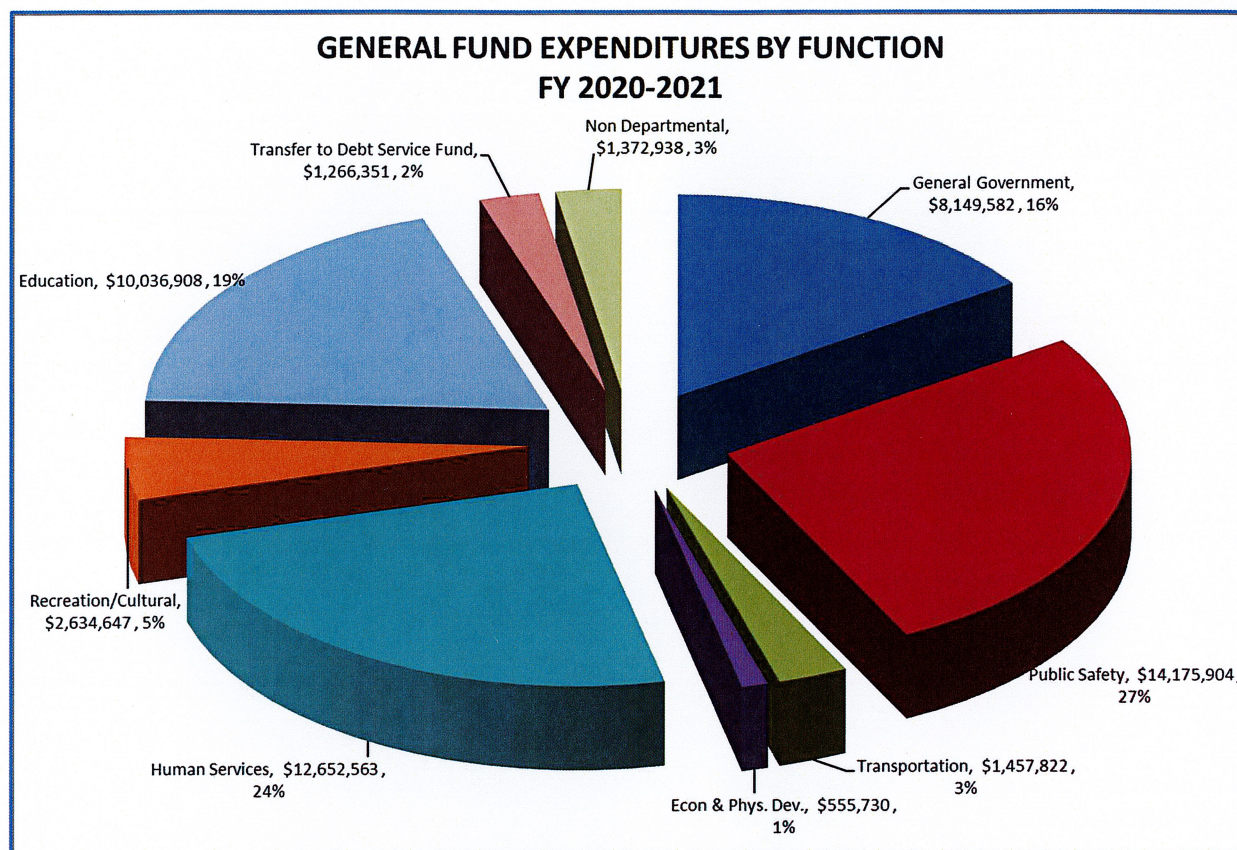
The FY21' Recommended Budget proposes a decrease of \$275,000 to the school system's annual capital outlay budget which is a (9.5%) decrease from the average capital funding amount received by the schools during the three prior fiscal years. While this reduction is substantial, reduced overhead costs and annual wear and tear at facilities resulting from extended closures in FY20' combined with nearly \$200M in COVID-19 statewide school relief, should help to offset this reduction. This reduction, which will be re-evaluated mid-year as well, does not adversely affect the learning opportunities of students or the livelihoods of locally supported school system employees.



## **Southwestern Community College**

An appropriation of \$289,177 has been included for Southwestern Community College in the FY 21' Recommended Budget.





## Summary

While substantial declines in revenue brought about by the COVID-19 pandemic presented many challenges during this budget process, none of them have proven too large for this organization to overcome. In the coming fiscal year, Macon County will prove its ability to continue operating, under what is projected to be a worst-case economic outlook, without adversely affecting employees, primary services or our solid financial position. This could not have been accomplished without the hard work and willingness to compromise shown by all department heads throughout this budget process. As required by state statute, the budget is balanced with revenues and expenditures of \$52,302,445 and is hereby submitted for your review and consideration.

Respectfully,

Derek C. Roland  
Macon County Manager



## **Solid Waste Enterprise Fund**

The Solid Waste enterprise fund, functions independently of the general fund budget and must remain self-supported by revenue. Recently, numerous factors, lying outside the control of the Solid Waste Department, have adversely affected revenue streams including: loss of revenue from the sale of recyclables and unfunded mandatory recycling programs/landfill bans required by the state. In addition to lost revenue, the Solid Waste budget includes a change in employment status of the “regular shift” attendants from part-time temporary employees to part-time permanent employees, following a request from the department’s commissioner liaison. This change will allow part-time employees to begin accruing sick and vacation time as well as pro-rated enrollment in the Macon County retirement system.

In light of the aforementioned circumstances, the Solid Waste Department proposes a \$13.00 increase to the annual availability fee from \$95.00 to \$108.00. This will generate approximately \$325,000 in annual revenue. The fee increase will go towards offsetting those costs outlined below:

<b>Fee Increase Breakdown</b>	
Loss of Recycling Revenue:	\$6.46
CC EE Change to Part-Time Permanent:	\$1.31
Funding eWaste Recycling:	\$1.00
Defunding of Scrap Tire Program:	\$0.63
Grinding of Wood Waste:	\$1.47
Operating Costs and Personnel:	\$2.13