

Macon County



Gentlemen,

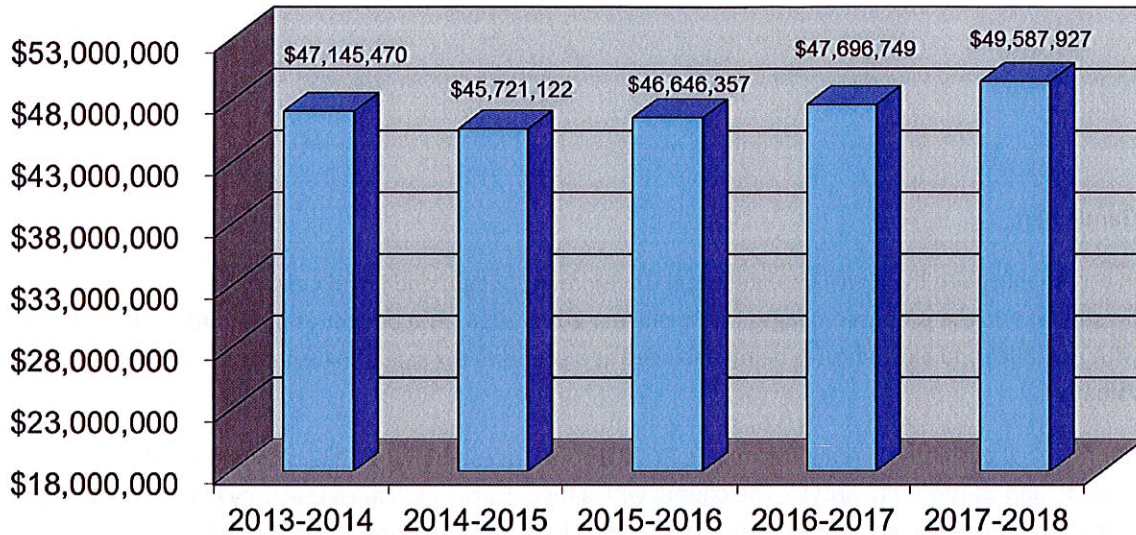
In accordance with the North Carolina Local Government Budget and Fiscal Control Act, I am honored to present to you the proposed budget for Fiscal Year 2017/2018. The budget as proposed is \$49,587,927 with revenues and expenditures being balanced at a property tax rate of 34.9 cents per \$100 of property valuation.

Our financial position will remain strong in FY 17-18'. At an estimated 41.8%, our fund balance in the general fund continues to provide the county with a high degree of financial security in terms of being prepared for unexpected emergencies and shortfalls in revenue. Beginning in FY 17-18' and moving forward, a portion of the fund balance could potentially serve as revenue for much needed capital improvements contained in the forthcoming capital improvement plan.

Our debt obligations will continue to decrease. Since June 30, 2011, Macon County's general fund debt has decreased by \$22,568,799. In FY 17-18', Macon County's principal and interest payments will decrease by approximately \$614,162. The solid financial position of Macon County is a direct reflection of strong leadership and sound fiscal management exhibited by the Macon County Board of Commissioners.

FY 17-18' projected expenditures have increased by \$1,891,178 over the FY 16-17' Original Budget. At this level of expenditures we will continue to provide efficient and effective public services to the citizens of Macon County while beginning to plan for future improvements. An increase in sales tax receipts, combined with an increase in tax collections from the prior fiscal year, will enable us to accomplish each of these things with no recommended increase to the Ad-Valorem Tax Rate and no use of fund balance. The FY 17-18' Recommended Budget includes a contingency fund of \$125,000 which is solely attributable to projected revenues exceeding projected expenditures.

GENERAL FUND COMPARISON OF ORIGINAL BUDGETS



I. FY 16-17' Budget Accomplishments

Pay Plan Implementation – A primary objective of the FY 16-17' Budget was to complete the organizational pay plan which began in 2012 with the Springsted Classification and Compensation Study. In 2013, Macon County partially adopted Springsted's recommendations which adjusted the county pay-scale to a regionally competitive level and raised the salaries of those entry level employees earning below newly established, regionally competitive, minimum salary levels up to the new minimum levels. The portion of the study implemented however contained no mechanism for adjusting the salaries of longer serving employees who were earning at or above the newly established minimum salary levels. Thus, pay compression within the organization was enhanced dramatically creating a decline in morale for those longer serving employees.

The FY 16-17' pay study alleviated this compression by compensating employees for the enhanced skills and experience gained through time served in the organization. Following implementation, the salaries of those longer serving employees were adjusted to regionally competitive levels, thereby alleviating compression within the organization. Pay study implementation had an impact on the general fund of approximately \$621,613.

Robert C. Carpenter Building Renovation Project– A complete renovation of the Robert C. Carpenter Building commenced in January of 2017. All demolition work was performed in-house by maintenance staff, which resulted in a significant project savings. As of April 2017, the Macon County Board of Commissioners has appropriated \$620,664 from fund balance to complete this renovation project. The projected completion date is July 1, 2017.

Parker Meadows loan payoff – In November of 2016, the Board of Commissioners voted unanimously to appropriate \$1.35M from fund balance to pay off the loan that was secured to fund the Parker Meadows Recreational Complex. This decision came following substantial increases in sales tax revenues particularly during those months travel ball tournaments were hosted at Parker Meadows. The annual principal and interest payment on this loan was approximately \$215,000 over a ten year term.

Landfill Expansion - The \$9.8M landfill expansion project was completed on schedule and under budget in April of 2017. Macon County financed this project for a period of ten years at a rate of 2.14% through our local Entegra Bank. This expansion project will generate approximately 60 years of solid waste disposal capacity for Macon County.

Phone System Installation- The replacement of the current phone system which is now twenty years old, will be completed in June of 2017. This technologically advanced phone system was acquired on a five year, all-inclusive, lease agreement at approximately \$93,000 annually. Operating costs associated with the current phone system are approximately \$224,000 annually which includes local bills, long distance bills and service charges.

TekTone Sound and Signal Expansion- Macon County appropriated \$30,000 from fund balance in FY 16-17' to assist TekTone Sound and Signal with the purchase of the former SKF facility. This \$30,000 served as a cash match on the OneNC Fund grant of \$90,000. TekTone will hire an additional 35 workers over the next five years and invest \$2.9M in Macon County.

Building Reuse Grant- In July of 2016 the Macon County Board of Commissioners voted unanimously to provide a cash match of 5%, \$9,375 on a North Carolina Department of Commerce Grant totaling \$187,500. The grant funds were used by Tektone Sound and Signal Mfg., for a building renovation project, which will create at least 15 new jobs in Macon County. The renovation was completed in April of 2017.

Community Club Renovations- In November of 2016 the Macon County Board of Commissioners voted unanimously to appropriate \$85,105 from fund balance to pay for renovation projects at the Otto and Cullasaja Community Centers.

Wesley's Park Renovations – In October of 2016 the Macon County Board of Commissioners voted unanimously to appropriate \$113,355 from fund balance to pay for much needed improvements at Wesley's Park. Renovations included resurfacing of the playground floor covering and repair/replacement of equipment. The renovations were completed in April of 2017.

Phase II of SAN Expansion – \$42,000 was included in the FY 16-17' operating budget for the addition of expansion shelves at the Primary Recovery and Disaster Recovery data centers. The shelves will provide additional storage capability on the network. This project was completed in-house by IT in October of 2016.

Increase to Schools Capital Outlay- Capital outlay to the Macon County School System increased to \$500,000 in FY 16-17' operating budget. \$200,000 of this amount was earmarked for the Highlands Gym Roof Replacement Project. An additional \$31,828 was needed to complete this project and was provided to the school system by the Macon County Board of Commissioners from contingency funds. The roof replacement project was completed in FY 16-17'.

Increased funding for teacher supplements- The Macon County Board of Commissioners voted unanimously to appropriate \$23,415 from fund balance to cover an increase in teacher supplements which was brought about by state mandated pay increases in FY 16-17'.

Golden Leaf STEM Learning Initiative- The Golden Leaf STEM (Science, Technology, Engineering and Math) Learning Initiative represents a partnership between Macon County, Macon County School System, Southwestern Community College and private businesses in Macon County. This local partnership with Discovery Education will afford our local students with the latest in STEM learning opportunities. The Macon County Board of Commissioners voted unanimously to appropriate \$24,277 in matching funds from contingency funds in FY 16-17' as a match for the Golden Leaf Grant.

Macon County Clean-Up Day- April 29, 2017 marked the first annual "Macon County Clean-Up Day". Numerous community clubs, individuals and civic organizations participated in this event which was aimed at cleaning up litter along Macon County roadsides. The event was a tremendous success as an estimated 3,100 lbs. of litter was removed. Those participating were offered a free BBQ lunch at Cowee School upon completion. Approximately 100 individuals attended the Cowee School event.

Macon County Heritage Center at Cowee School- The Macon County Board of Commissioners voted unanimously to appropriate \$20,000 from contingency to assist with operating costs at the Macon County Heritage Center. This appropriation in FY 16-17' is representative of a continued partnership between Macon County and the Heritage Center to make this facility self-sustaining.

II. FY 17-18' Projected Revenues

Ad Valorem Property Tax

As requested by the Macon County Board of Commissioners, no ad-valorem tax increase has been budgeted for FY 17-18.' At **34.9 cents per \$100 of property valuation** Macon County will continue to boast the third lowest tax rate in the State of North Carolina situated well below the state and regional averages of 66 cents and 44 cents per \$100 of property valuation respectively. In FY 17-18' ad-valorem tax collections will generate \$26,290,037 in revenue to Macon County at an applied tax collection rate of 98.18%.

\$26,290,037 is representative of a \$331,599 increase in ad-valorem revenue from FY 16-17'. This 1.27% revenue increase is attributable to a combined increase in the tax collection rate of .57% (97.61% to 98.18%) and an increase in estimated levy of \$52,535,908.

Motor Vehicle Tax

Motor Vehicle tax collections will generate an estimated \$1,099,688 in revenue to Macon County in FY 17-18'. This is representative of a \$140,216 increase from FY 16-17'. This 14.6% increase in revenue is attributable to an increase in both the tax collection rate of .01% (99.99% to 100%) and an increase in the estimated motor vehicle levy of \$40,148,886.

MACON COUNTY, NORTH CAROLINA	
2017 ASSESSMENT VALUE ESTIMATES	
2018 BUDGET	
ESTIMATED LEVY	
TOTAL REAL/PERSONAL VALUE	\$7,672,603,232
MOTOR VEHICLES VALUE	\$315,096,734
TOTAL ESTIMATED VALUE	\$7,987,699,966
Proposed Tax Rate	\$0.349
Real/Personal Levy	\$26,290,037
Collection Rate Real/Personal	98.18%
Motor Vehicles Levy	\$1,099,688
Collection Rate Motor Vehicles	100.00%
Estimated Total Levy	\$27,389,724
Tax Dollars per Penny	\$784,806

Sales Tax

According to figures published by the North Carolina Association of County Commissioners in May of 2017 a statewide sales growth rate of 4.0-4.25% for FY 17-18' is suggested . This estimate however assumes several things. One, the majority of additional revenue growth from the sales tax base expansion is "baked in." Thus, no additional new revenues are anticipated, and the base against which growth is measured has expanded. Second, the estimate assumes no significant global events that would substantially impact the country's economy. Lastly, it assumes that political forces in Washington will continue to move forward with some tax and economic changes but at a slower pace than originally anticipated.

Upon receiving 8 months of actual sales tax receipts for FY 16-17' we are projecting to end current fiscal year at \$7,218,169 in sales tax collections. This projection is 6.91% above the FY 16-17' budgeted amount of \$6,751,557. In applying a 2% growth rate to the projected \$7,218,169 at FY 16-17' year end, \$7,362,532 will be budgeted for sales tax collections in FY 17-18'. This is an increase in revenue of \$610,795 over the FY 16-17' budgeted amount.

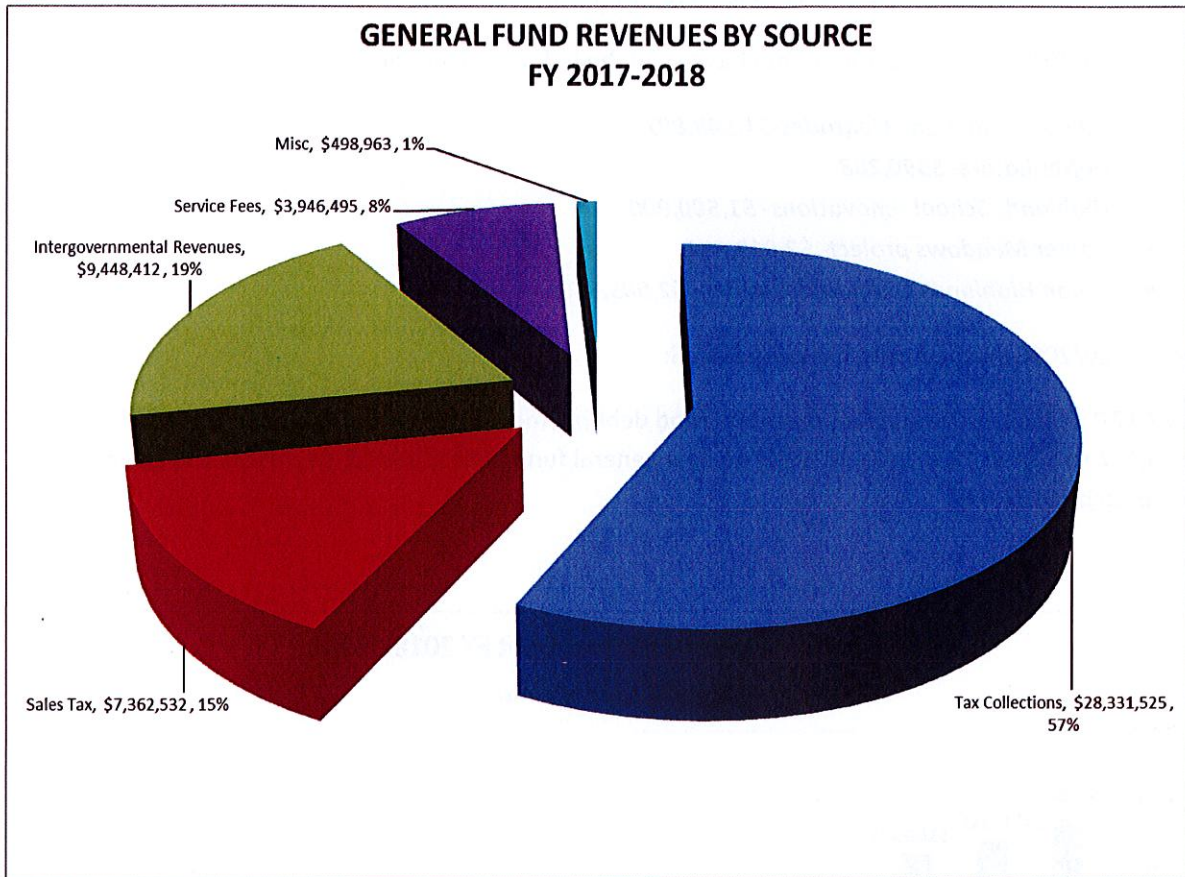
North Carolina General Statute 105-524 (Distribution of additional sales tax revenue for economic development, public education, and community colleges) became effective on July 1, 2016. The new law assumed \$67.2 million in new revenue would be produced by all 100 counties through an expansion in the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

In light of this new legislation and the uncertain impact it would have on Macon County, combined with declining sales tax receipts at the end of FY 15-16', the FY 15-16' year-end projection as well as the projected growth rate for FY 16-17' were budgeted with extreme conservatism. While Macon County did not receive any of the aforementioned \$84.8M in redistribution monies, an improving economy combined with escalating consumer confidence led to sales tax collections significantly above anticipated levels. Although the economy continues to show signs of improvement I remain hesitant to budget growth at the statewide 4.0-4.25% due to the numerous assumptions this growth rate is based upon. I am confident that the budgeted growth amount of 2% is reliable and adequate for FY 17-18'.

Service Fees

Service fees are those revenues generated from charges associated with recreational fees, ambulance fees, client payments for health and social services etc. \$3,946,495 has been budgeted for service fee collections in FY 17-18'. This is an increase of \$440,517 over the FY 16-17' budgeted amount. Of this increase, \$243,293 is attributable to an adjustment in ambulance fees to 150% of the Medicare allowable rates, following the recommendation of our current billing company. Even with these changes our ambulance rates remain among the lowest in the region.

A \$100,000 increase in building permit revenue has been budgeted for FY 17-18'. Residential building permits in Macon County have continued to increase as the economy shows signs of improvement. Since 2013 the number of new residential building permits issued has increased by approximately 21% (92 in 2016).



Debt Obligations

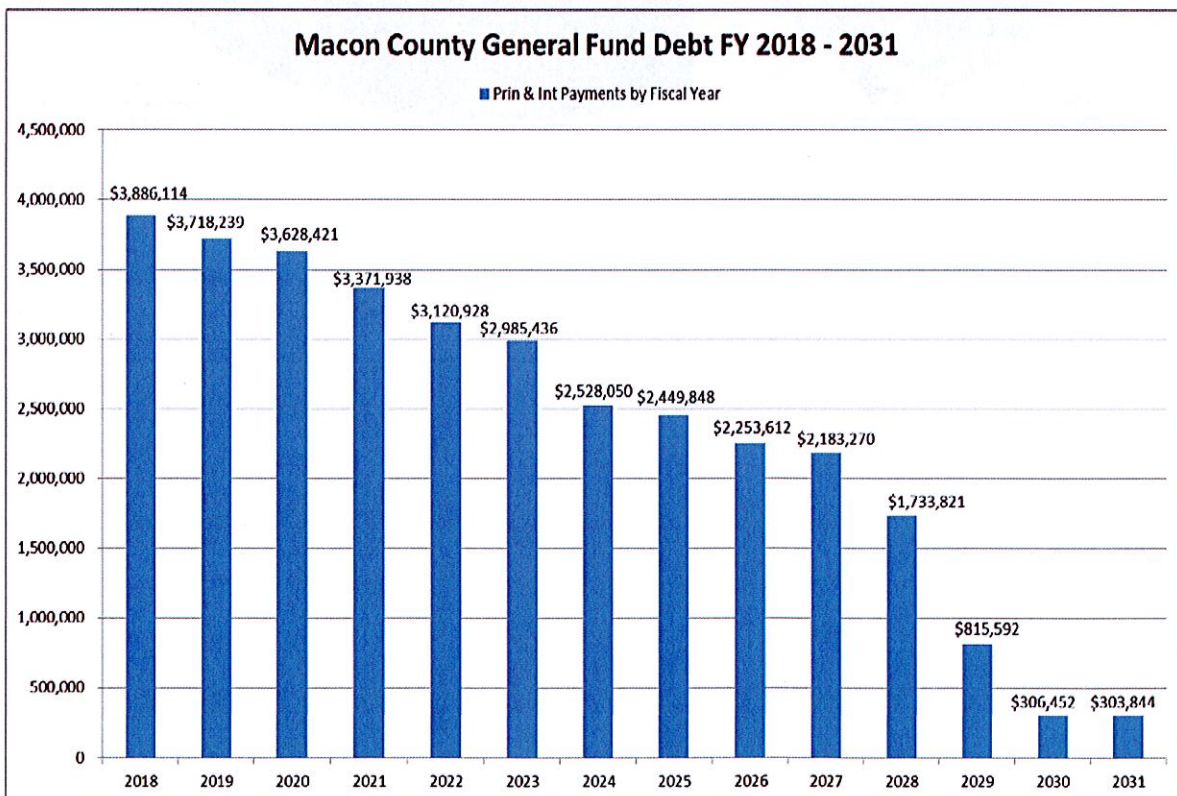
General Fund debt has decreased \$22,568,799 from 6/30/2011 (\$62,246,165) to 6/30/2016 (\$39,677,366). This decrease in debt is due to making regular principal and interest payments, not taking on substantial new debt, and refinancing existing debt.

From 6/30/2011-6/30/2016, the county has issued the following amounts in new debt:

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

Since 6/30/2016- No new debt has been issued:

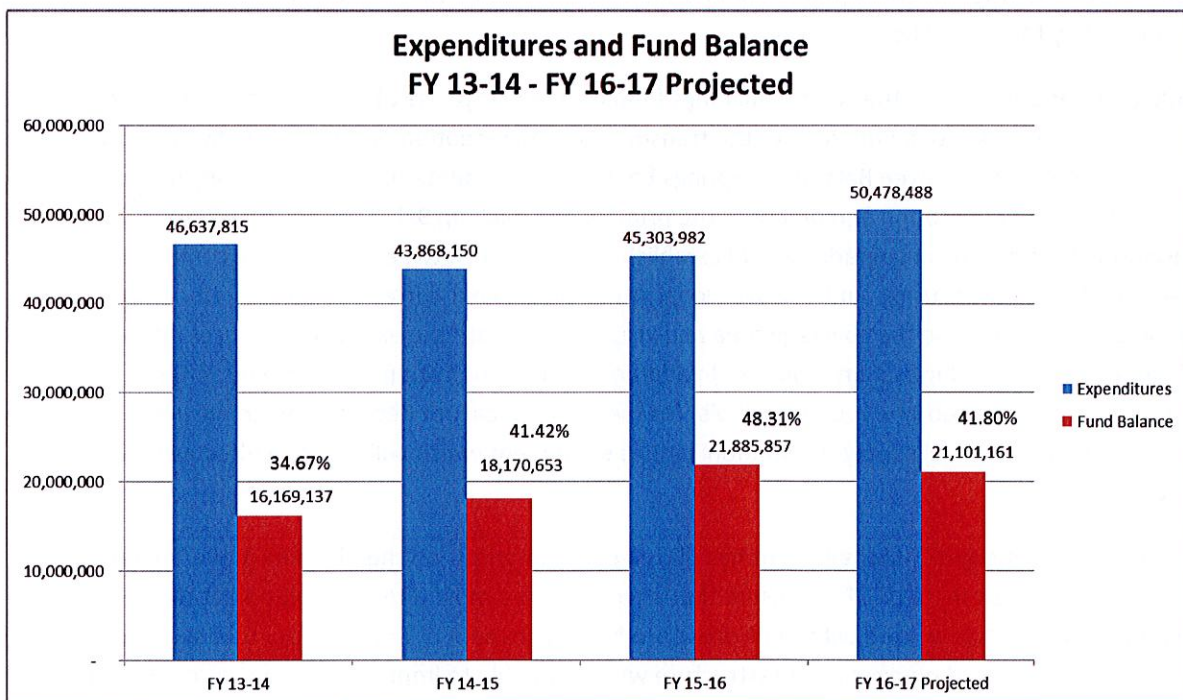
In FY 17-18', Macon County's total general fund debt payments will decrease by approximately \$614,162 to \$3,886,114. In FY 18-19' if no new general fund debt is added, payments will again decrease by \$167,875.



Fund Balance

Fund balance is projected to decrease by 6.51% in FY 16-17'. This decrease is due to a projected increase in expenditures of \$5,174,506 from FY 15-16'. Of this increase in FY 16-17' expenditures, \$2.3M was appropriated from fund balance to accomplish capital projects such as the Robert C. Carpenter Building renovation, Wesley's Park renovation, and renovations to the Otto and Cullasaja Community Centers. The \$1.35M Parker Meadows loan payoff was also appropriated from fund balance.

While \$2.3M was appropriated from fund balance during FY 16-17' the total projected fund balance amount will only decrease by \$784,696. The offset in this deficit is a result of sales tax and ad-valorem tax revenues coming in higher than budgeted.



III. FY 17-18' Proposed Budget Highlights

Public Safety

The FY 17-18' budget continues to place high priority on the health and safety of our citizens. In the coming year, public safety represents \$13,490,802 or 27.2% of the general fund operating budget. This level of expenditures represents a 7.6% or \$950,556 increase over the FY 16-17' original budget.

Emergency Management

Emergency Communications System Upgrade

In FY 17-18' Macon County Emergency Management will be moving forward with the upgrade to the emergency communications system. The aging system has created numerous communication problems for end users including limited coverage area and the need for extensive end user interaction. These deficiencies with the current system were identified in the January 2014 Radio System Assessment conducted by Mission Critical Partners.

\$400,000 was budgeted in the county buildings fund for the first phase of this project in FY 16-17'. Phase 1 was to consist of an upgrade to the transmission and reception equipment on five remote communication sites (Cowee Bald, Wine Springs Bald, Satulah Mountain, Scaly Mountain, and Dills Knob) and an upgrade to the equipment at the primary and back-up 9-1-1 centers (PSAP-Public Safety Answering Points). These upgrades would establish connectivity between the remote communication sites and the end users using a microwave signal as opposed to our current analog system. Microwave connectivity will increase the coverage area and virtually eliminate the extensive end user interaction which the current analog system requires. In addition to communication site upgrades, phase 1 of the project also includes subscriber units (radio's) for the eleven local fire departments to ensure that each department has an initial supply of communications equipment which will function effectively with the new system.

Macon County Emergency Management has placed great emphasis on the planning and preparation phase of this project in FY 16-17' to ensure that we receive the most effective solution at the best price possible. EM staff has worked with the North Carolina Department of Public Safety to assess the possibility of utilizing their existing infrastructure where possible to improve coverage as opposed to upgrading county communication sites. In addition, Macon County has applied for a \$1M FEMA Assistance to Firefighters Grant to assist with the communications upgrade. A final decision on this grant award is expected to be rendered in the very near future. Lastly, Macon County EM staff has been heavily involved with the Broadband Committee, and now is assessing the possibility of using broadband to connect with remote tower locations as opposed to microwave as originally planned.

The extensive planning and preparation that has gone into this project in FY 16-17' could potentially yield a higher quality, more cost effective solution. As a result, the \$400,000 appropriated for phase 1 will roll forward into FY 17-18'.

The second phase of the project which includes the integration of Sheriff's Department radio frequencies into the system as well as additional tower upgrades was slated to begin in FY 17-18'. Phase 2, like Phase 1 was projected to cost \$400,000. In FY 17-18' this additional \$400,000 will be transferred to the county buildings fund satisfying the projected \$800,000 total project cost.

EMS

Call volume in Macon County Emergency Services has increased by 11.1% over the past two years (6,087-6,765). Included in this increase is a growing number of transports to out-of-county facilities. EMS transported 869 patients to facilities outside of Macon County from October 2015 to September 2016. Of these 869 patients, 791 (91%) were taken to Mission Memorial in Asheville. Macon County EMS currently has five ambulances in operation 24/7 to meet this ever increasing demand(3 in Franklin, 1 in Highlands, 1 in Nantahala).

In FY 16-17' the filling of vacant positions made it possible for shift supervisors to come off of the ambulances during their respective shifts. As a result of this change, shift supervisors can pair with the full-time training officer when needed to staff a fourth ambulance in the Franklin area. In addition, programs such as the Community Paramedic Program, which was implemented in January of 2015, serves as an in-home healthcare resource for high risk patients, thereby reducing the number of unnecessary EMS transports.

Staffing adjustments such as the aforementioned have led to increased departmental efficiency within Emergency Medical Services. The growing call volume combined with the growing number of transports to out-of-county facilities however, will lead to an increase in the part-time and overtime line items in FY 17-18'.

Rate Increase Update

EMS billing rates will be adjusted in FY 17-18' following a steady increase in Medicare allowable charges such as base transport and mileage rates. Rates were adjusted as opposed to an increase in funding from the General Fund to help balance the financial responsibility of service provision between the taxpayers and the EMS customers. The rate increases shown below will result in a projected revenue increase for FY 17-18' of approximately \$243,293 or 19.4% above the FY 16-17' original budget amount.

Description	HCPC	Current Rate	Proposed New Rates
MILEAGE RATE	A0425	\$ 11.00	\$ 11.04
BLS NON EMERGENCY BASE RATE	A0428	\$ 400.00	\$ 400.00
ALS 1 NON EMERGENCY BASE RATE	A0426	\$ 475.00	\$ 475.00
BLS EMERGENCY BASE RATE	A0429	\$ 450.00	\$ 522.96
ALS 1 EMERGENCY BASE RATE	A0427	\$ 500.00	\$ 621.02
ALS 2 EMERGENCY BASE RATE	A0433	\$ 550.00	\$ 898.83
SPECIALTY CARE TPORT BASE RATE	A0434	\$ 600.00	\$ 1062.26
MEDICAID NE ROUND TRIP	T2003	\$78.25	\$117.36

Fire Task Force

From 2015-2016 total calls for service to Macon County Fire Departments increased by 17% while the number of volunteers increased by less than 1%. Of the 5,554 calls for service in 2016, 951 were fire related which requires the response of multiple fire personnel beyond the 1-2 people required for a medical call. The Macon County Fire Task Force will be created to serve as a resource to all volunteer fire departments in Macon County in an effort to assist them with the rapidly increasing demand for service.

Emergency Management Director Warren Cabe will oversee the operations of the Fire Task Force. The Task Force will consist of four full-time employees equipped with the necessary tools and equipment to perform their duties. These individuals will assist local fire departments as needed in responding to calls, data collection, purchasing, ISO inspections, public education activities etc. In FY 17-18' \$229,048 has been budgeted to cover the operations of this department.

Sheriff's Department

Vehicles

In 2016, patrol officers drove an estimated 797,986 miles while responding to a 16% increase in the number of calls from 2015 (14,034-16,334) according to figures published by the Macon County Sheriff's Office. As demand increases and the fleet continues to age, the higher mileage patrol vehicles have become less reliable which has led to an increase in vehicle maintenance costs and a decrease in overall effectiveness. According to figures published by the Macon County Sheriff's Department 50% of vehicles in the fleet are at or above 100,000 miles.

Six new AWD patrol SUV's have been included in the FY 17-18' budget. Each vehicle will contain a new in-car camera as well as spike strip systems and "go bags" containing medical supplies, extra rifle clips and entry tools for "active shooter" and other hazardous situations. The total cost of the six new fully equipped vehicles is budgeted at \$275,720.

The new car purchases will continue to help reduce overall mileage in the Sheriff's Department fleet. Reducing overall mileage will lead to increased effectiveness and reliability while reducing maintenance costs. I strongly recommend that all lower mileage and new vehicles in the fleet be assigned to the patrol unit which currently averages 18,454 miles per vehicle per year. Higher mileage vehicles in the patrol unit could then be distributed to units such as Investigations, Civil Process, and School Resource Officers, that by nature place less demand on the vehicles. Rotating these vehicles will allow the Sheriff's Department to maximize the capabilities of the existing fleet.

Overtime

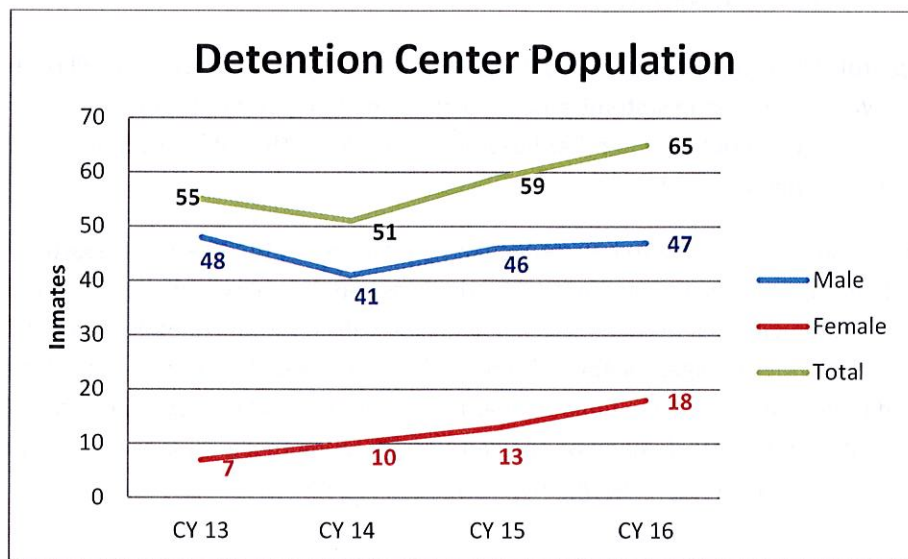
An increase in the number of arrests, combined with a growing number of investigations, transports and situations requiring the Special Response Team has led to a significant increase in overtime costs during FY 16-17'. As of May 11, 2017 actual overtime costs have risen to \$214,204.95 which is 23% above the FY 16-17' original budget amount. With no evidence to indicate a decline in these trends an additional \$55,935 has been placed in the overtime budget for FY 17-18' bringing the total overtime budget to \$230,002.

- Narcotic Unit Cases + 14% (2015-2016)
- Domestic violence Investigations + 127% (2015-2016)
- Drug Arrests + 50% (2015-2016)
- Total Arrests + 16% (2015-2016)
- Involuntary commitment transports + 9% (2015-2016)
- Special Response Team (called out 7 times in 2016)

****Figures provided by Macon County Sheriff's Department****

Detention Center

The average population in the Macon County Detention Center increased approximately 18% from 2013-2016. This 18% increase is primarily attributable to a 157% increase in the female population during the same time period. The steadily increasing inmate population has led to increases in detention center operating costs such as medical care, food provision, out-of-county housing and part time and overtime salaries.



Food costs

From FY 13-14'-FY 15-16' actual food costs in the Macon County Detention Center increased by 18% to \$340,685. Thus, food service costs were budgeted at \$360,000 in FY 16-17'. At the time of this budget message it looks as if we will meet or exceed this budgeted amount.

During the current fiscal year however, the Macon County Sheriff's Office has been successful in negotiating a food service contract with a new vendor which will reduce the price per meal by 50%. As a result, the food service line item will decrease by 35% in FY 17-18' to \$232,594.

Medical Treatment

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

From 2015-2016 Macon County has recovered approximately \$228,772 in medical costs through the work of CRS. While the savings have been substantial and we remain optimistic for the future, inmate medical costs remain volatile and must continue to be carefully monitored moving forward. In FY 17-18' this line item will remain at \$175,000.

Detention Center Personnel Costs

The detention center added 4 full-time positions in FY16' bringing up the number of full-time staff to 21. These new positions combined with a decision made by Mission Hospital to begin providing oversight for patients who had been involuntarily committed, led to a substantial reduction in both the part time and overtime line items in the detention center budget.

To illustrate this impact, actual expenditures in FY 14-15' for full time salaries (including benefits), part time and overtime salaries in the detention center totaled \$1,186,638. Following the addition of 4 full time positions in FY 15-16' actual expenditures within the aforementioned line items only increased by \$8,187 to \$1,194,825 as they were largely offset by the reduction to both the part-time and overtime lines.

In FY 16-17' \$1,223,073 was budgeted for full-time salaries (including benefits), part time and overtime salaries. Out-of-county housing however, is rapidly replacing the financial burden once placed upon this department by the involuntary commitment oversight requirement. As a result, projections for full time salaries (including benefits), part time and overtime salaries will be approximately \$35,581 over budget at the end of FY 16-17'. \$36,572 of this projected overage is attributable to part-time salaries.

In FY 17-18' both the part-time and overtime line items within the detention center budget have been adjusted upward (by \$26,400 and \$7,400 respectively) from FY 16-17' to help offset the increases expected due to out-of- county housing costs in the coming fiscal year.

In addition to the increase in part-time and overtime line items, an increase in the number of inmates housed out of county will further result in a \$240,000 increase to the out-of-county line item in the FY 17-18' Detention Center Budget.

General Government

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

In FY 17-18', the General Government function accounts for \$7,430,229 or 15% of the operating budget. Expenditures in this function have increased by \$577,298 or 8% over prior fiscal year. The proposed budget includes funding that will increase the service level of all general government departments.

In the coming year, departments within the general government function will continue to provide the citizens of Macon County with the highest quality in public service. Internal service departments will continue to improve upon technology, infrastructure and equipment. These improvements internally, combined with enhancements in the service provision departments will ensure Macon County continues to meet the growing needs of our citizenry. Highlights of the FY 17-18' General Government Expenditures will be discussed in this section.

Governing Board

\$50,000 will be added to the Governing Board's contracted services line item for the purpose of furthering broadband expansion in Macon County. In October of 2016 a committee was formed at the direction of the Macon County Board of Commissioners to evaluate broadband availability and assess the potential for expansion within Macon County. Research conducted by this committee in FY 16-17' has confirmed that Macon County, like Western North Carolina is severely lacking in "last mile" broadband coverage. The budgeted funds will enable us to take a critical first step in FY 17-18' towards finding a solution to this problem.

Building and Grounds

The building and grounds budget will increase by \$205,917 in FY 17-18'. Of this increase \$150,000 will go towards a complete roof replacement at the Macon County Detention Center. Leaks in the roof have continued to worsen and are now damaging furniture and equipment inside the facility. The project will be bid out and awarded to the lowest responsible bidder in FY 17-18'.

Information Technology

In FY 17-18' the Information Technology budget will increase by \$109,368 from FY 16-17'. Of this increase, \$66,450 will go towards improving the security of our data assets through an information security risk assessment. This study will identify all security deficiencies that expose our organization to unacceptable levels of risk. Upon identifying these deficiencies, the assessment will lay the groundwork for the commencement of a sustainable information security lifecycle program.

In addition to the security risk assessment, information technology will oversee the enhancement of our financial and human resources management software application (Munis). This enhancement which has been budgeted at \$26,305 will include the addition of two modules to our current software application; Dashboard and Employee Self- Service. Dashboard is an overview and reporting console of stats and account information. This will enable department heads to begin reporting account information concerning their departments. These reports are currently being compiled by the finance department. The Employee Self-Service module will provide electronic time-sheet, benefits, open enrollment, employee pay-stub and W-2 access to employees. The employees will now be able to individually key all data associated with time sheets and benefits. This data entry is currently being entered into the system by employees in HR and Finance. The addition of these modules will lead to improved efficiency and effectiveness across the organization.

Tax Assessment

The Tax Assessment budget will increase by \$106,461 in FY 17-18'. \$97,571.04 of this increase is attributable to the Pictometry Contract which was approved by the Board of Commissioners in December of 2016. The FY 17-18' budgeted amount is representative of ½ of the total cost of this imaging software. Aside from assisting the tax office with the upcoming revaluation, this aerial imaging software will benefit departments such as EMS, 911 and the Sheriff's Department when preparing for and responding to emergency situations.

Pictometry has been used by Macon County since 2010 making the original images now close to 8 years old. The software fully integrates with our Keystone tax software, ArcGis mapping software and the 911 CAD system which will allow for a seamless implementation process. The imaging flights were conducted in January and February of 2017 and a final product will be provided to Macon County on or after July 1, 2017. The remaining \$97,661.95 will be due in 2020 which will provide the county with an updated set of aerial images.

Register of Deeds

\$4,300 in the FY 17-18' Register of Deeds budget will go towards the purchase of a Photo ID Machine which will initiate the "Thank a Veteran Program" in Macon County. This machine will be used to print photo identification cards for any Macon County Veteran that has been honorably discharged from any branch of service in the United States Armed Forces. Upon filing their original discharge papers with the Register of Deeds, veterans will be provided with a photo identification card. This card can be used by the veteran at any local businesses who chooses to participate in the Thank a Veteran Program to receive discounts on goods and services.

Transportation

Macon County Transit purchased 6 new vehicles in FY 16-17' (1 mini-van, 2 Light Transit Vehicles, and 3 lift equipped high top vans). These vehicles replaced those in the fleet which had met their useful service life. All of the new vehicles with the exception of the mini-van were equipped with the new propane fuel option.

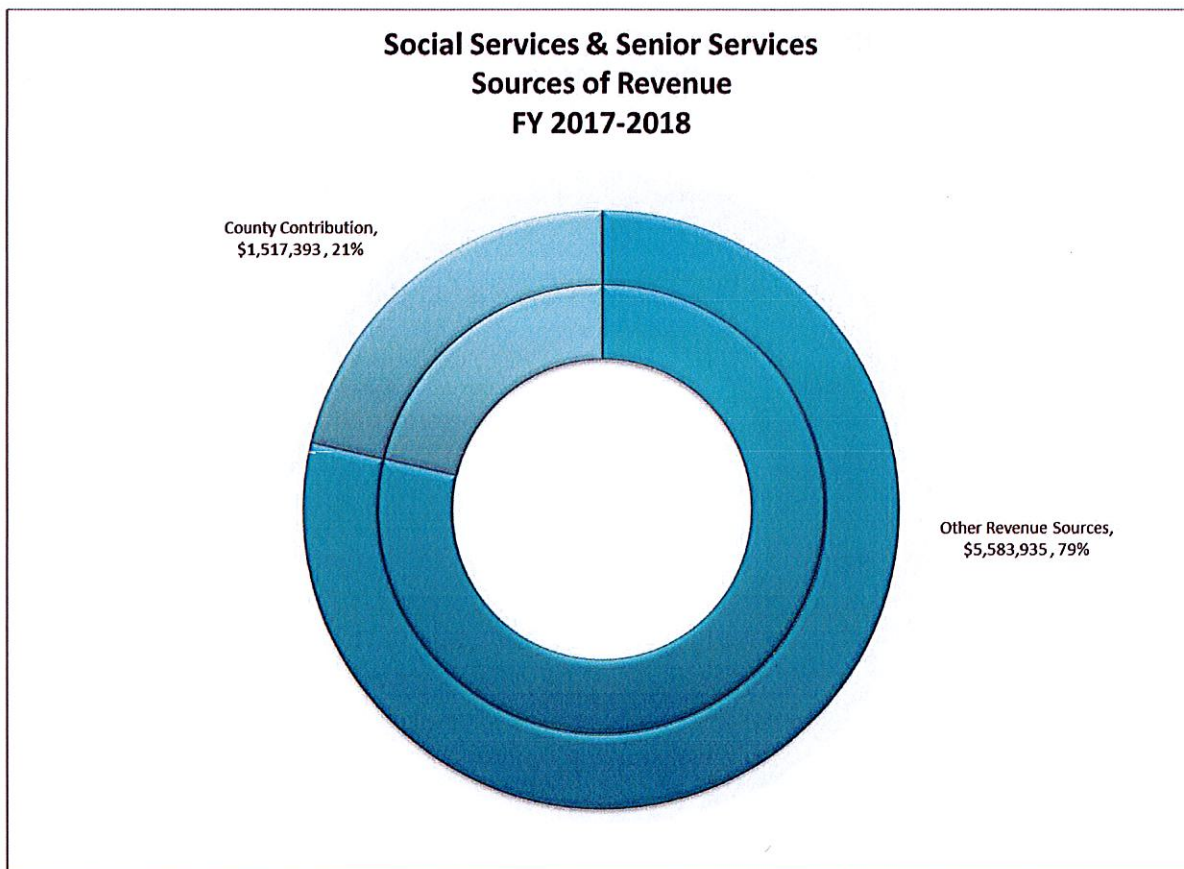
Upon adding these 6 new vehicles in FY 16-17', 10 of the 16 vehicles in the transit fleet are new. As demand for transit continues to increase, these new vehicles will result in a more effective service, while also reducing fleet maintenance costs. All of the new vehicles are expected to be in operation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

\$373,000 was budgeted for the purchase of these vehicles in FY 16-17'. 90% of this cost however, was covered by federal and state grants. The elimination of this expenditure in FY 17-18' was the primary contributor to the \$403,353 reduction in the transit operations budget as well as the \$397,770 reduction to the transportation function in the operating budget.

Health and Human Services

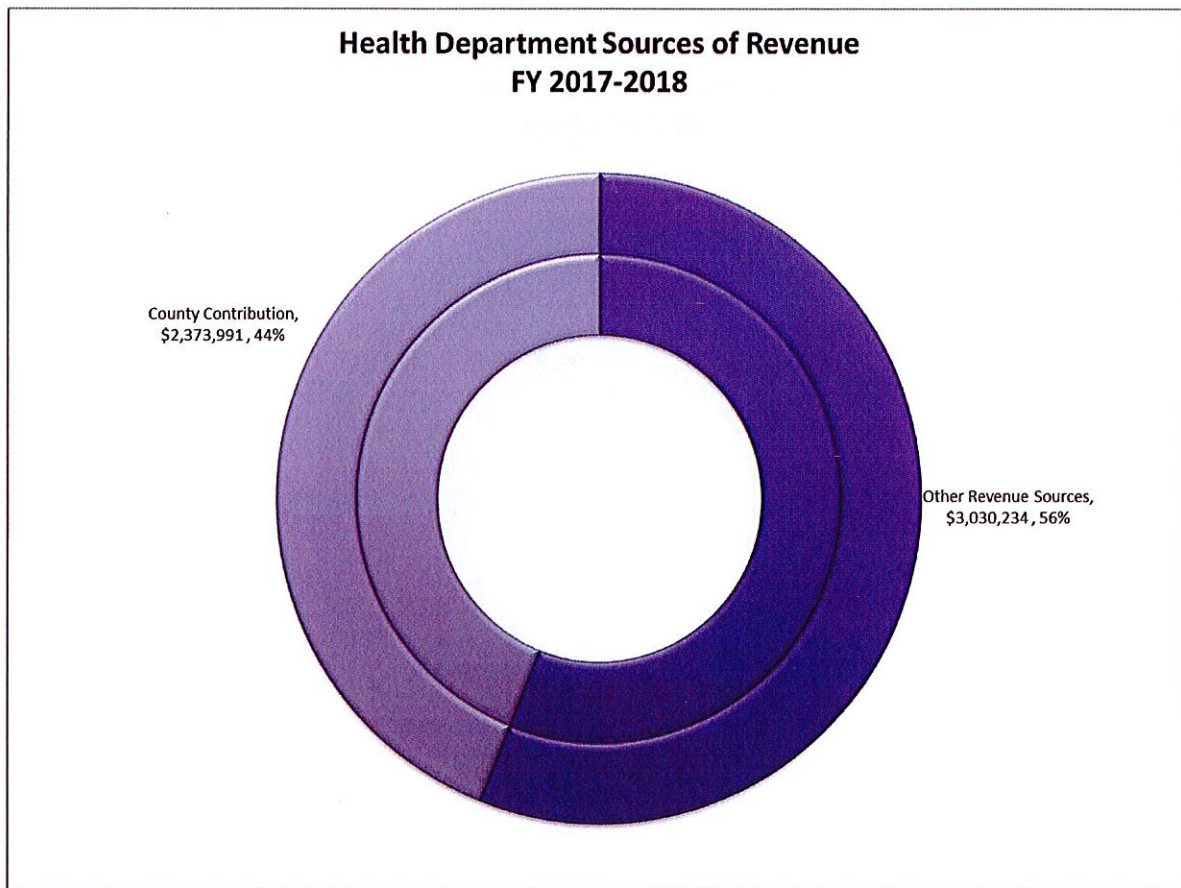
Department of Social Services

In FY 17-18', the County Contribution to the Department of Social Services will increase by \$75,834 or 5.2%. Of this increase, \$60,000 is attributable to the addition of an Adult Social Services Worker to meet the growing demand within this area of service. \$11,000 will go towards making the Senior Services Activities Coordinator at the Crawford Center a full-time position.



Health Department

In FY 17-18', County Contribution to the Health Department will increase by \$89,950 or 3.9% from FY 16-17'. \$60,000 of this increase is attributable to the FY 17-18' Cost of Living Adjustment provided by Macon County. In addition, \$37,073 has been budgeted for a Processing Assistant IV to assist Health Department Administration in meeting the often specialized human resource needs coming down from the Office of State Personnel. This will be a contract position and remain contingent upon Medicaid reimbursement funding.



Culture/Recreation

Town of Highlands

The Town of Highlands is entering into the fifth year of a multi-year renovation of Highlands Recreation Facilities. Since FY 13-14' the Town of Highlands has spent \$1,631,699 on a gym renovation, new swimming pool construction, ballfield renovation, construction of a dog park and numerous downtown improvements. Moving forward, the town has a number of additional recreational improvements to complete including a skate park, new lighting on the ballfield and improvements to the lower parking lot and sidewalks leading to the civic center.

In FY 17-18' the Town of Highlands will complete the civic center renovation which will include a complete main level rehab as well as a main level stage area and lower level multi-use area renovation. The estimates for the construction costs of this renovation are approximately \$700,000. \$350,000 has been included in the Macon County FY 17-18' Recommended Budget to assist the Town of Highlands with these renovation costs. This expenditure will increase the annual recreation appropriation to the Town of Highlands to \$900,000 in the coming fiscal year. This one-time appropriation was the primary contributor to the \$340,199 increase to the Culture/Recreation function in the FY 17-18' Recommended Budget.

Fontana Regional Library System

Operational funding for Macon County libraries will remain at the FY 16-17' level of \$999,390. At 2% of our operating budget Macon County continues to place the highest priority on our local libraries.

Health Insurance

Changes made to the county's health insurance plan which took effect in FY 15-16' resulted in the first increase to net position in this fund since 2009. On July 1, 2016 \$529,808 was available in the reserve fund. During FY 16-17' however, an escalation in the number claims will lead to a projected decrease in net position of \$1,010,642 at fiscal year-end. Increases in both sales tax and ad-valorem tax revenue during FY 16-17' should prove sufficient to cover this \$480,834 deficit in the reserve fund.

In FY 17-18' the Health Insurance Committee working alongside our consultants have made additional changes to the county's health insurance plan. We remain confident these changes combined with a \$128,739 increase in operating contribution from the county; will lead to a reduction in claim costs during FY 17-18'. The FY 17-18' Recommended Budget also transfers \$261,802 from the general fund to the health insurance reserve fund which otherwise would be at \$0 going into the new fiscal year.

While change is often difficult, in this case it is unavoidable. Macon County, like other public and private organizations must continue making adjustments to accommodate for the volatility in health care costs

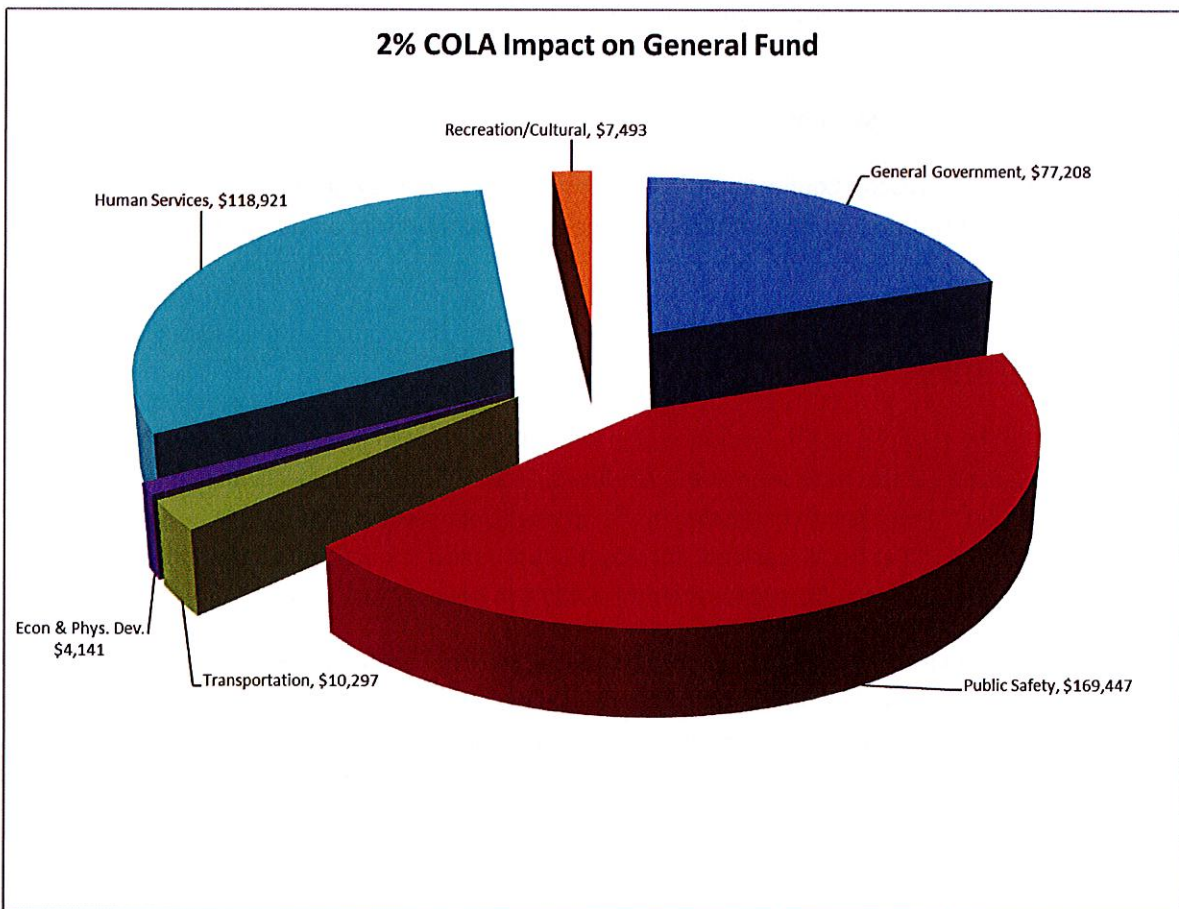
which stem from uncertainty in this industry at the National level. Even with these changes however, Macon County will retain a high quality and affordable health insurance benefit.

Capital Improvement Plan

\$30,000 has been included in the FY 17-18' Recommended Budget to hire a consulting firm who will assist Macon County in developing a multi-year Capital Improvement Plan. The plan will identify high-priority capital projects and equipment purchases as indicated by Macon County. Aside from identifying the projects, it will also contain a planning schedule and funding options for completing the projects.

Cost of Living Adjustment

In the FY 17-18' Recommended Budget \$387,507 will go towards providing Macon County Employees with a 2% Cost of Living Adjustment which is based on the Bureau of Labor CPI in the South Region for the previous December-December time period.



Summary of General Fund Capital Items

Department	Acct.	Amount	Description
Tax Assessment	114142-558506	\$ 97,571	Pictometry Project
Information Technology	114210-569502	\$ 40,686	Four (4) Workstations, Two (2) Laptops and HR ID Badge System
Garage	114250-569502	\$ 25,775	Used Rollback Truck and Two (2) Rolling Jacks
Maintenance	114260-569502	\$ 33,842	One (1) Truck
Maintenance	114260-569506	\$ 150,000	Detention Center Roof Replacement
Sheriff	114310-569601	\$ 187,110	Six (6) SUV's
Detention	114321-569601	\$ 27,000	One (1) Long Distance Transport Van
PP&D	114350-569601	\$ 21,450	One (1) SUV
EMS	114370-569601	\$ 27,000	One (1) SUV
EM	119000-980055	\$ 400,000	Phase II of the Tower Project
Fire Task Force	114377-569502	\$ 12,240	Two (2) Self Contained Breathing Apparatus (SCBA)
Fire Task Force	114377-569601	\$ 39,000	One (1) Truck
Animal Control	114380-569502	\$ 44,720	One (1) Truck and One (1) Animal Box
Transit - Operating	114935-569601	\$ 47,500	One (1) Transit Van (90% grant funded)
Health - Operations	115111-569502	\$ 8,000	Purchase and installation of partition
Recreation - Highlands	116122-556014	\$ 350,000	Highlands Recreation Renovations
Macon County Schools	118000-571002	\$ 600,000	Technology and Capital Outlay
<u>Total General Fund Capital</u>		<u>\$ 2,111,894</u>	

The FY 17-18' budgeted amount for capital items increased by \$344,619 or 19.5% from FY 16-17'.

Education

Macon County School System Operations

The School System requested \$7,338,330 in local funding for FY 17-18' operating expenses. At the time the School Budget was submitted this \$200,000 increase in funding from FY 16-17' would go towards accomplishing the following:

- Adding six new teachers to comply with the state mandated K-3 class-size requirement which would eliminate class size flexibility. The estimated cost of these positions according to the school system would total approximately \$350,000.
- Funding in full, two new teachers that would be lost resulting from the elimination of Federal Title II funding. The estimated cost of these positions according to the school system would total approximately \$104,000.
- Moving three teachers from state to local funding
- Add one Digital Resource Facilitator Position at an estimated cost of \$67,950.
- A 5% salary increase for teachers and a 2% increase for non-certified personnel totaling approximately \$176,000.

Following submittal of the School Budget, changes have taken place which will impact these anticipated costs:

- Session Law 2017-9 which was signed by the Governor on April 27, 2017 will continue to allow flexibility in regards to class size requirements for FY 17-18'.
- While President Trump has proposed eliminating the \$2.3B Title II program, the likelihood of this proposal going through remains highly unlikely as the money goes out to almost every congressional district. This funding however, could be reduced as panels in both the House and Senate approved modest cuts to Title II funding last year. Those spending bills which never made it to the president's desk would have reduced Title II funding to \$2B.
- While 5% has been budgeted for teacher salary increases, 3.7% has been proposed by the Senate at the time of this budget message. Negotiations will continue and be finalized with the passage of the state budget.

Due to the aforementioned changes which have occurred following submittal of the School System Budget, I am recommending for local operating funding to remain at the FY 16-17' level of \$7,138,330. In addition to these changes, it is important to note that Senate Bill 15/ House Bill 23 which is titled "*An Act to Provide for Teacher Allotments for Geographically Isolated K-12 Schools*" could potentially yield additional funding in the State Budget. This bill if enacted could add up to six teaching positions in the Macon County School System. The bill was referred to the House Rules Committee on April 27, 2017.

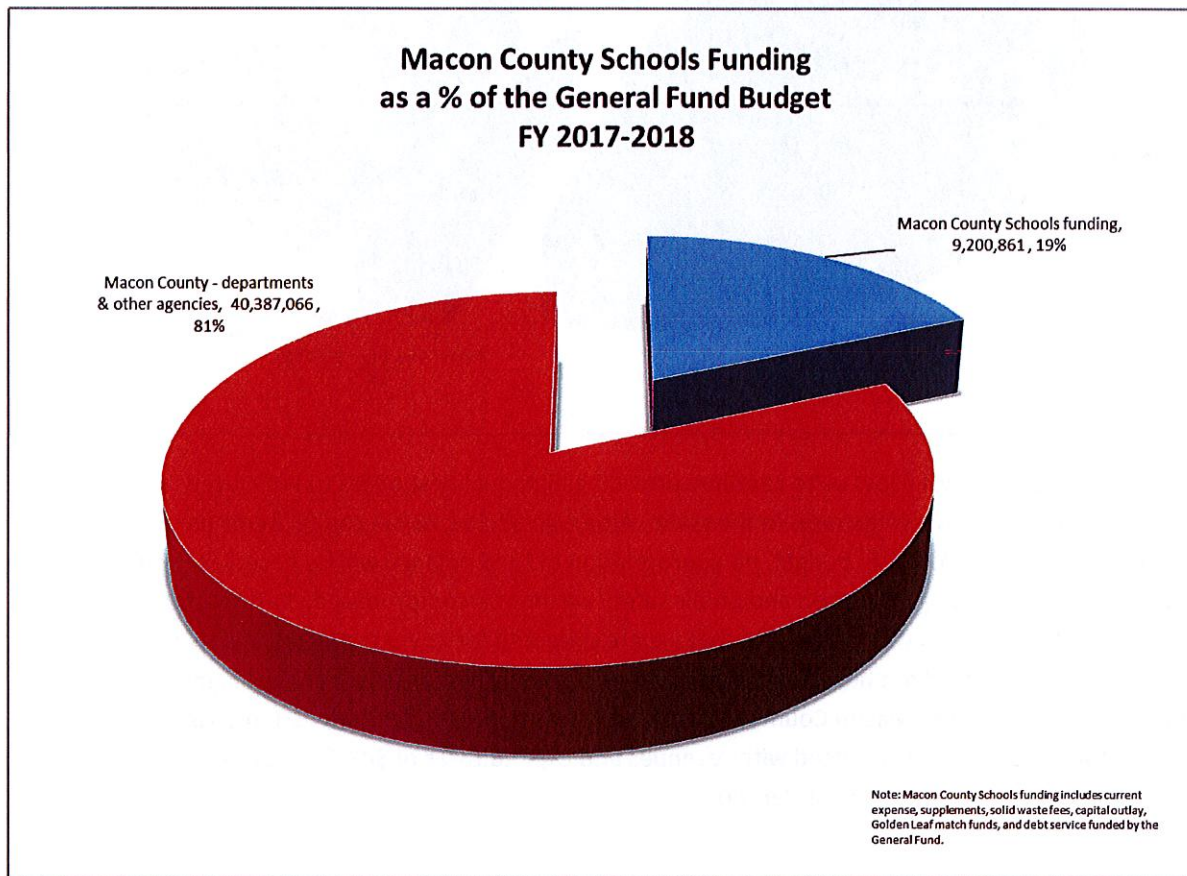
Macon County Schools Capital Outlay and Technology

\$600,000 will be placed in the FY 17-18' capital outlay budget for the school system. The total capital outlay appropriation in FY 16-17' was \$500,000, with \$200,000 of this amount being earmarked for the

Highlands Gym Roof Replacement project. The FY 17-18' appropriation of \$600,000 is reflective of \$300,000 for capital improvements and \$300,000 for technology needs.

	FY 16-17' Original	FY 17-18' Recommended
Operating Expenses	\$7,138,330	\$7,138,330
S/W Fees	80,000	\$80,000
Capital Outlay	\$500,000	\$600,000
Timber	\$150,000	\$53,000
Supplement	\$430,621	\$479,401
Golden Leaf Grant	-	\$24,277
Total	\$8,298,951	\$8,375,008

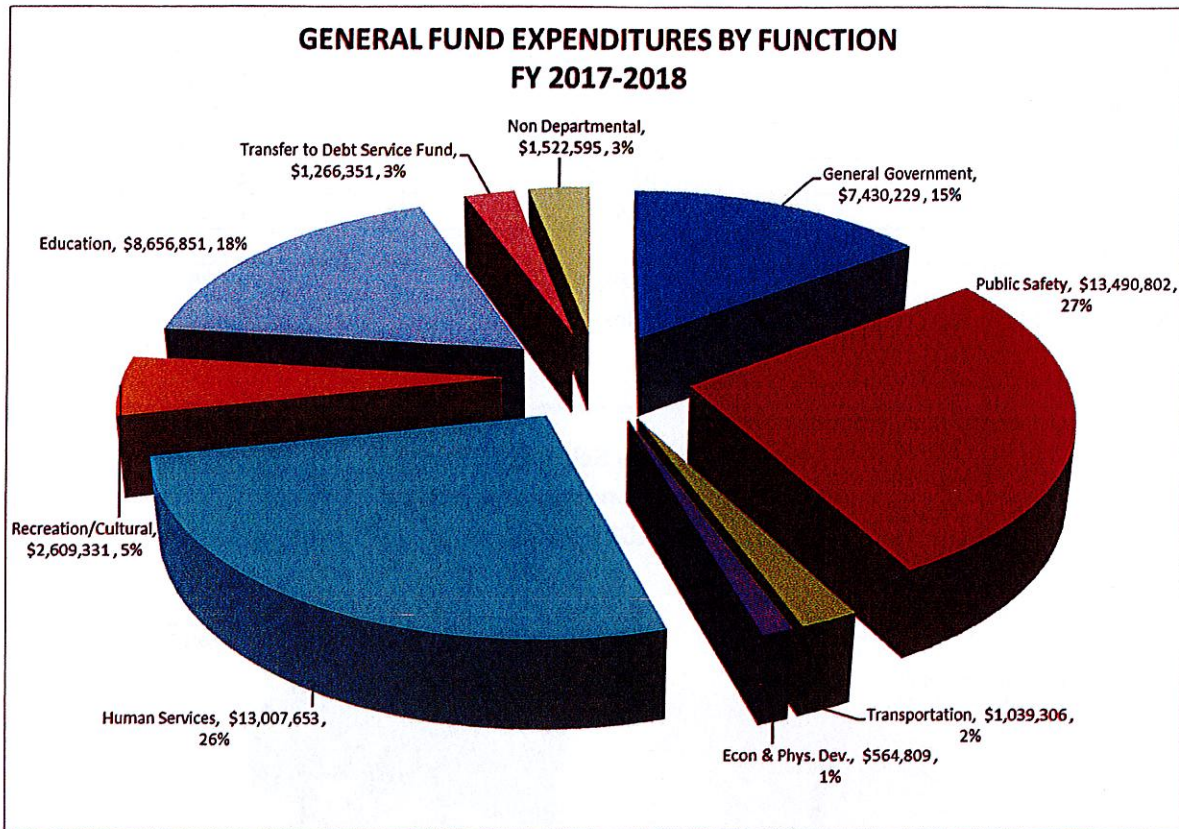
Supplement is funded at 100% of FY 17-18 Request. This is an 11.3% increase over FY 16-17 Original Budget.



Southwestern Community College

Funding for Southwestern Community College will increase slightly from FY 16-17' to offset a small increase in utility costs. The FY 17-18' budgeted amount for SCC operations is \$281,843.

IV. Summary



The FY 17-18' budget will allow us to continue providing high quality services to the citizens of Macon County at one of the lowest tax rates in the state. Although \$2,111,894 in capital items has been recommended in the FY 17-18' budget, no appropriation of fund balance will be necessary and funding to priority areas including education and public safety will not be compromised. Furthermore, a contingency fund of \$125,000 will ensure that we are prepared for any unexpected events that might occur. This budget could not have been accomplished without the hard work and willingness to compromise shown by all Macon County department heads during budget discussions. As required by state statute, the budget is balanced with revenues and expenditures of \$49,587,927 and is hereby submitted for your review and consideration.

Respectfully,

Derek C. Roland
Macon County Manager