



May 25, 2021

Macon County Board of Commissioners

Chairman: Jim Tate

Vice Chair: Ronnie Beale

Commissioner: Paul Higdon

Commissioner: Gary Shields

Commissioner: Josh Young

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 2021/2022. The budget as proposed is \$54,641,096 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, North Carolina like many states across the country appears to be “turning the corner” with respect to the COVID-19 Pandemic. On May 14, 2021 the Governor’s Office reported that 46% of North Carolinians 18 years and older were fully vaccinated and nearly 51% had received their first shot. The statewide vaccination effort, combined with a decrease in daily cases, deaths and hospitalizations has resulted in relaxation of strict policy measures previously enacted to slow the spread of COVID-19. On May 13, 2021 the Center for Disease Control, issued guidance that fully vaccinated individuals can safely do most activities without wearing a mask or social distancing. Following this guidance the State of North Carolina removed the indoor mask mandate for most settings and lifted all mass gathering limits and social distancing requirements.

The successful vaccination effort has resulted in financial and economic forecasts continuing to improve in North Carolina and many states across the US for FY 22’. On March 11, 2021, Moody’s Investor Services upgraded the economic outlook for local government entities from negative to stable. The upgraded economic outlook comes as no surprise to many NC counties who like Macon, have continued to experience unanticipated revenue growth for the majority of FY 21’.

Pandemic management will remain vital to a continued recovery, given the relationship between the coronavirus and economic performance. While the push for mass vaccination is expected to support continued recovery, new outbreaks or new strains of the virus could potentially lead to economic contraction thereby weakening local government revenues. Conversely, if the virus remains contained and economic growth continues sources such as Moody’s point to local government revenues materially exceeding pre-pandemic highs.

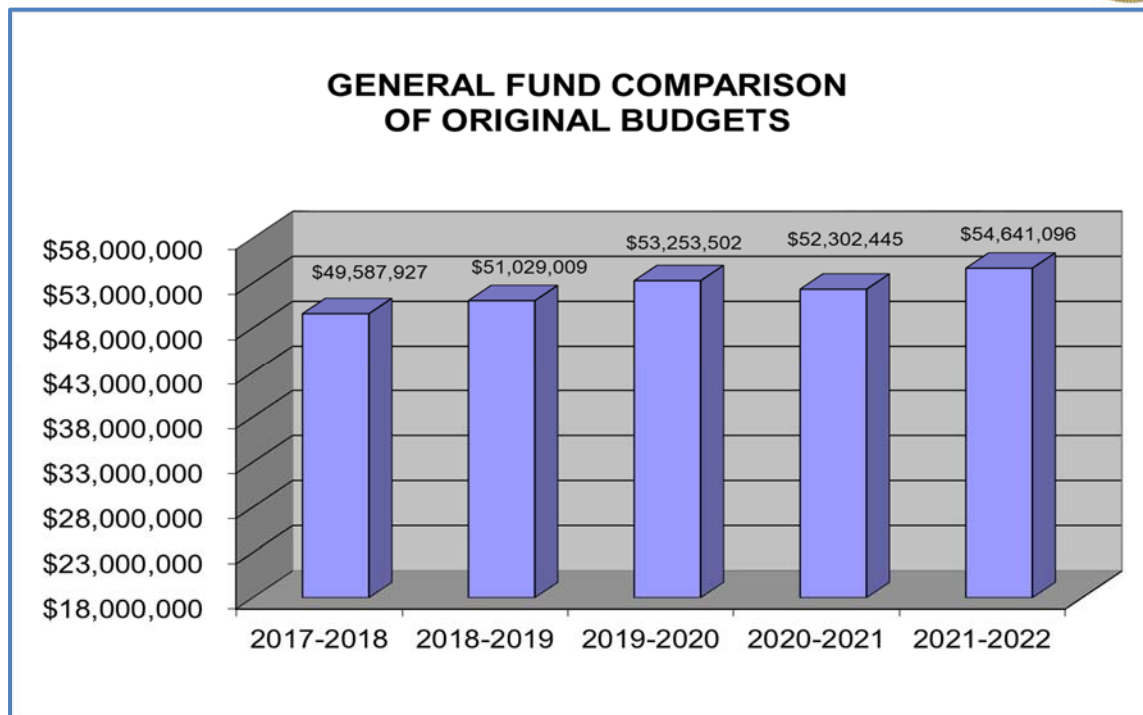
In addition to revenue generated through economic recovery, \$130 billion of direct aid will be made available to local governments through The American Rescue Plan Act of 2021 for pandemic-related



budget needs and unlike previous aid, can be used to replace revenue lost due to COVID-19. Macon County is projected to receive \$6.95M in ARP funding in FY 22'. Other provisions of the legislation such as stimulus checks for individuals and enhanced unemployment benefits will aid consumer spending thereby supporting economic activity and the continued growth in tax revenue for local governments. The American Rescue Plan Act of 2021 will also ensure school district funding remains sound. The current package includes 122.8 billion, which will be available to elementary and secondary schools to help them respond to COVID-19. This is in addition to the 53.4 billion allocated in December to elementary and secondary schools under the Coronavirus Response and Relief Act. At the time of this budget message, we are awaiting guidance from the Federal Government pertaining to the usage of these funds.

With all signs pointing to a rebounding economy in the coming fiscal year, revenue projections for the FY 22' Recommended Budget will increase to pre-pandemic levels enabling this organization to continue providing a high level of public service to Macon County Citizens while making much needed organizational improvements. At an estimated 51.6% of total expenditures or approximately \$27,632,087, unassigned fund balance in the general fund continues to leave us prepared for unexpected emergencies within the operating budget.

As we remain cautiously optimistic heading into FY 22', I feel it is extremely important to acknowledge the hard work, sacrifice, and dedication exhibited across the board by Macon County Employees during what will forever go down as some of the darkest days in our nation's history. Never in my career have I witnessed a group of individuals come together and fight with such ferocity an enemy that could not be seen in a battle that often times appeared to have no end. These men and women were paramount in the organization's ability to continue providing much needed services to the citizens of this county with minimal interruption. I have never been more proud to be part of this team and although we will hope for brighter days ahead, I can assure you there is no challenge the future holds that this organization cannot overcome.



FY 20-21' Budget Accomplishments

First Class COVID-19 Mitigation Effort

Testing

At the time of the FY 20-21' Budget Presentation Macon County was in the beginning stages of its COVID-19 mitigation effort. On May 8, 2020, Macon County had administered 145 COVID-19 tests confirming 3 positive cases. As of May 13, 2021 Macon County had administered 9,548 COVID-19 tests or approximately 50% of the 19,406 tests administered by providers countywide. Of the 3,153 positive cases identified through this testing effort 3,098 or 98.2% have recovered, 17 are currently active and 38 have died.

Vaccination

Macon County Public Health delivered the first COVID-19 Vaccination on December 31, 2020. As of May 13, 2021 MCPH has administered 12,332 first doses and 8,745 second doses of vaccine. According to the May 13, 2021 COVID-19 Operations Brief 37.9% of the population in Macon County has been fully vaccinated.



Drake Call Center

Thanks to a partnership with Mr. Phil Drake Macon County was able to streamline COVID-19 testing and vaccination registration processes. Mr. Drake graciously allowed the county to re-locate the testing and vaccination call center from the Health Department into the Drake Education and Training Building. Prior to this relocation, the massive call-volume related to vaccine registration overwhelmed the county's phone system, totally shutting it down in some cases for days at a time.

In addition to providing the county with a facility, Mr. Drake fully equipped the call center with telephones, computers and provided staff for technical assistance. The Drake Call Center is staffed daily with 12-14 individuals, including part-time and full time county employees, state employees, Drake employees and volunteers. Since becoming operational on January 16, 2021, the Drake Call Center has received 22,996 inbound calls and placed 19,060 outbound calls through April 30, 2021, to assist individuals with scheduling COVID-19 vaccination and testing appointments. The average speed of answer at the call center for an inbound call is less than 6 seconds with an answer rate of 94%.

County funded Emergency Paid Sick Leave

On February 9, 2021, the Board of Commissioners approved 80 hours of county funded emergency paid sick leave for county employees for the period of January 1, 2021- September 30, 2021. This extension came following the December 31, 2020 expiration of federally funded emergency paid sick leave in the Families First Coronavirus Relief Act.

Hazard Pay to Full-time and Part-time employees

On November 10, 2020, the Board of Commissioners approved a one-time, \$750 hazard payment for all full time employees and a one-time \$150 hazard payment for part-time employees. Payments were to recognize the hard work and dedication by all employees to keep Macon County "open for business" during the height of the COVID-19 Pandemic. While CARES Act funding was not used to cover the \$328,037 implementation cost, the ability to use Cares Act funding to supplement certain payroll costs within the operating budget enabled the county to provide this Hazard Payment with a net-zero budget impact.

Mid-year Budget Adjustments

February 4, 2021 Mid-year Budget Amendment

From a revenue standpoint, the COVID-19 Pandemic had an opposite effect on the operating budget than was anticipated during FY 21' Budget preparation. As a result, amendments to revenue line items including tax collections, sales tax and service fees yielded a revenue increase to the operating budget of \$1,727,000 at mid-year.

The majority (+\$1,036,259) of this revenue increase brought county and school system capital funding in-line with prior year levels, providing both organizations with the funding necessary to purchase much



needed capital equipment and complete critical infrastructure projects. \$150,000 of this amount was earmarked for Macon County to conduct a Compensation and Classification study of all full-time county positions. The implementation of this study emerged as a primary goal for the FY 22' Budget during the Commissioners mid-year budget work-session. The remaining funds restored operating budget reductions to the Community Funding Pool (+\$37,500) in addition to covering unforeseeable and uncontrollable costs in the Macon County Detention Center (Inmate Medical Treatment +\$328,600, Out of County Housing +\$174,641).

Macon County receives "Tier Three" Designation

Macon County advanced to a Tier Three Designation in the North Carolina Department of Commerce Tier Ranking System. The ranking process assigns each county to a designation of Tier One (40 most economically distressed counties), Tier Two and Tier Three (20 least economically distressed counties). Factors used to calculate Tier Designation include average unemployment rate, median household income, percentage growth in population and adjusted tax rate per capita.

Planning Board completes Community Needs Assessment

From March 2019 through February 2020, the Macon County Planning Board traveled to 12 communities throughout the county conducting the Community Needs Assessment. The input sessions revealed the top three needs among Macon County Communities to be (1) Broadband availability (2) Maintenance and improvements to NCDOT Roadways (3) Improved access to Healthcare.

Broadband Expansion

Grant agreement with BalsamWest

On April 13, 2021, the Board of Commissioners approved a grant agreement for \$580,000 between Macon County and BalsamWest under which BalsamWest will construct a 5.7-mile fiber-optic backbone from Franklin City Limits to the Otto Community Center/Otto Fire and Rescue Facility, Scaly Mountain Volunteer Fire Department and Scaly Mountain Community Center. Upon completion of Phase 1, direct fiber access will be available to approximately 209 residences, 38 commercial businesses and 8 government and religious institutions.

Phase 2 of the project will be a collaboration between Haywood EMC and BalsamWest to extend the 5.7-mile fiber-optic backbone through Scaly Mountain to connect with existing BalsamWest fiber in the City of Highlands. Following completion of Phase 2, broadband internet will be available to approximately 2,600-5,000 Maconians through fiber/wireless delivery.



Revisions to Wireless Telecommunications Facilities Ordinance

On October 13, 2020, the Board of Commissioners approved revisions to the Telecommunications Facilities Ordinance, which will expand wireless broadband capabilities within Macon County. The Macon County Planning Board discussed and recommended these revisions, which streamlined the approval process for telecommunication towers 50ft-125ft in height, used strictly for broadband purposes. Prior to the revisions, all towers greater than 50ft in height had to undergo at least a month long approval process first at the Planning Department, followed by a public hearing and approval by the Board of Commissioners. Under the amended Telecommunications Facilities Ordinance, the approval process for “broadband towers” is handled completely by the Planning Department, often times within a matter of days.

LBJ Job Corps Broadband Connection

On March 9, 2021, the Board of Commissioners granted Skyrunner Internet permission to locate wireless internet equipment on the Macon County Courthouse to provide Lyndon B. Johnson Job Corps with up to 1 Gbps of wireless internet service. Prior to this arrangement, internet service at the Lyndon B. Johnson Job Corps Center was extremely poor, and cell phone service was not available.

North Carolina Health Insurance Risk Pool

FY 21’ marked the second year of Macon County’s participation in the North Carolina Health Insurance Risk Pool. NCHIP was formed in 2018 to assist mid to large size NC government groups with better managing health insurance risk. As of July 1, 2020 NCHIP had expanded its membership to encompass 15 local governments containing over 10,000 members. The purchasing power brought about through the pool arrangement has continued to limit volatile increases in health insurance premiums for Macon County. Since joining the pool, Macon County’s annual premium has increased by 10.9%, 4% and 0% respectively. As you will recall in FY19’ prior to joining the pool Macon County received an annual premium increase of 24.9%.

In addition to limiting annual premium increases, Macon County has also been able to improve net position within the health insurance reserve fund since joining the pool. As of March 31, 2021, Macon County has grown reserves to approximately \$1.13M. This increase in reserves is directly attributable to revenues in the health insurance fund exceeding expenditures. From FY17’ - FY19’ prior to joining the pool, Macon County had to contribute approximately \$1.8M in general fund revenue to the health insurance reserve fund to keep it solvent as health insurance expenditures consistently exceeded revenues.



Bond Issuance for Macon Middle School Renovations and Refinancing's

On March 25, 2021, Macon County sold \$19,320,000 in bonds. The sale included \$9,500,000 for MMS renovations and \$9,820,000 in loan refinancings. Macon County received a True Interest Cost (TIC) Rate on the renovations of 1.9% for a term of 20 years and a 1.07% TIC Rate on the refinancings for a term of 14 years. It is estimated Macon County will receive a total debt service savings of over \$700,000 during the term on the refinancings.

MMS Renovations

On February 9, 2021, the Board of Commissioners voted to award the Macon Middle School Renovation project to New Atlantic Contracting Inc. for \$8,178,000. Construction will begin on June 1, 2021 and will be completed in November of 2022.

Macon Middle School Locker Room Project

On April 13, 2021, the Board of Commissioners voted to move forward with the advertising process for a new 7,480 SF Locker Room Facility at Macon Middle School. The facility will include both boys and girls locker rooms, toilet and shower facilities in addition to a 2,686 SF Multi-Purpose room. Estimated cost of construction is approximately \$1.4M.

Zachary Park Expansion

In December of 2020, following a unanimous decision by the Board of Commissioners, Macon County purchased a 1.5 acre parcel of property located at 11099 Buck Creek Road in Highlands NC for \$79,000. The property, which adjoins 8.81 acres of county owned property on Buck Creek Road known as the Zachary Park Recreation Complex, will allow for future expansion of recreation opportunities in and around the Highlands area.

Tax Department software upgrade

Bi-Tek Tax Software

Implementation of new, state of the art tax software will be completed in June of 2021. The software, which was approved for purchase and installation in the FY 21' Budget includes new platforms for tax collections, tax assessment and land records as well as Computer Assisted Mass Appraisals (CAMA). Both tax collections and tax assessment platforms went live in January of 2021. The Computer Assisted Mass Appraisal and land records platforms will launch together in June of 2021. The total project cost is approximately \$400,000, with approximately \$50,000 in recurring annual support costs.



Southwestern Community College expands Public Safety Program

On March 9, 2021, the Board of Commissioners approved lease agreements between Macon County and Southwestern Community College for the 5.38 acres/15,812 SF brick building formerly known as the National Guard Armory Complex. The aforementioned property, which was gifted to Macon County on November 13, 2019 from the State of North Carolina, had an appraised value of \$2,972,300. The 40-year lease agreements will enable SCC to expand their current Public Safety Training Complex (6.13 acres/13,760 SF building) located adjacent to the armory facility.

Phase I of the PSTC expansion will entail placement of a state of the art, multi-story “burn building” on the leased property. The estimated cost of the “burn building” is approximately \$1.25M and will be constructed by SCC using \$1.4 in funding received from NC CONNECT Bond Legislation passed in 2015. County funded renovations to the former National Guard Armory Building will comprise Phase II of the project and serve as the county’s match requirement to NC CONNECT Bond funding.



FY 21-22' 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 \$28,726,541 or approximately 56% of total revenue in FY 22'. This amount is representative of a \$498,101 increase in revenue over the current year original budget (includes a \$7,000 increase in gross receipts tax). The increase in revenue is attributable to a combined increase in collection percentage, +1.05% and value +\$50,581,474, over the prior fiscal year original budget.

Revenue generated by the Motor Vehicle tax levy will account for \$1,362,496 in FY 22' revenue, representing a \$50,689 increase over the current year original budget amount. Statewide, motor vehicle tax collections lagged behind earlier in the year following a five-month extension period for tags expiring between March 1, 2020 and July 31, 2020. Collections in Macon and counties across the state however have now begun to rebound and this trend is projected to continue through FY22'.

MACON COUNTY, NORTH CAROLINA			
2021 ASSESSMENT VALUE ESTIMATES			
2022 BUDGET			
ESTIMATED LEVY			
TOTAL REAL/PERSONAL VALUE			\$7,795,164,278
MOTOR VEHICLES VALUE			\$363,623,231
TOTAL ESTIMATED VALUE			\$8,158,787,509
Proposed Tax Rate			\$0.3747
Real/Personal Levy			\$28,726,541
Collection Rate Real/Personal			98.35%
Motor Vehicles Levy			\$1,362,496
Collection Rate Motor Vehicles			100.00%
Estimated Total Levy			\$30,089,037
Tax Dollars per Penny			\$803,017

Sales Tax

At an estimated \$10,526,046 or 19% of total revenue in FY 22', sales tax revenue will increase by 2,462,105 over the current fiscal year original budget amount. In a recent survey performed by the North Carolina Association of County Commissioners to which 75% of North Carolina counties responded, estimates show the average sales tax growth in North Carolina for FY 21' to be 10% over prior year actuals. The survey results mirror guidance released by the North Carolina Office of State Budget Management and the North Carolina General Assembly's Fiscal Research Division, both of which



estimate 10.3% growth for North Carolina Counties in FY 21' sales tax receipts. Through January of FY21' Macon County sales tax collections was up 19.4% over FY 20' actuals. In applying a projected increase of 10% over prior year actuals to each of the remaining months (February-June) we are projecting to finish FY 21' at 15.8% or \$1,393,956 above FY 20' actuals. Moving forward into FY 22' we will budget 3% growth on the projected \$10,219,832 to end FY 21' generating an additional \$306,214 in sales tax revenue in FY 22'.

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. \$3,935,593 has been budgeted for service fee collections in FY 22'. This is an increase of \$97,750 or 2.5% over the current fiscal year original budget.

Macon County EMS				
2021 Medicare Allowable Amounts				
Level Of Service	2021 Medicare Fee Schedule (Rural)	Current Charge	Recommended (150% Above MFS)	Recommended (200% Above MFS)
ALS NE A0426	\$272.82	\$545.36	\$409.23	\$545.64
ALS E A0427	\$431.96	\$863.48	\$647.94	\$863.92
BLS NE A0428	\$227.35	\$454.46	\$341.03	\$454.70
BLS E A0429	\$363.75	\$727.14	\$545.63	\$727.50
ALS 2 A0433	\$625.20	\$1,249.78	\$937.80	\$1,250.40
Specialty Care Transports A0434	\$738.88	\$1,477.00	\$1,108.32	\$1,477.76
Treatment No Transport Fee	n/a	\$150.00	n/a	n/a
Mileage A0425	\$11.55	\$17.31	\$17.33	\$23.10

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). \$8,889,720 has been budgeted for intergovernmental revenues in FY 22'. This amount is representative of a \$47,818 increase over the current fiscal year original budget.

Miscellaneous

Miscellaneous revenues include those revenues generated from collection of rental fees, administrative fees, interest earnings, etc. At \$576,700 the budgeted amount for miscellaneous revenues will decrease by (\$115,500) or (16.7%) from the current fiscal year original budget as interest rates remain at historic lows.



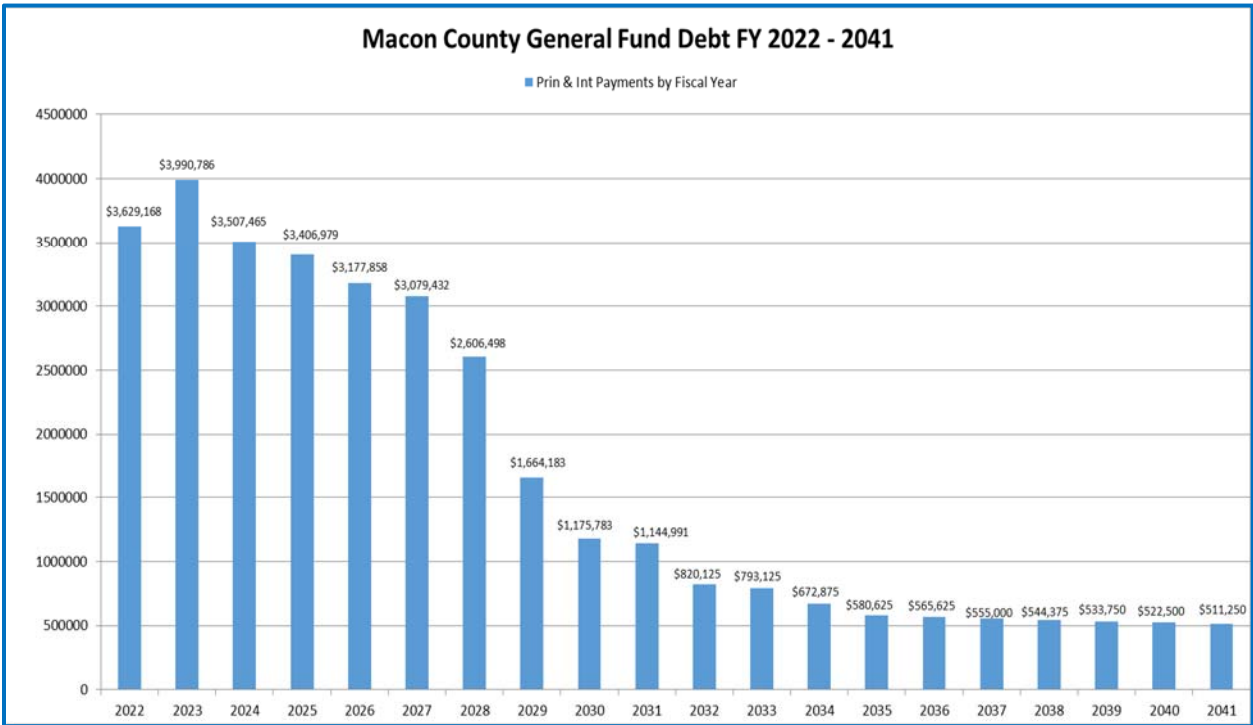
Fund Balance

For many years, the fund balance has been a staple in Macon County’s financial stability and independence. While only 8% of total expenditures, estimated to cover one month of operating expenses is required for counties by the LGC, numerous surveys, including the FY 21’ NCACC Budget and Tax Survey, have shown the average available fund balance for local governments in NC to be at least 32% of expenditures.

At an estimated 51.6% of expenditures or \$27,632,087, unassigned fund balance in the general fund will continue to provide the county with much needed financial certainty in what has proven to be extremely uncertain times. As such, it is very important that we continue to preserve this revenue source and plan adequately prior using it, never forgetting the impact it has on our overall financial position. No revenue from fund balance has been appropriated in the FY 22’ Recommended Budget.

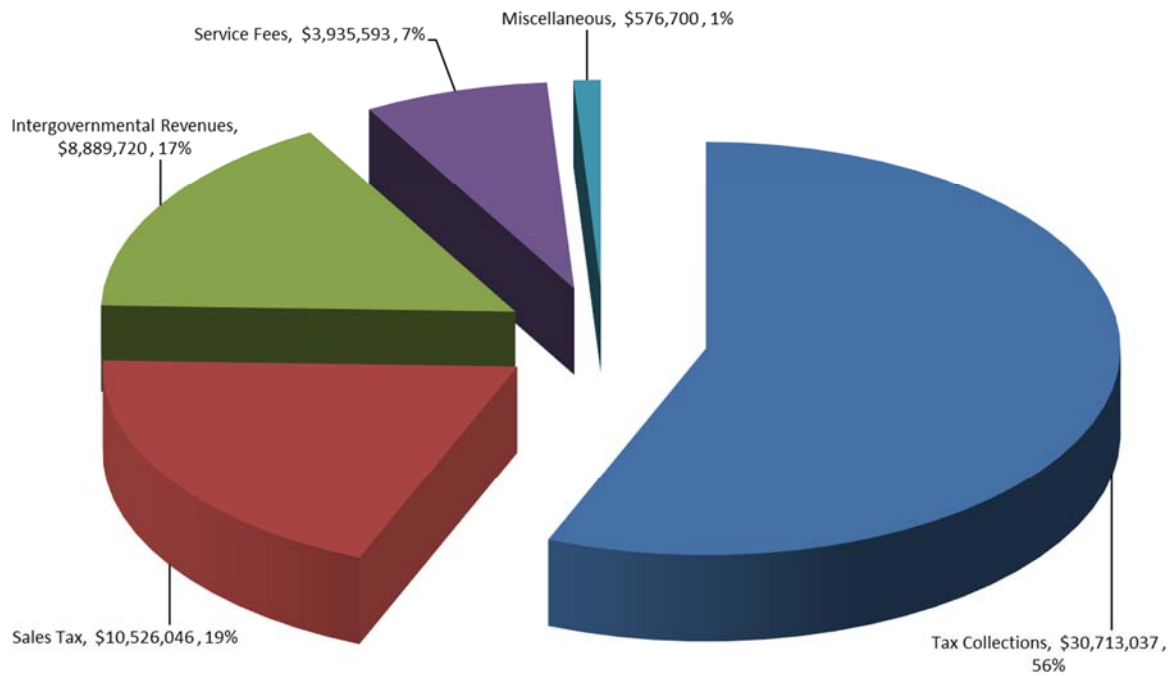
General Fund Debt

The annual principal and interest payment on outstanding debt will decrease by (\$25,630) to \$3,629,168 in FY 22’. The county currently has an outstanding debt amount (principal and interest) of \$33,482,390, \$32,387,907 or 97% of which is attributable to debt associated with school projects. Beginning in FY 23’ the principal and interest portion of the Macon Middle School Renovation Project debt will come due increasing the annual principal and interest payment on outstanding debt by \$361,618 to \$3,990,786.





GENERAL FUND REVENUES BY SOURCE FY 2021-2022





FY 21-22' General Fund Expenditures

FY 22' Expenditures will increase by 2,338,651 or 4.5% over the FY 21' original budget to \$54,641,096. At the proposed level of expenditures, we will accomplish the primary goals as established by the Macon County Board of Commissioners at the commencement of the FY 22' Budget process. The goals included, maintaining the current high level of service, identifying and addressing compensation issues within the organization and maintaining our solid financial position without increasing the ad-valorem tax rate.

Operating Expenditures

Operating expenditures consist of salaries and benefits as well as non-salary and benefit related expenditures. Non-salary and benefit related expenditures include accounts such as travel and training, office supplies, utilities, fuel, etc. Operating expenses are considered to be recurring in nature, therefore must be supported by recurring revenue sources.

Salaries

As the economy continues to improve and wages increase, so does the level of competition between organizations to recruit and retain qualified employees. As of May 12, 2021, Macon County had 50 vacant positions spread across numerous departments within the organization. The majority of these vacancies lie within priority areas of the operating budget such as health and human services (7 Public Health, 11 DSS) and public safety (7 EMS, 1 Telecommunications, 12-Sheriff) who provide critical services to Macon County residents.

Addressing this increasingly urgent situation was the primary goal established by the Macon County Board of Commissioners for the FY 22' budget. On February 12, 2021, the Board of Commissioners approved \$150,000 to update the county's existing compensation and classification system. On February 24, 2021, Macon County began working with Gallagher Consulting to perform this study. The purpose of this project was to design and implement a market aligned pay structure that would be effective in the recruitment process and maintain internal equity within the organization to aid in retention. While the study is not complete at this time, preliminary results have shown Macon County's salary ranges for 77 benchmark positions representing all functions in the organization to be an average of 7-9% below market levels when compared to a peer group of 22 similar counties and municipalities.

\$1,232,183 has been set aside in FY 22' non-departmental and will be used to implement recommendations from the classification and compensation study following its completion in late summer of 21'. While exact cost of implementation is unknown at this time, it is important to note that a 7% increase to salaries and fringes within the current FY 22' operating budget amounts to \$1,459,701 or \$227,518 above the earmarked amount. While the earmarked amount is less than the preliminary recommendation, we remain confident that the funds set aside will be sufficient to address the majority



of compensation issues and by doing so will dramatically improve Macon County's ability to recruit and retain qualified employees.

Health Insurance

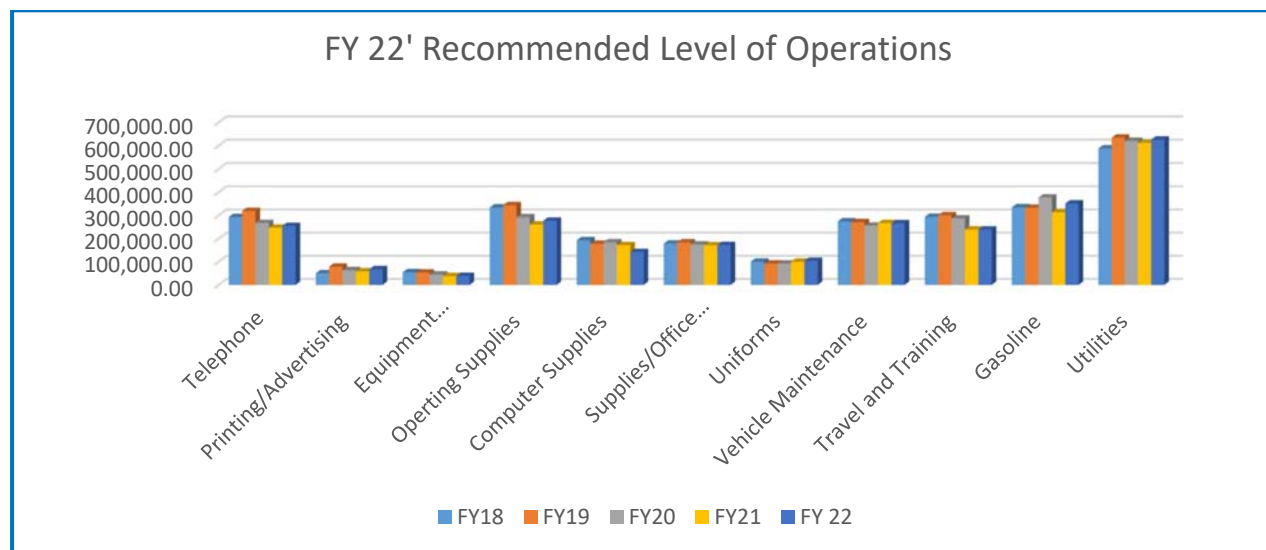
Operating costs associated with employee and retiree health insurance will remain flat in the coming fiscal year at approximately \$4,855,586 or 9% of the operating budget. Over the past three fiscal years Macon County has experienced health insurance operating cost increases of 24.27%, 10.9% and 4% respectively.

Retirement

An additional \$196,933 has been budgeted in retirement for FY22', as a result of increases to state retirement system contributions. Retirement contributions will account for \$1,906,636 in FY22' or approximately 3.5% of the operating budget.

Non-Salary and Benefit related operating expenditures (Maintaining current level of service within the operating budget)

Hard work and intra-departmental coordination will continue to result in gained efficiencies and cost avoidance in non-salary and benefit related operating expenditures. The chart titled "FY 22' Recommended Level of Operations" illustrates primary non-salary and benefit related expenditures in the operating budget and the levels at which they have been funded from FY 18' - FY 22'. While demand for public services during this time period has risen, increased efficiencies and cost avoidance achieved within this area of the operating budget has resulted in our ability to continue providing high quality public services while simultaneously reducing expenditures. At \$2,540,841 in FY22', the primary non-salary and benefit related operating expenditures shown below are (\$155,865) below the FY 18' original budget amount.

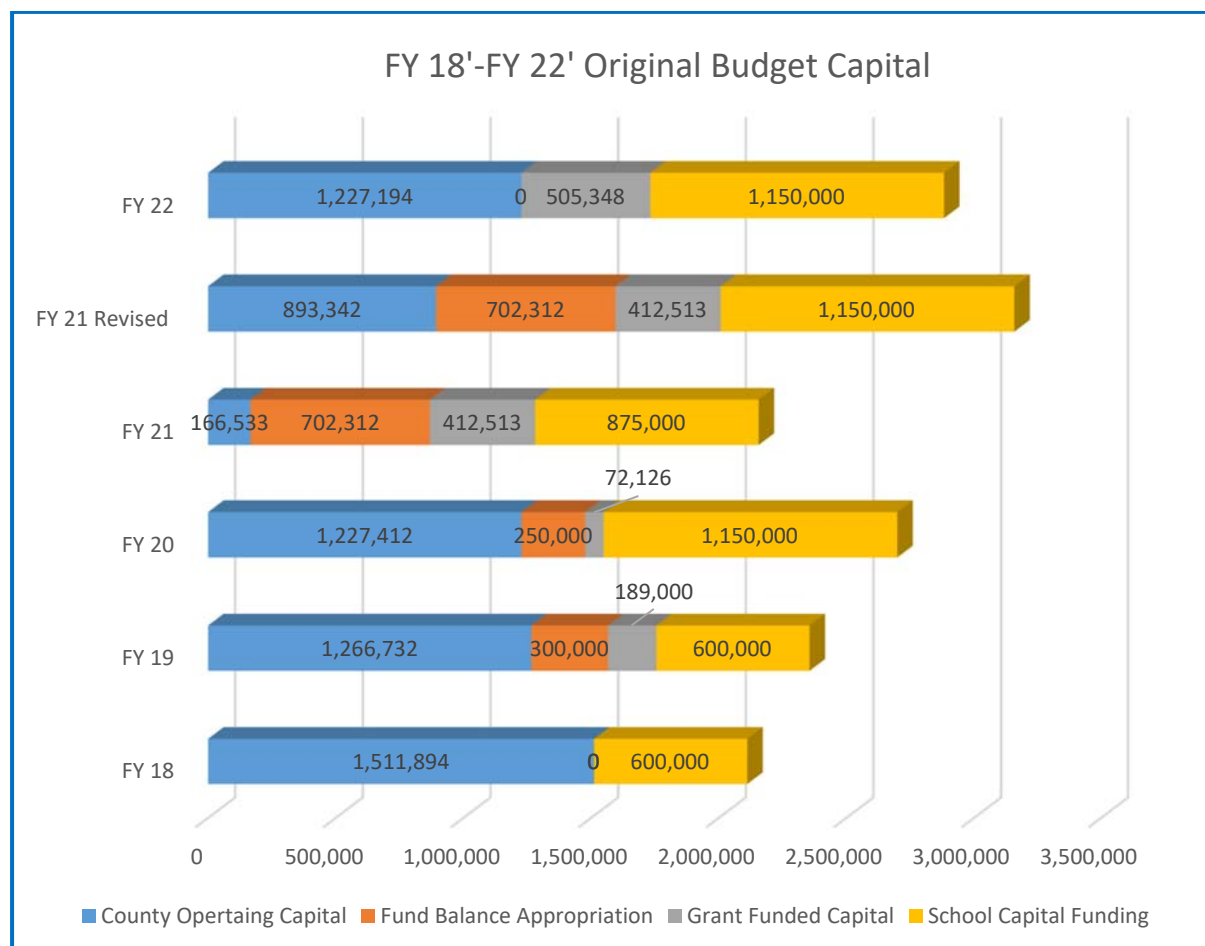




Capital Expenditures

Capital expenditures within the operating budget are defined as those expenditures that exceed \$5,000 and have a useful life of greater than one year. In FY22' capital expenditures will account for \$2,882,542 or 5.3% of the General Fund Budget. This is an increase of \$726,184 over the current fiscal year original budget.

Of the FY22'recommended \$2,882,542 in capital spending, \$505,348 is representative of grant-funded expenditures and \$1,150,000 will be set aside for Macon County School's annual technology and capital needs. The remaining \$1,227,194 in capital expenditures will go towards funding capital needs within the organization.





FY 2021-2022 Capital Items Recommended				
Account		Department/Description		Amount
114142	569601	Tax Assessment		23,471.00
		One (1) Jeep Renegade		23,471.00
114210	569502	Information Technology		248,152.00
		Host OS and SQL		79,552.00
		Backup and Archival		50,000.00
		Host Servers		118,600.00
114260	569502	Building & Grounds		32,314.00
		One (1) Truck		32,314.00
114310	569502	Sheriff		20,869.00
		Data Storage System		20,869.00
114310	569601	Sheriff		140,080.00
		Four (4) Patrol Vehicles		140,080.00
114321	569506	Detention Center		157,500.00
		Water fixture replacement		157,500.00
114370	569502	EMS		102,500.00
		Ventilator		5,500.00
		Autopulse Device		15,000.00
		Cardiac Monitor		37,000.00
		Powerload Stretcher and Mount		40,000.00
		VIPER Radio w/ Rear Control		5,000.00
114370	569601	EMS		205,797.00
		Ambulance		205,797.00
114380	569502	Animal Control		15,862.00
		Backup Generator		7,862.00
		Animal Control Box		8,000.00
114935	569300	Transit Services - Operating		42,882.00
		Furnishings for building addition (\$38,594 grant funded)		42,882.00
114935	569601	Transit Services - Operating		518,615.00
		Seven (7) Transit Vans (\$466,754 grant funded)		518,615.00
115182	569502	On-Site Wastewater		34,000.00
		One (1) Ford F-150 4x4 Truck		34,000.00
115183	569601	Private Drinking Water Wells		34,000.00
		One (1) Ford F-150 4x4 Truck		34,000.00
116120	569601	Recreation Parks		29,000.00
		One (1) Ford F150 Truck		29,000.00
116122	556014	Recreation - Highlands		127,500.00
		Lighting project		127,500.00
118000	571002	Macon County Schools		1,150,000.00
		Technology and Capital Outlay		1,150,000.00
			TOTAL	2,882,542.00



Summary of Expenditure Increases/Decreases by Function

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 \$14,976,835 or 27% of the general fund budget. This is an increase of \$800,931 or 5.6% over the FY 21' original budget amount.

No public safety related capital expenditures were contained in the FY21' original budget due to the revenue shortfall anticipated to result from the COVID-19 Pandemic. The FY 22' original budget contains \$642,608 in capital expenditures, which accounts for the majority of the increase within the Public Safety Function. In addition to capital expenditures, increases to operations including an \$89,953 increase in retirement contribution, \$55,000 increase in out of county housing for inmates in the detention center, \$28,000 increase in concealed handgun permits (offset by revenue) and an \$80,559 increase in non-capital equipment makes up the remainder of the budget increase in this function.

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 FY22', the General Government function accounts for \$7,681,248 or 14% of the operating budget. Expenditures in this function have decreased (\$468,334) from the prior fiscal year original budget. The decrease is primarily attributable to a reduction in capital expenditures from the FY 21' original budget in the departments of Tax Assessment (\$376,529) and Information Technology (\$126,091) following the installation of a new tax software system and completion of IT infrastructure upgrades in FY 21'.

Transportation

The Transportation function includes Macon County Transit in addition to the Macon County Airport. The Transportation function will increase by \$33,520 over the FY 21' original budget. This increase is due to an increase in capital expenditures of \$54,382 over the current fiscal year. In FY 22' the Transportation function will account for \$1,491,342 or 3% of expenditures within the operating budget. Of this amount \$400,568 is representative of county funding.



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 FY22' Human Service expenditures will total \$12,900,904. This is an increase of \$248,341 over the current fiscal year original budget. Health Department, Department of Social Services and Senior Services account for \$12,337,920 of the FY 22' total Human Services Budget. The increase within this budget function is primarily attributable to an increase in Health Department capital expenditures of \$68,000 and carrying forward approximately \$242,000 in FY 21' COVID-19 related grant funding, received mid-year by the Health Department that was unspent during the current fiscal year.

Social Services & Senior Services Sources of Revenue

FY 2021-2022

County
Contribution,
\$2,215,080,
35%



Other
Revenue
Sources,
\$4,124,847 ,
65%

Health Department Sources of Revenue

FY 2021-2022

County
Contribution,
\$2,763,182,
46%



Other
Revenue
Sources,
\$3,234,801 ,
54%



Culture/Recreation

The Culture/Recreation budget function accounts for; Recreation, Highlands Recreation, and Library. In the coming year, Culture/Recreation represents \$2,834,643 or 5% of the general fund operating budget. This is a \$199,996 increase over the current fiscal year original budget. The increase is primarily attributable to an increase in capital expenditures of \$127,500 to Highlands Recreation to assistance the Town of Highlands with lighting replacement at the Highlands Ballfield and \$29,000 in Recreation for the purchase of a new vehicle.

Operational funding for Macon County libraries will remain at \$1,019,390. At approximately 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 \$538,340, which is a decrease of (\$17,390) from the current fiscal year. The decrease within this budget function is primarily attributable to an (\$18,000) decrease in contracted services at Cowee School.



Schools

Macon County School System Operations

Local funding for Macon County School System operations & teacher supplement will remain at \$8,732,731 in FY 22'. While this level of funding is consistent with the prior fiscal year, a projected decrease in Average Daily Membership of 34 students to 4,454 in FY 22' will increase local current expense funding per ADM from \$1,946 in FY 21' to \$1,961 in FY 22'. The proposed funding level for school system current expense is above the FY 21' state average (\$1,958/ADM) as well as the FY 21' regional average (\$1,641/ADM) *NCACC Budget and Tax Survey 2021*. Since FY 18', funding for current expense and teacher supplement has increased by \$1,115,000 or 14.6%. Revenue to sustain this increase was generated through a \$.018 increase to the ad-valorem tax rate in FY 20'.

The school system requested \$1,610,323 in additional funding for personnel related expenses in the FY 22' current expense budget. Although this request has not been included in the FY 22' Recommended Budget, its omission does not appear to adversely impact the current level of service provided by the Macon County School System. Furthermore, an increase of this magnitude into an area that is the responsibility of the State of North Carolina is not a decision that can be made by administration in the absence of direction from the Macon County Board of Commissioners.

School Nurse Program

In addition to current expense and teacher supplement appropriation, \$349,796 is budgeted in the FY 22' Health Department Budget to administer the School Nurse Program. The School Nurse Program currently has 5 nurses yielding a nurse to student ratio of 1:898 at the projected FY 22' ADM. In FY 20', the North Carolina Department of Health and Human Services reported the average nurse to student ratio in the State of North Carolina to be at 1:1,000. Two bills, HB347 and HB348, have been introduced in the House of Representatives that would place a school nurse in every public school in the state at the cost of \$102M in annual recurring funds. In light of the aforementioned circumstances the request for 5 additional school nurse positions has not been included in the FY 22' Recommended Budget.

School Resource Officers

Student safety will continue to be a top priority in FY 22'. Like the School Nurse Program, the School Resource Officer program is not reflected in the annual current expense and teacher supplement appropriation. Macon County spends approximately \$650,000 annually to ensure that every school in the Macon County School System has at least one SRO position. Currently there are 12 SRO's in the Macon County SRO program 11 of which are funded in the Sheriff's Budget and 1 that is provided by the Town of Highlands through a \$50,000 annual appropriation from Macon County.



Mental Health

The School System requested 10 additional mental health professionals in the FY 22' Budget at a recurring cost of \$820,893. The request would bring the total number of mental health professionals in the Macon County School System to 20 according to the School System FY 21-22' Personnel Request. While this request has not been included in the FY 22' Recommended Budget, access to mental health services for students will improve in the coming fiscal year following action at the state and local level.

At the time of this budget message, it appears that the State of North Carolina will become more involved with mental health in schools. SB161, which has been included in the State Budget, appropriates \$1M from the general fund to the Department of Health and Human Services to expand the existing statewide telepsychiatry program into public schools. The bill, which goes into effect July 1, 2021, will help schools across Western North Carolina get students the mental health services they need.

Macon County recently received notification that funding from the North Carolina Office of Rural Health will again be awarded in FY 22' for continuation of the School Based Health Center. The Health Department, through this grant, provides the schools with two full time behavioral health specialists and a contracted nurse practitioner to assist with preventative health care and behavioral health services for school-aged children.

Macon County School System Capital

Technology/Capital Outlay will be restored to \$1,150,000 in FY 22'. Since FY 18' the annual appropriation for Technology and Capital Outlay has increased by \$550,000 or 92%. At the projected FY 22' ADM of 4,454 the annual capital outlay appropriation is representative of \$258/ADM, well above the FY 21' state and regional average of \$166/ADM and \$174/ADM respectively *NCACC Budget and Tax Survey 2021*.

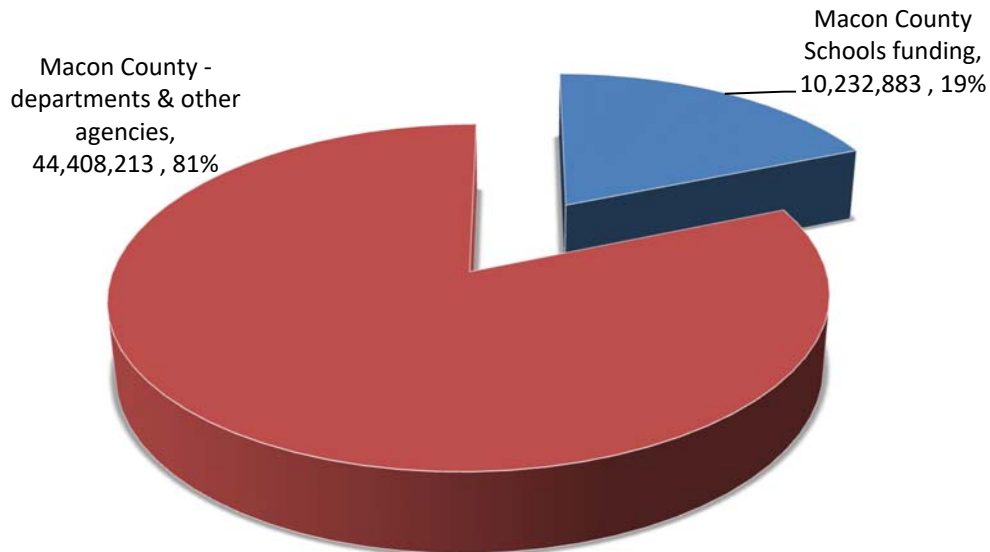
In addition to the annual technology and capital outlay appropriation, Macon County makes the annual principal and interest payment on \$32,387,907 in outstanding School System Debt. In FY 21', the annual debt service payment for schools was \$3,422,772. In FY 23' the annual debt service for School System Debt will increase to \$3,874,236 as the first principal and second interest payment for the Macon Middle School Renovation Project will come due.

Elementary and Secondary School Emergency Relief Fund (ESSR)

The Elementary and Secondary School Emergency Relief Fund was established to address the impact that COVID-19 has and continues to have on elementary and secondary schools across the nation. Macon County has received approximately \$5.8M through rounds 1&2 of ESSR funding and is projected to receive \$10.5M in round 3 following the General Assembly's appropriation of these funds.



Macon County Schools Funding as a % of the General Fund Budget FY 2021-2022



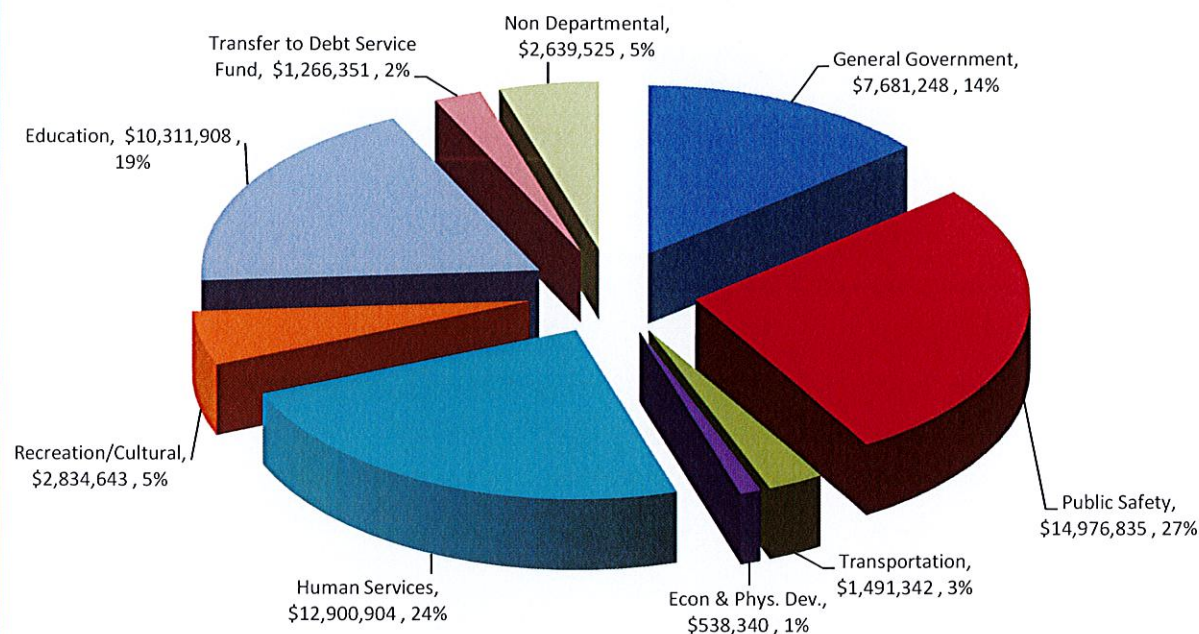
Note: Macon County Schools funding includes current expense,

Southwestern Community College

An appropriation of \$289,177 has been included for Southwestern Community College in the FY 22' Recommended Budget.



GENERAL FUND EXPENDITURES BY FUNCTION FY 2021-2022



Summary

The FY 21-22' budget will allow us to continue providing high quality public services to the citizens of Macon County at the third lowest tax rate in the state. Improving economic conditions combined with gained efficiencies in the operating budget will enable us to restore capital funding to prior year levels while addressing lingering compensation issues within the organization. The budget as proposed accomplishes each of these things without compromise to our solid financial position or long-standing commitment to public education. A contingency fund of \$100,000 in addition to a healthy fund balance will ensure that we are prepared for any unexpected events that might arise in the coming fiscal year. This budget could not have been accomplished without the hard work, dedication and willingness to compromise exhibited by all Macon County department heads throughout the budget process. As required by state statute, the budget is balanced with revenues and expenditures of \$54,641,096 and is hereby submitted for your review and consideration.

Respectfully,

Derek C. Roland
Macon County Manager