

May 10th, 2011

Macon County Board of Commissioners

Chairman: Brian McClellan

Vice-Chair: Bobby Koppers

Commissioner: Ronnie Beale

Commissioner: Kevin Corbin

Commissioner: Ron Haven

Gentlemen,

In accordance with the North Carolina Local Government Budget and Fiscal Control Act, I am pleased to present to you the proposed budget for Macon County for fiscal year 2011/2012.

Presently, Macon County finds itself in an enviable position compared to many counties in North Carolina. The county is in sound financial condition, and continues to have one of the lowest property tax rates in North Carolina (second lowest @ 27.9 cents per \$100). Our fund balance is stable and allows the county to have in reserve an amount equal to three months of operating expenditures. This provides a strong degree of confidence in terms of being prepared for unexpected emergencies or a shortfall in revenues due to circumstances beyond our control. The healthy fund balance, along with a consistent tax collection rate (96.85%) contributes to Macon County's favorable Bond Rating.

There are many positive accomplishments the county can be proud of while at the same time being vigilant in its approach to realistic budgeting and financial planning. I sincerely believe this is what being a good steward of public funds is about. I will take time in this budget message to emphasize both highlights of the current year, and the challenges facing the county next year.

On the revenue side of the budget, growth in the tax base is minimal and although sales taxes have somewhat stabilized they continue to fall short of collections we experienced over the previous three to five years. We continue to hope for a rebound in the economy next year but realistically at this point we don't anticipate a drastic change.

During the past year Macon County undertook several major projects and continues to make progress on these. The following list provides some insight on these very important contributions to the future of Macon County.

- Approved and awarded contract for the new K-4 Iotla Valley Elementary School, (Construction Cost) \$11,300,000, \$118.00 per foot, financed at a net interest rate to the county of 0.48 %. The debt will retire in 17 years, and the school is on schedule to be completed and occupied in August 2012.
- Little Tennessee/Cartoogechaye Creek Sewer Interceptor Line: After ten years in the making this project is nearing completion. The county is coordinating the project and it is being funded with \$3,500,000 in grants and \$2,000,000 from a low interest loan which will be paid back over the next two decades with the county repaying 69% of the loan and the Town of Franklin repaying 31%. The new sewer interceptor line runs from the Henson Bridge on Main Street to the Macon County Industrial Park.
- Macon County is coordinating the installation of 19,000 linear feet of 12 inch water line from City View Street in Franklin to Riverbend Road on Highway 28 North, along with the construction of a 500,000 gallon finished water storage tank (Wilkie Street Tank). Funds to construct this project come from a \$2,000,000 state grant. We were recently notified that an additional grant has been awarded to the county to extend new water service to the Swiss Colony subdivision area. Most of the construction will be completed this fiscal year.
- The Macon County Airport Runway extension project is nearing completion after nearly 10 years of delays and set backs. The county in this year's budget appropriated enough funds (\$300,000) to match the Federal Aviation Administration grant (\$3,000,000) for the project. This 600 foot runway extension will make taking off and landing at the Macon County Airport much safer, and give others another reason to invest in the economic development of our county.
- A low interest loan QZAB (\$1,800,000) funded through the American Recovery and Reinvestment Act (ARRA) provided the county an opportunity to renovate the Nantahala School. The renovation was completed over the summer and students were able to return to school there this past August.
- Through the use of Lottery funds and other school reserve funds the county had available, needed improvements have been made to Franklin High School. The \$1,300,000 is now completed. Lottery funds for next year are in jeopardy at this time.

- Improvements to Highlands School including a new regulation soccer field, new bathrooms, a new teacher work area, technology additions, new awnings, and softball field improvements, have been completed and were paid for with a direct appropriation from the county to the Macon County School Board (\$938,000)
- The county undertook a renovation project for the Hudson Library in Highlands in cooperation with the Hudson Library Board of Trustees. The renovation, now complete at a cost of \$150,000. County staff completed most of the work
- The county this year completed the installation of a new Security System for the Macon County Sheriffs Office, Detention Facility at a cost of \$125,000.
- We have updated our main county computer system servers, and completed new digital photography for the county. New 2010 maps are now available to the public online.
- A new EMS Facility with garage (in the old Senior Services Center) at the Holly Springs Shopping Center is now almost complete and expected to be ready for occupancy shortly.

Challenges for the Coming Year

Faced with our obligation to fund essential county services and meet our debt obligation on capital projects we have made decisions and recommendations that prioritize and in most cases reduce departmental and agency budget requests this year. There are many worthwhile and commendable projects, programs and services that have merit but have not been included in this proposal due to lack of additional revenue.

The original approved general fund budget for this year 2010/2011 was \$42,021,521. Due to continuing contracts and additional revenue the current revised budget for this year is \$43,025,077. The proposed general fund budget for fiscal year 2011/2012 is \$42,318,394.

The proposed budget for 2011/12 is only (0.7%) seven tenths of one percent more than the 2010/2011 original approved general fund budget, and is 1.64% (one point six four percent) less than the revised current year general fund budget. We are basically looking at a flat no growth budget for next fiscal year.

The county **General Fund** operating budget is balanced within existing revenues. **No property tax increase is requested or recommended.** We have reduced requests for capital outlay from our departments and trimmed other expenses where feasible. Our goal over the past three years has been to maintain the current level of service without additional staff. We have been able to do that as by leaving non critical positions unfilled throughout county departments. We have asked county staff to take on additional work load with no salary adjustments in three years. We continue to fill only essential positions when they become vacant. The consumer price index shows that the cost of living has gone up almost 9% in the last three years, and is likely to continue to rise with additional costs for food and fuel. We are not recommending any new positions in this year's budget, but I am recommending a 3% cost of living adjustment for our fulltime county employees. They have worked hard to do their job without complaint as they continue to help us hold the line on spending while delivering essential county services. Macon County is indeed fortunate to have such dedicated and devoted employees.

Our self funded health insurance program continues to remain strong and contribution rates are holding steady. We are not proposing an increase at this time.

Like every year, Macon County strives to improve services, recruit and retain quality employees and work to maintain and improve the quality of life for residents and visitors alike. We are committed to maintaining our leadership position in Western North Carolina. Macon County has enjoyed a reputation of being a forward thinking progressive county that seeks to preserve the quality of life while carefully balancing the needs of our citizens and the tax burden they are asked to bear. I believe our county budget reflects that commitment.

There are several key issues we have addressed as we prepared this proposed spending plan for next year. Here are a few highlights of that plan. A full and complete line item detail has been prepared that gives a thorough breakdown of each line item expenditure, appropriation and revenue source.

The state is now facing yet another budget crisis next year. With the **General Assembly** still in session we remain concerned that the state will shift additional responsibilities and/or reduce county funding to correct their budget crisis. We hope that is not the case, but we can only wait and see. We have been assured by our legislators that the state will not balance their budget on the backs of the counties this year. I am guardedly optimistic.

Education remains a priority for Macon County

In the past three years Macon County has made an enormous commitment to our local educational system in terms of needs as the following demonstrates.

Macon County Public School Capital Funding

Capital improvements to East Franklin Elementary School (QZAB)	\$2,000,000
New Intermediate School and expansion to East Franklin	\$20,000,000
Purchase (Owens) property for Mountain View Intermediate	\$2,600,000
Nantahala Renovation (QZAB)	\$1,800,000
Iotla Valley Elementary School Construction	\$13,869,000
Franklin High School Improvements	\$1,321,000
Highlands School Improvements and sports fields	\$ 938,000
Macon Middle School Air Conditioning	\$80,000
South Macon Access Road	\$88,657
Total County Funded School Capital Projects since 2008	\$42,696,657

Macon County Schools County Funding For Current Expense and Debt Service

FY 2011 Current Exp. Solid Waste, Teacher Supp, Debt Service	\$11,663,810
FY 2011 Total Macon County General Fund Budget	\$ 42,021,521
Percent of Total General Fund Budget	28%
County Property Taxes	\$ 24,891,000
Appropriation as a Percent of Property Taxes (both autos and real estate)	47%

The proposed **FY 2011/2012** budget recommends the county appropriation to the **School Current Expense** budget remains at current year level but the **Capital Outlay** budget, which was eliminated in this year's budget, is proposed to be funded at \$250,000. The proposed budget continues to include full funding for the current teacher supplement.

Funding for outside agencies in the Special Appropriations budget remain at current year levels.

The proposed budget for Macon County for Fiscal Year 2011/ 2012 as required by state statute is balanced with revenues and expenditures of \$42,318,394 and is hereby submitted for your review and consideration.

Respectfully

C. Jack Horton County Manager/ Budget Officer