



**MACON COUNTY BOARD OF COMMISSIONERS
CONTINUED SESSION
FEBRUARY 7, 2019
MINUTES**

Chairman Tate reconvened the meeting at 12:04 p.m. in the commission board room as recessed from the January 8, 2019 regular meeting. All Board Members (with the exception of Commissioner Higdon), the County Manager, Finance Director, County Attorney, members of the news media and a number of department heads and county staff were present.

MID-YEAR FINANCIAL REVIEW: Finance Director, Lori Hall, presented a PowerPoint presentation that provided the board with a mid-year financial update for Fiscal Year 2018-2019. Ms. Hall noted that, in comparing the current fiscal year to the prior one, sales tax revenue was up by just more than seven percent, property and motor vehicle tax collections were approximately \$756,000 higher than the same time in last fiscal year. She also gave the board a snapshot of the County's general fund debt, including principal and interest payments by fiscal year. Ms. Hall pointed out that the slight increase in the debt for next fiscal year was due to the recent debt issuance for the South Macon Elementary School renovations project. Since the debt was issued this fiscal year there will only be one principal and interest payment, and then starting in FY 2019-2020 there will be two principal and interest payments, going forward. No action was necessary.

2018 YEAR IN REVIEW: County Manager Derek Roland gave the board an overview of the accomplishments and challenges that Macon County faced in 2018. Mr. Roland stressed how this was an important time of the year looking forward to the next budget. He pointed out that 2018 was a great year with another unmodified opinion on the County's financial audit, there was an increase to fund balance, the County is moving forward with the Capital Improvement Plan (CIP), completion of the Robert C. Carpenter Building project, \$350,000 was allocated to the Highlands Civic Center, and there was an increase to the Macon County School System's capital outlay. In public safety, he pointed out that six new patrol vehicles were purchased for the Sheriff's Department and that the roof replacement was completed on the Macon County Detention Center. He said the best accomplishment was that the County was able to continue to provide efficient and quality services to the citizens. Moving into 2019 he pointed out that the budget was developed to enhance service quality, especially in Public Safety while simultaneously dealing with the increases to the health insurance costs, retirement, detention center costs, and inmate transport. Highlights of this budget are the Space Needs Analysis that is currently taking place, and Mr. Roland is optimistic that this project will be completed soon. The County increased funding in this budget to the Macon County School System. The Maintenance Department is also currently replacing all of the lightbulbs in County buildings with LED lights that will pay for itself in the first year. There has been \$400,000 budgeted to the expansion of broadband in Macon County. While the services have been enhanced, there have been obligations that will impact the budget in FY 2019-2020 in the absence of corresponding revenue. This impact

could be “dramatic.” Mr. Roland then presented a breakdown of the unassigned fund balance. The County received two times the Medicaid Cost Settlement funds that normally are not received. Furthermore, in CIP discussions previously had one of the parameters was to transfer \$300,000 of excess sales tax revenue which is critical in the CIP process. Fiscal FY 2018-2019 included a two percent cost of living increase to County employees, an increase in retirement contribution, increase in the health insurance costs, school technology, two School Resource Officer positions for a half a year, and two Courthouse Security positions. Mr. Roland said that when you look at all the obligations that have been incurred in 2019 and look what we have leftover in 2018 in the absence of corresponding revenue we are actually “flat, or right there at it.” The County will also will have some obligations in 2020, as well. First and foremost, is the employee pay grade adjustment, mainly tweaking in some “specialty positions,” especially in the Health Department. Mr. Roland also said that health insurance cost is something else that will need to be looked at strongly. Additional employees in the Department of Social Services and Courthouse Security are going to be requested in the upcoming budget. The County fleet is aging with 292 vehicles (not including transit vehicles) and an average age of 12.7 years and will need to be looked at closely in the upcoming budget. The \$1.3 million for the Fire Safety Training Facility that was to come out of the fund balance is still out there, and will come with operating costs. The OPEB liability is going to increase due to a change in GASB 75. There also could be an impact due to the State budget. Mr. Roland credited the board for their leadership and the position the County is in and moving forward with the CIP. He also pointed out that ad valorem tax was the County’s most consistent and reliable revenue. Looking forward, he said that the County needs to make sure the revaluation is accurate and gets the County where it needs to be with consistent revenue as we move into 2020. No action was necessary.

AMENDED CAPITAL IMPROVEMENT PLAN: Mitch Brigulio, a Senior Vice President with Davenport & Company, presented a PowerPoint presentation on year two of the County’s proposed Capital Improvement Plan (CIP). He started by explaining that year one was really a “testing the waters” step and that this year would be “refining the plan” and that next year is the real critical year when the County will put this plan into motion and it can be tracked for years to come. The Space Needs Analysis that is currently in process will be a big piece of this plan that can be used to make a firm action plan for the County to move forward. He discussed the County’s credit rating and what the County could and could not control when it comes to impacting its potential credit rating. These factors included the economy/tax base, finances, and management/policies. Mr. Brigulio also said the County is in “great shape” when it comes to fund balance. He said the board may want to consider adopting a formal policy for the 25% fund balance that the County already informally has in place. He also talked about key debt ratios and the said the board may also want to consider developing a policy level that allows the County to accomplish the things that need to be done in the CIP but doesn’t limit the County unnecessarily. Commissioner Beale stressed that he felt the board needed to be careful setting that limit in case another recession hits. Mr. Brigulio then discussed the County’s “affordability” and said the County has done a really good job identifying revenue sources to fund debt service and capital

projects and implemented that in the budget process. He then gave four different scenarios of what the County may want to do based on what the initial department head and outside agency requests that were received and updated in this year's CIP. The County Manager said that the board will determine the priority of the projects. Mr. Brigulio said that the CIP can be finalized and adopted during the budget process. No action was necessary.

2019 REVALUATION UPDATES: Tax Administrator Richard Lightner told the board that the tax notices have been out a couple of weeks now and that the values basically remained flat. He stated that a difference in the growth pattern can be seen and that is why you have a revaluation. Downtown Highlands is the "hotspot" now whereas Franklin has not grown in fifteen or more years. Mr. Lightner said that this becomes a problem when you try to leverage out where your growth is and when you are talking about revenues. He briefly discussed the issues of vacant buildings and commercial rental costs. He also said that Inspections revenue was down but the Register of Deeds revenue was up so that shows values are going up, but just not strong. He said all of this ties together with revaluation; the County has to be equitable to the people and classes around them. He said that when figuring out the FY 2019-2020 the tax rate cannot go down, but will not go up like it did four or so years ago. However, you may have to had two cents and see what your new budget needs are and then evaluate from there. Collections are up, and the County remains to have the highest collection rates the past two years. In the January report the collection rate is 94.25% compared to 93.9% this time last year. Mr. Lightner said right now is the time for appeals and that his department is only seeing 1.2% appeals at this time, which is substantially lower than he has had in a number of years. He informed the board that a large growth will not be seen. No action was necessary.

COURTHOUSE SECURITY UPDATES: Sheriff Robert Holland and Chief Superior Court Judge William Coward presented a Courthouse Security update to the board. Sheriff Holland said that about two years ago the Judge and himself brought to the board's attention some security concerns that they had. Sheriff Holland informed the board that the twenty-seven member committee and the Judge have some recommendations to make based on their review and the review of the NC Sheriff's Association and the US Marshall Service. The original recommendation that the Judge and the committee wanted to make was one entry into the Courthouse. However, the Sheriff said that in order for the one entryway to be successful there would be a lot of costly needs that will come out in the Space Needs Analysis that is taking place now. The Sheriff said he understands that the funds are not currently available right now to do the one entrance, so the committee's recommendation is to have two entrances to the Courthouse. With two entryways, the County will only be eliminating one entryway. He presented the approximate \$58,600 cost of the equipment (x-ray machine and metal detector) to the board and explained that 20,000 people came into the Courthouse related to the Justice system alone. The Sheriff said they are ready to move forward with this and will be requesting four new positions in order for this to be successful. Judge Coward told the board his concerns about security and said that these efforts are a way to secure the building into the unforeseeable future. Commissioner Gillespie encouraged the Sheriff to look into leasing this equipment due to

the rapidly advancing technology. The board asked the County Manager to have the equipment costs (purchase versus lease) and operating costs prepared for them to review at the next meeting. No action was necessary.

FY 2019-2020 SCHOOL SYSTEM TOPICS: Macon County Schools Superintendent Dr. Chris Baldwin started by expressing his gratitude to the board for the additional resources that were given to the school's this year. He gave the board an update on the South Macon Elementary School renovations. He explained that the additional funding given to the schools have allowed for iPad replacements, active boards, additional security, matching funds for two SRO's that were very much needed, the addition of security fencing, access control to several locations, alarm systems, camera systems, and most importantly they were still able to avoid a reduction in the overall services that are provided to the students. Angie Cook, Finance Officer for the Macon County School System, updated the board with the current expense of the school, and capital outlay update like Dr. Baldwin previously mentioned. Dr. Baldwin presented lists of items for the County's school system for the upcoming year. The capital outlay requests included items concerning structural safety for several schools such as classroom door locks for Franklin High School and fencing for Highlands School and South Macon Elementary School. Commissioner Beale stated that after a liaison meeting that he and Commissioner Shields attended they agreed that safety is a priority. Dr. Baldwin stated that this list has not been prioritized by the school board at this time. This led to specific discussion about the track at Franklin High School. Dr. Baldwin stated that if they can get through this track season that it will probably be the last for the track at FHS. The question then becomes what do you do with the track? He said the option could be to resurface the track at Macon Middle School, and then stressed his concerns with what happens to the track at FHS once it is done. After reviewing the list of other capital outlay items, Dr. Baldwin then presented the board with a list of Macon Middle School renovations that are needed. This led to a lengthy discussion where Commissioner Beale reported that after the liaison meeting and meeting with the school maintenance, there is nothing more pressing than Macon Middle School. He said "the needs are there from the windows, to the roof, to everything on the list - it is all a priority." The County Manager is going to report back to the board what the architect's quote will be on the next scheduled meeting. Dr. Baldwin ended with reviewing the school's budget priorities for FY 2019-2020 including the concern of what impact the state budget could have. He also said they would like to address trauma-impacted students, retain and recruit quality employees, improve technology, and the importance of the STEM program. No action was necessary.

FIRE SAFETY TRAINING FACILITY UPDATES: Dr. Dan Tomas, President, Southwestern Community College (SCC) presented an update to the board on what has happened in the past year regarding the Fire Safety Training Facility. He informed the board that SCC hired Stewart Cooper Newell Architects for this project and they performed a cost estimation. The original budget for the project was 2.712 million and the cost estimate came in at 4.035 million which is approximately 1.3 million short. Dr. Tomas explained that there was a large difference in the price of site preparation than originally estimated. Some other items

that caused the difference were the taxes, sub-bonds, and general contractor markup for the oversight of the building delivery. Dr. Tomas then presented the board with the possibility of using the National Guard Armory Building that will be given back to the County. He said this is a perfect opportunity for the Public Safety Training Facility to grow and the burn building can be moved to this location instead. The County Manager informed the board about his conversation with the National Guard and that they are consolidating and will be vacating this building and it will be given back to the County, but also said it could be January 2020 before this happens. After discussion with the board Dr. Tomas feels that it is worth waiting for and that in the meantime they can work out some details so that the process can move forward when the time comes. No action was necessary.

PRESENTATION OF THE BUDGET CALENDAR: The County Manager presented his FY 2019-2020 Budget Calendar for the board's consideration, a copy of which is attached (Attachment 1) and is hereby made a part of these minutes. No action was necessary.

GOALS AND EXPECTATIONS FOR FY 2019-2020: Each board member was given the opportunity to comment on their goals and expectations for the upcoming budget.

Commissioner Shields said he liked the goals that the North Carolina Association of County Commissioners had released and that "you feel good when you develop a goal and you got that whole group with you."

Commissioner Beale, said "our goals, as far as I am concerned, have pretty much been outlined for us" and it is good news about the financing options we have. He said there are some big decisions to that will have to be made but he would like to wait to and see what the results of the Space Needs Analysis are. However, there are some things that need to go ahead and be done, such as Courthouse Security and Macon Middle School renovations.

Commissioner Shields then said he would also like to refocus on Nantahala and their situation there with the Library. He wants to do something for this community and what their needs are. The County Manager told Commissioner Shields and the board that they have been included, along with the Nantahala recreation park, in the Space Needs Analysis.

Commissioner Gillespie said he agrees with Commissioner Beale about the goals being presented to them and that there are some hard decisions to be made. He also said that he would like to look at efficiency and effectiveness of government. He stated that the County staff does a great job but that there is always room for improvement in saving money and in services provided.

Commissioner Shields said that it may be more of a planning board goal but that he doesn't want to lose focus on Angel Medical Center and would like to stay involved in things like the Dogwood Foundation.

Chairman Tate said he was going to be a lot more specific with his goals. He stated that he would like to see some lingering construction and money accounts cleaned up, such as Peek's Creek and other housekeeping that could potentially move some money back into fund balance, especially with the capital projects the board could be facing. Chairman Tate acknowledged the issues with health insurance costs and said, speaking for himself, that if fund balance needs to be used to help supplement and steady that account moving forward, that he trusts the County Manager's judgment in that decision. He said obviously

Courthouse Security is a priority and he wants to get that moving. He said the dog park will have to be moved and wants that on everyone's radar. He acknowledged that it is revaluation year and said he would have to trust the County Manager's judgment and after listening to what is going on with the schools and security he understands that the County Manager will have to make a recommendation of what the tax rate needs to be in order for those needs to be met.

BUDGET AMENDMENT: Lori Hall, Finance Director, presented a budget amendment to the board for \$61,625 for a grant received by the Soil and Water Conservation District to do the Blueways Canoe Access project. The funds were received last fiscal year but the project was not completed. Bids have been received and the project is ready to start so this budget amendment is to appropriate fund balance for the revenue received last year. Upon a motion by Commissioner Beale, seconded by Commissioner Shields, the board voted 4-0 to approve the budget amendment.

ADJOURN: After some final comments, and at 3:38 p.m., upon a motion by Commissioner Beale, seconded by Commissioner Shields, the board voted 4-0 to adjourn.



Derek Roland
Ex Officio Clerk to the Board



Jim Tate
Chairman



MACON COUNTY

FY 2019-2020 Budget Calendar

February 7, 2019	<i>Mid-year review with BOCC BOCC receives FY 2019-2020 budget calendar</i>
February 14, 2019	<i>Preliminary Budget Meeting with Department Heads</i>
March 15, 2019	<i>Departments complete line item budget input and return hard copy requests and narratives</i>
March 22, 2019	<i>Print line item budget for County Manager Review</i>
March 25-29 & April 1-5	<i>County Manager meetings with Department Heads as needed.</i>
April 15, 2019	<i>Macon County Schools and outside agencies budget requests due</i>
May 14, 2019	<i>Manager's recommended budget presented to BOCC with message; distributed to department heads; posted on county webpage</i>
May 15, 2019 – until	<i>Work Sessions with BOCC</i>
June 11, 2019 @ 6:00 pm	<i>Public Hearing on the budget</i>
June 11, 2019 @ 6:00 pm	<i>BOCC adopts budget</i>