

**MACON COUNTY BOARD OF COMMISSIONERS
CONTINUED SESSION
FEBRUARY 6, 2020
MINUTES**

Chairman Tate reconvened the meeting at 10:05 a.m. as recessed from the January 14, 2020 regular meeting and welcomed those in attendance. All board members, County Manager Derek Roland, Deputy Clerk Mike Decker, Finance Director Lori Carpenter, County Attorney Chester Jones, a number of county department heads, members of the news media and interested citizens were present.

Chairman Tate stated that the primary purpose of the meeting was for a budget work session, and that there are “a lot of items to discuss.”

MACON MIDDLE SCHOOL PROJECT:

(a) Financial Impact

Mitch Brigulio with Davenport & Company presented a PowerPoint presentation outlining the financial impact of the proposed Macon Middle School (MMS) renovation project and how that project will affect the county’s capacity to fund additional projects. Before addressing that topic, he provided the board with an overview of the county’s credit rating and existing debt. Mr. Birgulio explained that the county currently does not have a credit rating because it has not been in the bond market. However, he said the county would likely have an “AA” rating were it to pursue a bond rating. After explaining the categories involved in a rating agency’s methodology, he said the county has capacity to take on debt. The county currently has more than \$25 million in outstanding debt, and Mr. Birgulio noted that there is a 10-year payout ratio of 94.1 percent, which measures the amount of principal to be retired in the next 10 years, adding that this number is “very good.” He said that going forward, the board may want to consider a series of debt policy guidelines, with one of those being the establishment of a minimum 10-year payout ratio. This would add another layer of structure to the county’s Capital Improvement Program (CIP) process, he said. Another of the key debt ratios is “debt to assessed value,” and he said the county is in a strong position at 0.31 percent of debt to an assessed value of more than \$8 billion. He said the board may want to consider a policy establishing a maximum debt to assessed value. The third key debt ratio was debt service versus expenditures, and again, Mr. Birgulio said the county was “very strong” at 6.67 percent. The “takeaway” from all of this, he said, was that the county

has “done a great job of managing debt over the years.” The next point of discussion was an “existing debt affordability analysis,” which he explained in detail. This analysis shows that giving current debt and the value of one cent on the county’s tax rate, there will be a surplus of money available each year to fund projects in the CIP. Mr. Birgulio then moved on to the MMS project, where he noted the county is considering financing renovations to the existing facility. The current total cost estimate is \$15.3 million, with a targeted construction start date and issuance of debt in October 2020. The financing assumes an interest rate of four percent with a 15-year term. The analysis also assumes that the county continues funding annual “pay-as-you-go” allocations to the CIP, the school system and for vehicles that would total \$2,450,000. Chairman Tate raised the question about potential funding that would be coming from the state, and Mr. Roland responded that the county has anticipated approximately \$11 million from the state for school capital projects, adding that he thought the county “would have a clear answer by now.” This initiated discussion about how the financing for the MMS project might be affected by this allocation. This led to further discussion about the schedule of loan payments and how long it would take all of the proper documentation to be prepared and submitted to the state Local Government Commission. Mr. Birgulio said projections show there is no revenue shortfall associated with financing this project, but that it would impact the financing of others. As part of his analysis, he told the board that he looked at funding levels, where there was no tax increase, or a one, two or three-cent tax increase. At the conclusion of the presentation, Commissioner Gillespie questioned why there was no accounting for inflation, and Mr. Birgulio responded that it could be added, but with the anticipation of offsetting revenue in the form of ad valorem tax growth, there is “inflation” built into the revenue side of the projections as well. Following further discussion and questions from the board, no action was taken.

(b) Discussion of architectural contracts for MMS main building renovation and new locker room construction

Mr. Roland distributed copies of a draft agreement between the county and SGA/NarmourWright Design regarding architectural services for the MMS renovation. Following discussion, Chairman Tate noted that the consensus of the board was for the members to review the document, forward any questions to Mr. Roland or Mr. Jones, and for the matter to be placed on the board’s February 11, 2020 regular meeting agenda for consideration. It was also agreed upon that the school system liaison committee would meet on Friday (February 7) at 2 p.m. to discuss some remaining matters of concern. No action was taken.

SPACE NEEDS ANALYSIS:

(a) Space needs analysis recap

Bryan Payne with Moseley Architects provided a PowerPoint presentation that gave the board a recap of the objectives and the proposed projects found in the

county's 20-year space need analysis. Mr. Payne said the first "Tier 1" project was a new justice center, which would consolidate the sheriff, court and detention functions to a single site. This project would be done in three phases, beginning with a new courthouse, then a new detention center, then office space for the sheriff's department. Another Tier 1 project involves the existing courthouse, courthouse annex and the Southwestern Community College (SCC) annex, and would include renovations to all three buildings in order to consolidate a number of county services and to allow for departmental growth. The first Tier 2 project calls for renovating the current National Guard Armory facility, along with a number of options to possibly relocate the county housing department, relocate SCC classroom space from the annex, or make room for the planned SCC Public Safety Training Center. Another Tier 2 project involves renovation of the existing facility that houses the Department of Social Services (DSS) and Public Health to address projected growth needs. Tier 3 projects include a new emergency management headquarters, options for the senior services center, a new Nantahala community center, and other renovations "to address security, accessibility and update systems throughout the county." Mr. Payne then provided the firm's opinions of probable cost for each facility, as follows:

- New Justice Center -- \$77.3 million project budget, including the courthouse (Phase 1) at \$30.9 million, the detention center at \$37.5 million, and the sheriff's office at \$8.9 million.
- Renovate the existing courthouse, courthouse annex and SCC annex -- \$21.6 million project budget, including the courthouse at \$17.3 million, the courthouse annex at \$2.3 million and the SCC annex at \$2 million.
- Renovate the National Guard Armory -- \$4 million project budget.
- Renovate the DSS/Health facility -- \$7.6 million project budget.
- New Emergency Management headquarters -- \$11.3 million project budget.
- Senior Services Center -- \$4.1 million project budget to renovate or \$9.2 million for new construction.
- New Nantahala Community Center project budget -- \$4.1 million.

The presentation pointed out that cost statements are based on 2019 construction costs and a 10 percent construction escalation per year is expected for future projects. Following the presentation, board members asked Mr. Payne a variety of questions, ranging from what the existing detention center could be used for in the future, or the possibility of an addition to the facility, to what others believed was too low of a tier ranking for the Nantahala project. Commissioner Higdon noted that the entire package totaled approximately \$150 million, adding that it serves as "a planning tool" for the board. No action was taken.

(b) Update on SCC Public Safety Complex/Burn Building

Dr. Don Thomas, president of SCC, focused his initial remarks on the National Guard Armory, which he noted is “coming open,” as the facility will no longer be used as an armory and the county will soon take possession. He said the college’s current public safety training space is about 16,000 to 17,000 square feet, and with the armory being very similar in size, he said the two together would almost meet SCC’s planning goal of 38,000 square feet. He then asked the board for its consideration of SCC’s request to use the building for this purpose. A lengthy discussion ensued regarding the logistics of the process that would transfer the armory from the county to the college and the need for a survey and an appraisal of the property. There was also discussion regarding a new burn building, for which Mr. Roland said the county has already earmarked \$1.4 million in funding. Mrs. Carpenter pointed out that the original fund balance appropriation for the burn building has lapsed and the board will need to make a new one. Dr. Thomas told the board he would address some of the outstanding issues and questions raised during the discussion and would have more information for the board at its February 12, 2020 regular meeting. Dr. Thomas’ final remarks centered on the impact of the new \$22 million health science building that is being constructed on SCC’s main campus in Jackson County and is scheduled to open in August of 2021. No action was taken.

Chairman Tate declared a 30-minute lunch recess at 12:15 p.m.

Chairman Tate called the meeting back to order at 12:47 p.m.

MID-YEAR FINANCIAL REVIEW

Mrs. Carpenter provided a brief PowerPoint presentation that gave the board a snapshot of the county’s financial position following the first six months of the 2019-20 Fiscal Year. A copy of her presentation slides is attached (Attachment 1) and is hereby made a part of these minutes. In general, sales tax revenue is up by approximately 8.5 percent for the first four months of the fiscal year, while ad valorem tax collections remain steady. Overall general fund revenues are up slightly, while general fund expenditures are down slightly. In addition to a graph showing the county’s current debt service schedule, she noted that the unassigned fund balance amount is just more than \$23.9 million. No action was taken.

FISCAL YEAR 2020-21 OPERATING BUDGET

(a) Tax software update and FY '21 ad valorem revenue projections

Tax Administrator Abby Braswell asked the board to consider moving forward with a Request for Proposals (RFP) for a “state of the art” Automated Computer Assisted Mass Appraisal (CAMA) solution for the tax department. She explained that initial discussions have been held with four different companies, with the anticipated cost being between \$325,000 and \$500,000 for the software alone.

Mrs. Braswell then responded to questions from board members about the new platform and other potential vendors. Mr. Jones explained that if the board will approve the resolution being presented, then the RFP can be advertised. Mrs. Braswell explained that a five-person committee will have the task of evaluating the proposals. Upon a motion by Commissioner Gillespie, seconded by Commissioner Shields, the board voted unanimously to approve a "Resolution Determining That The Use Of The Provisions of N.C. Gen. Stat. 143-129.8 Would At This Time Be In The Best Interest of Macon County In Contracting For "State Of The Art" Automated Computer Assisted Mass Appraisal (CAMA) Solution Along With Tax Office Suite Of Software (TSS), Including Tax Assessment, Tax Collections And Land Record Software." A copy of the resolution is attached (Attachment 2) and is hereby made a part of these minutes. Approval of the motion also included approval of the committee members, including Kevin Ford, Teresa McDowell, Delena Raby, Andy Muncney and Mrs. Braswell. Mrs. Braswell told the board that as for numbers for the upcoming budget year, the amount of net taxable real property is \$7,472,037,403, and with taxable personal property and taxable public utilities added, that number grows to \$7,585,306,128, or an overall gain of less than one percent from the prior year. In closing, she noted that as of January 2020, the tax collection rate stood at 94.02 percent.

(b) Macon County Schools FY 20' budget update and preliminary budget outlook for FY 21'

Dr. Chris Baldwin, Superintendent of Macon County Schools, focused his initial comments on the system finally obtaining budget numbers from the state for the current year. When the budget was settled, he noted that out of the system's roughly 600 full- and part-time employees, about 200 of them did not get a pay increase. Commissioner Shields stated that he would like for the board to "empower" him, Commissioner Beale and Dr. Baldwin to talk about mental health issues in the school system and to report back to the board at the March regular meeting. Commissioner Beale said the schools need a child psychologist. Dr. Baldwin also addressed a desire for improved arts education at all levels, particularly at the middle school. He also forewarned the board of potential space needs issues when a 2021-22 state mandate to reduce class sizes by two students comes down to the local level. This will result in the need for additional classrooms, with Dr. Baldwin pointing out, "We don't have that space today. In closing, he said the system has no immediate needs and school officials should "make it through the school year. No action was taken.

(c) FY 21' preliminary budget outlook

Mr. Roland presented a wide-ranging Prezi presentation regarding the budget outlook for the upcoming fiscal year. He began by going over a number of budget highlights from Fiscal Year 2018-19, including a look at fund balance reserves, expenditures and revenues. He then turned his attention to the current-year

budget (2019-20), and pointed out a list of accomplishments, including public safety enhancements, joining an employee health insurance risk pool, increased funding for education, enhancements in health and human services, a 1.5 percent Cost of Living Adjustment for employees and funding for 11 new county positions. For the upcoming year (2020-21), some notable items will include a four percent increase in employee medical insurance, a 1.2 percent increase in employee retirement on the county's part, and an examination of the county's pay plan with a focus on adjusting grades for recruiting and retention purposes. He requested board authorization to "take a look" at this with the goal of implementing changes in the new budget year. He said that sales tax growth looks good but ad valorem tax growth will be very small. Although the county has "big expenditures on the table" stemming from the space needs analysis and Capital Improvement Plan, he closed by pointing out that the county is in "an enviable financial position."

(d) Board member FY 21' goals and expectations

Each of the board members was given the opportunity to voice their goals and expectations for the new year, as follows:

Chairman Tate

- Financial policies such as those recommended by Mr. Brigulio earlier in the meeting.
- Another potential financial policy that would establish a maximum amount for money in the fund balance.
- Discussion of a possible referendum regarding the ¼-cent local sales tax.
- Maximizing infrastructure improvements while "the ditch is open."
- Holding the budget as flat as possible.

Commissioner Beale

- Pay for Board of Elections staff.
- Updated voting machines.
- Covering the pool at the recreation park.
- An identification card system at the senior center.
- Use of funds appropriated for broadband.
- Money for the community care clinic (to be discussed at an upcoming meeting).
- Macon County Fair Association request for funds for roof repairs.

Commissioner Shields

- Address mental health.

Commissioner Gillespie

- Focus on efficiencies within government by looking at technologies.

- Additional funding for broadband, including a full understanding of what the county can and cannot do, along with a formula or policy to guide decisions.

Commissioner Higdon

- Address the Nantahala library/community center.
- A more equitable staffing solution for the county’s recycling convenience centers.
- Consider a county position or lead person to administer broadband communications.
- “A hard one,” but consideration of eliminating the \$75,000 in funding for the Community Funding Pool.
- Early submission of items for budget consideration, “not after the public hearing is closed.”

Following comments from the board members, the board also heard brief comments from Sheriff Robert Holland, Interim Health Director Carmine Rocco, Veterans Services Director Leigh Tabor, Macon County Librarian Karen Wallace, Solid Waste Director Chris Stahl and Planning, Permitting and Development Director Jack Morgan.

(e) Distribution of the FY 21’ proposed budget calendar

Mr. Roland presented the board with copies of the FY 2020-21 budget calendar, a copy of which is attached (Attachment 3) and is hereby made a part of these minutes. The calendar calls for Mr. Roland to present his recommended budget at the board’s May 12 regular meeting, followed by work sessions and a public hearing on the budget at the June 9 regular meeting.

OTHER BUSINESS: Chairman Tate pointed out that the “second amendment issue” will need to be addressed at the board’s February regular meeting. He said he anticipates a lot of people attending, and that he has received a number of versions of a resolution on this topic that citizens want the board to consider. This led to a lengthy discussion among the board members, Mr. Jones and Sheriff Holland, with Commissioner Gillespie suggesting that the board “vet this through the same process as any other resolution.” No action was taken.

ADJOURN: At 3:32 p.m., with no other business, and upon a motion by Commissioner Beale, seconded by Commissioner Shields, the board voted unanimously to adjourn.

Derek Roland
Ex Officio Clerk to the Board

Jim Tate
Board Chairman