

BRUNSWICK COUNTY ADMINISTRATION

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Brunswick County Board of Commissioners:

It is my honor to present the recommended FY 2013-2014 budget for Brunswick County for your review and consideration. After the great recession for five consecutive budgets, county revenues are improving with all major categories increasing with the exception of State and federal intergovernmental revenues. Department heads submitted conservative and thoughtful budget requests that are in line with the current year. The focus of the budget is maintaining high service levels within currently available resources and no increase to the tax rate. This proposal preserves existing service levels, improves technology infrastructure, is focused on education, and provides funding to implement recommendations from an employee compensation study.

Two years after the 2011 revaluation of all real property in Brunswick County, we project modest gains in the tax base with the recommended ad valorem tax rate to remain the same at 44.25 cents. The FY 2013-2014 budget proposal for all funds totals \$201,751,644 which represents an increase of 3.9% over the budget adopted June 18, 2012. The general fund budget is balanced by utilizing a modest fund balance appropriation of \$2,252,284 for non-recurring capital appropriations as compared to \$1,248,120 in FY 2012-2013. There has been no actual utilization of budgeted fund balance in recent years with actual results showing growth in fund balance in the range of \$2 to \$3 million per year.

The recovery from the recession continues to impact individuals, businesses and corporations, and all levels of government as the economy is expected to grow at a slow pace. Nationally, new job growth fluctuates on a monthly basis and the April jobless rate was 7.6%. The average cost of a gallon of gasoline in North Carolina is less than a year ago at \$3.41 per gallon. Looking at the leading economic indicators for North Carolina, claims for unemployment benefits are up 2.4% from last year, building permits are up by 5.4%, manufacturing hours worked are down 1.0% and average weekly earnings are down 3.4%. Locally, home sales and new home construction are showing signs of improvement. Single family home units sold 2013 over 2012 are showing a consistent increase month over month at an average year to date increase of 23% according to multiple listing statistics as reported by the Brunswick County Board of Realtors. They also report total real sales in dollars for 2013 compared to 2012 are showing a consistent monthly average 26% increase in dollar value. Brunswick County's March unemployment rate was still high at 9.9% compared to the State at 8.9% and United States at 7.6%.



Consistently ranking in the top twenty fastest growing counties in America, Brunswick County is now ranked 89th for national reporting but continues to be 5th in the State for calendar year 2012. On a positive note the State Data Center reported Brunswick County's projected permanent population to be 114,882, up from the 107,431 decennial census figure indicating that people are still choosing Brunswick County as a place to live.

Due to the existence of continued uncertainty surrounding the economy, I am cautiously optimistic that local economic conditions will continue to improve in the up-coming fiscal year. An analysis of the preliminary State budget does not indicate any major reductions or cost shifts that would have a severe impact on the County's budget.

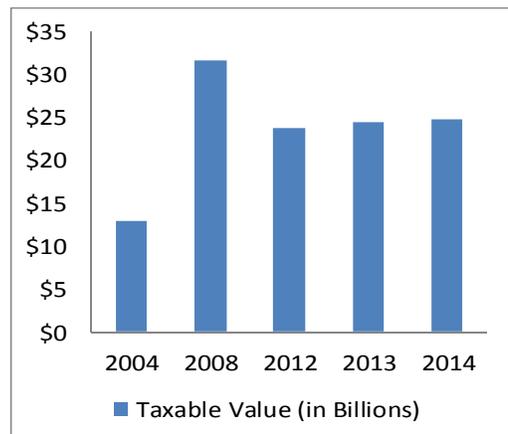
Due to some proactive measures taken in recent years to reduce expenses, the general governmental funds are leaner and significantly less reliant on non recurring sources. These actions include the decisions to renegotiate and extend the countywide solid waste collection and disposal contract, contracting the county food services operations, refinancing debt obligations to more attractive rates, the elimination of some vacant positions and cost containment of the employee health insurance premium contributions, made possible by the decision to transition to a self-insured health program.

GOVERNMENTAL FUNDS

Revenues

The total recommended general government budget is \$157,577,162 which represents a 4.34% increase from FY 2012-2013. Property tax revenue is the primary source of governmental fund revenue, providing \$107,246,323 or 68.1% of the total revenue. Continuing the trend of very modest years of growth in the county's tax base prior to the 2011 property reassessment, the total projected tax base, inclusive of real property and motor vehicles for FY 2013-2014, is \$24,740,418,174 up by \$317,394,616 or over 1.3% above the base of \$24,423,023,558 on which the FY 2012-2013 budget was based.

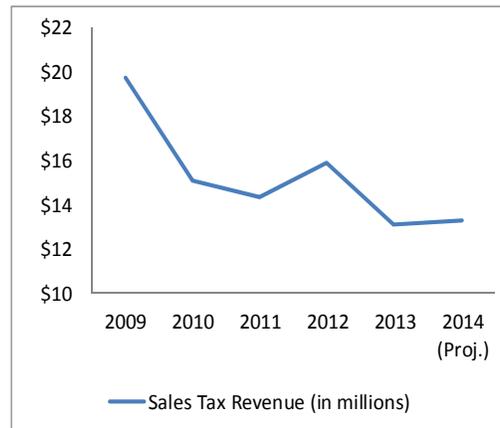
The total projected real property value, including boat values of \$60,000,000, for FY 2013-2014 is \$23,815,418,174 which represents a 1.2% increase over the FY 2012-2013 real property base of \$23,533,023,558. The motor vehicle base is projected to be \$925,000,000 or 3.93% more than the current year base of \$890,000,000. The projected collection rate for motor vehicles is 95.04% which should generate revenue of \$3,890,106. The improved collection rate for motor vehicles is due to North Carolina's new vehicle Tax & Tag Together program



to be implemented in the fiscal year. The program was designed to collect vehicle property taxes along with registration renewals and to conveniently pay them together. The small increase in the motor vehicle base can be attributed to more new cars purchased and an increase in the number of vehicles registered in the county.

The total real property levy for FY 2013-2014 is calculated on a tax base of \$23,815,418,174, the recommended tax rate of 44.25 cents, the FY 2011-2012 audited collection rate of 95.04%, and is projected to provide \$100,156,217 in revenue. The total property tax revenue projection for both real property and motor vehicles is \$104,046,323 which is \$2,135,011 or 2.09% more than the original budget for FY 2012-2013. The value of one cent on the tax rate is \$2,351,329. The county tax on a home valued at \$250,000 would be \$1,106.25 and the county tax on a vehicle with a value of \$25,000 would be \$110.63.

The second largest source of general governmental revenue is local option sales tax. The growth in sales tax revenue has exceeded current year projections and the outlook for continued growth extends into the projection for FY 2013-2014. Total county sales tax revenues, exclusive of the portion of Articles 40 and 42 designated for school capital needs, are projected to be \$13,385,992 which is \$1,779,183 or 15.33% higher than the original budget of \$11,606,809 for FY 2012-13. The portion of Articles 40 and 42 designated for schools is \$4,570,642 which is \$515,650 or 12.72% more than the original budget for FY 2012-2013 of \$4,054,992.



The increased sales tax is attributable to the general improvement of economic conditions within the county and the increase in the number of retail businesses locating within the county. The local portion of the sales tax is 2.25 cents and the state sales tax rate is 4.5 cents for a total of 6.75 cents pending no other sales tax changes by the General Assembly.

Projections for other revenue sources for FY 2013-2014 are mixed with some continuing to decline and others with moderate increases. Emergency Medical Services fees have been consistent in recent years due to growth in calls for service, the addition of non-emergency transport services and improved general collections. Total EMS charges are projected to reach \$3,265,000. The EMS Medicaid Cost Settlement revenue is projected to dip to \$670,000.

There are significant improvements projected for other major general government revenue categories projections as follows:

Revenue	FY 2011	FY 2012	FY 2013	FY 2014	% Change
Investment Earnings	\$200,000	\$192,000	\$56,100	\$85,000	+51.52%
Solid Waste Tipping Fees	\$950,000	\$1,000,000	\$1,000,000	\$1,180,000	+18.00%
Building Permits	\$775,000	\$610,000	\$728,500	\$873,966	+19.97%
Excise Tax	\$1,800,000	\$1,900,000	\$1,800,000	\$1,850,000	+2.78%

The Sheriff has aggressively sought new revenues to offset the costs of serving civil warrants and detention center operations. The recommended budget includes an increase of \$100,000 associated with State misdemeanor reimbursements, \$115,000 for reimbursements from other counties for housing inmates and \$44,400 from additional federal inmate reimbursements.

The main category of revenue anticipated to continue to decline is restricted intergovernmental funds from the State and federal governments projected to total \$13,914,634 which is down \$671,280 or 4.6% from the prior fiscal year original budget of \$14,585,914. For the first year, the recommended budget includes an estimate of \$500,000 of Medicaid Maximization funds in the health fund to provide current year eligible services. In prior years, the funds were committed to a reserve for future capital related needs. The recommended budget includes \$549,400 from the prior year accumulation of Medicaid Maximization funds health escrow reserve to aid in the cost of electronic health records implementation.

The recommended budget includes a fund balance appropriation in the amount of \$2,556,784 or an increase of \$1,308,664. This level of fund balance appropriation is consistent with the county's level prior to the great recession and is considered reasonable due to the county's FY 2011-2012 unassigned fund balance of \$48.1 million or over 31.5% of expenditures. All of the FY 2013-14 fund balance appropriation is dedicated to non-recurring expenditures. The county ended fiscal year 2011 with actual revenues in excess of expenditures of \$3,692,516 and \$2,340,273 in fiscal year 2012.

Expenditures

The FY 2013-2014 budget includes adequate funding to maintain existing services levels, existing personnel and fringe benefits and contractual obligations while providing for the implementation of the costs of the FY 2012-2013 compensation study and significant improvements to technology infrastructure. The budget includes more capital outlay than recent

years and the Five Year Capital Improvement Plan includes some smaller pay as you go projects that will not require the county to incur additional debt. Due to decreases in investment performance, LGERS is implementing a 0.33% general employee and 0.51% law enforcement employer contribution increase effective July 1, 2013. The increase will take the rate for general employees from 6.74% to 7.07% and law enforcement from 6.77% to 7.28%. The contribution increase will cost the county approximately \$176,000.

In September 2011 the County assumed ownership of the Brunswick Community Hospital property. Negotiations to complete the sale of the property are ongoing at this time. A total of \$125,000 is included to provide for the operation and maintenance costs for the building and grounds for approximately five months.

Solid Waste Management

Solid waste management, including the operation of the county's construction and demolition landfill and contracting for the countywide curbside collection of municipal solid waste, represents 8.7% of the general government expenditures. The county recently renegotiated a five year extension of the countywide solid waste collection and disposal contract with Waste Industries that extends the contract through June 2019. The new contract eliminated the fuel surcharge and retained the annual price adjustment formula for the term of the contract and locked the prior unit price of \$11.66 per month through June 30, 2013. The FY 2013-2014 unit price is \$11.79 based on 78,843 units with a projected increase in service locations of 600, the additional cost for countywide solid waste collection is \$170,000.

The construction and demolition tonnage being received at the county landfill had a slight decrease as of April 2013, declining 2.25% compared to the previous year. To preserve the existing capacity in the landfill and extend the useful life of the facility, the county has a contract with Waste Industries for diversion of waste to a landfill in Sampson County, North Carolina. The cost of diverting 60% of the waste from the landfill is currently \$38 per ton or \$350,000 per year. A transfer to the Capital Reserve Fund for landfill closure cost is not recommended. The current reserve balance accumulated is \$3.7 million and the total cost of closure is estimated at \$6.3 million.

Per the above referenced solid waste contract, Waste Industries is providing curbside recycling services on a voluntary individual contract basis for which the costs are borne by the users through direct billing with no direct fiscal impact to Brunswick County. As of May 2013, Waste Industries reports there are 23,208 county households using curbside recycling either voluntary or through their municipal services.

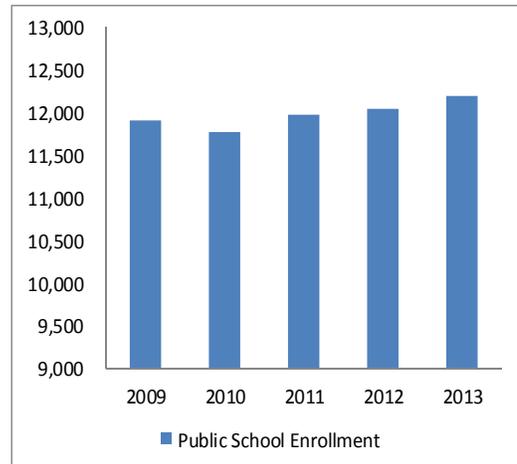
Brunswick County Public Schools

The county entered into a new funding agreement with the Brunswick County Board of Education for fiscal years 2013-2014 and 2014-2015. The terms of the agreement are

substantially identical to prior agreements. The requirements are for the county to provide 36.5% of the ad valorem tax revenue to the schools for operating expenditures less the portion of the tax rate dedicated to pay debt service. The total recommended FY 2013-2014 school appropriation, in accordance with the funding agreement, is \$34,197,246 which represents an increase of approximately 3.57 percent or \$1,179,197 over the FY 2012-2013. Under the terms of the agreement, 35.75%, or \$33,494,563 will be used for current expense and 0.75% or \$702,683 will be used for category 2 (furniture, fixtures and equipment) and category 3 capital outlay (vehicles and rolling stock). The schools are projected to receive \$1,914,212 of local option sales tax proceeds, after subtracting \$2,656,431 dedicated for school debt service, to be utilized for category 1 (improvements to buildings and grounds) annual needs. It is estimated that State lottery proceeds will be provided totaling \$800,000 to be used mainly to meet annual technology needs. The schools capital improvement plan includes the utilization of prior local option sales tax collections of \$371,300 and prior year ad valorem collections received pursuant to the fund agreement of \$1,308,866 to aid in funding for additional category 1 system improvements.

The total general obligation debt service for Brunswick County Schools for FY 2013-2014 is \$5,609,350. An additional \$2,656,431 of limited obligation debt associated with Town Creek Elementary School and Cedar Grove Middle School is funded from sales tax revenue dedicated to school capital under statute. Including the debt service, 38.3% or \$39,806,596 of the County ad valorem property tax revenue is appropriated for k-12 public education purposes.

In FY 2011-2012 Brunswick County ranked 13th in the State of North Carolina for local funding of public schools based on per pupil expenditures. With State provided funding rank of 95th, federal funding rank of 54th and local per pupil expenditures combined, Brunswick County ranked 49th in the State in total for \$8,569.35 expended per pupil.



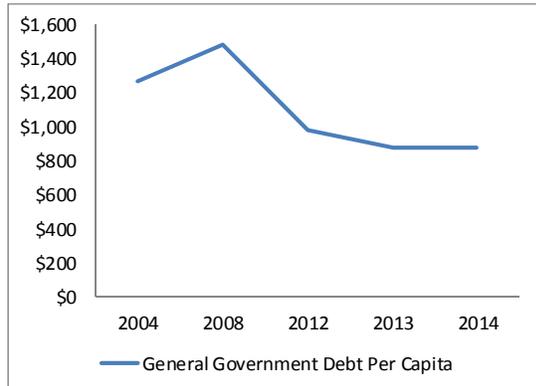
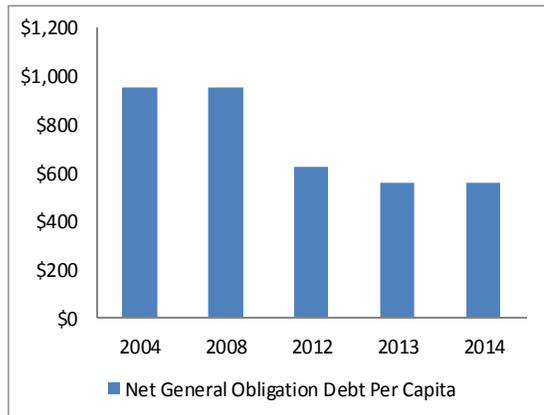
Brunswick Community College

Brunswick Community College completed renovations to the South Brunswick satellite campus project in the Carolina Shores area as part of the general obligation bond funded capital projects. The Southport satellite campus improvements are in the final stage bringing all of the college bond projects near conclusion. The total General Obligation debt service for Brunswick Community College is \$2,510,063.

The recommended community college appropriation for FY 2013-2014 is \$3,787,664 with an increase of approximately 3.57% over the FY 2012-2013 appropriation of \$3,657,105. The recommended increase in the college appropriation is based on continuing to provide the same percentage increase as received by the Brunswick County Schools funding agreement formula.

Debt Service

Brunswick County government is in a good position with regard to capital facilities for general fund operations. There is adequate office space for a workforce that has shrunk in recent years and excess capacity in the county detention center. Topping the list of needs of Brunswick County include some renovations and maintenance to existing buildings, new senior citizen center and park expansions and upgrades. Enrollment growth projections for Brunswick County Schools are



projected to remain steady in the near future so it is possible that new school construction can be deferred for several years. Overall, Brunswick County's per capita debt ratio is low. The County's total outstanding Governmental funds debt declined from \$110,220,000 to \$100,655,000 as of the end of FY 2012-2013. This equates to approximately \$876 per capita and current net general obligation debt is approximately \$556 per capita.

The FY 2013-2014 includes an estimate of \$42,794 for the first year of interest for an installment financing of approximately \$4,566,474 for Town Creek Park improvements. The total debt service budget will be \$13,026,671 which represents a decrease of \$1,148,519 or 8.1% less than the debt service budget for FY 2013-2014. This reduction is realized primarily due to lower interest costs associated with the refunding of existing debt to take advantage of lower interest rates without extending debt maturities. The reduction in total governmental debt service for FY 2013-2014 is another major factor in the improvement in the county's budgetary position compared to the current year. However, the general government debt service is anticipated to increase to over \$14 million in FY 2014-2015 due to the existing amortization maturity schedules and a full year of additional debt service for Town Creek Park.

The total principal payments on general fund debt are \$9,215,000 with interest and service fee payments equaling \$3,811,671.

Human Services

Changes in the costs for Human Service Departments and related organizations include a general government local funding contribution of \$3,382,199 to the health fund programs representing a reduction of \$80,692, over the current year appropriation. Due to the combining of the health and social services programs into a health and human services organization, the county will be required to provide a maintenance of effort in the FY 2014-15 budget under H438 that equates to the FY 2010-2011 funding level of \$3,781,570. The health fund budget includes an appropriation from reserves accumulated from Medicaid Maximization funds for the implementation of electronic health records with an estimated cost of approximately \$500,000.

The total contribution to the social services fund of \$5,395,122 represents an increase from the current year of \$71,534.

Funding for Coastal Care is recommended to remain the same at \$692,000.

The recommended appropriation to Brunswick Senior Resources, Inc. is \$1,550,000.

Employee Benefits

During the recession Brunswick County managed to avoid reductions in employee compensation and benefits while providing a \$1,000 non-recurring bonus to all full-time employees in November 2011 and a merit pool fund of 2% in September 2012. The FY 2012-2013 budget funded a classification and compensation study. The FY 2013-2014 recommended budget includes \$2,500,000 to fund option 3 of the classification and compensation study which provides for an 8% increase in the pay ranges, a 5% increase for employees with a grade increase of 1 or more grades, a service longevity/parity adjustment for Brunswick County service years with a maximum of 5% and a minimum of 3%.

No plan design changes to the employee group health insurance schedule of benefits are recommended. As an organization we will embark on the second full year of the transition to being self-insured with the group health insurance. After more than a year and a half into the plan year, claims have tracked at expected levels. The decision was made to maintain the employee premiums and county contributions to the health fund constant in FY 2013-2014. The self-insured health plan is operating at 85% utilization with a reserve of \$2.6 million accumulated as of April 30, 2013. The sector that has experienced the highest claims is the dependent spouses where claims have exceeded contributions by 217% thru April 2013, an increase of 5% over the first plan year. After the aggregate stop loss payments of \$1 million, additional claims, if any would be the responsibility of the county to pay. Specific stop loss insurance for individual claims exceeding \$150,000 is in place to manage the risk associated with a self-insured plan.

In order for the county to have the opportunity to achieve success under the self-insured plan, it is important for the county to expand opportunities for employee health awareness and lifestyle changes. Therefore, this budget includes a level of funding to continue the employee wellness clinic for all employees and dependent spouses. Additionally, spouses and dependents that have access to health insurance benefits from another source must elect coverage under the other source and will not be eligible for participation in the county health plan. These measures are anticipated to assist in maintaining the fiscal solvency of the self-insured health program.

The proposed budget includes funding for all currently provided employee benefits, including the 5% 401K employer contribution and longevity pay for employees with five years or more of service.

Staffing / Positions

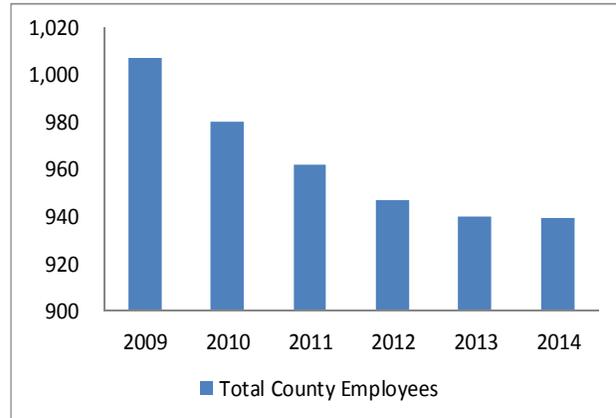
The economy continues to impact the service delivery and workload of county departments in different ways. Some departments, primarily those associated with development and construction permitting continue to experience reduced activity from 2008. Other departments, primarily those that provide humans services, public safety or internal and support services have seen an increase in service demands. It has been a goal of Administration and the Board to avoid a reduction in force. In FY 2009-2010 twenty-two vacant positions were eliminated for a cost savings of \$971,304 including salary and benefit costs. In FY 2010-2011 an additional sixteen vacant positions were eliminated for an estimated savings of \$743,722. The FY 2011-2012 budget included the elimination of twenty-two full-time positions for a total reduction of approximately \$1,019,467 and in an effort to reach a sustainable employee base; the FY 2012-2013 budget included the elimination of 15 vacant positions representing a savings of approximately \$594,993. There are no general government positions recommended to be eliminated in FY 2013-2014.

A total of 14 new positions were requested for general government. For the first time in many years, the recommended budget includes 2 new positions, a SQL administrator for the MIS department at a cost inclusive of benefits of \$66,963 and a social work investigator/assessor for DSS at a cost inclusive of benefits of \$62,672. The recommended budget includes the transfer of a temporary re-assignment position from the clerk to the board to the judge's office to become a permanent veterans' service technician and the funding transfer of one-half the salary of a computer information specialist from the enterprise fund to the finance department.

The general government operations provide for 9 elementary resource officers added in mid-year of 2012-2013 to be reimbursed by the school system or grant funds recently applied for.

A total of three new positions were requested for the enterprise operations and two positions were recommended to be deleted due to completion of projects and the phase in of the electronic meter reading system. The budget includes the recommendation of one utility system electrician in the sewer fund at a cost of \$54,274.

These changes would bring the total number of positions to 939, of which 820 are associated with general government functions and 119 associated with the enterprise operations.



Capital Improvement Plan

The list of projects recommended for funding in FY 2013-2014 includes twelve projects totaling \$14,865,441. Two of the projects included in the economic development category are infrastructure projects for failed residential development projects that the county will complete using surety/performance bond proceeds. The largest is for the Avalon Project for which the county has \$3,515,210 remaining to complete the planned infrastructure.

The central services section of the recommended plan includes \$75,000 for HVAC System replacements in EMS, and \$306,650 to replace the roof on Buildings H and F.

Related to environmental protection the plan includes \$98,000 for a replacement floor in the MSW transfer station, professional fees related to Phase I of the construction and demolition landfill expansion, and \$375,000 for Phase I of the construction and demolition landfill closure. The landfill closure activities would be funded from capital reserve funds designated specifically for that purpose.

The culture and recreation component of the plan includes \$4,566,474 for the construction of improvements to the Town Creek Park, \$344,522 for the design fees for improvements at Waccamaw Park and \$3,000,000 and for a senior/community center in the Leland area.

The projects in the public safety section of the plan is the sheriff's firing range at \$200,000 to be funded from capital reserve funds and an expansion to the 911 Center to be funded with grants.

The FY 2013-2014 Capital Improvement Plan as presented includes \$377,522 of current year revenue transfers from the governmental funds and \$4,566,474 of debt proceeds to fund

projects. Since the five-year capital improvement plan represents a living document some projects originally scheduled for FY 2013-2014 have been deferred to future years.

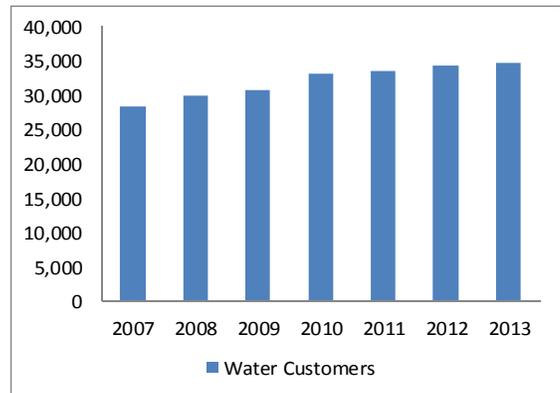
Capital Outlay and Major Operating Expenditures

The recommended budget includes a total of \$2,651,136 in capital outlay and major operating equipment for operating purposes in the governmental funds, up by \$642,629 from the FY 2012-2013 budget capital outlay total. Capital outlay in general fund departments has been deferred for several years and consists of items in excess of \$5,000 in value. Some of the more significant capital items include 18 replacement patrol vehicles for the sheriff’s office \$451,380, 2 new ambulances with cots \$316,950, and a viper radio diagnostic system costing \$62,000, the first phase of technology infrastructure identified critical needs equipment totaling \$350,620, 109 desktop computers to achieve a 5 year replacement rotation at a cost of \$109,000, 14 tablet computers for the implementation of the electronic health records, 17 foot flat bottom work boat with trailer \$15,000, 60 HP tractor \$45,000, zero turn commercial grade mower \$15,000, mini rubber track excavator for the landfill \$60,000, Building I improvements for planning offices \$11,000, press box replacement at Shallotte Park \$27,000, irrigation of soccer fields at Smithville Park \$22,000, replacement of fencing at Leland Park \$10,000 and a Trimble laser optics and positioning system for environmental health at a cost of \$15,000

In the emergency telephone fund, an appropriation is recommended to provide \$225,902 of funding assistance to aid in the construction costs for the new 911 building.

ENTERPRISE FUND

The county enterprise fund continues to expand to meet the service needs of the retail and wholesale customers. Although not increasing as rapidly as before the recession, the customer base is experiencing moderate growth. The county currently has 34,719 water retail customers and 11,516 sewer retail customers. Customer connections provide capital recovery fee revenue, which a source is dedicated to the retirement of debt service for system expansion projects.



Since 2001, the County has aggressively pursued the development of regional wastewater systems and has made great progress in positioning the county for growth with treatment and transmission systems in place in the three distinct regional service areas. We continue to strengthen the regional concept by adding partners and establishing contractual relationships that eliminate duplication of effort and capital costs.

Developments that have occurred over the last several years that are coming to fruition to further strengthen the county's role as the regional wastewater treatment provider in Brunswick County. In FY 2011-2012, the Calabash wastewater collection system and the Brick Landing collection system improvements and pump station and force main projects were completed. In FY 2012-2013, the Sunset Beach collection systems were completed and construction began on the Boiling Spring Lakes wastewater collection and transmission system projects. In November 2012, the county and the Town of Ocean Isle Beach entered into an agreement whereby the town became a regional wastewater participant which will insure a long term source of high quality wastewater treatment capacity for the citizens of the area. The Northeast Regional Wastewater Plant 825,000 gpd expansion contract is under construction and scheduled to begin soon to provide the treatment capacity needed to sustain the continued growth in the northern portion of the county.

The County continues to expand the water distribution system to meet the potable water needs of the county. The contract was recently awarded for the FY 2012-2013 neighborhood projects consisting of Pinewood Drive, Freedom Star Drive, Old Ferry Road, Sunfield Court, Mashie/Sun County, Grissett Road and Mariners Village.

The County continues to make strategic capital improvements that will put the utility systems in a position to meet the long term needs of our customers.

WATER FUND

Revenues

The total recommended water fund budget for FY 2013-2014 is \$21,131,259 which is in line with the original budget for FY 2012-2013 appropriation and includes a transfer to the capital project fund of \$3,350,000. Although the number of new taps is somewhat suppressed compared to the years preceding the recession, approximately 600 connections are projected in the upcoming fiscal year. Six hundred connections should generate approximately \$516,000 in capital recovery fee revenue and \$175,000 in water transmission line capital recovery fees. Tap fees are expected to generate \$220,000.

No increase is being recommended in the retail water rate of \$3.05 per 1000 gallons and the \$11.00 per month base charge. Total commercial and residential retail water sales are projected to be \$6,396,625 or \$4,786,975 for retail and \$1,609,650 for irrigation. The base fee of \$11.00 will produce \$4,633,200 and investment earnings for the Water Fund are expected to remain flat at \$40,000.

Wholesale and industrial water rates are adjusted annually based on the Producer Price Index for May of each year. Wholesale water revenue has increased consistently over the prior three years taking into consideration that the number of wholesale customers has been reduced

due to the transfer of the Sunset Beach and Boiling Spring Lakes water systems being conveyed to county ownership. The new wholesale/industrial rate is estimated to increase by 5 cents this year based on the PPI Index for April. The actual rate is based on the May PPI Index. The current wholesale rate is \$2.76 per 1000 gallons. The rate cannot be finalized as the May PPI is not yet available, however an estimate would be in the \$2.81 to \$2.85 range. Staff is recommending that the wholesale rate remain at \$2.76 unless the PPI calculation for May results in a lower rate. Assuming the current rate of \$2.76, industrial water revenue is projected to increase slightly due to increased sales to \$2,317,020.

Included in the revenue total for the water fund is an appropriation of expendable net assets in the amount of \$1,164,211 for capital projects.

Operating Costs

There were 1.5 new positions requested for the water fund, a public education specialist and a utilities warehouse assistant with neither recommended for funding. As planned, a reduction of 1 meter reading position is recommended due to the automated meter reading system phase in project. The amount budgeted for the purchase of raw water from the Lower Cape Fear Water and Sewer Authority is decreasing slightly from \$1,083,300 to \$1,047,323. The anticipated rate is \$0.26 per thousand gallons. The county will continue to operate and maintain the raw water pumping station at Kings Bluff for the LCFWSA on a reimbursable basis. The operating budget for the Kings Bluff Pumping Station is increased by approximately 12.0% to \$293,453 due to increases in equipment costs.

Capital Outlay

The largest capital expenditure in the water fund is \$1,800,000 for the fifth year implementation of the automated water meter reading system and meter installation. The county is on schedule to complete the project in 2 years. Other large capital outlay items include an extended boom backhoe with forks costing \$70,000 and a vac machine valve at \$51,000. Four replacement trucks are included at a total cost of \$112,000 along with a new diesel utility work truck at a cost of \$55,000.

Debt Service

Debt service in the water fund is low and only one new debt issue is slated for the upcoming year. Phase I of the Northwest Water Transmission Improvement project is included as a capital project for FY 2013-2014. If the project is financed as planned there would be \$55,000 principal and \$80,850 of interest payments due in FY 2013-2014. The total water fund debt service budget is \$1,884,802 for an increase of 16.3% or \$264,254.

Water Capital Improvement Plan

The water fund capital improvement plan includes nine projects for FY 2013-2014 at a total estimated cost of \$10,082,574. The largest project is Northwest Water Transmission Project Phase I with an estimated total cost of \$9,125,000 and it is the only project to be financed.

Other water system improvement projects to be funded on a pay as you go basis without incurring debt are the design fees related to the Northwest Plant Phase 2 at \$1 million, Sunset Beach Island Second Feed \$1,050,000, neighborhood expansion of water mains \$850,000, design of the Southeast Area Water Tank \$100,000, mobile generator storage building \$100,000, second feed to the City of Northwest \$1,500,000, and 211 Plant Improvements at an estimated cost of \$1,150,000.

Waterline expansion projects planned in the upcoming fiscal year include Watts Road, Tropical Shores II Subdivision, Fifty Lakes Drive, Old Ferry Connection, Mintz Cemetery Road and Turkey Trap Road. The projects will be constructed with an estimated \$850,000 of capital reserve funds.

WASTEWATER FUND

The total recommended sewer fund budget for FY 2013-2014 is \$21,428,419 representing a 6.3% increase or \$1,264,446 over the FY 2012-2013 original budget primarily due to moderate increases in collection costs associated with the Calabash and Sunset Beach systems and the acquisition of the Ocean Isle Beach Plant.

Revenue

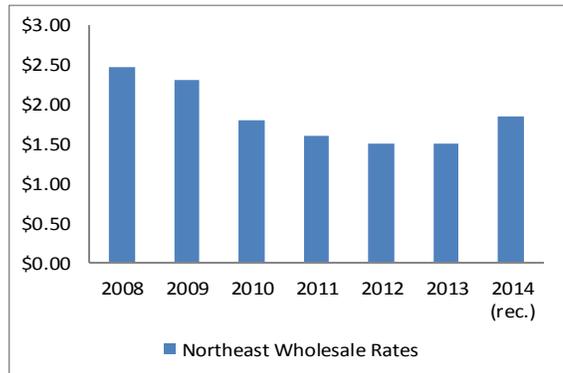
There is no increase in the current sewer retail rate structure that is projected to generate \$7,553,888 or \$619,888 more than the \$6,934,000 projected in the original FY 2013 budget. This increase can be attributed to the increase in the customer base to include the addition of 1,200 customers in Sunset Beach.

The number of new sewer connections is conservatively projected to be approximately 150 in addition to the customers added from the Sunset Beach project that will not pay capital recovery fees if they connect within one year of system completion. Sewer capital recovery fees are projected to generate \$450,000 and sewer transmission capital recovery fees are projected to generate \$150,000. Capital recovery fee revenue has primarily been used for smaller pay as you go capital projects and debt service retirement. Since the wastewater fund still has a relatively small customer base, the slowdown in new connections and the associated decline in capital recovery fee revenue have created some budgetary challenges to pay the debt that has resulted

from the county’s aggressive expansion of county and regional collection, transmission and treatment systems.

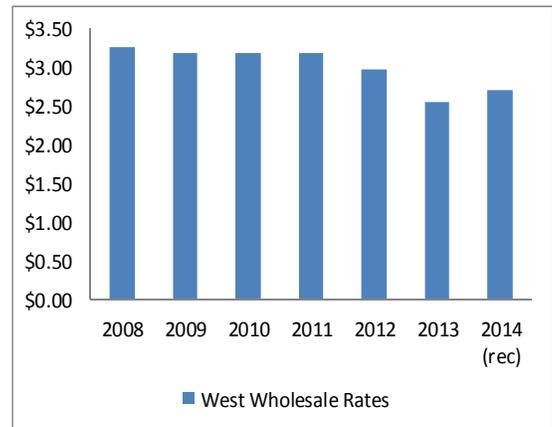
Operating Costs

There was 1 new position requested for the Sewer Fund, a utility system electrician which is recommended due to growth to over 140 system pump stations and the State requirement to provide weekly checks and maintenance.



The regional wastewater systems operated by the county continue to be successful in that the unit operational costs continue to stabilize as the flow increases. The Northeast Regional Wastewater system has been in operation for 10 years. Based on an annual average daily flow of 1.36 MGD and an operational budget of \$857,851, the wholesale rate for the Northeast participants will increase from \$1.50 to \$1.85 per thousand gallons.

The recommended operating budget for the West Brunswick Regional Wastewater System is \$1,993,465 up 6.2% due to the increased operating costs and permit requirements for the 6 MGD expanded plant and increased flow. In addition to personnel costs associated with positions added in recent years, the operating cost increase will primarily be in the areas of electricity, contractual services for sludge removal and capital outlay. The wholesale rate is recommended to increase from \$2.55 to \$2.70 per 1000 gallons.



Capital Outlay

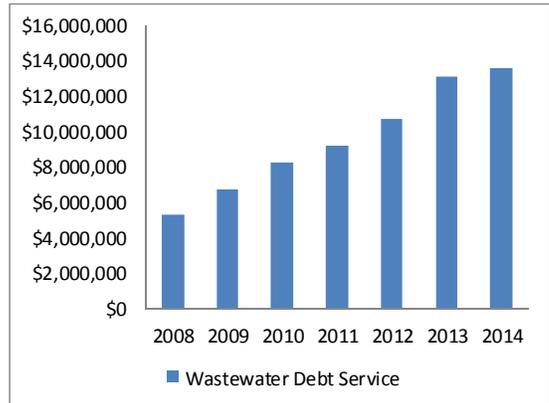
Capital outlay for the sewer divisions includes three replacement trucks at a cost of \$81,000 and a ¾ ton truck with service body shared by the regional plants at a cost of \$36,000. Other capital outlay includes a new 30 ton boom truck at a cost of \$300,000 and a disc filer panel replacement at the Northeast plant at a cost of \$44,000. Total capital outlay for wastewater departments is \$537,900.

Sewer Fund Debt Service

The sewer fund debt service budget is substantial due to the development and expansion of collection systems and regional treatment and transmission infrastructure. The total debt

service budget for FY 2013-2014 is \$13,597,858 slightly increased from FY 2012-2013. There is no new sewer debt recommended.

West Regional wastewater participants are responsible for \$4,576,968 of the total sewer fund debt service that is related to the construction and expansion of the plant and associated facilities. The Town of Oak Island will contribute \$2,907,369, the Town of Holden Beach will contribute \$1,171,050, and the Town of Shallotte will contribute \$498,549. Although not a participant in the West Regional System, the City of Southport will contribute \$350,000 under the terms of an interim wastewater treatment agreement with the County and Ocean Isle Beach will contribute an additional \$275,000.



The Northeast Regional Wastewater participants are responsible for \$1,333,540. The Town of Leland’s contribution for the State Revolving Loan Fund debt for Phase I of the Northeast Regional Plant and their portion of the new debt for the current expansion is \$910,692. Debt service reimbursements for the remaining Northeast Regional participants for the expansion includes the Town of Navassa \$110,725, the City of Northwest \$77,142, and Brunswick Regional Water and Sewer H2Go \$234,981.

Wastewater Capital Improvements

The wastewater capital improvement plan for FY 2013-2014 includes two primary projects at a total projected cost of \$5,100,000 including construction of the Ocean Ridge and Angels Trace Force Main project estimated at \$1 million and the Ocean Isle Beach Wastewater Treatment Plant Pump Station construction costing \$3.5 million. The projects are anticipated to be funded with proceeds remaining from prior sewer capital project debt issues.

Conclusion

The outlook for FY 2013-2014 is more optimistic than the previous five years but uncertainty of economic conditions still exist. If the modest growth projections ranging from 1 to 3 percent are realized, the county may continue to reduce the reliance on non-recurring funds to balance the general government operating budget. Significant progress has been made toward that goal due to some very proactive and strategic actions by the Board of Commissioners and staff to reduce expenditures. We need to continue to identify and evaluate alternative ways of doing business that will result in cost reductions while maintaining high service levels.

Brunswick County Board of Commissioners

May 15, 2013

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I would like to thank the Board of Commissioners for providing valuable direction to the staff to assist staff in the development of this recommended budget. I look forward to working with you over the next several weeks to develop a final budget for FY 2013-2014 that will meet the service needs and expectations of everyone we serve.

Respectfully Submitted,



Ann B. Hardy
Interim County Manager/Finance Officer