

# BRUNSWICK COUNTY ADMINISTRATION

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Brunswick County Board of Commissioners:

It is my pleasure to present to you the recommended budget for Brunswick County for fiscal year 2008-2009 for all funds that totals \$224,123,085. This represents an increase of 13.3% over the budget adopted June 18, 2007. The budget is balanced and the recommended ad valorem tax rate is 30.5 cents. The recommended budget includes some significant capital improvement projects that will improve the quality of life for the residents and visitors to Brunswick County. The departmental operating budgets are funded adequately to maintain existing service delivery levels.

During the last two years Brunswick County has experienced a significant slowing of the local development activity as the result of the nationwide impact of the economic downturn. Despite the fact that the country is experiencing the highest fuel and energy costs in history and the real estate markets are struggling in the midst of the mortgage crisis, record number of foreclosures and declining property values, Brunswick County was again this year cited as the 17th fastest growing county in the United States and second in North Carolina. Using single-family home construction as the measuring stick for growth and the local economy we are experiencing the third year of a decline. During the first quarter of calendar year 2008 countywide single family permits averaged 158, down 11.2% from the same time period in 2007 and 49.9% from 2006. The one bright spot is continued steady commercial construction to support the permanent population growth that now exceeds 102,000 residents.

Brunswick County is a desirable place where people want to live. County leaders continue to recognize the need to be proactive with basic infrastructure development including water and wastewater collection system and treatment facility expansions and new school construction. We will be well positioned to handle the next wave of growth when the nation's economic recovery begins. Current economic conditions are having a significant impact on the county budget unseen in the last ten years due to some revenue sources being flat or decreased and healthy operating cost increases on necessary items. However, during difficult and uncertain economic times we must rely on the creativity and management skills of our key leaders to make progress with less than desired resources. In keeping with the theme of the budget retreat, "sustainability" and "austerity" measures were serious considerations when developing this document.



## **Board of Commissioners Major Goals**

The Annual Budget Retreat produced 12 major goals that were outlined by the Board of Commissioners for action during the upcoming fiscal year. The major goals for FY 2008-2009 include:

1. To work with the North Carolina Department of Transportation to adopt a viable Comprehensive Transportation Plan and seek assistance and support from the Board of Realtors and the NCACC to develop strategies for funding road construction.
2. To continue to advance the financial stewardship of the County through tax base diversification, development of a 5-Year financial plan and maintaining realistic fund balance and debt coverage policies.
3. To continue to place an emphasis on customer service in all aspects of County service delivery.
4. Continue to be proactive and aggressive in the development of the County's water and sewer infrastructure to serve a larger percentage of the population and accommodate quality growth and development.
5. To focus on sustainability and resource conservation and encourage green development practices to preserve the natural resources of the County.
6. To expand the county's motor pool in order to provide a fleet of dependable vehicles for county employee business use.
7. To coordinate Phase III of the Artwork Program for the New County Administration Building and include work that depicts the history of Brunswick County.
8. To improve the county's purchasing system structure to implement better controls for inventory and evaluate the merits of a countywide purchasing department.
9. To promote the County's Revolving Home Construction Program and adopt zoning ordinance amendments that provides incentives for the development of affordable housing units in the County.
10. To continue to develop programs to combat the litter problem and promote recycling to reduce the trash stream and the impact on landfills.
11. To continue to promote the beautification of Brunswick County through proactive code enforcement and modify ordinances to facilitate a streamlined process.
12. To implement an employee wellness and health management program to improve employee health and reduce claims experience in order to maintain a high quality sustainable group health insurance benefit plan.

## **GOVERNMENTAL FUNDS**

### **Revenues**

The total recommended Governmental Funds Budget is \$179,129,077, which represents a 7.9% increase over FY 2008. Property tax revenue provides 56% of the total governmental fund revenue. The largest source of governmental fund revenue continues to be the property tax. One year removed from a general reappraisal of real property in

Brunswick County the smallest percentage increase in tax revenue in the last 3 years is projected due primarily to the slowdown in construction and additions to the tax base.

The projected tax base for FY 2008-09 is \$32,780,000,000 up 7.9% percent from the base of \$30,382,014,881 on which the FY 2008 budget was based. The budgeted tax levy for FY 2007-08 was \$ 90,379,038.

The total projected real property value is \$31,780,000,000 which represents an 8.4% change over the 2007 real property base of \$29,312,171,000. The recommended property tax rate for FY 2008-09 is 30.5 cents and is projected to generate approximately \$97,616,165 at a collection rate for real property of 98%. Total property tax revenue from real property and motor vehicles will increase by \$7,237,127 or 8.01% due to moderate growth in the tax base and a slightly lower anticipated collection rate. The value of one cent on the tax rate is \$3,200,530. The owner of a \$250,000 home will pay \$762.50 in county property taxes and the owner of a \$450,000 home will pay \$1,372.50. Fiscal Year 2008-09 will be a full year of motor vehicle revenue at the rate of \$30.5 cents which is expected to reduce total vehicle tax revenue by approximately \$193,000 or 6.8%. The adopted tax rate of .54 cents from FY 2006-07 was effective through October of 2007 and rendered more revenue. The adopted rate will apply consistently each month during the upcoming fiscal year netting slightly less revenue.

Sales tax remains the second largest source of governmental fund revenue although projected revenues are reflecting declines over budgeted revenues for the current fiscal year due to a drop in consumer spending and the anticipated impacts of the Medicaid relief swap. Total county sales tax revenues excluding the portion of Articles 40 and 42 designated for schools are estimated at \$4,366,760, down 2.4% from last years budgeted totals of \$4,476,151 which will not be realized in the current fiscal year due to lower receipts. Counties Medicaid savings in the current fiscal year were offset by a hold-back in the public school building capital fund with counties making up the difference in additional school capital dollars in the amount of \$448,541. This was a one time measure and will not impact the upcoming fiscal year budget. In addition to less sales tax being collected the Medicaid relief swap package adopted by the General Assembly in 2007 requires counties to relinquish ½ cent of local sales tax to the state over a two year period. Not impacting the upcoming fiscal year, the Article 42 sales tax, currently distributed on a per capita basis, will be distributed on a point of delivery basis with the October 2009 distribution. Counties will also relinquish a quarter cent of the per capita portion of the Article 44 sales tax effective with the sales made on or after October 1, 2008 and be required to hold their municipalities harmless for their Article 44 loss. The Department of Revenue will calculate the municipal losses and withhold this amount from the county's Article 39 monthly distribution and include it in the municipality's distribution. Assuming no other changes in the sales taxes, the local portion of the sales taxes will be 2.25 cents from October 1, 2008 through September 30, 2009 and the state sales tax rate would be 4.5 cents for a total of 6.75 cents.

This represents a significant change in a major revenue source for the county, however with the reduction in the county share of Medicaid that is to be phased out over three years and the "hold harmless" provision that guarantees that each county will realize a net benefit of at least \$500,000 in Medicaid relief it was positive legislation for

county governments in North Carolina. I am hopeful that the future growth in sales tax makes the Medicaid swap a more attractive deal for Brunswick County, however, in the short term we will likely need to receive the hold harmless payment to achieve the guaranteed benefit of \$500,000.

Investment earnings, a stable growing source of revenue during the last several years is projected to produce \$1,400,000 for the general fund or 48 % less than the FY 2007-08 budget and \$2,057,528 less than the actual interest earnings for the fiscal year ended June 2007.

Solid waste tipping fee revenue is expected to decrease by approximately 32% from the current budget of \$2,730,000 to \$1,856,000 and current year budget estimates will not be realized due to the decreased activity associated with the decline in home construction. The bright side of this is that less tonnage coming into the landfill and the continued diversion efforts will extend the usable life of the landfill allowing the county time to decide on an action plan for construction and demolition disposal, time to design an expansion and obtain permits if the Board elects to construct additional landfill capacity and continue operating a landfill.

Of the revenue sources that have experienced growth during the last seven years, Emergency Medical Services charges for service is the only source projected to increase due to increase in calls for service and effective collection measures. Building permits fees and other sources are projected to remain flat.

Economic conditions are having an adverse impact on the county's primary revenue sources. Even though property tax revenue is expected to increase due to the moderate growth in the tax base, the collection rate will dip for reasons that can be attributed to the economy. In order to balance the budget a fund balance appropriation of \$11,585,789 is recommended to balance the general fund. Of this total recommended fund balance appropriation \$8,482,100 is dedicated for capital improvement projects and \$3,103,689 is dedicated for capital and one-time non-recurring expenditures and contingency.

## **Expenditures**

During difficult and uncertain economic times the private sector as well as public sector organizations are forced to make tough decisions in order to continue operations. These decisions may range from personnel reductions, reorganizations and restructuring or discontinuing practices that are no longer sustainable. The proposed budget will allow the continued high level of service delivery and substantial progress to be achieved on some very key capital improvement projects that have been in the planning process for several years. What it does not do is fund many new initiatives that were proposed by various departments. It also makes no provision for any new full-time positions nor the elimination or reduction of existing positions. Some department heads will be asked to be creative and change the way of doing business to achieve desired performance outcomes. The County's payroll and employees benefit cost have increased in recent years to meet the demands of growth. Deferring the addition of positions for one or more years will result in a "correction" that will allow management to see where staffing shortages exist, if any. Approximately 202 total new positions have been added over the last three fiscal

years, including 176 in general fund departments and 26 in the enterprise fund and the merit pool has been maintained at an annualized rate of six percent of midpoint. The merit pool was based on midpoint of salary ranges in FY 2008 and recommended for midpoint for FY 2009. The full impact of the FY 2008 merit adjustments will be felt this year. At this writing approximately 62 full-time positions remain unfilled.

Although there was no new positions or major initiatives included in the recommended budget, the economy is also impacting the cost of providing services, so some departmental budgets show increases while others are very close to current year levels or below.

### **Solid Waste Management**

Collection and disposal of waste is a necessary but costly service. The county's solid waste costs are expected to increase on two fronts. First, the countywide solid waste contract costs are expected to increase significantly due to the increasing number of cans being serviced and the burden of the fuel surcharge for per gallon costs over \$1.69. Although the details of the fee structure for FY 2008-09 is not finalized, unless fuel cost are stabilized or reduced annual contract cost could reach \$10,600,000 for an 11.6% increase. Secondly, contract costs associated with the diversion of construction and demolition debris to a private landfill to preserve space in the County C&D landfill could approach \$500,000 under current terms. Since landfill tipping fee revenue is down a transfer to the capital reserve for landfill closure costs is not recommended.

### **Brunswick County Public Schools**

The funding agreement with the Brunswick County Schools was extended for the FY 2008-09 and relatively unchanged providing 36.5 percent of the County's property tax revenue to the schools for operating expenditures less any portion of the tax rate dedicated to general obligation debt service. Over the last three years, local funding for the schools has increased by an average of 10.9% and the student population has increased by an average of 3%.

The school appropriation for FY 2008-09 based on the funding agreement and the tax rate is \$31,751,968, an increase of 8.73% or \$2,549,167 over the current year. Based on projected student enrollment of 11,904, per student funding will increase to \$2,667 excluding debt service for schools. This represents a 7.8% increase over FY 2008 when the per pupil funding was \$2,475 with 11,798 students. The current expense allocation is \$31,099,530 and the capital outlay categories II and III allocation is \$652,438. In addition, \$4,366,760 of local option sales tax proceeds are recommended to be transferred to the School Capital Reserve Fund, of which \$3,099,804 will be used to service debt and \$1,266,956 will be allocated for capital outlay for categories I, II, and III.

Private placement installment financing in the principal amount of \$35,500,000 was secured in March 2008 to fund the construction of the Town Creek Elementary school and the Middle School near Holden Beach.

## **Brunswick Community College**

Brunswick Community College is experiencing steady growth in enrollment. Construction on several of the facilities approved in the 2004 General Obligation Bond Referendum will be completed and operational in FY 2008-09. Consistent with prior years the same percentage increase extended to the Brunswick County Board of Education is recommended. An increase of 8.73% in the amount of \$252,800 plus an additional \$250,000 is recommended in light of the major facility expansion and the associated operating costs. The total appropriation for the College would be \$3,398,563 representing an increase of 17.4% over the prior year.

## **Debt Service**

As referenced above the financing of the two new schools has been finalized and the approved amortization schedule is included in the general fund debt service budget for FY 2008-09. Additional principal and interest payments for the 2008 installment financing will total \$3,099,804. Debt service obligations retired during the current fiscal year include the Series 1993 G.O. Refunding (\$196,168 principal and interest) and the Certificates of Participation for School Renovations (\$877,200 principal and interest). Other changes in the principal and interest payments impact the debt service costs with the most notable being an increase of \$1,000,000 in the principal payment for the 2001 School G.O. Phase 1A. The total general fund debt service budget is \$16,099,623 representing a 20% increase of \$2,687,554 over FY 2007-08.

## **Human Services**

Some changes in the costs for Human Service departments and related organizations include a general fund contribution of \$4,857,525 to the Health Fund which represents an increase of \$327,139 or 7.2%, a total contribution to the Social Services of \$9,100,889 that is a reduction from the current year of \$1,333,175 or 12.8% attributed to the phased reduction of the county portion of Medicaid. Funding for Southeastern Mental Health was requested and is recommended to be the same at \$692,000 and an 11.1 % increase of \$150,000 to Brunswick Senior Resources Inc, for a total contribution of \$1,500,000.

## **Employee Benefits**

Brunswick County government provides a very competitive benefit package for all full-time employees. The Board of Commissioners has advocated a competitive compensation classification plan and group benefits. The recommended budget includes the same funding level per employee for group health benefits as the current year which is \$8,000 annually or \$666.67 per month. This is higher than most local governments pay for the employee health insurance premium. The premium has reached this level because of the rich benefit plan offered and claims experience and utilization has been increasing the last several years. In order to maintain an attractive schedule of benefits on the group plan, staff has evaluated options that could actually help reduce claims experience so the county could sustain an attractive plan and control costs. Options considered are a health management plan to improve employee health and consideration of the county

transitioning to a self funded option or Administrative Services Only (ASO) from a fully insured plan. All of the options will be presented during the budget work sessions. I am confident that an attractive option within the recommended budget amount can be selected by the Board.

The merit pool for the annual performance evaluation is recommended to remain at three (3%) for one-half of the fiscal year or six (6%) on an annual basis. The total governmental fund budgetary impact for the merit adjustment is \$1,373,486 for FY 2008-09.

### **Capital Improvement Plan**

The proposed FY 2008-09 Capital Improvement Plan for general county government related projects totals \$20,425,000. A funding source has been identified for all but one of the projects. Funding sources include a \$1,768,400 county capital reserve fund appropriation, \$282,000 from investment earnings, \$3,300,000 from previously issued debt proceeds (2007 2/3 G.O. Bond), \$750,000 in grant funds and reimbursement from others equaling \$550,000. The project that is not funded is the first phase of the C&D Landfill expansion that may include engineering, land purchase and construction costs. Due to the estimated \$8,000,000 cost the county would likely need to finance these costs depending on project scope and scheduling.

Projects included with recommended funding include Phase I of the Holden Beach Area Park facilities (\$3,000,000), Phase I of the Ocean Isle Beach Park project (\$3,000,000), Construction of the Southport Senior Citizen/Community Center (\$2,500,000) the Road and Highway Improvement Project for the Holden Beach Area Middle School and Park (\$1,100,000) that will be cost shared on a 50/50 basis with the Brunswick County Board of Education, Phase I of the Smithville Park Improvements Project (\$1,000,000).and the Leland Library Expansion and Renovation Project (\$1,000,000).

Smaller but very important projects scheduled for FY 2008-09 are the new Courthouse and Administration Parking Lot (\$350,000), Building J (Old Detention Center Demolition) (\$200,000), Building I Renovations (\$100,000) and the Wellness Center Renovations and Equipment (\$175,000).

The Capital Improvement Plan for Education Projects includes \$3,473,012 for various improvement and renovation projects and \$500,000 for technology in addition to the debt service for the two new schools under construction. The total Education capital plan for FY 2008-09 is \$7,072,817.

In 2007, the Brunswick County Airport requested that Brunswick County assist with expediting the capital projects related to the expansion and upgrade of the runway to 5,000 feet. During the current fiscal year the airport acquired land and initiated road improvements. In FY 2008-09, the runway expansion project is scheduled for construction along with additional land acquisition at an estimated cost of \$3,780,000.

After the Airport's contribution of their Discretionary Allocation of \$922,500 and the GA Entitlement of \$150,000, the net amount of County funding needed will be \$2,707,500.

### **Other Budget Facts**

- Fuel costs for general fund departments is expected to total \$2,200,173, an increase of 67.8% over FY 2007-08 due solely to increased cost per gallon.
- Electricity costs for general fund operations will increase by \$201,553 due to new facilities and a rate increase.
- Worker compensation insurance for the general fund will increase by 24.8% to \$1,061,007.
- The county's Property and General Liability Insurance premium is expected to remain flat with no increase.
- The budget includes funding for a third party vendor to administer an employee health management program to improve employee health and reduce medical claims for a total cost of \$175,000.
- The Teen Court Program is included in the budget to be fully funded by the county at a cost of \$50,953, due to the uncertainty of the JCPC funding.
- The budget includes \$50,000 for the new Brunswick County Drug Court.
- A contract for quick and reliable mass notification/communication service is included for \$120,000.

### **ENTERPRISE FUND**

Thanks to sound planning, proactive capital project funding, realistic rate setting and a commitment to regionalism and a multi-jurisdictional approach to addressing infrastructure needs, the Brunswick County water and sewer systems are well positioned to meet the future needs of Brunswick County and other utility service providers. Even with the economic slowdown, the customer base of both the water and sewer systems continue to experience steady growth. Boosted by the addition of the Sunset Beach water system in early July 2007, the water system now has 29,511 customers and the sewer system has grown to 8,184 retail customers.

During FY 2008 significant progress has been made on the design of the Sunset Beach and Calabash sewer collection systems. Public education has begun and construction should start on both projects during the 2008-09 fiscal year. Construction began on Phases I and II of the Southwest Pump Station and Force Main projects and construction has progressed well. Contracts were awarded for Phase II of the West Brunswick Regional Wastewater Facilities Projects including a 3 MGD treatment plant expansion, effluent disposal sites and transmission systems. The NC Division of Water Quality has provided the county with a speculative limits letter for effluent discharge to the Cape Fear River setting the stage for designing a 3 MGD expansion of the Northeast Brunswick Regional Wastewater Plant. On the water side a new elevated storage tank was completed in the Southport area as well as the Highway 130 water main project and the City of Southport and the Village of Bald Head Island began purchasing all of their

potable water from the County in lieu of operating wells and a treatment plant respectively.

## **WATER FUND**

### **Revenues**

The total recommended Water Fund Budget for FY 2008-09 is \$23,893,697, which is 33.6% or \$6,014,887 higher than the FY 2008 budget. Not anticipating a resurgence in new construction during the upcoming fiscal year we are projecting new water connections equaling approximately 1162 residential equivalent units that should produce \$1,000,000 in water capital recovery fee revenue. This is the same amount budgeted for the current year. In October of 2007 the Board of Commissioners adopted a new water transmission capital recovery fee of \$290 to be collected on each residential equivalent unit connecting to the system and to be used to reimburse developers for extending transmission lines. The fee is projected to generate \$337,000. Many of the new connections will be existing residents located in areas where the county is constructing new lines.

Water tap fees were increased to \$600 this year to cover the actual costs of the supplies, materials and manpower to make the connections. Tap fee revenue is estimated at \$400,000.

It is recommended that the retail water rate of \$3.05 per 1000 gallons and the \$11.00 per month availability fee remain unchanged. Total retail water sales are projected to increase to \$5,566,250 which represents an increase of 16.9% over the current year budget. The FY 2008-09 budget includes separate line items for retail water sales (\$4,466,250) and irrigation water sales (\$1,100,000). Prior years included both in the retail sales line item. Much consideration was given to an amendment to the rate structure such as an inclining block structure to encourage conservation, but that recommendation will be deferred to a later date. Availability fee collections will total \$4,150,000, an increase of 7.7%. Investment earnings are estimated to decrease by \$397,000 to \$306,000.

The wholesale and industrial water rates are adjusted annually based on the Producer Price Index for May of each year. Based on the change in the March Producer Price Index, it is projected that the wholesale rate will be increased by approximately \$0.11, from \$2.40 per 1000 gallons to \$2.51 per 1000 gallons. We will know the May PPI number before the budget is adopted in June and will recommend the rate be set accordingly. Industrial water sales are conservatively projected to be \$2,146,200 for FY 2008-09 which is approximately 3% less than the current budget. A conservative approach is used on industrial water usage due to historical fluctuations in sales. Wholesale water sales to the municipalities and sanitary district are projected at \$4,850,000 representing a 21.3% increase over the current budget. This can be attributed to the annual rate adjustment, normal growth and the decisions of Southport and Bald Head Island to purchase more water.

### **Operating Costs**

The Lower Cape Fear Water and Sewer Authority is expected to increase the raw water rate by \$.01 to \$.22 per 1000 gallons. This increase can be absorbed into the amount budgeted for the current year with no increase. The total budget for purchased water is \$943,000.

Based on a new strategy to increase water production at the Highway 211 Water Treatment Plant the operating costs for chemicals, electricity, sludge removal and disposal will increase by approximately \$183,000 total. The recommended budget also includes funding for the replacement of one (1) well to increase the available raw water so the plant can treat to its design capacity.

The Water Distribution budget includes improvements to the Bell Swamp Pump Station to improve system reliability and the installation of SCADA on the Oak Island tanks to improve system operation and better manage flow to Oak Island which will also benefit Caswell Beach and Bald Head Island. Electricity costs are projected to increase by approximately \$157,000 in the Instrumentation and Electrical Division due to an increase in pump run times and peak water usage.

### **Debt Service**

Current debt service in the Water Fund is relatively low. The total debt service budget is \$1,183,013 up 27% due to the inclusion of one-half year of lease payments (\$693,000) for the radio meter reading system if the Board elects to install such a system. The other significant change in the debt service schedule is the elimination of the Series 1993 G.O. Refunding Bonds for water system improvements, a reduction of \$426,982.

### **Water Capital Improvement Plan**

The Water Fund Capital Improvement Plan includes nine (9) primary projects for FY 2007-08 and a total appropriation of \$18,817,198. Water distribution system projects include the Longwood Road Waterline Extension \$2,500,000, Carolina Shores North \$1,514,629 and Lewis Loop Road, Peakwood Drive \$397,569 and the Holden Beach Area School / Park Waterline Extension \$275,000. A major Transmission System Improvement Project in the Shallotte and Highway 179 area is recommended \$1,180,000.

The new Calabash Area Elevated Storage Tank (\$2,000,000) will be initiated and the modifications to the Navassa Elevated (\$450,000) to address storage and system pressure requirements. The design new Utilities Operations Center and Warehouse (\$4,400,000) is completed construction bids should be solicited during the first quarter of the fiscal year. The automated meter reading system total estimated cost of \$6,000,000 is included but would be financed over a five year period.

All of the capital projects with the exception of the automated meter reading system will be funded without incurring debt. Funding is recommended from the following sources: \$3,652,129 from water sales, \$3,733,147 from Water Capital Reserve, \$5,294,422 from Expendable Net Assets and \$137,500 to be reimbursed by the

Brunswick County Schools for one-half of the water main extension cost to serve the new school in the Holden Beach area.

## **WASTEWATER FUND**

### **Revenues**

The total recommended Sewer Fund Budget for FY 2008-09 is \$13,192,826 representing a 10.6% increase or \$1,266,212 over the FY 2008 budget of \$11,926,614. The retail sewer rate will remain the same and is projected to generate \$5,046,000, an 8.47 % increase over the current year's budget. No changes are recommended for the Sewer Capital Recovery Fee of \$3,000 and the Sewer Transmission Capital Recovery Fee of \$1,000. New sewer connections equaling 600 residential equivalent units are projected and should produce \$1,800,000 in Sewer Capital Recovery Fees. Capital recovery fee revenue is used for sewer system expansions and to retire debt service on sewer system projects.

A new proposed plan for grinder pump maintenance has been developed by the Public Utilities Director and reviewed by the Utility Operation Board. Under the Proposal the County would charge a monthly Grinder Pump Maintenance Fee of \$5.00. Fees collected would be placed into a fund for repairing individual grinder pumps instead of the current system where customers are billed for the actual cost of repair or replacement of their grinder pump. If the fee is set at \$5.00, first year revenue generated would be \$240,000.

The Northeast Regional Wastewater System has been in operation for 5 years. Based on an annual average daily flow of 906,490 gpd and an operational budget of \$761,000, the wholesale rate for the Northeast Partners will be \$2.30 per 1000 gallons down from the current rate of \$2.47. If the flow projections are accurate, this rate should generate an estimated surplus of \$68,508 over operating costs that will be transferred to the Repair and Replacement Fund and restricted to future replacement of plant components.

The recommended operating budget for the West Brunswick Regional Wastewater System is \$1,049,534. Based on an annual average daily flow of 852,532 gpd the proposed wholesale rate will be \$3.18 per 1000 gallons down from the current rate of \$3.26.

### **Sewer Operating Costs**

The County's sewer system continues to grow and expand due to county capital improvements, systems constructed and dedicated by developers and regional facility expansion. This means more pump stations and additional miles of collection lines and more grinder pump stations. There are no major new operational initiatives included in the budget. General operating costs such as increases in electricity and additional contractual services for sludge removal and sewer collection line cleaning are included due to increased system flows.

Wastewater related debt service requirements for FY 2008-09 will total \$7,584,668 due to the addition of the 2008 A Revenue Bond principal for Phase II of the West Regional system expansion which is \$1,395,000. A transfer of \$878,177 to debt service contingency is recommended.

### **Wastewater Capital Improvements**

The FY 2008-09 wastewater capital improvement plan includes projects that total \$50,215,000. The two major projects that will be contracted are the Sunset Beach Collection System (\$37,000,000) and the Calabash Collection System (\$8,000,000). These projects will likely be financed with revenue bonds and retired with property owner assessments.

The Stanley Road Sewer Transmission Line (\$1,150,000) will serve the Holden Beach Area Middle School and Park and will be cost shared on a 50/50 basis with the Brunswick County Schools. An appropriation of \$1,000,000 is recommended to construct a regional pump station based on need and the recommendations of the recently commissioned study. Engineering design for the Northeast Regional Wastewater Plant Expansion (\$1,050,000) will be initiated.

The remaining projects will be funded from a combination of sources to include the Wastewater Capital Reserve Fund, Wastewater Transmission Capital Recovery Fees, Northeast Brunswick Regional Wastewater Partners Reimbursements and proceeds from previous revenue bonds.

### **Conclusion**

I am optimistic about the challenges that the upcoming fiscal year will present. This recommended budget, particularly the general fund, as you will see is firmly impacted by the current economic conditions. This will give us an opportunity to look at things from a different perspective than we have in the recent past. We know that the economy will improve and the growth rate will escalate again, we just do not know when and to what extent it will occur. So, in the meantime holding the line on operational costs as much as possible is advisable. I look forward to working with you to finalize a fiscal plan for a successful FY 2008-09.

Respectfully Submitted,

  
Marty K. Lawing  
County Manager