

BRUNSWICK COUNTY ADMINISTRATION

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Brunswick County Board of Commissioners:

The recommended FY 2009-2010 Budget presented herewith is the result of a significant effort on the part of department directors, Finance Department staff and management to develop a spending plan that will maintain county service levels at the highest levels possible in the midst of an economic climate that has resulted in dramatic reductions in most revenue sources. Accordingly, most departmental operating budgets are less than the current year budget and capital projects and capital outlay have been minimized. The FY 2009-2010 budget proposal for all funds totals \$198,550,320 which represents a decrease of 11.6% under the budget adopted June 16, 2008. The budget is balanced by utilizing fund balance and capital reserve transfers in the general fund. The ad valorem tax rate remains at 30.5 cents. Some vacant positions have been eliminated from the budget, however no reduction in force or employee compensation or fringe benefit reductions are recommended.

The slowing of the economy over the last several years has evolved into a recession that has negatively impacted individuals, businesses and corporations and all levels of government. County governments across the nation, struggling to provide necessary services with dwindling revenues, have taken drastic measures to cut operating costs and many have had no choice but the reduce services. Locally, we have experienced the economic decline during the last three years in property values, home sales and new home construction. The declines have resulted in increased unemployment rates and foreclosures. Work on some residential development projects has stopped and some developers have faced bankruptcy, requiring the County to declare default against performance bonds and complete unfinished infrastructure. The only noticeable improvement from one year ago is energy costs with gas prices, at least temporarily, stabilizing in the \$2.00 per gallon range. Most economists project a gradual improvement in the economy beginning sometime during the next 12 month period with less than 1% growth forecast for the fourth quarter of 2009 and less than 2% growth for all of 2010. I think we are seeing signs of a slowing of the decline and signs of improvement in the stock market and real estate sales which will loom large for the Brunswick County economy. Consistently ranking in the top twenty fastest growing counties in America, Brunswick County dropped to 28th for calendar year 2007. New home starts in Brunswick County have continued to decrease. During the first quarter of calendar year 2009, countywide single-family permits averaged 29 per month, down 58% from the same period in 2008 when the average was 69 per month, and 9% from 2007 when the average was 76 per month. The average number of single family permits issued in Brunswick County during the first quarter of 2006 and 2005 were 136 and 138 per month respectively.



With the improvement in the national economic crisis, it is expected that Brunswick County will become a prime location of choice for retirees and others seeking a high quality of life in southeastern North Carolina. Many people have identified Brunswick County as their future residence but have experienced difficulty in selling their current home. Developers continue to apply for permits to construct water distribution and sewer collection systems, so they will be in a position to begin construction when the market improves. Thanks to the progressive outlook of the Board of Commissioners on infrastructure development, the County is in a good position to meet future water and wastewater needs. Further, the mission statement and core values recently adopted by the Board and the major goals identified will provide the groundwork and direction to sustain our county government organization and its value to the citizens of Brunswick County during this uncertain economic climate.

Board of Commissioners Major Goals

The Annual Budget Retreat produced six (6) major goals that were outlined by the Board of Commissioners for action during the upcoming fiscal year. The major goals for FY 2009-2010 include:

1. To develop and adopt a budget for FY 2009-2010 that includes no ad valorem property tax rate increase above the current rate of \$.305.
2. To improve customer service by creating an organizational culture driven by quality customer service through increased and improved interdepartmental communication and focused and customized customer service and diversity training.
3. To plan, develop and implement a strategy to expand the county and regional water and wastewater infrastructure by optimizing grant opportunities to fund construction and developing a marketing program and incentives to encourage a higher percentage of connections to new and existing systems.
4. To enhance the County's employee safety program by establishing specific safety goals and performance standards, adopt the safety manual and incorporate incentives in order to further improve the overall employee safety record and experience to better position the county to transition to Administrative Services Only or Self-Funded Worker's Compensation Insurance.
5. To develop an Affordable Housing Strategy/Plan to define the County's role in identifying and effectively addressing the need for additional affordable/workforce housing opportunities in Brunswick County.
6. To develop ordinances and programs to include development incentives to encourage the incorporation of Green Development and Construction practices for future development projects in the county.

GOVERNMENTAL FUNDS

Revenues

The total recommended Governmental Funds Budget is \$151,627,226, which represents a 10.5% decrease from FY 2009. Property tax revenue is the primary source of governmental fund revenue, providing 64.8% of the total. Growth in the county's tax base is the smallest in many years and is a direct reflection of the reduced construction activity.

The total projected tax base inclusive of real property and motor vehicles for FY 2009-2010 is \$33,063,451,500; up by \$183,451,500 (.00558 %) or slightly over one-half of one percent over the base of \$31,880,000,000 on which the FY 2008-2009 budget was based. The budgeted tax levy was originally \$97,915,065 and was amended due to a lower than anticipated collection rate to \$95,747,065.

The total projected real property value for FY 2009-2010 is \$32,213,451,500 which represents a 1.05% change over the FY 2008-2009 real property base of \$31,880,000,000. The motor vehicle base is projected to be \$850,000,000 or 15% less than the current year base of \$1,000,000,000. The projected collection rate for motor vehicles is 85 % which should generate \$2,203,624. This reduction in the motor vehicle base can be attributed to fewer new car purchases and the depreciation in value of existing vehicles registered in the county.

The total real property levy for FY 2009-2010 is based on a tax base of \$33,063,451,500, the tax rate of 30.5 cents and a collection rate of 95% and is projected to be \$93,338,476. The total property tax revenue projection is \$95,542,101 which is 2.4% or \$2,373,964 less than the original budget for FY 2008-2009 and the .21% less than the amended budget due to the lower projected collection rate.

The value of one cent on the tax rate is \$3,132,528.00

The second largest source of governmental fund revenue is sales tax, however it represents a smaller percentage than in previous years due to the economy and changes and reductions enacted by the General Assembly in 2007 as part of the Medicaid Relief Swap package. Total county sales tax revenues for FY 2009-2010 are projected to be \$11,914,300, exclusive of the portion of Articles 40 and 42 designated for schools, which is 31.9% less than the original budget for FY 2008-2009 of \$17,492,700 and 18% less than the amended budget for sales tax of \$14,615,096.

In addition to the drop in consumer spending, the changes to the sales tax scenario related to the Medicaid Swap impacting the sales tax revenue projection include: beginning with the sales made on or after October 1, 2009 counties will permanently relinquish the remaining quarter cent of Article 44 to the state. This will impact sales tax payments made to counties in January 2010. Also, in January, Article 42 will be distributed on a point of delivery basis. The local portion of the sales tax is 2.25 cents and the state sales tax rate would be 4.5 cents for a total of 6.75 cents pending no other sales tax changes by the General Assembly.

One year ago, most of the County's major revenue sources were projected to be flat or experience moderate decreases. The actual experience has been much worse than expected

which required a major budget amendment. All major General Fund revenue sources are projected to decline significantly for FY 2009-2010 with the exception of Emergency Medical Services charges. This source has steadily increased in recent years due to growth in calls for service and improved collection. EMS charges are projected to reach \$2,400,000 compared to \$2,000,000 for the current year due to increase in calls and a \$50.00 fee increase for ALS and BLS Transports.

The other major revenue categories and the projected decreases include:

	<u>FY2009</u>	<u>FY 2010</u>	<u>% Change</u>
Investment Earnings	\$1,500,000	\$ 600,000	(60.1%)
Solid Waste Tipping Fees	1,856,000	1,200,000	(35.3%)
Building Permits	1,400,000	875,000	(37.5%)
Excise Tax	3,300,000	1,500,000	(54.5%)

The economy continues to negatively impact the County’s primary revenue sources. Since the total general fund revenues have declined more than it has been determined to be feasible to reduce general fund expenditures for FY 2009-2010, a transfer from the County Capital Reserve Fund for debt service in the amount of \$3,500,000 and a fund balance appropriation in the amount of \$3,693,751 is required. This is a short term measure to address budget shortfalls due to the adverse impact of the economic conditions. This is made possible due to prudent budgetary practices and financial management which has resulted in fund balance levels that exceed the County’s budget policy thresholds for fund balance.

Expenditures

Due to the aforementioned decline in revenue, the FY 2009-2010 budget holds the line on new programs and initiatives in order to maintain existing services levels, existing personnel and fringe benefits, and contractual obligations. Most of the departmental operating budgets are lower than the FY 2008-2009 adopted budget and many are lower than the amended budget. To accomplish the budget reductions, some of the positions that were frozen and remained unfilled were eliminated, capital outlay was significantly reduced and capital projects were eliminated or deferred to future years. While some major operating expenses such as fuel costs are projected to be less than the current year, others such as employee group health insurance will increase.

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 a significant portion of the general fund expenditures. Due to a change in the contract provision for determining the annual rate adjustment for the solid waste collection contract, it appears that the annual cost for collection could remain flat, primarily due to no change in the Consumer Price Index, lower than normal new cans placed into service and a reduction in fuel costs. Estimated contractual costs for Waste Industries are \$10,600,000, representing no increase.

Due to less tonnage being received at the County Landfill and a continuing downward trend resulting in less tipping fee revenue, a reduction in contract funding for diversion to a South Carolina Landfill is reduced from \$500,000 to \$450,000. Also, due to the reduced tipping fee revenue, a transfer to the Capital Reserve Fund for landfill closure cost is not recommended.

Brunswick County Public Schools

The funding agreement with Brunswick County Schools was extended for the FY 2009-2010 with minor modifications. The primary provisions were retained which include providing 36.5% of the County ad valorem property tax revenue to the schools for operating expenditures less the portion of the tax rate dedicated to debt service. Over the last three years, the local funding for schools has increased by an average of 6.2% and the student population has increased by an average of 2%. With the projected tax base and a property tax collection rate of 95%, the estimated funding allotment for the Schools for FY 2009-2010 is \$31,016,145 of which 35.75% will be used for current expenditures and .75% for categories 1 and 2 capital outlay. This funding calculation represents a total reduction of \$844,921 or 2.65% from FY 2008-2009. The total General Obligation debt service for Brunswick County Schools for FY 2009-2010 is \$7,692,813 exclusive of debt service serviced by sales tax revenue.

Brunswick Community College

Brunswick Community College continues to experience steady growth in enrollment. Construction of some of the General Obligation Bond Capital Projects has been completed during the current fiscal year and others will be completed in FY 2009-10. In FY 2008-2009 the Board approved a percentage increase in the funding for the college based on the increase for Brunswick County schools plus an additional \$250,000 for a total appropriation of \$3,409,358. The Board provided an additional \$120,000 for facility start up funding bringing the total appropriation for FY 2008-2009 to \$3,529,358. To be consistent with the reduction calculated for the public schools, a 2.65% reduction in the FY 2009-2010 amount would result in a Community College appropriation for FY 2009-2010 of \$3,435,831.

Debt Service

No additional general fund debt will be issued during FY 2009-2010. Total debt service will be \$15,795,396 which represents a decrease of \$304,227 or 1.9% under the debt service budget for FY 2008-2009. The reduction is primarily due to the final principal and interest payments on the telephone system, solid waste compactor and the Kronos timekeeping system occurring in the current year.

Human Services

Changes in the costs for Human Service Departments and related organizations include a general fund contribution of \$4,585,698 to the Health Fund representing a decrease of \$150,206 or 3.2%, a total contribution to the Social Services Fund of \$6,156,887 that is a significant reduction from the current year of \$2,853,721 or 31.6%. This reduction in the transfer to the Social Services Fund is attributed largely to the long awaited end of County participation in Medicaid Service costs. Funding for Southeastern Mental Health is recommended to remain the

same at \$692,000 as with Brunswick Senior Resources, Inc. for a total contribution of \$1,500,000.

Employee Benefits

In difficult economic times, employee benefits are often one of the first things targeted for cuts. During the budget retreat and subsequent workshop, the Board of Commissioners has advocated maintaining salaries and fringe benefits at current levels for FY 2009-2010. The employee group health plan schedule of benefits will remain unchanged, however the premiums for medical, dental and life will increase by 10% making the total premium paid by the County on behalf of each full time employee \$733.33 per month. In light of the medical cost increases or “trend”, this is a reasonable renewal in light of the County’s claims experience.

The proposed budget includes funding for all regular benefits such as the 5% 401K contribution and longevity pay for employees with five years or more of service. The budget does not include funding for merit or cost of living salary adjustments for FY 2009-2010.

Staffing / Positions

The economy has impacted the various county departments differently. Some departments, primarily those associated with development and construction permitting, have experienced a significant slowdown and reduced activity. 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 the Board to avoid a reduction-in-force, however elimination of vacant positions was deemed to be an acceptable measure to balance the budget. Forty (40) general fund positions are currently vacant, many due to the current hiring freeze that was implemented in the fall of 2008. It is recommended that twenty-five (25) of these vacant positions be eliminated for a cost savings of \$972,553 including salary and benefit costs.

Ten (10) new positions were requested for general government departments. Two of these positions are recommended for funding in the FY 2009-2010 budget. The new positions include one additional Sheriff Deputy/School Resource Officer for the new Cedar Grove Middle School, contingent upon total salary and benefits of \$47,183 being reimbursed in full by the Board of Education, and a Programmer II position in MIS to assist with the internal development of the new Property Tax and Revenue Collection software with a total salary and benefits cost of \$86,213.

Capital Improvement Plan

The list of projects recommended for funding in FY 2009-2010 is very small in comparison to recent years due to the budgetary constraints associated with the poor economy. Some projects originally scheduled for FY 2009-2010 have been cancelled and funds will be transferred from capital reserve to the operating budget and other projects have been deferred for future years. The plan includes the completion of two park projects that have been in the planning stages for several years. The Brunswick Nature Park (\$453,657) and the Whitlock Landing Park (\$418,435) projects are both supplemented with grant funding to leverage the completion of the first phase of each.

Other capital projects include \$350,000 for the site suitability study for the construction and demolition landfill which needs to be initiated in the upcoming year, \$300,000 for furniture, fixtures and equipment for the DSS/Kitchen Expansion project, \$150,000 to replace the roof on the Cooperative Extension Building and \$100,000 to complete renovations to the Buildings E, F, H and I to make them useable for county departments according to the adopted plan. These projects total \$1,772,092 and the source of funding includes \$364,059 in grant funds for the parks and \$1,408,033 from the County Capital Reserve Fund.

Capital Outlay and Major Operating Expenditures

The recommended budget includes a total of \$1,095,558 in capital outlay for operating purposes. Some of the more significant capital items include eight (8) replacement patrol vehicles and replacement mobile software for the Sheriff's Office, one (1) replacement ambulance and equipment package for Emergency Medical Services, network storage and three (3) virtualization servers. Funded primarily from the Emergency Telephone Fund are eight (8) CAD workstations, five (5) console desks and a new CAD software system.

The major operating equipment recommended for the general fund totals \$101,675. This equipment includes fifteen (15) replacement desktop computers for MIS, fifteen replacement bulletproof vests and five (5) replacement mobile radios for the Sheriff's Office and six (6) replacement computers for the Central Communications Center.

ENTERPRISE FUND

While the economy has taken a huge toll on the general fund revenue picture, the impact has not been as dramatic on the enterprise fund. However, with fewer customer connections and lower capital recovery fee revenue, it is becoming more difficult to fund the debt service payments for system expansion projects, primarily in the Sewer Fund.

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. The County entered into an agreement with the City of Southport to provide treatment services on an interim basis to give the City time to determine a long-term treatment solution, which may include becoming a partner in the West Regional Wastewater System or partnering with the County on a future Southeast Regional Treatment System. The City of Northwest is making progress on the construction of a collection system and should be operational during the 2010 fiscal year. Design has been completed on the Calabash Sewer Collection System and the County is awaiting direction from the Town to move forward and the Sunset Beach Sewer Collection System design is nearing completion. The Northeast Regional Partners have selected an engineer and the County has contracted for an 825,000 MGD expansion to the Northeast Regional Wastewater Plant.

Phase I and Phase II of the Southwest Sewer Pump Station and Force Main projects were completed along with water system improvements and a new elevated water storage tank in the

Waccamaw/Ash area and progress continues on the 3.0MGD expansion to the West Regional Wastewater Plant and Effluent Dispersal Systems.

WATER FUND

Revenues

The total recommended Water Fund budget for FY 2009-2010 is \$17,821,302 which is 25% or \$6,041,149 lower than the FY 2009 budget due to a significant reduction in the transfer to the Water Capital Reserve Fund. The number of new connections to the system projected at the beginning of the current fiscal year may not be realized due to a continual decline throughout the year. Therefore, we are projecting approximately one-half of the connections anticipated this year, or approximately 600, which should generate approximately \$516,000 in Capital Recovery Fee Revenue and \$174,000 in Water Transmission Line Capital Recovery Fees. Tap fees are expected to generate \$325,000.

The County currently has 30,470 retail water customers, after a transaction whereby the County traded 206 residential water customers to the Town of Shallotte for 32 sewer retail customers. We have also seen a limited number of customers disconnect second homes or vacant housing units to avoid the availability fee due to the economy. I am prepared to recommend that the retail water rate of \$3.05 per 1000 gallons and the \$11.00 per month base charge remain unchanged, however, staff will present a conservation rate with an inclining block structure to charge a higher unit cost for higher consumption assuming that the higher consumption is used for irrigation. Total retail water sales are projected to total \$4,837,770, or \$3,887,770 for retail and \$950,000 for irrigation. Retail water sales are being estimated conservatively as weather conditions can impact usage and the unknown of the impact the economy may have on water consumption. The base fee of \$11.00 will produce \$4,150,000 and investment earnings for the Water Fund will decrease by approximately 41.2% to \$180,000.

Wholesale and industrial water rates are adjusted annually based on the Producer Price Index for May of each year. Wholesale water revenue is expected to be very consistent with the prior three years generating approximately \$4,600,000 although the new wholesale/industrial rate will decrease by 5.8% this year based on the PPI Index calculation to a rate of \$2.42 per 1000 gallons. This is the first rate reduction since the PPI rate was employed. Industrial water sales are expected to increase by 11.8% despite the lower rate to \$2,400,000 based on consumption patterns.

Operating Costs

Much like the general fund, several division budgets within the water fund are less than the FY 2009 operating budget. There were no new positions requested. Due to increases in the chemicals used at the Northwest Water Treatment Plant, an additional \$351,500 will be needed based on usage and contract prices for the upcoming year. We do not anticipate the need to increase the amount budgeted for the purchase of raw water from the Lower Cape Fear Water and Sewer Authority. 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 reduced by approximately \$153,053 to \$262,532 due to the

reduction of personnel costs assigned to the facility and the reduction of some contractual costs. Instead of two employees assigned to the plant, the staffing will be reduced to 1.5 employees for FY 2009-2010.

The recommended budget includes nine (9) new computers, a traffic control safety trailer (\$25,000), SCADA system upgrades (\$30,000) and a 200 ft. antenna unit (\$20,000).

Debt Service

Current debt service in the Water Fund continues to be low as no new debt has been incurred since the private placement revenue bond associated with the Carolina Blythe Water System acquisition in 2004. The General Obligation Water Bond Series 1994 will be retired in the current fiscal year reducing principal and interest payments of \$303,850. First year principal and interest payments on the lease for the automated meter reading system are included in the debt service budget totaling \$1,386,000. The total water fund debt service budget is \$1,572,164 for a net increase of 32.9% or \$389,151. The capital improvement plan includes funding for the design and construction of Phase I of the Northwest Capacity Expansion, however no debt service is budgeted due to the uncertainty of how long the design and permitting will take and the likelihood that the interest could be capitalized during the construction period to defer debt payments.

Water Capital Improvement Plan

The Water Fund Capital Improvement Plan includes nine (9) primary projects for FY 2009-2010 at a total estimated cost of \$20,068,000. Water transmission and distribution systems included in the plan are the Highway 211 transmission line from Midway Road to Camarosa Boulevard \$1,700,000, Gray Bridge Road from Tar Landing Road to Shell Point Road \$325,000 and \$1,000,000 is included for water distribution improvements and line extensions projects that are yet to be determined. Most of the projects on the petition list do not appear to be feasible; therefore staff will identify projects to present to the Board for prioritization. Funding is included to continue the work on the Interbasin Transfer Permit and Environmental Impact Statement (\$700,000), if the legislation is not adopted making this effort unnecessary, and for engineering design of the Northwest Water Plant Capacity Expansion Phase I (\$343,000). The Navassa Area Elevated Tank Modification project has been deferred to FY 2009-2010 along with funding in the amount of \$450,000, the design of the Supply Area Elevated Tank (\$200,000) and furniture, fixtures and equipment for the Utilities Operations Center and Warehouse. The recommended funding source for the above referenced projects is water fees and sales and the Water Capital Reserve Fund.

The automated water meter reading system is projected to cost \$6,000,000. The largest project is the construction of Phase I of the Northwest Water Plant Capacity Expansion that is projected to cost \$9,000,000. These projects will be financed with a lease purchase and revenue bonds respectively.

WASTEWATER FUND

The total recommended Sewer Fund Budget for FY 2009-2010 is \$13,482,148 representing a 2.19% increase or \$289,322 over the FY 2008-2009 budget primarily due to the

interest costs associated with the 2008A Revenue Bonds for the West Brunswick Wastewater Plant Phase II and the Shallotte/Southwest Brunswick Sewer Force Mains and Pump Station projects. The County currently has 8,500 retail sewer customers and there is no proposed increase in the current rate structure that is projected to generate \$5,081,000. The Public Utilities Commission has approved the transfer of the Bricklanding Sewer collection system and treatment facilities to Brunswick County. If the transaction closes, and we anticipate that it will, the County will gain approximately 221 retail customers and approximately \$130,000 annual revenues.

With the slumping construction market and fewer building permits being issued, the projected number of new sewer connections is expected to dwindle to approximately 200. Sewer Capital Recovery Fees are projected to generate \$600,000 and Sewer Transmission Capital Recovery Fees are projected to generate \$200,000. 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 has 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. When the economy stabilizes and the housing and construction markets rebound, and when the Town of Oak Island connects to the West Brunswick Regional system, this difficulty should pass so there is no recommended increase in the sewer capital recovery fees.

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 6 years. Based on an annual average daily flow of 1.1MGD and an operational budget of \$700,504, the wholesale rate for the Northeast Partners will be \$1.80 per 1000 gallons, down from \$2.30 per 1000 gallons.

The recommended operating budget for the West Brunswick Regional Wastewater System is \$1,261,658 up 20.2% due to the increased operating costs and permit requirements for the 6MGD expanded plant as opposed to the current 3MGD plant. Most significantly, the permit for plants over 5MGD in capacity are required to be staffed 24 hours 7 days a week which will necessitate additional staff. The additional positions include two (2) Wastewater Operator II positions for 6 months, two (2) Wastewater Operator Trainees for 6 months and one (1) Mechanic II for 6 months. The operating cost increase will primarily be in the areas of chemicals, electricity and contractual services for sludge removal. Even with the increase in the West Regional Budget, the wholesale rate is recommended to remain at \$3.18 per 1000 gallons due to the additional flow anticipated from the Town of Oak Island.

Sewer Operating Costs

The new positions associated with the expanded West Regional Wastewater Plant were the only new positions requested in the Sewer Fund. Adequate funding is recommended to provide the required level of maintenance to keep the system reliable. Capital outlay is limited to one (1) replacement pick-up truck (\$22,000) and the installation of a 3rd axle to the Vacuum

Truck (\$45,000) to comply with NCDOT weight regulations and \$48,000 to rehabilitate Pump Station No. 1 at the Village of Calabash.

Sewer Fund Debt Service

The Sewer Fund Debt Service Budget is substantial and is necessary to reach the level and availability of service that we have achieved in a relatively short period of time. The total debt service budget for FY 2009-2010 is \$8,249,732, a net increase of \$1,543,241 or 23%. The increase is due to the full year of debt service on the 2008A Revenue Bonds. The regional wastewater partners are responsible for \$4,291,130 of this debt service. The Town of Oak Island will contribute \$2,318,345, the Town of Holden Beach will contribute \$1,252,326, the Town of Shallotte will contribute \$499,230 and the Town of Leland will contribute \$221,229. The lease obligation for the Vacuum Truck will be retired in the current fiscal year.

The County will need to secure financing for the construction of the Sunset Beach and Calabash sewer collection systems during FY 2009-2010. This debt will likely be in the form of revenue bonds or a negotiated private placement. The source of revenue to retire the debt service would be property assessments over ten years. Interest will be capitalized during construction and the County will reimburse all preliminary engineering, testing, and land costs associated with these projects from the financing proceeds. No debt service payments are anticipated during the upcoming fiscal year in relation to these projects. The Town of Oak Island obtained Construction Grants and Loans debt in the amount of \$15 million for the expansion of the West Brunswick Wastewater Plant and the Town is providing the debt proceeds to reimburse the County for construction expenditures. The Town of Oak Island is responsible for making the CG&L State Revolving Loan Fund debt payments under an interlocal agreement.

Wastewater Capital Improvements

The largest capital project to be constructed beginning in FY 2009-2010 is the Sunset Beach Wastewater Collection System that is estimated to cost approximately \$30,000,000 and should be contracted in the fall of 2009. The Calabash Wastewater Collection System Project should be contracted in July or August of 2009 and, if the Town consents to the entire projects as designed, the total project cost should be approximately \$6,185,000.

The other projects include the construction of a regional pump station (\$992,700) and pump station upgrades at Carolina Shores and Sea Trail (\$200,000) and the stations recently acquired in the transaction with the Town of Shallotte (\$200,000). The plan also includes a potential special assessment district project to construct a sewer collection system at Sea Aire Canal.

The engineering design fees for the Northeast Brunswick Regional Wastewater Plant 825,000 GPD expansion are included in the amount of \$601,900. The County will advance these preliminary project funds and reimburse with bond proceeds when the construction is financed.

Conclusion

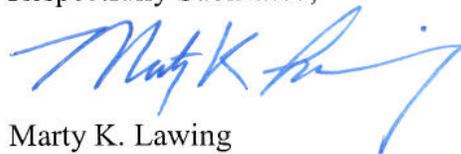
The budget plan presented to you will fund the personnel and basic operating costs to maintain existing service levels and requires the appropriation of nonrecurring sources of

revenue to fill the gap between projected revenue and expenditures for FY 2009-2010. It continues to amaze me how quickly a year goes by. Just a year ago, while approaching three years of economic slowdown, we were optimistic that the turnaround was in sight and crafted a budget with "austerity" measures. Now, here we are one year later and we still do not know if we have seen the bottom of this recession and there is still much uncertainty as to what the future holds for local government revenue streams. Because we do not know what will happen to the property tax collection rate, sales tax collections, fuel costs, etc. we will need to enter the new fiscal year with caution and continue to follow the cost control measures that have been implemented this year and others to include:

- Continue a hiring and salary freeze for all positions except public safety practitioners, department head and key supervisory personnel and front line personnel in departments with documented service demand increases.
- Freeze all out-of-state travel and in-state travel that requires an overnight stay or lodging that is not related to obtaining a certification or to obtain information required to successfully perform one's job.
- Defer all capital outlay expenditures until at least February 2010.
- Strongly encourage employees in departments that have decreased activity levels to apply for vacancies that are advertised in other departments.
- Optimize position and job sharing opportunities between departments.
- Monitor revenue trends on a monthly basis and be prepared to implement additional expenditure reduction measures, if necessary, to possibly include service reduction alternatives.

Brunswick County has a long history of being good stewards of the county's fiscal resources. It is imperative that this continue into the future. I look forward to working with you over the next several weeks to develop a final budget plan for FY 2009-2010 that will serve the county well during this difficult fiscal period.

Respectfully Submitted,



Marty K. Lawing
County Manager