

# BRUNSWICK COUNTY ADMINISTRATION

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May 15, 2017

Brunswick County Board of Commissioners:

I am pleased to present the recommended FY 2017-2018 budget for Brunswick County for your review and consideration. County revenues are continuing to improve in all major categories producing adequate funding to maintain existing service levels and much needed program and service enhancements. Department heads submitted conservative and thoughtful budget requests that reflects the service priorities of the Board of Commissioners and the citizens of Brunswick County. This proposal, as a priority, continues to focus on employee retention and succession planning, public safety, economic development and the needs of a growing county with changing demographics.

January 1, 2015 is the most recent countywide revaluation of all real property and resulted in a 10% decrease in total county values. The next revaluation is scheduled for January 1, 2019. Required by NC General Statutes, the county calculated a revenue neutral tax rate of 48.50 cents for FY 2015-2016. The recommended budget includes no ad valorem tax rate change from the current 48.50 cents. The FY 2017-2018 budget proposal for all funds totals \$233,337,407 which represents an increase of 3.9% over the budget adopted June 20, 2016. The general fund budget is balanced by utilizing a prudent fund balance appropriation of \$3,418,233, net of the \$1,461,600 in escrow funds held for the Holden Beach sand nourishment project, for non-recurring capital appropriations as compared to \$3,312,349 in FY 2016-2017.

The economic recovery continues to impact individuals, businesses and corporations, and all levels of government as the economy is expected to modestly grow. Nationally, new job growth fluctuates monthly and the March jobless rate was 4.5%. The average cost of a gallon of gasoline in North Carolina is higher than a year ago at \$2.22 per gallon. Statewide leading economic indicators for March are: unemployment rate is down 0.2%, building permits are up 16.2%, manufacturing hours worked are down 1.0% and average weekly earnings are up \$32.76. Locally, in March of 2017 home sales rose more than 41.3% compared to one year ago and sales dollars increased 40.4% in the first quarter of 2017 over first quarter of 2016 as reported by the Brunswick County Association of Realtors. In the current fiscal year through March 2017, countywide building permits issued for single family homes increased 13.7% and commercial permits issued decreased 10.0% compared to the same time last fiscal year. Brunswick County's unemployment rate is 5.8% compared to the State at 4.7% and United States at 4.5%.

Consistently ranking as one of the fastest growing counties in America, Brunswick County ranked 30<sup>th</sup> for 2016 national reporting and the top in the State for calendar year 2015. The State



Data Center reported Brunswick County projected permanent population to be 128,891, up from the decennial census figure 107,431 indicating that people are still choosing Brunswick County as a place to live.

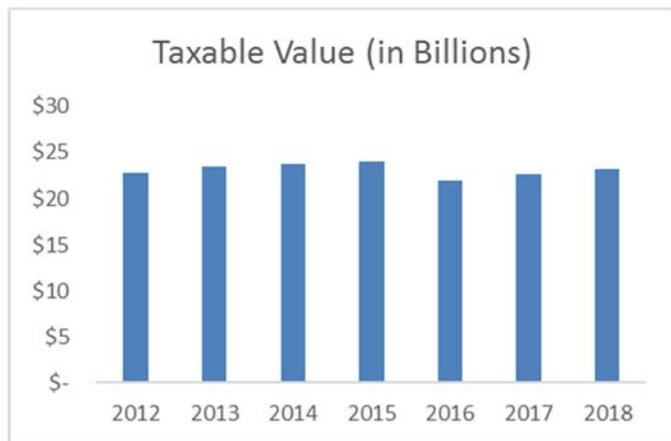
## GOVERNMENTAL FUNDS

### Revenues

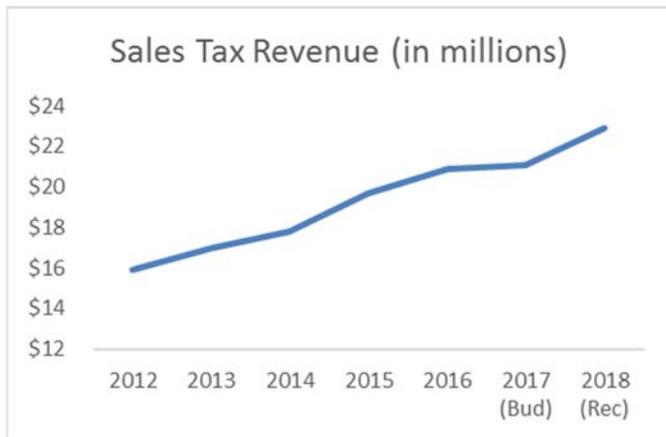
Revenue projections are continuing the upward trend. The total recommended general government budget is \$185,728,479 which represents a 5.4% increase from FY 2016-2017. Property tax revenue is the primary source of governmental fund revenue, providing \$117,785,618 or 63.4% of the total revenue. The total projected tax base, inclusive of real property and motor vehicles for FY 2017-2018, is \$24,422,563,400 up by \$769,475,183 or 3.2% above the base of \$23,653,088,217 on which the FY 2016-2017 budget was based.

The total projected real property value for FY 2017-2018 is \$23,172,563,400, which represents a 2.7% increase over the FY 2016-2017 real property base of \$22,553,088,217. The motor vehicle base is projected to be \$1,250,000,000 with an increase of 13.6% from the prior year base of \$1,100,000,000. The projected collection rate for motor vehicles is close to 100%, which will generate revenue of \$6,062,500.

The total real property levy for FY 2017-2018 is calculated on a tax base of \$23,172,563,400, the recommended tax rate of 48.50 cents, the FY 2015-2016 audited collection rate of 96.74%, and is projected to provide \$108,723,118 in revenue. The total property tax revenue projection for both real property and motor vehicles is \$114,785,618, which is \$4,870,031 or 4.4% more than the original budget for FY 2016-2017. The value of one cent on the tax rate is \$2,366,714 as compared to \$2,266,301 in the prior year. The county tax on a home valued at \$250,000 would be \$1,212.50 and the county tax on a vehicle with a value of \$25,000 would be \$121.25.



A major source of general governmental revenue is local option sales tax. The growth in sales tax revenue is greater than current year projections and the outlook for continued growth extends into the projection for FY 2017-2018. Total county sales tax revenues, exclusive of the portion of Articles 40 and 42 designated for school capital needs, are projected to be \$17,399,014,



which is \$1,714,976 or 10.9% higher than the original budget of \$15,684,038 for FY 2016-17. The portion of Articles 40 and 42 designated for schools is \$5,549,310, which is \$467,335 or 9.2% more than the current budget of \$5,081,975. The increased sales tax is attributable to the general economic conditions within the county, expanded service tax base and the increase in the number of retail businesses locating within the county. The local portion of the sales tax is 2.00 cents and the state sales tax rate is 4.75 cents for a total of 6.75.

Projections for other revenue sources for FY 2017-2018 indicate moderate increases. Emergency Medical Services fee revenues will increase due to growth in transport services. Total EMS charges are projected to reach \$3,800,000 with an additional \$525,000 from Medicaid Cost Settlement revenue.

There is continued stability or improvements for other major general government revenue categories over prior years' projections as follows:

Revenue	FY 2015	FY 2016	FY 2017	FY 2018	% Change
Solid Waste Tipping Fees	\$1,600,000	\$1,600,000	\$1,800,000	\$2,100,000	+16.7%
Building Permits	\$1,206,000	\$1,708,000	\$1,750,000	\$1,950,000	+11.4%
Deed Stamp Excise Tax	\$2,000,000	\$2,200,000	\$2,300,000	\$2,800,000	+21.7%

The Sheriff continues to seek new revenues to offset the costs of serving civil warrants and detention center operations. The recommended budget includes no increase in revenue associated with federal inmates. State misdemeanor reimbursements are growing and projected to increase into the next year. The state misdemeanor projection for state inmates is \$400,000, which is \$200,000 or 100.0% more than the original budget for FY 2016-2017. There are no planned reimbursement revenues from other counties for housing inmates.

The restricted intergovernmental funds from the state and federal governments projected to total \$17,885,358, which is decreased \$639,656 or 3.5% from the prior fiscal year original budget of \$18,525,014 due to pass through revenues from the state for daycare services. The recommended budget includes in the health fund an estimate of \$635,000 of Medicaid Maximization funds to provide current year eligible services and utilizes \$120,000 of the health reserve and vehicle funds.

The recommended budget includes a fund balance appropriation for funds held in escrow and non-recurring capital expenditures of \$4,879,833 for an increase of \$1,567,484. This increase is due to escrow funds held by the County related to the Holden Beach Interlocal Agreement and the issuance of Special Obligation Bonds issued for beach nourishment in the amount \$1,461,600. Taking the escrow fund requirement into consideration, this level of fund balance appropriation is consistent with the County's levels in prior years and is considered reasonable due to the County's FY 2015-2016 unassigned fund balance of \$60.9 million that is 34.3% of expenditures and transfers to capital projects. In October of the current fiscal year, the County appropriated \$7,190,579 of fund balance for pay go capital projects: Ocean Isle Beach Park, Nature Park at Holden Beach grant match, Calabash Senior Center, Supply Senior Center, playgrounds at Northwest and Lockwood Folly Parks, Cedar Grove Park soccer lights, and landfill closure reserve. In February 2017, an additional \$1,079,666 in fund balance was appropriated for the Smithville Park renovation project. The County ended fiscal year 2016 with revenues greater than expenditures before transfers for projects of \$18,381,684.

## **Expenditures**

The recommended budget took into consideration three major focus areas:

### **1. Employee Retention, Recruitment and Succession Planning**

- Scale adjustment recommendation of 2.0% to new hires and employees who are satisfactory performers.
- Recommendation of additional .65% to 1.0% merit to employees who are high performers.
- Recommendation of additional 1.05% to 1.35% merit to the county's highest performers in 2016-2017
- Maintain county employee, eligible dependent children and retiree health plan with no increase in employee premiums or reduction of benefits.

### **2. Public Safety**

- Improve Emergency Medical Services Response times with an additional paramedic shift and ambulance during peak periods.
- Provide 11 additional deputy patrols as part of the three-year plan of 20 additional deputy patrols.

- Provide law enforcement officers and detention center officers with vests, equipment and training.
- Phase two of the replacement of the detention center security cameras.
- Recruit a Populations Manager for the Detention Center for cost savings.
- Provide Fire Department funding assistance with a Countywide 25% fire fee increase and provide additional funds over the base fire funding level to assist departments experiencing significant operational challenges.
- Increased support in Code Administration with recruitment of a Deputy Code Administrator, Commercial/Residential Plans Examiner and a Flood Plain Administrator.

### 3. **Meet the needs of a growing county with changing demographics**

- Increase of 5.33% per the funding agreement with Brunswick County Schools for the operating budget resulting from growth in ad valorem and sales taxes.
- Increase of 4.41% to Brunswick Community College to support existing programs and an additional \$200,000 for the Foundation Grant providing tuition assistance.
- Increase of 25.9% to Brunswick Senior Resources to support program expansion related to new centers.
- Continue the county's commitment of \$200,000 per year to shoreline protection with an additional \$204,000 for dredging.
- Funding for the Courthouse addition and renovation project architectural services.
- Complete commitment for park improvements.
- Provide employees training, resources, and equipment to facilitate high service levels to citizens.
- Replace vehicles utilized beyond end of life.
- Continued funding for needed technology/computer software support.
- Maintain computer replacement program.
- Purchase needed grinder and screening equipment for yard debris at the landfill.

### **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 8.2% of the general government expenditures. The County has a countywide solid waste collection and disposal contract with Waste Industries through June 2023. The contract includes an annual price adjustment formula based on March CPI and the previous year's number of new cans added. The FY 2017-2018 per unit increased \$0.14 to \$12.13. Based on 87,705 units with a projected average increase in service locations of 1,992 the budget for countywide solid waste collection is \$13,111,700 for an increase over the prior year of \$509,811.

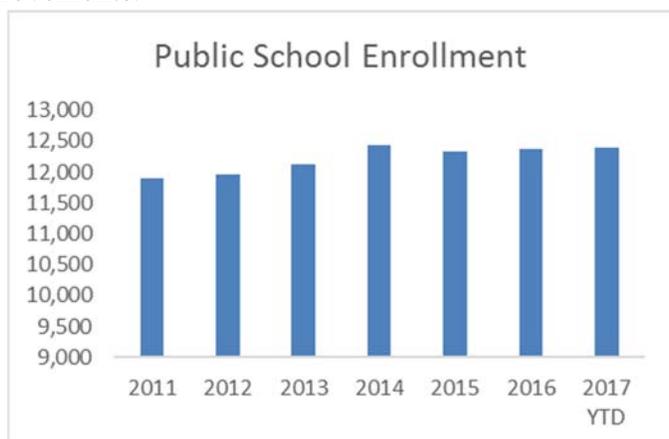
The construction and demolition tonnage received at the county landfill had an increase as of June 30, 2016 of 17.8% compared to the previous year. To preserve the existing capacity in the landfill and extend the useful life of the facility, the County contracts with Waste Industries for diversion of waste to a landfill in Sampson County, North Carolina. The cost of diverting 50% of the waste from the landfill is currently \$38 per ton or \$676,000 per year. The current landfill closure reserve balance accumulated is \$8.8 million and the total cost of closure is estimated at \$9.1 million.

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. Waste Industries reports there are 31,772 county households using curbside recycling either voluntary or through their municipal services.

### **Brunswick County Public Schools**

The County has a four-year funding agreement with the Brunswick County Board of Education through June 30, 2021. 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 2017-2018 school appropriation, in accordance with the funding agreement, is \$38,081,491, which represents an increase of approximately 5.33 percent or \$1,927,685 over the FY 2016-2017 approved budget. Under the terms of the agreement, 35.75%, or \$37,298,995 will be used for current expense and 0.75% or \$782,496 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 \$2,992,165 of local option sales tax proceeds, after subtracting \$2,557,145 dedicated for school debt service, to be utilized for category 1 (improvements to buildings and grounds) annual needs. The estimated State lottery proceeds of \$800,000 will be used for debt service in lieu of local option sales tax proceeds increasing the amount to be utilized for category 1 annual needs. The school's capital improvement plan includes the utilization of prior year ad valorem collections received pursuant to the funding agreement of \$839,500 to aid in funding additional category 1 system improvements.

The total general obligation debt service for Brunswick County Schools for FY 2017-2018 is \$5,664,155. An additional \$3,357,145 of limited obligation debt associated with Town Creek Elementary School, Cedar Grove Middle School, North Brunswick High School Additions, and Waccamaw Multi-Purpose Facility is funded from sales tax revenue dedicated to school capital under statute and lottery proceeds. Including the debt



service, 38.1% or \$43,745,646 of the County current year ad valorem property tax revenue is appropriated for k-12 public education purposes.

In FY 2015-2016, Brunswick County ranked 16<sup>th</sup> in the State of North Carolina for local funding of public schools based on per pupil expenditures. With State provided funding rank of 98<sup>th</sup>, federal funding rank of 62<sup>nd</sup> and local per pupil expenditures combined, Brunswick County ranked 52<sup>nd</sup> in the State in total for \$8,849.04 expended per pupil.

### **Brunswick Community College**

Brunswick Community College completed the Southport satellite campus improvements concluding all the college bond projects of the general obligation bond funded capital projects. The total General Obligation debt service for Brunswick Community College is \$3,125,080.

The county and the college entered into an agreement to design and construct an Allied Health Building to house all health occupation programs on the main campus utilizing \$2.85 million of NCCConnect State Bond Funds and an additional \$2.85 million of local funds. The former Early Childhood Education Center will be renovated and an addition will be constructed.

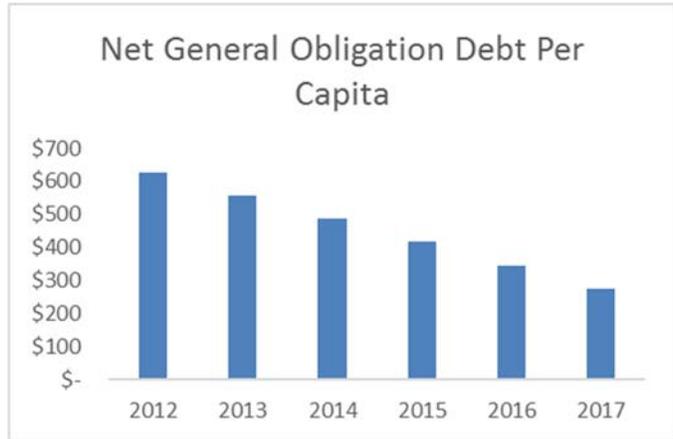
The recommended community college appropriation in FY 2017-2018 is \$3,992,430 for reimbursable operating expenditures. Also, included in the budget is the k-12 school system use of facilities of \$224,000. It is recommended to continue the college appropriation to funding at the purpose level and by reimbursement with any annual budget surplus to be placed in a reserve for college capital needs. The combined recommended change to the support for the community college totals an increase of \$168,669 or 4.4%.

Included in the funding for the Brunswick Community College is funding for the Foundation Grant of \$200,000 to assist with tuition and fees for qualified Brunswick County High School graduates.

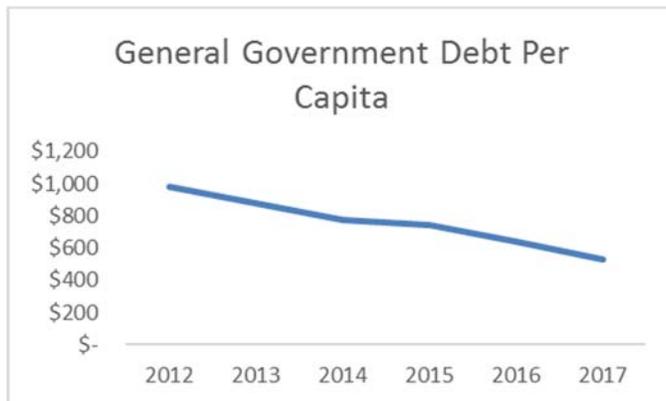
### **Debt Service**

In general, Brunswick County government is in a good position regarding capital facilities for general fund operations. There is adequate office space for the workforce, and excess capacity in the County Detention Center. Topping the list of needs are additional courtroom space and renovations and there are plans to study the need for Health and Human Services facility space needs.

In November 2016, the voters approved a \$152 million general obligation bond issue to address the school capital needs of district wide maintenance and improvements that have been deferred and the need for a new Town Creek Middle School, classroom additions for Lincoln Elementary School, West Brunswick High School, North Brunswick High School and Town Creek Elementary, Waccamaw K-1-2 replacement building, and the addition of a STEM/CTE Program, totaling \$152 million. There are 3 separate bond issues scheduled within the next 5 years with the first issue planned in July 2018.



Overall, Brunswick County’s per capita debt ratio is low. The County’s total outstanding Governmental Funds debt will decline from \$79,995,000 to \$68,700,000 as of June 30, 2017. This equates to approximately \$526 per capita and current net general obligation debt is approximately \$273 per capita.



The total general government debt service budget will be \$13,818,449, which represents a decrease of \$497,159 or 3.5% less than the debt service budget for the prior year. This decrease is mainly due to decreases in the annual amortization schedule.

The total principal payments on general fund debt are \$11,210,001 with interest and service fee payments equaling \$2,608,448.

**Human Services**

Changes in the costs for Human Service Departments and related organizations include a general government local funding contribution of \$4,246,208 to the health fund programs representing an increase of \$358,909 mainly due to employee salary and benefits increases and increases for affordable housing initiatives.

The total contribution to the social services fund of \$6,661,124 represents an increase from the current year appropriation of \$312,521 mainly due to increases in employee costs and a portion of replacement vehicle and equipment costs.

Funding of \$250,443 is recommended for county dedicated substance abuse and mental health services with the state agency Trillium and additional funding to support an onsite clinic.

The recommended appropriation to Brunswick Senior Resources, Inc. is \$2,076,705, which is the 25.9% greater than the prior year. Due to the recent completion of the center in Leland, the purchase of the center in supply, and beginning the renovations of the newly acquired Calabash Center to be completed in January 2018 additional resources are required to support senior activities in the county.

### **Employee Benefits**

The FY 2017-2018 budget recommendation includes a pay scale market adjust of 2.0% related to the December CPI index change from the prior year at a cost of approximately \$1,180,300 and the additional funding of employee merit raises of 1% at an estimated cost of \$590,200.

The County Health Insurance Fund contributions for employees and pre-65 retirees to the will increase 2.41% or \$247,000 mainly due to cost trends for healthcare. Trending includes inflation, new more advanced/more expensive medical technology, aging population and pharmaceutical advances. It is recommended that there will be no plan design changes. Employees participating in the wellness program will receive coverage at no cost to the employee. Health coverage will be available to employees' eligible dependent children but will exclude employee spouses. County contribution to the health fund per employee increases to \$9,162 from \$8,820 or 3.9% in FY 2017-2018. The self-insured health plan is operating at close to 100.00% utilization with expected \$1.5 million in reserves accumulated as of June 30, 2017. The sector that has experienced the highest claims is pre-65 retirees where claims have exceeded contributions. Specific stop loss insurance for individual claims exceeding \$150,000 is in place to manage the risk associated with a self-insured plan.

For the County to have an 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 eligible children. As an employee benefit, spouses are eligible to receive services at the wellness clinic.

The Local Government Employee Retirement System Board recommended contribution rates for general employees 7.50% and law enforcement 8.25%.

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

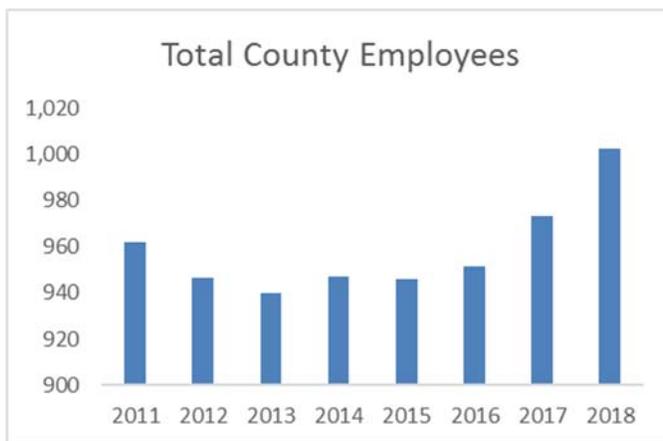
Departments, associated with development and construction permitting, are experiencing increased activity due to the continued moderate growth in the county. Other departments, primarily those that provide human services, public safety or internal and support services have continued to experience an increase in service demands.

Twenty-three new positions are recommended for general government. The general government recommended FTE increase is the addition of one Maintenance Assistant II in Operation Services, six Patrol Deputies effective July 1 and 5 additional Deputies effective Dec. 1 along with an Administrative Assistant I in the Sheriff’s Office, a Population Manager in the Detention Center, four paramedics in Emergency Medical Services, one Deputy Code Administrator, one Commercial/Residential Plans Examiner, and one Flood Plain Administrator in Code Administration, an Environmental Health Specialist in Environmental Health, and a Social Work Supervisor III in Social Services Administration. The total cost of new positions added is \$1,346,607.

As part of the County’s goal to maintain a competitive pay plan per policy, 25% of budgeted positions were analyzed resulting in no recommended reclassifications.

The general government operations provide school resource officers, which are reimbursed by the school system and the charter school totaling \$1,262,709 at a flat annual rate of \$60,129 per officer, up from the prior year due to the changes for merit, market, and benefits per employee. This is the fourth year that the schools will reimburse the County at a flat rate that does not include charges for the summer months when school is not in session.

Three new positions are requested for the enterprise operations. The budget includes the recommendation of one Logistics and Asset Management Coordinator in Water Administration, one Distribution Mechanic in the Water Distribution Division, and one Wastewater Superintendent in the Wastewater Treatment facilities at a total cost of \$198,016.



As part of the County's goal to maintain a competitive pay plan per policy, 25% of budgeted water and sewer positions are evaluated and there are no recommended positions to be reclassified in the Enterprise Fund.

These changes bring the total number of positions to 1002.78, of which 872.78 are associated with general government functions and 130 associated with the enterprise operations.

### **Capital Improvement Plan**

The list of projects recommended for funding in FY 2017-2018 totals \$2,253,750.

The culture and recreation component of the plan includes \$1,000,000 for the Ocean Isle Beach Park and \$479,500 for the Nature Park at Holden Beach. The general government component includes \$774,250 for architectural services associated with the Courthouse Addition and Renovations.

The FY 2017-2018 Governmental Capital Improvement Plan funding sources as presented includes \$1,592,750 of current year revenue transfers from the general fund of which \$842,750 is contingent upon the June 30, 2017 audited financial results, \$411,000 of grant funding and \$250,000 of capital reserve funds. Since the five-year capital improvement plan represents a living document, some projects originally scheduled for the five-year timeframe have been deferred to later years.

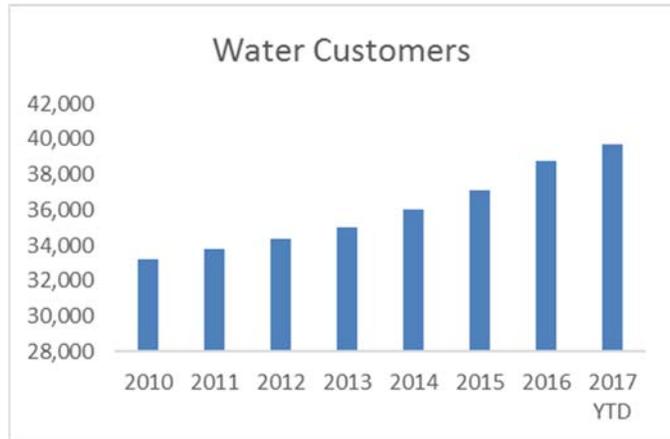
### **Capital Outlay and Major Operating Expenditures**

The recommended general government budget includes a total of \$3,627,688 dedicated to capital outlay and major operating expenditures, an increase of \$340,384 from the FY 2016-2017 approved budget. Capital outlay in general fund departments consists of items more than \$5,000 in value. Some of the more significant capital items include a replacement backup appliance for MIS at \$95,000, a tractor with mid-mount mower at \$120,000 and tandem dump truck at \$130,000 in Operation Services, 20 WatchGuard in-car cameras \$106,900 and 12 replacement Dodge Chargers in the Sheriff's Office, year 2 of a 3 year jail security system phase-in at \$125,000, a new ambulance at \$170,000, an ambulance remount at \$100,000, 11 cardiac monitors/defibrillators for EMS at \$220,000, a regional radio 800Mhz and phase 2 of the technology project for central communications at \$252,242, 4 additional Nissan Pathfinders for Code Administration at \$116,934, a lease purchase for a grinder and screener in Solid Waste at \$184,000 first year payment and 9 replacement cars for Social Services Administration at \$225,000.

The Operation Services budget includes funding for repairs and maintenance to buildings including \$50,000 for Building D remediation, \$18,000 for convenient site buildings, and \$125,000 for an expansion of the Brivo building security system to additional buildings. The major operating budget includes the replacement of 128 desktop and laptop computers.

## ENTERPRISE FUND

The county enterprise fund continues to expand to meet the service needs of the retail, industrial and wholesale customers. The customer base is experiencing moderate growth. The County currently has 39,736 water retail customers and 16,371 sewer retail customers. Customer connections provide capital recovery fee revenue, which is a source 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 the three distinct regional service areas. The County continues to strengthen regionalism by adding participants and establishing contractual relationships that eliminate duplication of effort and capital costs. Additionally, several projects have occurred over the last several years that further strengthen the County's role as the regional wastewater treatment provider in Brunswick County.

The County continues to expand the water distribution system to meet the potable water needs of the county. The FY 2015-2016 neighborhood water mains project consists of High Meadows Subdivision, Old Town Creek Road, Taft Road/Sea Wynd Subdivision, Country Meadows Subdivision, Ludlum Road, Russ Town Road, and Big neck/Mill Branch Road are currently under design. Apollo Street is under construction and the remaining projects are planned to be constructed in the next 3 years.

The County continues to make strategic capital improvements that will facilitate the utility systems meeting the long-term customer needs.

## WATER FUND

### Revenues

The total recommended water fund revenue budget for FY 2017-2018 is \$21,749,919 which is slightly higher than the original budget for FY 2016-2017 appropriation of \$20,904,207. New service connection predictions generate approximately \$688,000 in capital recovery and \$232,000 in transmission line fees. Tap fees will generate an additional \$720,000.

No increase is being recommended in the retail water rates for base service charges based on meter size with the standard 3/4 inch meter at \$12 per month and the usage rate of \$3.05 per 1000 gallons. Total commercial and residential retail water sales are projected to be \$8,694,000 or \$1,994,000 for industrial, \$5,000,000 for retail and \$1,700,000 for irrigation. The monthly base service charges will produce \$5,861,000.

Wholesale and industrial water rates are adjusted annually based on the Producer Price Index for May of each year. Wholesale water revenue has continued to increase mainly due to growth in the County. The current wholesale rate is \$2.74 per 1000 gallons. The rate cannot be finalized as the May PPI is not yet available, however an estimate would be in the \$2.80 to \$2.85 range based on the most current PPI. Assuming the rate of \$2.83, wholesale water revenue is projected to provide \$4,740,000.

### **Operating Costs**

There were two new positions recommended for the water operations, a Logistics & Asset Management Coordinator and a Distribution Mechanic. The amount budgeted for the purchase of raw water from the Lower Cape Fear Water and Sewer Authority is unchanged at \$1,157,442. The anticipated rate is \$0.27 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 will increase by 15.1% to \$309,668. The net increase is due to replacement of existing well and replace river water on pump cooling along with increases for employee salary and benefits.

Transfers to fund current and future capital projects are \$2,615,503 and the budget includes no appropriation of net assets.

### **Capital Outlay**

Some of the larger operating capital items for the water divisions include a skid steer with bucket and rotary broom \$79,000, a covered storage building \$140,000, the construction of a new production well \$375,000, and an electric meter system \$380,000. The total operating capital outlay for the water fund is \$1,135,500.

### **Debt Service**

Debt service in the water fund decreased \$2,792 due to the annual amortization schedule. There are no new planned debt issues in the coming year. The total water fund debt service budget is \$2,251,943.

### **Water Capital Improvement Plan**

The water fund capital improvement plan includes projects for FY 2017-2018 at a total estimated cost of \$15,455,000. The largest project is the NCDOT funded Hwy 211 Expansion with an estimated total cost of \$8,910,000, funded through reimbursements from the state.

Other water system improvement projects to be funded from capital reserves and currently available revenues are Misc.-Gilbert Road and Bailey Road Project \$1,400,000, Aquifer Storage \$1,500,000, Sunset Harbor Water Main \$50,000, FY16 Top 7 and Apollo Water Mains \$1,260,000, Hwy 74/76 Water Main Phase 1, 2, 3, and 4 \$735,000, LCFWSA Parallel Raw Water Main \$850,000, and Northwest Water Plant Expansion-Phase 3 \$750,000.

Waterline expansion projects currently under design in fiscal year 2017 for professional engineering design include Ludlum Road, Taft Road/Sea Wind II Subdivision, Country Meadows Subdivision, Old Town Creek Road, High Meadows Subdivision, Russ Town Road, Big Neck/Mill Branch Road, and Apollo Street. Apollo Street construction contract was awarded in FY 2017. The remaining projects are planned to be constructed with an estimated total cost \$4,210,000 over 3 years starting in FY 2018.

The county and the Lower Cape Fear Water & Sewer Authority partners are conducting a preliminary engineering study to plan for the construction of a Raw Water Line to meet the long term needs of potable water in the region and provide a redundant source of raw water from the Cape Fear River. The county's share of the Raw Water Line cost is projected to be \$22.85 million with the construction to occur in 2020. The county is planning to expand the Northwest Water Treatment Plant related to the increased water capacity in 2020 at an estimated cost of \$20.75 million.

### **SEWER FUND**

The total recommended sewer fund budget for FY 2017-2018 is \$26,246,795, representing a 5.1% increase or \$1,277,941 over the FY 2016-2017 original budget.

#### **Revenue**

There is no increase in the current sewer retail rate structure that is projected to generate \$9,300,000 or \$95,025 more than the \$9,204,975 projected in the original FY 2016-2017 budget.

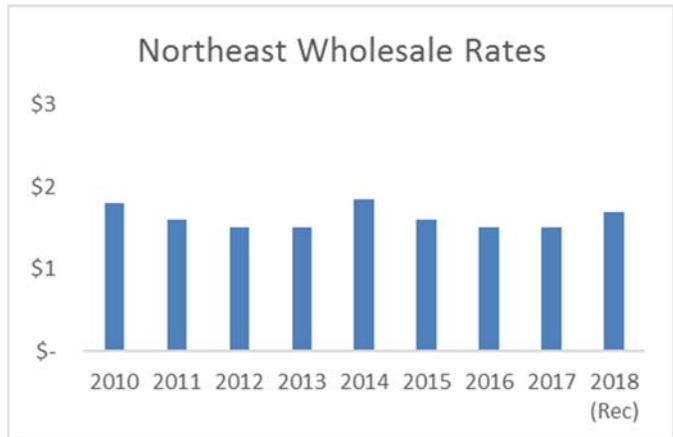
The number of new sewer connections is conservatively projected to be approximately 400. Sewer capital recovery fees are projected to generate \$600,000 and sewer transmission capital recovery fees are projected to generate \$200,000. Capital recovery fees provide funds for small capital projects and debt service retirement.

**Operating Costs**

A Wastewater Superintendent is the sole new position recommended for the sewer fund due to a retirement and reorganization.

The regional wastewater systems operated by the County continue to be successful in that the unit operational costs continue to stabilize or decrease as the plant flow increases.

The Northeast Regional Wastewater system has been in operation for 14 years. Based on an annual average daily flow of 1.7 MGD and an operational budget of \$1,073,762, the wholesale rate for the Northeast participants will not increase from \$1.50 per 1,000 gallons.



The recommended operating budget for the West Brunswick Regional Wastewater System is \$4,199,672, up 40.8% mainly due to \$1,265,000 in capital improvements for odor control and infiltration basin conversion. The average daily flow to the plant is estimated to be 3.4 MGD. The wholesale rate is recommended to remain steady at \$2.20 per 1000 gallons.



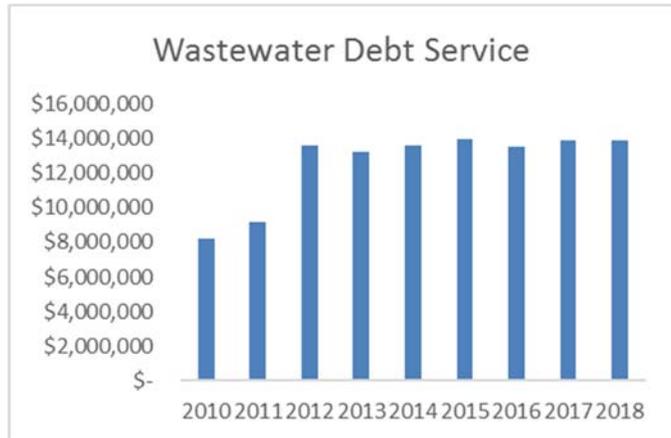
**Capital Outlay**

Some of the larger capital outlay items for the sewer divisions include a pumper truck \$155,000, odor control \$265,000, infiltration basin conversion \$1,000,000, effluent disposal improvements \$300,000, and a replacement diesel pickup \$48,000. Total capital outlay for wastewater departments is \$2,286,600.

**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 2017-2018 is \$13,886,522 and has decreased \$27,621 from FY 2016-2017 due to the annual amortization schedules. No new debt issues planned for FY 2017-2018.

The West Regional Wastewater participants are responsible for \$5,546,882 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 \$2,866,717, the Town of Holden Beach will contribute \$1,156,218, and the Town of Shallotte will contribute \$498,947. Although not a participant in the West Regional System, the City of Southport will contribute \$750,000 under the terms of an interim wastewater treatment agreement with the County. Ocean Isle Beach will contribute an additional \$275,000.



The Northeast Regional Wastewater participants are responsible for \$1,282,210 in debt service. The Town of Leland's contribution for the State Revolving Loan Fund debt for Phase I of the Northeast Regional Plant and a portion of the 2015 for the plant expansion debt. Debt service reimbursements from the Northeast Regional participants includes the Town of Navassa \$94,020, the City of Northwest \$26,462, and Brunswick Regional Water and Sewer (H2GO) \$243,661.

### **Wastewater Capital Improvements**

The wastewater capital improvement plan for FY 2017-2018 is \$7,240,000 in total. The largest project is the NCDOT funded NC 211 R-5021 Utility Relocation with an estimated total cost of \$5,940,000. Planned in FY 18 is the engineering and design of the Northeast Brunswick Regional WWTP expansion to begin construction in 2020 at a cost of \$18.6 million. The cost of the expansion will be financed and shared by the participants based upon their treatment capacity allocation.

### **CONCLUSION**

The outlook for FY 2017-2018 continues to be positive. If the modest growth projections occur, the County may continue to reduce the reliance on non-recurring funds to balance the general government operating budget and set aside reserve funds for pay as you go capital improvement projects. Significant progress has been made toward these goals due to some very proactive and strategic actions by the Board of Commissioners and staff to reduce expenditures. The County is encouraged to seek and explore alternative ways of doing business that will result in cost reductions while maintaining high service levels.

I would like to thank the staff for their dedication to conservative budgeting and efficient use of the county's resources. I am grateful to the Board of Commissioners for providing valuable direction during the development of the recommended budget. I look forward to working with you over the next several weeks to develop a final budget for FY 2017-2018 that will meet commissioner's goals of providing needed services at the lowest possible cost to taxpayers and ratepayers.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Ann B. Hardy". The signature is written in a cursive style.

Ann B. Hardy  
County Manager