

# BRUNSWICK COUNTY ADMINISTRATION

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Brunswick County Board of Commissioners:

I am pleased to present the recommended FY 2019-2020 budget for Brunswick County for your review and consideration. County revenues remain strong in all major categories resulting in funding for improvements to public safety services, storm resiliency, and providing enhancements for employee retention and recruitment through adoption of a competitive pay scale and merit system. Department heads submitted conservative and thoughtful budget requests that reflect the service priorities of the Board of Commissioners and the citizens of Brunswick County. In summary, the over-arching focus of the recommended budget is meeting the needs of a growing county.

The revaluation in the County's 4-year cycle was completed January 1, 2019. As required by NC General Statutes, the County calculated a revenue neutral tax rate of 45.05 cents for FY 2019-2020. The recommended budget includes no ad valorem tax rate change from the current 48.50 cents. The FY 2019-2020 budget proposal for all funds totals \$263,244,600 which represents an increase of 8.5% over the budget adopted June 18, 2018. The general fund budget is balanced by utilizing a prudent fund balance appropriation of \$4,167,589, net of the \$1,396,200 in escrow funds held for the Holden Beach sand nourishment project, for non-recurring capital appropriations as compared to \$3,563,251 in FY 2018-2019.

The county's economy is experiencing moderate and consistent growth. Nationally, new job growth fluctuates monthly and the March jobless rate was 3.9%. The average cost of a gallon of gasoline in North Carolina is lower than a year ago at \$2.66 from \$2.74 per gallon. Statewide leading economic indicators for March are: unemployment rate is down 0.1%, building permits are up 1.6%, manufacturing hours worked are down 0.5% and average weekly earnings are down 0.5%. Locally, in March of 2019 home sales declined 2.9% compared to one year ago and sales dollars dropped 3.9% in the first quarter of 2019 over first quarter of 2018 as reported by the Brunswick County Association of Realtors. Brunswick County's unemployment rate is 5.2% compared to the State at 4.1% and United States at 3.9%.

Consistently ranking as one of the fastest growing counties in the United States, Brunswick County ranked ninth for 2019 in growth and fourth among counties with a population of greater than 20,000. The county is included in the Myrtle-Beach Metropolitan Statistical Area which is the second fastest growing MSA in the nation at 3.8%. The State Data Center reported Brunswick County's projected permanent population to be 138,829, up from the decennial census figure of 107,431. The county is ranked first in North Carolina population percentage growth and ninth in numeric population growth in the state indicating that people are increasingly choosing Brunswick County as a place to live.

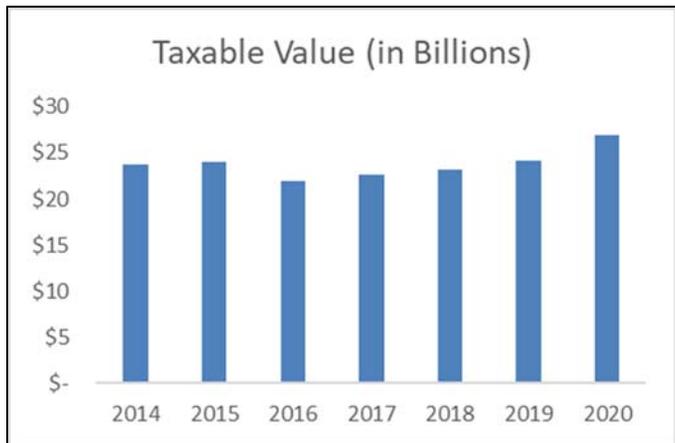


**GOVERNMENTAL FUNDS**

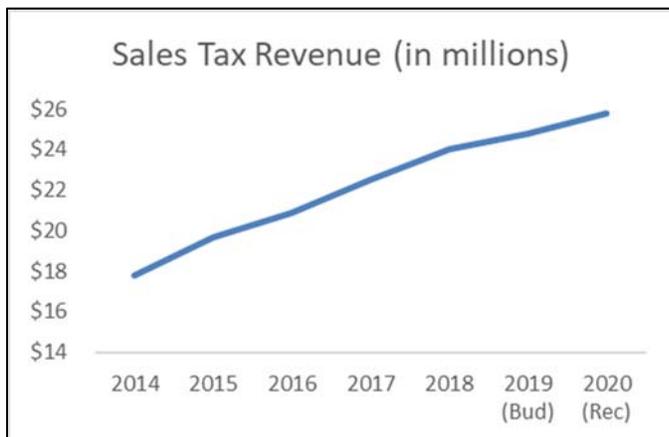
**Revenues**

Revenue projections are maintaining the upward trend. The total recommended general government budget is \$210,267,470 which represents a 9.2% increase from FY 2018-2019. Property tax revenue is the primary source of governmental fund revenue, providing \$138,091,466 or 65.7% of the total revenue. The total projected tax base, inclusive of real property and motor vehicles for FY 2019-2020, is \$28,350,647,558 up by \$2,777,462,063 or 10.9% above the base of \$25,573,185,495 on which the FY 2018-2019 budget was based.

The total projected real property value for FY 2019-2020 is \$26,850,647,558, which represents a 10.8% increase over the FY 2018-2019 real property base of \$24,223,185,495. The motor vehicle base is projected to be \$1,500,000,000 with an increase of 11.1% from the prior year base of \$1,350,000,000. The projected collection rate for motor vehicles is close to 100%, which will generate revenue of \$7,275,000.



The total real property levy for FY 2019-2020 is calculated on a tax base of \$26,850,647,558, the recommended tax rate of 48.50 cents, at the estimated collection rate of 98.15%, and is projected to provide \$127,816,466 in revenue. The total property tax revenue projection for both real property and motor vehicles is \$135,091,466, which is \$13,411,165 or 11.0% more than the original budget for FY 2018-2019. The value of one cent on the tax rate is \$2,785,391 as compared to \$2,508,872 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 2019-2020. Total county sales tax revenues, exclusive of the portion of Articles 40 and 42 designated for school capital needs, are projected to be \$19,457,769, which is \$715,566 or 3.8% higher than the original

budget of \$18,742,203 for FY 2018-19. The portion of Articles 40 and 42 designated for schools is \$6,307,529, which is \$295,609 or 4.9% more than the current budget of \$6,011,920. The increased sales tax is attributable to the general economic conditions within the county and the increase in the number of retail businesses locating within the county. The local option 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 cents.

Projections for other revenue sources for FY 2019-2020 indicate moderate increases. Emergency Medical Services fee revenues will increase due to growth in transport services and discontinuing the franchise agreement with the Town of Leland. Total EMS charges are projected to reach \$4,576,000 with an additional \$600,000 from Medicaid Cost Settlement revenue.

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

<b>Revenue</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>% Change</b>
Solid Waste Tipping Fees	\$1,800,000	\$2,100,000	\$2,250,000	\$2,600,000	+15.56%
Building Permits	\$1,750,000	\$1,950,000	\$1,960,000	\$2,250,000	+14.8%
Deed Stamp Excise Tax	\$2,300,000	\$2,800,000	\$2,900,000	\$2,920,000	+0.69%

The Sheriff continues to seek new revenues to offset the costs of serving civil warrants and detention center operations. The recommended budget includes an increase in revenue associated with federal inmates of \$225,000 for a projected FY 2019-2020 budget of \$625,000. State misdemeanor reimbursements are growing and projected to increase into the next year. The state misdemeanor projection for state inmates is \$500,000, which is \$100,000 or 25.0% more than the original budget for FY 2018-2019. There are no planned reimbursement revenues from other counties for housing inmates.

The restricted intergovernmental funds from the state and federal governments are projected to total \$14,481,787 net of \$800,000 NC Education Lottery proceeds received for the schools, which is increased \$470,412 or 3.4% from the prior fiscal year original budget of \$14,011,375. The recommended budget includes an appropriation in the health fund of \$705,000 from estimated Medicaid Maximization funds to provide current year eligible services and utilizes \$321,100 of the health reserve funds.

The recommended budget includes a fund balance appropriation for funds held in escrow and non-recurring capital expenditures of \$5,563,789 for an increase of \$578,178. A portion of the appropriation is due to escrow funds held in the amount of \$1,396,200 by the County related to the Holden Beach Interlocal Agreement and the issuance of Special Obligation Bonds for beach

nourishment. 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 reasonable due to the County's FY 2017-2018 unassigned fund balance of \$59.9 million that is 31.4% of expenditures and transfers to capital projects. The County ended fiscal year 2018 with revenues greater than expenditures before transfers for projects of \$18,977,379.

## **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
- Recommendation of additional .25% to 1.23% merit to employees who are satisfactory performers
- Recommendation of additional 1.37% to 2.35% merit to employees who are high performers.
- Recommendation of additional 2.49% to 3.35% merit to the County's highest performers in 2019-2020
- Maintain county employee, eligible dependent children and retiree health plan with no increase in employee premiums or reduction of benefits.

### **2. Public Safety**

- 1 Emergency Management Non-Profit Coordinator
- 1 Emergency Medical Services Paramedic Functional Needs and 8 additional paramedics to assume Leland area operations
- 1 911 Trainer position in Central Communications
- Additional Commercial Plans Examiner and a Fire Plans Examiner/Fire Inspector
- Funding for 8 Detention Officers added in the last quarter of FY 2019

### **3. Enhance Disaster Services Protection & Resiliency**

- North Brunswick High School and BSRI Generator Project for Emergency Shelters
- Main Fuel Site/Generator Upgrades
- Leland Fuel Site Upgrade
- Ring Power Critical Incident Vehicle
- Shelter Equipment Storage Containers
- Flood Gauges

### **4. Meet the Needs of a Growing County with Diverse Demographics**

- Increase of 7.3% per the funding agreement with Brunswick County Schools for the operating budget resulting from growth in ad valorem and sales taxes

- Increase of 0.3% to Brunswick Community College to support existing programs and an additional \$336,000 for the Foundation Grant providing tuition assistance
- Increase of 8.4% to Brunswick Senior Resources for program support
- Continue the County's commitment of \$200,000 per year to the reserve for shoreline protection
- Provide employees training, resources, and equipment to facilitate high service levels to citizens
- Replace vehicles utilized beyond end of useful life
- Continued funding for technology/computer software support and cyber security upgrades
- Maintain computer replacement program

### **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 8.5% 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 2019-2020 per unit increased \$0.11 to \$12.39. Based on average growth in cans of 2,448 per month and replacement cans, the budget for countywide solid waste collection is \$14,250,000 for an increase over the prior year of \$514,000.

The construction and demolition tonnage received at the county landfill increased 17.8% as of June 30, 2018 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 75% of the waste from the landfill is currently \$40 per ton or \$1,400,000 per year. The current landfill closure reserve balance accumulated is \$9.5 million with no additional transfer to the reserve in FY 20. The total cost of closure is estimated at \$9.9 million.

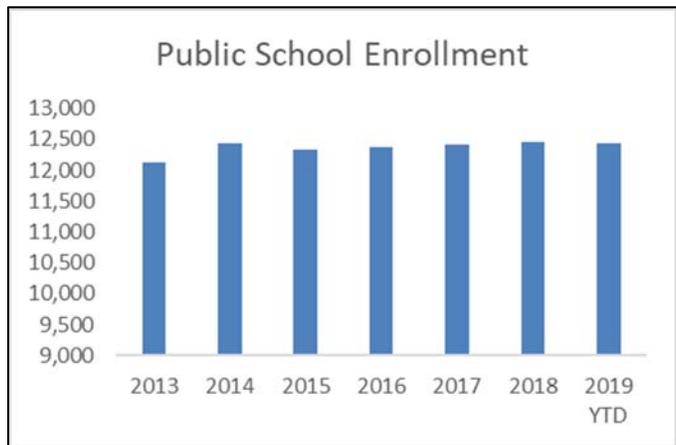
Waste Industries is providing curbside recycling services on a voluntary individual contract basis for which the costs are borne by the users through direct billing with no direct fiscal impact to Brunswick County. Waste Industries reports there are 33,725 county households using curbside recycling either voluntary or through their municipal services.

### **Brunswick County Public Schools**

The County has a long-standing funding agreement with the Brunswick County Board of Education that was extended 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 2019-2020 school appropriation, in accordance with the funding agreement, is \$43,738,870, which represents an increase of approximately 7.3 percent or \$2,982,592 over the FY 2018-2019 approved budget. Under the

terms of the agreement, 35.75%, or \$42,840,126 will be used for current expense and 0.75% or \$898,744 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 \$3,941,083 of local option sales tax proceeds, after subtracting \$2,366,446 dedicated for school debt service, the remainder is for category 1 (improvements to buildings and grounds) capital outlay 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 capital outlay annual needs. The school's capital improvement plan includes resources from prior year ad valorem collections received pursuant to the funding agreement of \$839,500 to aid in funding additional category 1 capital outlay system improvements.

The total general obligation debt service for Brunswick County Schools for FY 2019-2020 is \$10,817,298. An additional \$3,166,446 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 statutory sales tax and lottery revenue proceeds dedicated to school capital outlay. Including the debt service, 40.4% or \$54,556,168 of the County's current year ad valorem property tax revenue is appropriated for K-12 public education purposes.



In FY 2017-2018, 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 the State provided funding rank of 91<sup>st</sup>, federal funding rank of 53<sup>rd</sup> and local per pupil expenditures combined, Brunswick County ranked 49<sup>th</sup> in the State in total for \$9,542.38 expended per pupil.

### **Brunswick Community College**

Brunswick Community College completed the Southport satellite campus improvements concluding all the college local general obligation bond funded capital projects. The total General Obligation debt service for Brunswick Community College is \$2,689,312.

The new Allied Health Building construction is underway 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 county and college funds. The former Early Childhood Education Center will be renovated, and an addition will be constructed.

The recommended community college appropriation in FY 2019-2020 is \$4,196,426 to meet operating and capital needs. The combined recommended change to the support for the community college totals an increase of \$12,559 or 0.3%. During FY 19, the Brunswick County Sheriff’s Office began providing the campus police eliminating those amounts from the FY 20 community college appropriation.

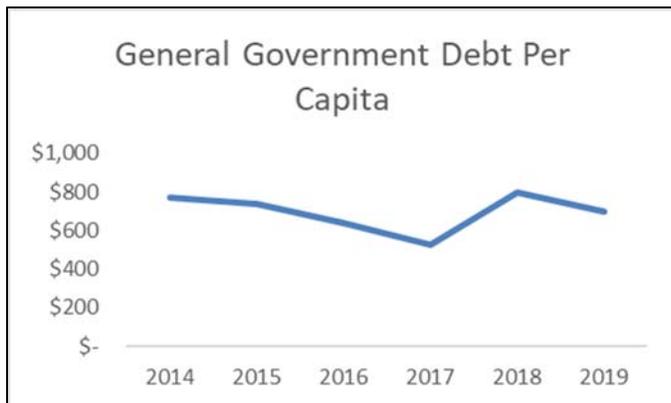
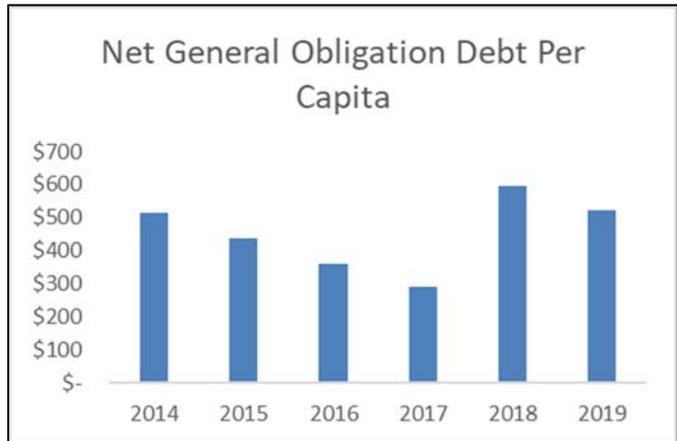
Included in the funding for the Brunswick Community College is funding for the Foundation Grant of \$336,000 (up from the prior year \$120,000) to assist with tuition and fees for qualified Brunswick County High School graduates.

In FY 2018-2019, Brunswick Community College is ranked number 2 in the state for local support.

**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.

In November 2017, the voters approved a \$152 million general obligation bond referendum to address the school capital needs of district wide maintenance and improvements 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 phases of bond issues scheduled within 5 years, with the first phase issued in June 2018, adding additional debt service in FY 2020 of \$5,636,172.



Overall, Brunswick County’s per capita debt ratio is low. The County’s total outstanding Governmental Funds debt will decline from \$107,776,765 to \$96,543,304 as of June 30, 2019. This equates to

approximately \$696 per capita and current net general obligation debt is approximately \$524 per capita.

The total general government debt service budget will be \$18,600,215, which represents an increase of \$5,139,508 or 38.2% from the prior year. This increase is mainly due to the addition of the 2018 School GO Bonds debt service offset by decreases in the annual amortization schedule.

The total principal payments on general fund debt are \$13,623,306 with interest and service fee payments equaling \$4,976,909.

### **Human Services**

Changes in the costs for Human Service Departments and related organizations include a general government local funding contribution of \$4,348,733 to the health fund programs representing an increase of \$108,419 mainly due to increases in employee salary and benefits offset.

The total contribution to the social services fund of \$7,024,601 represents an increase from the current year appropriation of \$524,447 mainly due to changes in employee costs and a portion of computer software costs.

Funding of \$250,443 is recommended to enter into a contract for services that include crisis intervention service with the state agency Trillium.

The recommended appropriation to Brunswick Senior Resources, Inc. is \$2,589,319, which is 8.4% greater than the prior year and dedicated for continued program support, full year funding for a Case Manager and five Receptionists added mid-year FY 19 and to begin on-site meal preparation at the Calabash Center.

### **Employee Benefits**

The FY 2019-2020 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 \$1,364,763 of which \$178,962 is budgeted in the enterprise fund and the additional funding of employee merit raises of 2.5% at an estimated cost of \$1,705,954 of which \$223,703 is budgeted in the enterprise fund.

The County will continue contributions for employees and pre-65 retirees to a fully insured health benefit pool established through NCHIP. The administrator for the plan will continue to be Blue Cross Blue Shield. There will be no plan benefit design changes and no increase in premiums. County contributions for the health and dental program per employee is \$8,352. In addition, the FY 20 budget includes a \$300,000 contingency for health premiums to lessen the impact of possible future health premium increases. The County is moving away from the current

dental plan offered by Blue Cross and Blue Shield to a plan provided by Delta Dental. There will be no changes in benefits and approximately \$100,000 savings in premiums.

Over the past ten years, the County has successfully managed a self-insurance worker's compensation program. During this time, the County has maintained a competitive loss ratio which positions the County for favorable ratings. The North Carolina Association of County Commissioner's (NCACC) has provided a quote for a standard pay plan, which pays all claim related costs including the program management fees for one standard fee reducing the FY 20 budget impact by \$285,000. This type of plan lowers the risk to the County and allows for additional growth.

The Local Government Employee Retirement System Board recommended contribution rates for general employees at 8.95% and law enforcement at 9.70%.

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 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.

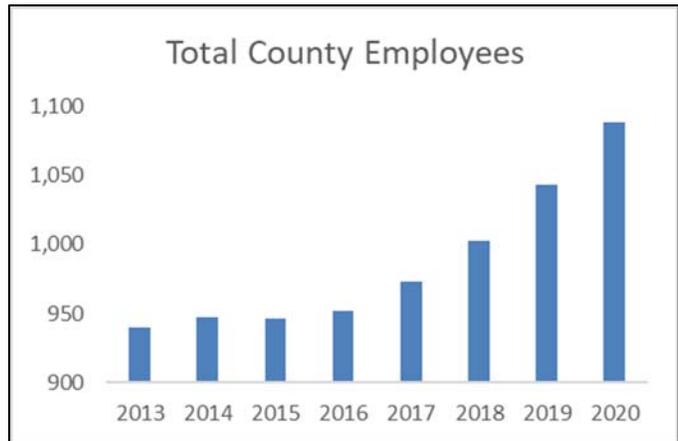
Nineteen new positions and one position deletion due to attrition are recommended for general government. The general government recommended FTE change is the addition of one Delinquent Tax Specialist in Tax Administration, the deletion of a Business Analyst in Management Information Services, a Manager in Fleet Services, a Non-Profit Coordinator in Emergency Services, a Functional Needs Paramedic and eight Paramedics in Emergency Medical Services, one Commercial Plans Examiner in Building Inspections and Central Permitting, a Fire Plans Examiner/Fire Inspector in Fire Inspections, a 911 Trainer in Central Communications Center, a Landfill Equipment Operator in Solid Waste, a Project Planner in Planning, an Environmental Health Specialist I in Environmental Health, and a Social Worker III in Social Services Administration. The total cost of new positions added is \$1,096,553.

As part of the County's goal to maintain a competitive pay plan per policy, more than 25% of budgeted positions were analyzed resulting in the conclusion that the County remains very competitive with its peers and in line with market.

The general government operations provide school resource officers, which are reimbursed by the school system and the charter school totaling \$1,407,569 at a flat annual rate of \$62,559 per officer, up from the prior year due to the changes for merit, market, and benefits per employee.

General Government operations also provides the school system with a detective dedicated for school safety that is included in the reimbursement agreement. The detective base rate for FY 2020 is \$69,157 bringing the total reimbursement to \$1,476,726.

Nine new positions are included for the enterprise operations, one of which is a half year addition. The budget includes the recommendation of one full year and one-half year Water Treatment Operator I, a Water Laboratory Technician, an AMI Meter Technician, a Generator Maintenance Tech I, an Administrative Assistant II, a Collections Mechanic II, a Wastewater Treatment Maintenance Foreman and a Wastewater Laboratory Technician at a total cost of \$512,712.



These changes bring the total number of positions to 1,088.78, of which 943.78 are associated with general government functions and 145 associated with the enterprise operations.

### Capital Improvement Plan

The list of projects recommended for funding in FY 2019-2020 totals \$15,661,901.

The environmental protection component of the plan includes \$731,651 for the design of a transfer station at the existing landfill location. The culture and recreation component of the plan includes \$479,500 for the Brunswick Waterway Park at Holden Beach and \$3,500,000 in pay go funds for the construction of Waccamaw Multiuse Facility Building. The general government component includes \$10,950,750 for construction of the Courthouse Renovations.

The FY 2019-2020 Governmental Capital Improvement Plan funding sources as presented includes \$411,000 of grant funding, \$8,868,500 of capital reserve funds, \$5,650,750 of pay go and \$731,651 to be determined for planned projects. Funding for projects will be determined by the timing of FEMA reimbursements and the audited results for FY 19. The five-year capital improvement plan represents a living document. Some projects originally scheduled for the five-year timeframe may have been deferred to later years.

### Capital Outlay and Major Operating Expenditures

The recommended general government budget includes a total of \$7,426,355 dedicated to capital outlay and major operating expenditures, an increase of \$2,631,138 from the FY 2018-2019 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 main fuel site/generator

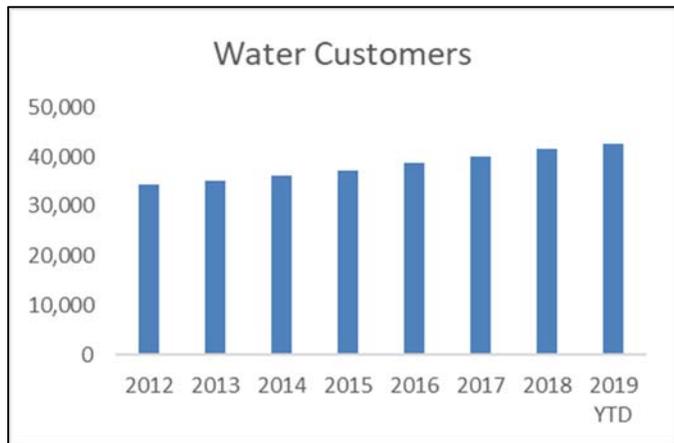
upgrade of \$250,000 and a Leland fuel site upgrade of \$115,000 for Fleet Services, a dozer costing \$200,000 and a rubber tire backhoe of \$109,000 for Operation Services, 20 body cameras/in car bundles of \$150,000, 1 additional and 19 replacement patrol cars at \$595,506, and 8 other replacement vehicles totaling \$232,000, and a Ring Power critical incident vehicle costing \$329,000 for the Sheriff’s Office, continuation of the NC Sound camera project of \$144,754 for the Detention Center, a generator project at North Brunswick High School budgeted at \$900,000 and BSRI generator transfer switches of \$100,000 for Emergency Services, 5 new ambulances with powerlifts costing \$966,805 total, an ambulance remount budgeted at \$117,000, 5 replacement vehicles at \$260,406, 25 portable radios with accessories at \$172,125 for Emergency Medical Services, and a trash compactor at \$607,000 for Solid Waste.

The Operation Services budget includes \$160,000 for repairs and maintenance to buildings and \$130,000 for the county Community Improvement and Solutions (CIS) program. The CIS program removes abandoned and dilapidated structures that become a blight to a neighborhood and cause rapid decreases in property values as well as pose risk to public health and safety and become a haven for crime.

The major operating budget includes 224 replacement 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 consistent and moderate growth. The County currently has 42,481 water retail customers and 18,449 sewer retail customers. Customer connections provide system development fee revenues, which are a source dedicated to the retirement of debt service for system expansion project and pay go capital 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 County is moving forward with construction of advanced water treatment through a low-pressure reverse osmosis system and expansion of the treatment capacity of the Northwest Water Treatment Plant, along with jointly constructing a parallel surface water line with the Lower Cape Fear Water and Sewer Authority to secure the growing area's water supply for many years.

## **WATER FUND**

### **Revenues**

The total recommended water fund revenue budget for FY 2019-2020 is \$24,627,265 which is \$1,008,797 higher than the original budget for FY 2018-2019 appropriation of \$23,618,468. New service connection predictions generate approximately \$688,000 system development fees and \$232,000 in transmission line fees. Tap fees will generate an additional \$850,000.

To encourage water conservation and improve in the State Revolving Fund Ranking Criteria, revenue neutral rate changes are recommended. No increase is being recommended in the retail water base service charges based on meter size with the standard 3/4-inch meter at \$12 per month. A retail usage rate change of \$2.85 per 1,000 gallons for the first 5,000 gallons, \$3.30 for the next 15,000 gallons, and \$3.85 for gallons used over 20,000 are recommended. This is a change from \$3.05 for the first 6,000 gallons, \$3.10 for the next 14,000 gallons, and \$3.15 for gallons used over 20,000. A similar tier update is being recommended for residential and commercial irrigation rates. Recommended residential irrigation rates are \$3.30 per 1,000 gallons for the first 5,000 gallons, \$4.30 for the next 15,000 gallons, and \$5.70 for gallons used over 20,000. Commercial irrigation rate changes are the same but with tiers of 20,000 gallons, 100,000 gallons, and greater than 100,000 gallons. Total commercial and residential retail water sales are projected to be \$9,550,000 or \$2,200,000 for industrial, \$5,250,000 for retail and \$2,100,000 for irrigation. The monthly base service charges will produce \$6,300,000 annually.

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 and the PPI calculated rate. The current wholesale rate is \$2.93 per 1,000 gallons. The rate cannot be finalized as the May PPI is not yet available, however an estimate would be 3 cents increase to \$2.96 based on the most current PPI. Assuming the rate of \$2.96, wholesale water revenue is projected to provide \$5,850,000.

### **Operating Costs**

There were five new positions recommended to serve water operations, two Water Treatment Operator I's and a Laboratory Technician in Northwest Water Treatment Plant, an AMI

Meter Technician in Water Distribution, and a Generator Maintenance Tech I in Instrumentation-Electrical Division.

The amount budgeted for the purchase of raw water from the Lower Cape Fear Water and Sewer Authority is unchanged at \$1,290,303. The anticipated rate is \$0.27 per thousand gallons with a predicted flow of 4.749 billion gallons. The County will continue to operate and maintain the raw water pumping station at Kings Bluff for the LCFWSA on a reimbursement basis. The operating budget for the Kings Bluff Pumping Station will increase to \$390,985 due to increases for employee salaries and benefits.

A transfer to the capital reserve is planned for capital projects of \$2,851,888. The budget includes no appropriation of net assets.

### **Capital Outlay**

Some of the larger operating capital items for the water divisions include EMS-12 fuel site additions \$165,000, a lab building \$275,000, 5 Evoqua Sand Filters \$900,000, BPS8 hurricane shelter \$135,000, and 7 vehicles \$280,000. The total operating capital outlay for the water fund is \$2,791,000.

### **Debt Service**

Debt service in the water fund decreased \$5,613 due to the annual amortization schedule. A \$179.4 million debt issue is planned for January 2020 with debt service payments to begin in 2022 due to the County's plan to capitalize construction period interest. The total water fund debt service budget is \$2,236,316.

### **Water Capital Improvement Plan**

The water fund capital improvement plan includes projects for FY 2019-2020 at a total estimated cost of \$163,749,275. The largest project is for the 2.5 MGD Northwest Water Plant Expansion and advanced treatment through a low-pressure reverse osmosis process. Construction is scheduled to begin in FY 20 with a total estimated cost of \$137,000,000. Under design with construction to begin in 2020 is the cost sharing project with Cape Fear Public Utilities for a 54" LCFWSA Parallel Raw Water Main with a construction cost of \$41,574,635 funded by debt service also to begin in FY 2022. The construction of this Raw Water Line will meet the long-term needs of potable water in the region and provide a redundant source of raw water from the Cape Fear River.

Other water system improvement projects to be funded from capital reserves and currently available revenues are Shallotte Water Transmission Main \$4,500,000, Utilities Operation Center expansion \$590,000, and Hwy 74/76 industrial park waterline extension \$1,490,000 which is partially funded by a grant for \$903,711.

## SEWER FUND

The total recommended sewer fund budget for FY 2019-2020 is \$27,390,450, net of capital reserve transfers for projects, representing a 6.2% increase or \$1,599,560 over the FY 2018-2019 original budget.

### Revenue

There is no increase in the current sewer retail rate structure that is projected to generate \$11,600,742 or \$1,800,742 more than the \$9,800,000 projected in the original FY 2018-2019 budget.

Conservatively budgeted, new service connections are projected to generate \$600,000 in sewer capital recovery fees and sewer transmission fees of \$200,000. Capital recovery fees provide funds for small capital projects and debt service retirement.

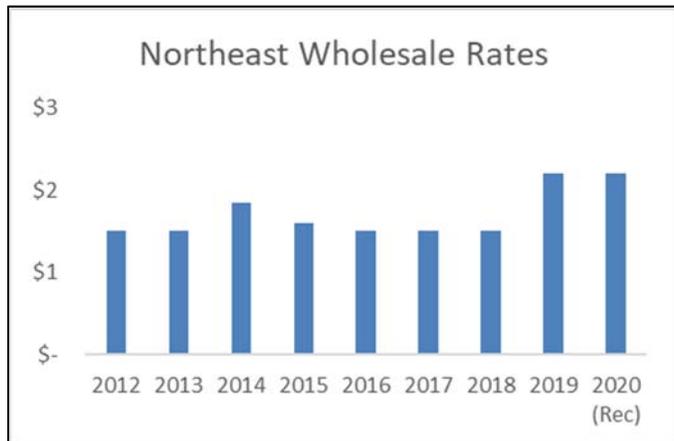
### Operating Costs

There were four new positions recommended for wastewater operations, an Administrative Assistant II for Wastewater Administration, a Collections Mechanic II for the Construction Division, and split among Northeast Regional, Southwest Regional, West Regional and Ocean Isle Beach Wastewater was a Treatment Maintenance Foreman and a Laboratory Technician.

The regional wastewater systems operated by the County continue to be successful and assist all participants in controlling operational costs.

The Northeast Regional Wastewater system has been in operation for 16 years. Based on an annual average daily flow of 1.9 MGD and an operational budget of \$1,145,605, the wholesale rate for the Northeast participants will not change from \$2.20 per 1,000 gallons.

The Town of Ocean Isle Beach became a regional participant in 2012 and in exchange, the Town deeded and dedicated its existing 1.05 MGD wastewater treatment plant. For FY 2020, the wholesale rate will remain at \$3.80 per 1,000 gallons and an operational budget of \$574,250.





The recommended operating budget for the West Brunswick Regional Wastewater System is \$4,089,011, up 8.8% after taking into consideration the \$1,130,000 in capital improvements for jet aeration conversion recommended in the current year and \$310,000 for pump improvements and replacements in the prior year. 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 1,000 gallons.

**Capital Outlay**

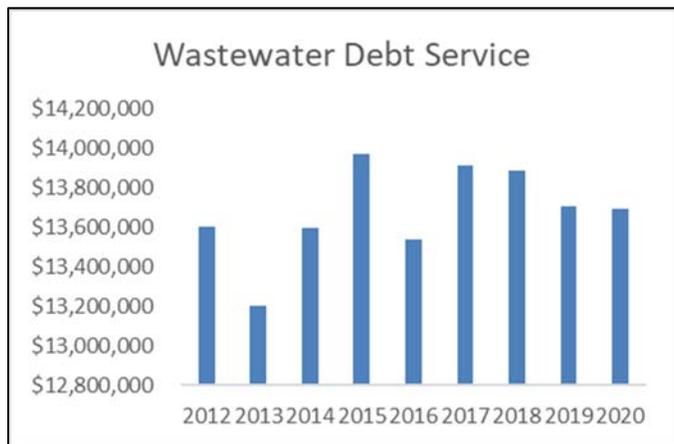
Some of the larger capital outlay items for the sewer divisions include a Fueling Center at Grey Water Road \$522,000, Jet Aeration Conversion \$1,130,000, and nine new vehicles totaling \$444,000. Total capital outlay for wastewater departments is \$3,516,915.

**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 2019-2020 is \$13,690,318 and has decreased \$13,086 from FY 2018-2019 due to the annual amortization schedules. Planned in January 2020 is a debt issue for the 2.5 MGD expansion at the Northeast Regional WWTP with the debt service payments fully reimbursed by the wholesale participants.

The West Regional Wastewater participants are responsible for \$5,737,718 of the total sewer fund debt service that is related to the construction and expansion of the plant and associated facilities. Contributions from participants are the Town of Oak Island \$2,814,829, the Town of Holden Beach \$1,149,319, the Town of Shallotte \$498,570 and the Town Ocean Isle Beach \$275,000.

Northeast Regional Wastewater participants are responsible for \$1,274,290 in debt service. Debt service reimbursements from the Northeast Regional participants includes the Town of Navassa \$94,002, the City of Northwest



\$26,680, the Brunswick Regional Water and Sewer (H2GO) \$243,457 and the Town of Leland \$910,151.

### **Wastewater Capital Improvements**

The wastewater capital improvement plan for FY 2019-2020 is \$36,893,820. The largest project is the 2.5 MGD Northeast Brunswick Regional WWTP expansion to begin construction in 2020 at a cost of \$39,100,000 and will be paid for by capital charges from participants. The County will need to expand the West Brunswick Regional Wastewater System with timing dependent on growth in new service connections. Included is an Enterprise Funded Low Pressure Main Extension in Boiling Springs Lakes estimated to cost \$185,820 and funded by Capital Reserves.

### **CONCLUSION**

The outlook for FY 2019-2020 is positive and will provide for improving service levels and public safety. If the 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.

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 2019-2020 that will meet Commissioners' goals of providing needed services at the lowest possible cost to taxpayers and ratepayers.

Respectfully Submitted,



Ann B. Hardy  
County Manager