

BRUNSWICK COUNTY ADMINISTRATION

BRUNSWICK COUNTY GOVERNMENT CENTER
DAVID R. SANDIFER COUNTY ADMINISTRATION BUILDING
30 GOVERNMENT CENTER DRIVE, N.E.
BOLIVIA, NORTH CAROLINA 28422

MAILING ADDRESS:

POST OFFICE BOX 249
BOLIVIA, NORTH CAROLINA 28422

TELEPHONE
(910) 253-2000
(800) 442-7033
FAX
(910) 253-2022

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Brunswick County Board of Commissioners:

It is my honor to present to you this recommended budget for the upcoming 2020-2021 fiscal year. Undoubtedly the budget process is the single most important accomplishment of the governing board and the staff annually. The recognition received over the years by the Finance Department has affirmed the quality work done during this yearly task demonstrating the high level of financial management adhered to by the County.

A few short months ago the County was moving along quite well fiscally anticipating the completion of another strong fiscal year with prudent spending and continued growth in revenues. Unexpectedly the County, like the rest of the Country, has been put into a situation in which clearly the duration and severity of the economic crisis are generally not known. Indeed, Brunswick County is in a strong position to face the impact of the COVID19 Pandemic as compared to most peer counties, due to the impressive fiscal management of the past twenty years.

While the budget cycle started in the normal fashion, it evolved into an even more focused process requiring all County departments as well as the Sheriff's Office and Register of Deeds Office to find ways to reduce expenditures. Multiple in-person and virtual meetings were held with department officials to review their requested budgets in an effort to find additional potential reductions in spending. All told, there was a very evident spirit of cooperation among all the various departments to work together to accomplish this difficult process knowing it would delay some much sought-after capital needs as well as new staff positions requested.

The recommended budget is one that assumes reduction of some key revenues coming into the County. It remains unclear at this point what the true impacts will be and most likely the next six to nine months will provide additional clarity on this situation. Should the growth continue as it has in previous economic downturns, this will allow for the financial flexibility to endure this Pandemic crisis without detrimental impact on the operations of the County government programs.

The recommended budget includes no ad valorem tax rate change from the current 48.50 cents. The FY 2020-2021 budget proposal for all funds totals \$265,485,277 which represents an increase of 0.9% over the budget adopted June 17, 2019. The general fund budget is balanced by utilizing a prudent fund balance appropriation of \$2,878,480, net of the \$1,370,040 in escrow funds held for the Holden Beach sand nourishment project, for non-recurring capital appropriations as compared to \$4,167,589 in FY 2019-2020.



The county's economy is experiencing moderate and consistent growth. Nationally, new job growth fluctuates monthly and the March jobless rate was 4.5% but early reports for April indicates the jobless rate increased to 14.7% due to COVID-19. The average cost of a gallon of gasoline in North Carolina is lower than a year ago at \$1.65 from \$2.70 per gallon. The Most recent statewide leading economic indicators are for March: unemployment rate is up 0.2%, manufacturing hours worked are the same and average weekly earnings are up 1.9%. The Dept of Commerce is reporting that 83.6% of unemployment claims from March 15, 2020 to May 7, 2020 statewide are COVID-19 related. Locally, in March of 2020 home sales declined 1.4% compared to one year ago but sales dollars increased 4.1% in the first quarter of 2020 over first quarter of 2019 as reported by the Brunswick County Association of Realtors. Brunswick County's unemployment rate is 5.7% compared to the State at 4.2% and United States at 4.5% and is expected to increase due to the current pandemic and the economic slowdown.

Consistently ranking as one of the fastest growing counties in the United States, Brunswick County ranked seventh for 2019 in growth percentage and sixth 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 3.3%. The State Data Center reported Brunswick County's projected permanent population to be 146,135, up from the decennial census figure of 107,431. The county is ranked first in North Carolina population percentage growth and fourth in numeric population growth in the state indicating that people are increasingly choosing Brunswick County as a place to live.

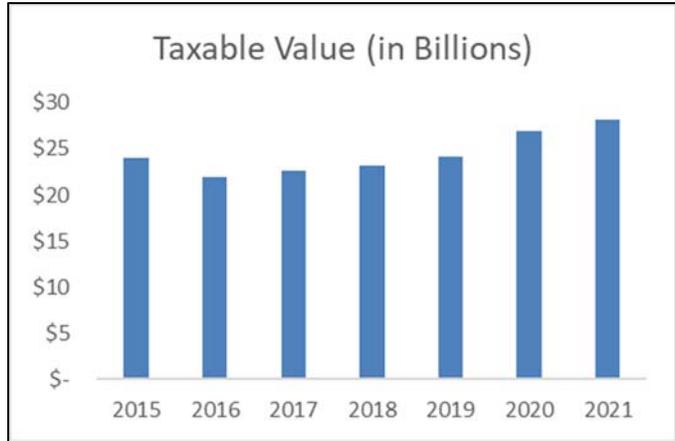
GOVERNMENTAL FUNDS

Revenues

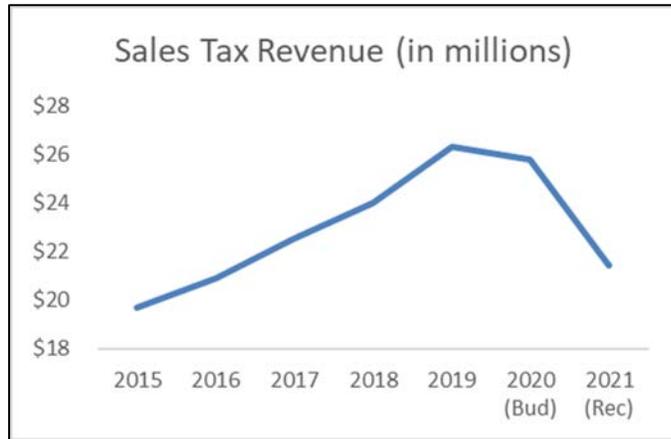
The total recommended general government budget is \$209,851,877 which represents a 0.2% decrease from FY 2019-2020. Property tax revenue is the primary source of governmental fund revenue, providing \$144,312,368 or 68.8% of the total revenue. The total projected tax base, inclusive of real property and motor vehicles for FY 2020-2021, is \$29,749,376,160 up by \$1,398,728,602 or 4.9% above the base of \$28,350,647,558 on which the FY 2019-2020 budget was based.

The total projected real property value for FY 2020-2021 is \$28,199,376,160, which represents a 5.0% increase over the FY 2019-2020 real property base of \$26,850,647,558. The motor vehicle base is projected to be \$1,550,000,000 with an increase of 3.3% from the prior year base of \$1,500,000,000. The projected collection rate for motor vehicles is close to 100%, which will generate revenue of \$7,517,500.

The total real property levy for FY 2020-2021 is calculated on a tax base of \$28,199,376,160, the recommended tax rate of 48.50 cents, at the estimated collection rate of 97.90% a slight decline due to the current pandemic and is projected to provide \$133,894,868 in revenue. The total property tax revenue projection for both real property and motor vehicles is \$141,412,368, which is \$6,320,902 or 4.7% more than the original budget for FY 2019-2020. The value of one cent on the tax rate is \$2,915,719 as compared to \$2,785,391 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 less than current year projections and the outlook for continued decline extends into the projection for FY 2020-2021 due to the current Pandemic. Total county sales tax revenues, exclusive of the portion of Articles 40 and 42 designated for school capital needs, are projected to



be \$16,178,740, which is \$3,279,029 or 16.9% lower than the original budget of \$19,457,769 for FY 2019-2020. The portion of Articles 40 and 42 designated for schools is \$5,251,443, which is \$1,056,086 or 16.7% less than the current budget of \$6,307,529. The decreased sales tax is attributable to the COVID-19 impact of the stay at home orders, lack of tourism and temporary business closures. 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.

The County growth pattern continues to be consistent through the current pandemic and is reflective of the continued number of residential and commercial permits issued. Therefore, most revenue sources are projected to remain relatively flat or slightly higher or lower than the previous year.

Revenue	FY 2018	FY 2019	FY 2020	FY 2021	% Change
Solid Waste Tipping Fees	\$2,100,000	\$2,250,000	\$2,600,000	\$2,600,000	+0.00%
Building Permits	\$1,950,000	\$1,960,000	\$2,250,000	\$2,505,000	+11.33%
Deed Stamp Excise Tax	\$2,800,000	\$2,900,000	\$2,920,000	\$2,850,000	-2.40%
Emergency Medical Services	\$3,800,000	\$3,959,578	\$4,576,000	4,896,320	+7.00%

The Sheriff continues to seek new revenues to offset the costs of serving civil warrants and detention center operations. The recommended budget includes consistent revenue associated with federal inmates for a projected FY 2020-2021 budget of \$625,000. State misdemeanor reimbursements are projected to decrease into the next year. The state misdemeanor projection for state inmates is \$400,000, which is \$100,000 or 20.0% less than the original budget for FY 2019-2020. 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 \$14,781,067 net of \$800,000 NC Education Lottery proceeds received for the schools, which is increased \$299,280 or 2.1% from the prior fiscal year original budget of \$14,481,787. 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 \$147,350 of the health reserve funds.

The recommended budget includes a fund balance appropriation for funds held in escrow and non-recurring capital expenditures of \$4,248,520 for a decrease of \$1,315,269. A portion of the appropriation is due to escrow funds held in the amount of \$1,370,040 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 lower than the County’s levels in prior years and is reasonable due to the County’s FY 2018-2019 unassigned fund balance of \$62.0 million that is 30.5% of expenditures and transfers to capital projects. The County ended fiscal year 2019 with revenues greater than expenditures before transfers for projects of \$10,085,173.

Expenditures

The recommended budget took into consideration three major focus areas:

1. Current and Future Impacts of the COVID-19 Pandemic

- Revenue decreases for the continued recommended stay at home orders and lack of tourism

- Decrease in ad valorem property tax collection rate
- Maintain current service levels
- Deferred capital expenditures and capital projects

2. Employee Retention, Recruitment and Succession Planning

- Market adjustment recommendation of 2.0% to employees who are satisfactory performers
- 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 2020-2021
- Maintain county employee, eligible dependent children and retiree health plan with 1% increase in employee premiums and no reduction of benefits.

3. Meet the Needs of a Growing County with Diverse Demographics

- Increase of 7.6% per the funding agreement with Brunswick County Schools for the operating budget resulting from growth in ad valorem taxes
- Increase of 2.1% to Brunswick Community College to support existing programs and an additional \$350,000 for the Foundation Grant providing tuition assistance
- Increase of 4.8% to Brunswick Senior Resources for program support
- Continue the County's commitment of \$200,000 per year to the reserve for shoreline protection
- Recommended 11 new positions in Health and Human Services (5) to meet state guidelines with funding grant reimbursements provided and Public Safety (6) to meet the needs in detention and a school resource officer.
- Provide employees training, resources, and equipment to facilitate high service levels to citizens
- Funding for a facilities and space needs study
- 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 8.6% 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 2020-2021 per unit increased \$0.095 to \$12.48. Based on average

growth in cans of 2,388 per month and replacement cans, the budget for countywide solid waste collection is \$14,915,204 for an increase over the prior year of \$665,204.

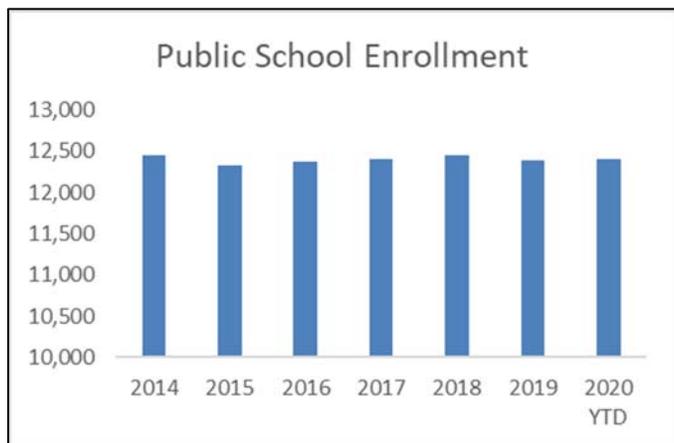
The construction and demolition tonnage received at the county landfill increased 59.31% as of June 30, 2019 compared to the previous year. To preserve the existing capacity in the landfill and extend the useful life of the facility, the County contracts with Waste Industries for diversion of waste to a landfill in Sampson County, North Carolina. The cost of diverting 75% of the waste from the landfill is currently \$44.92 per ton or \$1,457,000 per year. The current landfill closure reserve balance accumulated is \$9.9 million with no additional transfer to the reserve in FY 21. 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. Currently, Waste Industries reports there are 35,366 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 2020-2021 school appropriation, in accordance with the funding agreement, is \$47,063,595, which represents an increase of approximately 7.6 percent or \$3,324,725 over the FY 2019-2020 approved budget. Under the terms of the agreement, 35.75%, or \$46,096,535 will be used for current expense and 0.75% or \$967,060 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 \$2,971,547 of local option sales tax proceeds, after subtracting \$2,279,896 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 \$803,000 to aid in funding additional category 1 capital outlay system improvements.

The total general obligation debt service for Brunswick County Schools for



FY 2020-2021 is \$8,870,310. An additional \$3,079,896 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, 39.6% or \$55,933,905 of the County's current year ad valorem property tax revenue is appropriated for K-12 public education purposes.

In FY 2018-2019, Brunswick County ranked 20th in the State of North Carolina for local funding of public schools based on per pupil expenditures. With the State provided funding rank of 91st, federal funding rank of 56th and local per pupil expenditures combined, Brunswick County ranked 57th in the State in total for \$9,799.05 expended per pupil.

Brunswick Community College

The total General Obligation debt service for Brunswick Community College is \$2,807,887.

The new Allied Health Building construction is nearing completion 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 is being renovated, and an addition constructed.

The recommended community college appropriation in FY 2020-2021 is \$4,284,100 to meet operating and capital needs. The combined recommended change to the support for the community college totals an increase of \$87,674 or 2.1%.

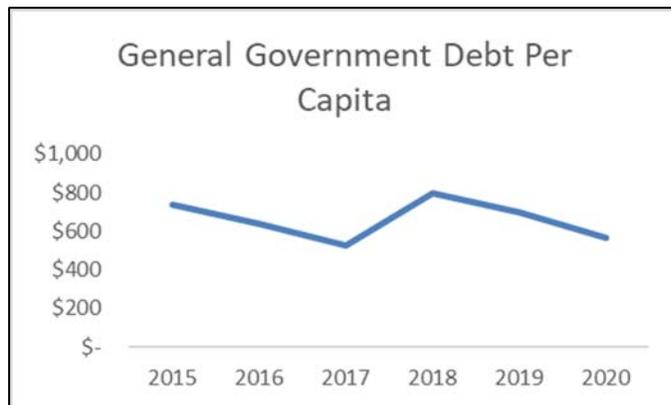
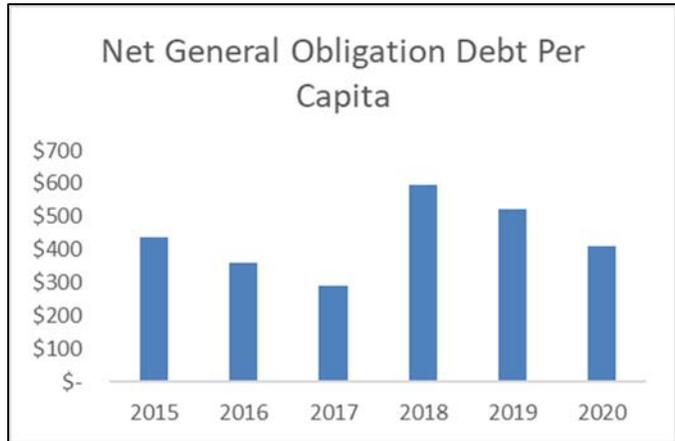
Included in the funding for the Brunswick Community College is funding for the Foundation Grant of \$350,000 (up from the prior year \$14,000) to assist with tuition and fees for qualified Brunswick County High School graduates.

In FY 2019-2020, Brunswick Community College is ranked number 3 in the state for local support.

Debt Service

Brunswick County government is in a good position regarding capital facilities for general fund operations, but with aging facilities and growth in services the recommended budget includes funding for a facilities and space needs study. There is excess capacity in the County Detention Center.

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. The second phase is planned to be issued July 2020 in the amount of \$47,550,000 adding approximately \$5,000,000 additional debt service in FY 2022.



Overall, Brunswick County's per capita debt ratio is low. The County's total outstanding Governmental Funds debt will decrease from \$96,543,304 to \$82,920,000 as of June 30, 2020. This equates to approximately \$567 per capita and current net general obligation debt is approximately \$411 per capita.

The total general government debt service budget will be \$15,550,908, which represents a decrease of \$3,049,307 or

16.4% from the prior year. This decrease is mainly due to the decreases in the annual amortization schedule and a decrease in interest related to the first phase of the general obligation bond referendum.

The total principal payments on general fund debt are \$12,305,001 with interest and service fee payments equaling \$3,245,907.

Human Services

Changes in the costs for Human Service Departments and related organizations include a general government local funding contribution of \$4,433,550 to the health fund programs representing an increase of \$84,817 mainly due to increases in employee salary and benefits.

The total contribution to the social services fund of \$7,033,111 represents an increase from the current year appropriation of \$8,510 mainly due to changes in employee costs and the Brunswick County Low to Moderate Income Water and Sewer Utility Assistance Program offset by prior year's computer software costs not budgeted in the current year.

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 \$2,713,739, which is 4.8% greater than the prior year and dedicated for continued program support.

Employee Benefits

The FY 2020-2021 budget recommendation includes a market adjustment of 2.0% related to the December CPI index change from the prior year at a cost of approximately \$1,342,785 of which \$192,308 is budgeted in the enterprise fund and the additional funding of employee merit raises of 2.0% at an estimated cost of \$1,342,785 of which \$192,308 is budgeted in the enterprise fund. There is no change in the pay scale recommended for FY 2020-2021.

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 a 1.0% increase in premiums. County contributions for the health and dental program per employee is \$8,493. In addition, the FY 2021 budget includes a \$300,000 contingency for health premiums to lessen the impact of possible future health premium increases.

The County will continue with its program for worker's compensation with the North Carolina Association of County Commissioner's (NCACC) and has provided a quote for a standard pay plan with an increase of \$38,002 from the prior year.

The Local Government Employee Retirement System Board recommended contribution rates for general employees at 10.15% and law enforcement at 10.90%.

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 the same level of activity as in the prior year 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.

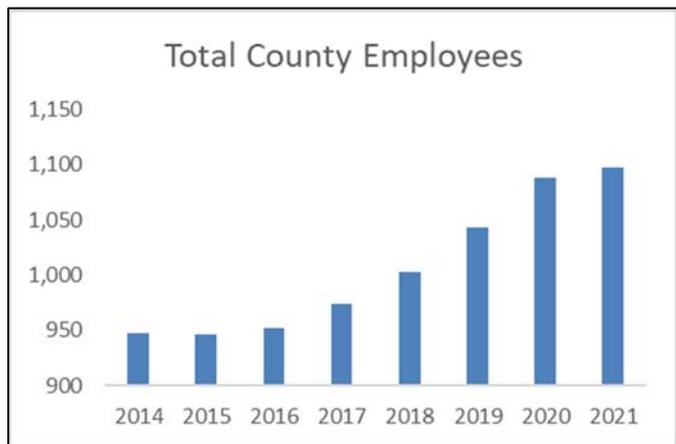
Eleven new positions and one eliminated position are recommended for general government. The general government recommended FTE change is the addition of one Deputy in the Sheriff's Office as a School Resource Officer (reimbursed by the schools), a half-year funded Deputy for inmate transportation, 2 full-year and 2 half-year funded Jailers in the Detention Center, a Health Educator II previous contract half-funded with New Hanover County in Family Health Personnel, a reduction of a Medical Office Assistant in WIC-Client Services, a half-year funded Preparedness Coordinator in Bioterrorism Preparedness that is grant funded, and three positions in Social Services, all half-year funded: Social Worker III and Social worker Supervisor III to meet state guidelines and is cost shared, and an Interpreter previously part-time. The total cost of new positions added in FY 2021 is \$364,008.

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 and it is not recommended to make a scale adjustment in FY 2020-2021.

The general government operations provide school resource officers, which are reimbursed by the school system and the charter school totaling \$1,499,531 at a flat annual rate of \$63,810 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 \$70,540 bringing the total reimbursement to \$1,506,261.

With the current pandemic and conservative growth projection, there are no new position recommendations for the enterprise operations.

These changes bring the total number of positions to 1,097.78, of which 957.78 are associated with general government functions and 146 associated with the enterprise operations.



Capital Improvement Plan

The list of projects recommended for funding in FY 2020-2021 totals \$6,724,985.

The environmental protection component of the plan includes \$4,974,985 for the construction of a transfer station at the existing landfill location and \$150,000 for landfill closure. The general government component includes \$1,600,000 for cabling of the Courthouse Addition and Renovations that are underway.

The FY 2020-2021 Governmental Capital Improvement Plan funding source as presented is \$6,724,985 that has been set aside capital reserve designated for these projects. 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 \$3,665,666 dedicated to capital outlay and major operating expenditures, a decrease of \$3,760,689 from the FY 2019-2020 approved budget that included funding to assist with storm residency efforts. Capital outlay in general fund departments consists of items more than \$5,000 in value. Some of the more significant capital items include a data domain expansion of \$90,000 for MIS, an excavator at \$220,000 for Operation Services, 2 new ambulances and one remounted ambulance totaling \$620,000 for Emergency medical Services, a video delivery system at \$214,300 for Central Communications, an excavator for Solid Waste at \$220,000, and two zero turn mowers totaling \$52,000 for Parks and Recreation-Maintenance. Additional vehicles recommended include 25 replacement patrol cars (20 marked and 5 unmarked) totaling \$782,280 for the Sheriff's Office, a replacement vehicle each for Fire Inspections, Sheriff Animal Protective Services, Parks and Recreation-Maintenance, and Family Health Personnel totaling \$128,000, 3 replacement vehicles for Environmental Health at \$78,600, and 4 replacements for Social Services Administration at \$100,000 total.

The Operation Services budget includes \$160,000 for repairs and maintenance to buildings and \$15,000 for the Calabash Senior Center roof repair. The Operation Services budget also includes \$180,000 for repairs and maintenance to equipment and \$30,000 for the replacement of DDC's on 17 units in the detention center.

The major operating budget includes 158 replacement desktops, monitors and laptop computers for a total recommended cost of \$259,350.

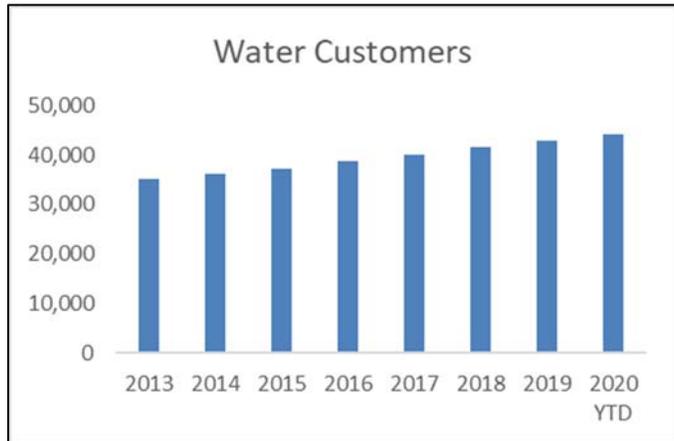
ENTERPRISE FUND

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 44,248 water retail customers and 19,647 sewer retail customers. Customer connections provide system development fee revenues, which are 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 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 2020-2021 is \$24,212,424 which is \$414,841 lower than the original budget for FY 2019-2020 appropriation of \$24,627,265. New service connection predictions generate approximately \$688,000 system development fees and \$232,000 in transmission line fees. Tap fees will generate an additional \$450,000.

No increase is being recommended in the retail water rates for base service charges based on meter size with the standard ¾ inch meter at \$12 per month and the usage rate 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. 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 \$10,000,000 or \$1,900,000 for industrial, \$5,200,000 for retail and \$2,900,000 for irrigation. The monthly base service charges will produce \$6,500,000 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 \$2.96 per 1,000 gallons. The rate cannot be finalized as the May PPI is not yet available, however an estimate would be 5 cents decrease to \$2.91 based on the most current PPI. Assuming the rate of \$2.91, wholesale water revenue is projected to provide \$5,000,000.

Operating Costs

There were no new positions recommended to serve water operations.

The amount budgeted for the purchase of raw water from the Lower Cape Fear Water and Sewer Authority is unchanged at \$1,290,303. There is no increase in the current rate of \$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 \$442,019 due to increases for employee salaries and benefits and the purchase of a security system.

A transfer to the capital reserve is planned for capital projects of \$1,747,394. The budget includes no appropriation of net assets.

Capital Outlay

Some of the larger operating capital items for the water divisions include the re-drilling of an existing well at \$450,000, and 1 vehicle at \$48,000. The total operating capital outlay for the water fund is \$1,003,500.

Debt Service

Debt service in the water fund decreased slightly due to the annual amortization schedule. In November 2019, the County issued Revenue Bonds for a project cost of \$26.6 million for the construction of the 54" Raw Water Main with a capitalized construction period interest and \$968,000 in debt service payments to begin in FY 2022. In June 2020, the county is scheduled to issue Revenue Bonds for the Northwest Water Plant Expansion with Low Pressure Reverse Osmosis Treatment for a total project cost of \$156,759,395 with a capitalized construction period interest and approximately \$8,818,750 in debt service payments to begin in FY 2023. The total water fund debt service budget is \$2,216,815.

Water Capital Improvement Plan

The water fund capital improvement plan includes one project planned for in FY 2020-2021 at a total estimated cost of \$1,852,025. This project is for the Highway 74/76 Industrial Park Waterline Extension to provide service to the County Industrial Park. An EDA grant has been applied for and the county will provide matching funds of \$899,030 that are set aside in the water capital reserve. Currently under construction is the cost sharing project with Cape Fear Public Utilities for a 54" LCFWSA Parallel Raw Water Main. 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. In June 2020, construction will begin for the Northwest Water Plant Expansion and advanced treatment through a low-pressure reverse osmosis process to provide 36 MGD of treated water.

SEWER FUND

The total recommended sewer fund budget for FY 2020-2021 is \$30,115,922, net of capital reserve transfers for projects, representing a 10.0% increase or \$2,725,472 over the FY 2019-2020 original budget.

Revenue

There is no increase in the current sewer retail rate structure that is projected to generate \$11,500,000 or \$100,742 less than the \$11,600,742 projected in the original FY 2019-2020 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 debt service retirement.

Operating Costs

There were no new positions recommended for wastewater operations.

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 since the early 2000's. Based on an annual average daily flow of 2.3 MGD and an operational budget of \$1,280,664, 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 2021, the wholesale rate will remain at \$3.80 per 1,000 gallons and an operational budget of \$603,946.



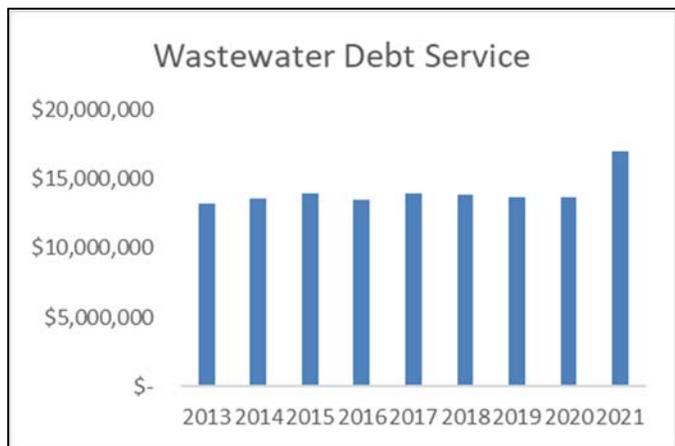
The recommended operating budget for the West Brunswick Regional Wastewater System is \$4,074,138, up 3.9% after taking into consideration the \$1,000,000 in capital improvements for pipeline rehab of the 24” force main from Oak Island recommended in the current year and \$1,130,000 for jet aeration conversion in the prior year. The average daily flow to the plant is estimated to be 3.8 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 various pump station rehabs totaling \$660,000, a replacement forklift at \$116,000, an Oak Island force main rehab at \$1,000,000, and one new vehicle at \$45,000. Total capital outlay for wastewater fund is \$3,602,000.

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 2020-2021 is \$17,015,815 increasing \$3,325,497 from FY 2019-2020 due to the issuance of additional debt and assuming the debt associated with acquiring the City of Northwest and the Town of Navassa systems. In November 2019, the County issued Revenue Bonds for the Northeast Regional WWTP 2.5 MGD and Transmission System Expansion costing \$51.9 million. Wholesale participants will reimburse the County 79.5% of the debt service payments for their share of the capital charges.



The West Regional Wastewater participants are responsible for \$4,703,590 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 \$2,807,199, the Town of Holden Beach \$1,123,102, the Town of Shallotte \$498,289 and the Town Ocean Isle Beach \$275,000.

Northeast Regional Wastewater participants are responsible for \$3,814,731 in debt service. Debt service reimbursements from the Northeast Regional participants includes the Brunswick Regional Water and Sewer (H2GO) \$1,822,145 and the Town of Leland \$1,992,586.

Wastewater Capital Improvements

The wastewater capital improvement plan for FY 2020-2021 is \$860,000 and this amount is set aside in the wastewater capital reserve for the improvements at the Sea Trail Wastewater Treatment Plant to replace corroded influent piping, add a screening and grit removal system and structural repairs to the equalizations basin bulkhead. Under construction is the 2.5 MGD Northeast Brunswick Regional WWTP and Transmission capacity expansion. The County will need to expand the West Brunswick Regional Wastewater System with timing dependent on growth in new service connections.

CONCLUSION

Fiscal Year 2020-2021 brings new challenges never experienced before and requires the County to move forward cautiously to ensure financial flexibility is maintained to allow for budgetary adjustments to be made should it become necessary. At the present time it appears further reductions will not be needed; however, it will be some time before it is clear how much the crisis has impacted the regional, state and national economy. Moving forward, this budget allows for maintenance of the County's strong financial position, preserves the fund balance and slows growth in spending.

It has been a very positive experience for me working as a new County Manager over the past few months interacting with all the staff to formulate this recommended budget for the next fiscal year. I especially want to thank Director of Fiscal Operations, Julie Miller and Deputy County Manager, Steve Stone as their guidance has been invaluable in this process. Over the next month I look forward to working with and assisting the Board of Commissioners to develop their final budget. Please feel free to reach out to us should you desire any further information or assistance during the upcoming budget process.

Respectfully Submitted,



Randell Woodruff
County Manager