

BRUNSWICK COUNTY ADMINISTRATION

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May 17, 2021

Brunswick County Board of Commissioners:

It is my honor to present to you this recommended budget for the upcoming 2021-2022 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.

As the County has weathered the challenges of the pandemic well over the past fifteen months, it is now clear there are other new challenges which must be prepared for as the local, regional and national economies move forward. While Brunswick County Government continues to perform well economically with strong revenue growth, the next nine to twenty-four months will determine how long the County's upward trajectory will be sustained. The strong foundation of impressive financial management over the past twenty years allows the necessary flexibility for the County to endure potential changes in the economy.

While the last budget cycle was one of contracting expenditures and expected revenue declines, this new fiscal year budget is one of the conservative growth projections to accommodate the increased costs of doing business and necessary new positions brought about by the sustained population growth and the construction boom here in the County. Multiple in-person and virtual meetings were held with department officials to review their requested budgets in an effort to support modest growth in staffing and capital needs while staying within the current tax rate generated revenues. Unfortunately, even in a County with robust growth such as Brunswick, it is still a challenge to address all of the needs of a growing community. During the budget process, it was clear the departments were committed to working together to accomplish this difficult process knowing all departments wouldn't get all funding requested.

The recommended budget is one that assumes a stable economy over the next year generating increased revenues coming into the County to cover increased operational costs. It is anticipated the growth will sustain at or near current levels or perhaps slightly decline depending on how well the national economy does.

The recommended budget includes no ad valorem tax rate change from the current 48.50 cents. The FY 2021-2022 budget proposal for all funds totals \$291,541,119 which represents an increase of 9.8% over the budget adopted June 17, 2020. The general fund budget is balanced by utilizing a prudent fund balance appropriation of \$2,877,600, net of the \$1,343,880 in escrow funds held for the Holden Beach sand nourishment project, for non-recurring capital appropriations as compared to \$2,878,480 in FY 2020-2021.



The county's economy is experiencing substantial growth. Nationally, new job growth fluctuates monthly, and the March jobless rate was 6.2%. The average cost of a gallon of gasoline in North Carolina is considerably higher than a year ago at \$2.69 from \$1.65 per gallon. The Most recent statewide leading economic indicators are for March: the unemployment rate is up 0.3%, manufacturing hours worked are down 1.7% and average weekly earnings are also down 1.5%. Locally, in March of 2021 home sales increased 50.6% compared to one year ago and sales dollars increased 69.2% in the first quarter of 2021 over the first quarter of 2020 as reported by the Brunswick County Association of Realtors. Brunswick County's unemployment rate is 5.8% compared to the State at 4.6% and the United States at 6.2%.

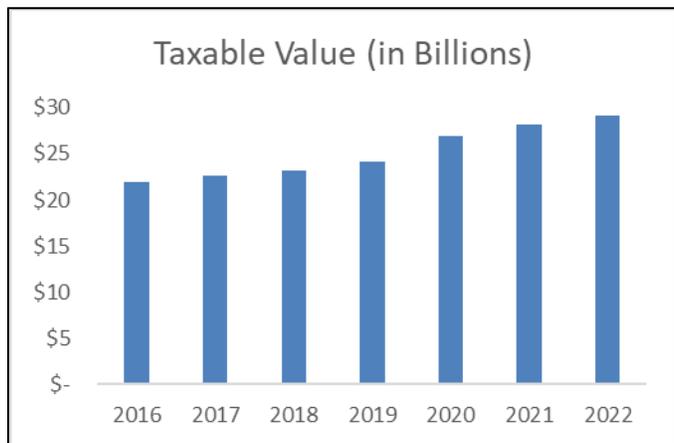
Consistently ranking as one of the fastest-growing counties in the United States, Brunswick County ranked thirteenth for 2019 in growth percentage and seventh among counties with a population of greater than 10,000. The county is included in the Myrtle-Beach Metropolitan Statistical Area which is the second-fastest-growing MSA in the nation at 3.3%. The State Data Center reported Brunswick County's projected permanent population to be 150,889, 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 \$228,026,787 which represents an 8.7% increase from FY 2020-2021. Property tax revenue is the primary source of governmental fund revenue, providing \$148,800,658 or 65.2% of the total revenue. The total projected tax base, inclusive of real property and motor vehicles for FY 2021-2022, is \$30,635,229,148 up by \$885,852,988 or 3.0% above the base of \$29,749,376,160 on which the FY 2020-2021 budget was based.

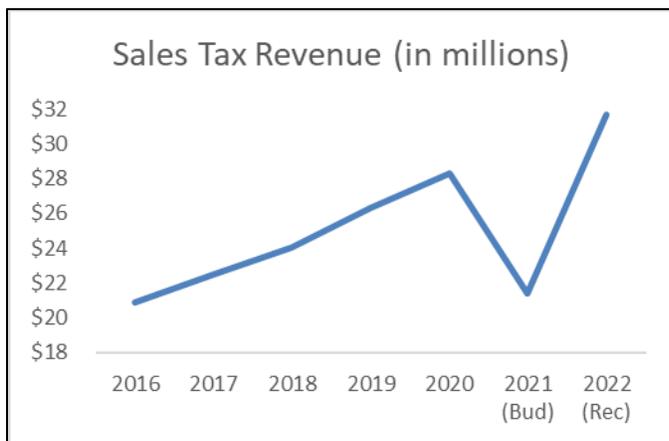
The total projected real property value for FY 2021-2022 is \$29,085,229,148, which represents a 3.1% increase over the FY 2020-2021 real property base of \$28,199,376,160. The motor vehicle base is projected to be consistent with the prior year at \$1,550,000,000. The projected collection rate for motor vehicles is close to 100%, which will generate revenue of \$7,517,500.



The total real property levy for FY 2021-2022 is calculated on a tax base of \$29,085,229,148, the recommended tax rate of 48.50 cents, at the estimated collection rate of

98.10%, and is projected to provide \$138,383,158 in revenue. The total property tax revenue projection for both real property and motor vehicles is \$145,900,658, which is \$4,488,290, or 3.2% more than the original budget for FY 2020-2021. The value of one cent on the tax rate is \$3,008,261 as compared to \$2,915,719 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 2021-2022. Total county sales tax revenues, exclusive of the portion of Articles 40 and 42 designated for school capital needs, are projected to be \$24,002,591, which is \$7,823,851 or 48.4% greater than the original budget of \$16,178,740 for FY 2020-2021. The portion of Articles 40 and 42 designated for schools is \$7,716,389, which is \$2,464,946 or 46.9% greater than the current budget of \$5,251,443. The increased sales tax is attributable to the budget for the prior year's unknown

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 have a slight to moderate increase over the previous year.

Revenue	FY 2019	FY 2020	FY 2021	FY 2022	% Change
Solid Waste Tipping Fees	\$2,250,000	\$2,600,000	\$2,600,000	\$2,600,000	+0.00%
Building Permits	\$1,960,000	\$2,250,000	\$2,505,000	\$2,861,000	+14.21%
Deed Stamp Excise Tax	\$2,900,000	\$2,920,000	\$2,850,000	\$3,100,000	+8.77%
Emergency Medical Services	\$3,959,578	\$4,576,000	\$4,896,320	\$5,100,000	+4.16%

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 2021-2022 budget of \$625,000. State misdemeanor reimbursements are projected to decrease into the next year. The state misdemeanor projection for state inmates is \$300,000, which is \$100,000 or 25.0% less than the original budget for FY 2020-2021. There are no planned reimbursement revenues from other counties for housing inmates. During the budget year 2020-2021, the Sheriff began a program with the NC Department of Public Safety to provide juvenile detention services at the Brunswick County Detention Center. The recommended budget for FY 2021-2022 includes revenues of \$888,156 for a full year reimbursement to operate the program.

The restricted intergovernmental funds from the state and federal governments are projected to total \$14,727,060 net of \$800,000 NC Education Lottery proceeds received for the schools, which is decreased by \$54,007 or 0.4% from the prior fiscal year original budget of \$14,781,067. 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 \$137,200 of the health reserve funds.

The recommended budget includes a fund balance appropriation for funds held in escrow and non-recurring capital expenditures of \$4,221,480 for a decrease of \$27,040. A portion of the appropriation is due to escrow funds held in the amount of \$1,343,880 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 or lower than the County's levels in prior years and is reasonable due to the County's FY 2019-2020 unassigned fund balance of \$76.2 million that is 34.8% of expenditures and transfers to capital projects.

Expenditures

The recommended budget took into consideration two major focus areas:

1. Employee Retention, Recruitment and Succession Planning

- Scale adjustment 1.5%
- Market adjustment 1.5% to employees who are satisfactory performers
- Additional .75% to 1.90% merit to employees who are satisfactory performers
- Additional 2.06% to 3.20% merit to employees who are high performers
- Additional 3.37% to 4.35% merit to the County's highest performers
- No reduction of benefits
- Funding for a Classification and Total Compensation Study

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

- Increase of 3.1% per the funding agreement with Brunswick County Schools for the operating budget resulting from growth in ad valorem taxes
- Increase of 3.7% to Brunswick Community College to support existing programs and \$350,000 for the Foundation Grant providing tuition assistance
- Increase of 6.5% to Brunswick Senior Resources for program support for 5 district senior centers
- Continue the County's commitment of \$200,000 per year to the reserve for shoreline protection
- Added 22 new positions:
 - Social Work Supervisor and Program Specialist to meet state guidelines with funding grant reimbursements provided
 - 2 call taker positions in Central Communications for staffing and rotation schedule
 - Building Inspector, Fire Inspector, Floodplain Administrator, and a Permitting Tech to meet the demands in Code Administration
 - 4 Paramedics to increase service to 24 hours
 - Additional IT Programmer and Security Specialist
 - Custodial Assistant for increased workloads
 - Additional Library Assistant
 - 6 positions in Utilities for Meter Reader, Safety Officer, Collections Mechanic, Utilities Foreman, Wastewater Operator, and Maintenance Mechanic
- Continued funding for technology/computer software support and increased cybersecurity
- Provide employees training, resources, and equipment to facilitate high service levels to citizens

Solid Waste Management

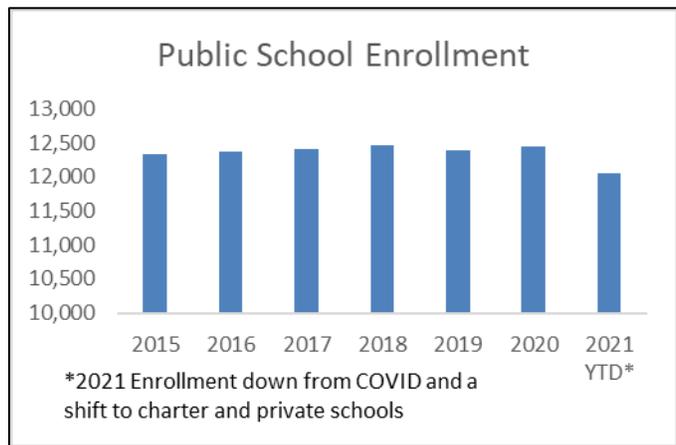
Solid waste management, including the operation of the County's construction and demolition landfill and contracting for the countywide curbside collection of municipal solid waste, represents 8.3% of the general government expenditures. The County has a countywide solid waste collection and disposal 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 2021-2022 per unit increased \$0.164 to \$12.65. Based on average growth in cans of 333 per month and replacement cans, the budget for countywide solid waste collection is \$15,656,000 for an increase over the prior year of \$740,796.

The construction and demolition tonnage received at the county landfill increased 28% as of June 30, 2020 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 \$45.67 per ton or \$1,570,000 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 37,621 county households are using curbside recycling either voluntarily 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, 2025. 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 paying debt service. The total recommended FY 2021-2022 school appropriation, following the funding agreement, is \$48,520,244, which represents an increase of approximately 3.1% or \$1,456,649 over the FY 2020-2021 approved budget. Under the terms of the agreement, 35.75%, or \$47,523,253 will be used for current expense and 0.75% or \$996,991 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 \$5,537,994 of local option sales tax proceeds, after subtracting \$2,178,395 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 instead 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 according to the funding agreement of \$803,000 to aid in funding additional category 1 capital outlay system improvements.



The schools are projected to receive \$5,537,994 of local option sales tax proceeds, after subtracting \$2,178,395 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 instead 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 according 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 2021-2022 is \$9,512,180. An additional \$2,978,395 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, 39.8% or \$58,032,424 of the County’s current year ad valorem property tax revenue is appropriated for K-12 public education purposes.

In FY 2019-2020, Brunswick County ranked 19th in the State of North Carolina for local funding of public schools based on per-pupil expenditures. With the State provided funding rank

of 81st, federal funding rank of 73rd, and local per-pupil expenditures combined, Brunswick County ranked 54th in the State in total for \$9,950.93 expended per pupil.

Brunswick Community College

The total General Obligation debt service for Brunswick Community College is \$2,695,365.

The new Allied Health Building was constructed 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 was renovated, and an addition constructed.

The recommended community college appropriation in FY 2021-2022 is \$4,444,554 to meet operating and capital needs. The combined recommended change to the support for the community college totals an increase of \$160,454 or 3.7%.

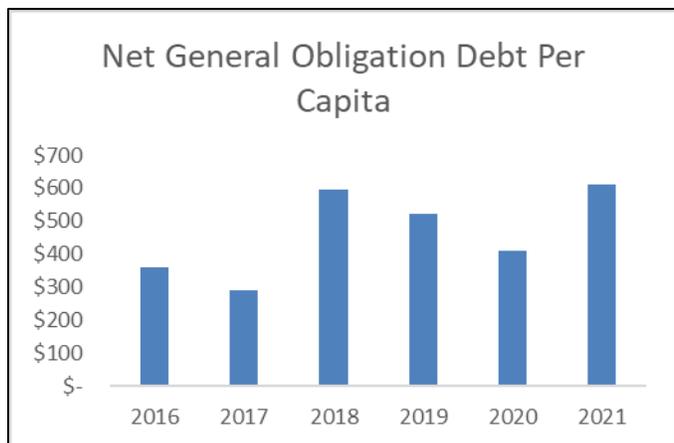
Included in the funding for the Brunswick Community College is funding for the Foundation Grant of \$350,000 (consistent with the prior year) to assist with tuition and fees for qualified Brunswick County High School graduates.

In FY 2020-2021, Brunswick Community College is ranked number 2 in the state for local support.

Debt Service

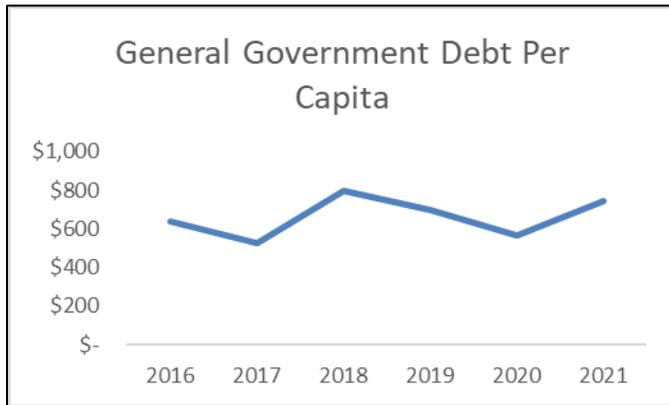
Brunswick County government is in a good position regarding capital facilities for general fund operations, but with aging facilities and growth in services currently underway is a facility and space need study. There is excess capacity in the County Detention Center.

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 \$52,950,184 in June 2018, adding additional debt service in FY 2020 of \$5,636,172. The second phase was issued July 2020 of \$47,549,033 adding \$4,362,370 additional debt service in FY 2022. The final phase will be issued in June/July 2022 of \$51,500,783 with debt service payments to begin in the fiscal year 2024 adding an estimated \$5,300,000.

Overall, Brunswick County's per capita debt ratio is low. The County's total outstanding Governmental Funds debt will increase from \$82,920,000 to \$112,410,000 as of June 30, 2021.



This equates to approximately \$745 per capita and the current net general obligation debt is approximately \$610 per capita.

The total general government debt service budget will be \$15,946,877, which represents an increase of \$395,969 or 2.5% from the prior year. This increase is mainly due to the principal and interest related to the second phase of the general obligation bond referendum.

The total principal payments on general fund debt are \$10,980,001 with interest and service fee payments equaling \$4,966,876.

Human Services

Changes in the costs for Human Service Departments and related organizations include a general government local funding contribution of \$4,804,368 to the health fund programs representing an increase of \$333,827 or 7.5% mainly due to increases in employee salary and benefits.

The total contribution to the social services fund of \$7,804,148 represents an increase from the current year's appropriation of \$791,037 or 11.3% mainly due to changes in employee costs including two additional FTEs as well as six replacement vehicles.

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 \$2,888,852, which is 6.5% greater than the prior year and dedicated to continued program support.

Employee Benefits

The FY 2021-2022 budget recommendation includes a pay scale market adjustment of 1.5% related to the December CPI index change from the prior year at a cost of approximately \$1,165,000 of which \$161,800 is budgeted in the enterprise fund and the additional funding of employee merit raises of 2.5% at an estimated cost of \$1,941,667 of which \$269,667 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 a less than 1.0% increase in premiums due to additional FTE's. County contributions for the health and dental program per employee are \$8,528. In addition, the FY 2022 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 \$143,015 from the prior year.

The Local Government Employee Retirement System Board recommended contribution rates for general employees at 11.35% and law enforcement at 12.10%.

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

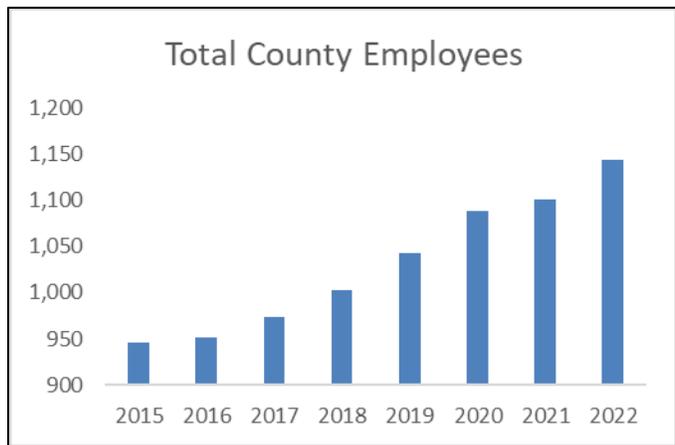
Departments associated with development and construction permitting are experiencing an increased level of activity over the prior year due to the continued growth in the county. Other departments, primarily those that provide human services, public safety, or internal and support services have continued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

Sixteen new positions are recommended for general government. The general government recommended FTE change is the addition of one Programmer I and one Security Specialist in Information Technology, a Custodial Assistant in Operation Services, two Paramedics and two EMT Intermediates in Emergency Medical Services, one Floodplain Administrator, one Permitting Tech, and one Multi Trades Inspector I in Building Inspections and Central Permitting, a Fire Inspector/Investigator in Fire Inspections, two Telecommunicator I's in Central Communications, one Library Assistant, and two positions in Social Services: Social Work Supervisor and a Program Specialist IMC Family/Child MA. The total cost of new positions added in FY 2022 is \$963,814.

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 the market. In addition to this analysis, the recommended budget includes \$100,000 for a classification and total compensation study.

The general government operations provide school resource officers, which are reimbursed by the school system and the charter school totaling \$1,529,525 at a flat annual rate of \$65,086 per officer, up from the prior year due to the changes for merit, market, and benefits per employee. General Government operations also provide the school system with a detective dedicated to school safety that is included in the reimbursement agreement. The detective base rate for FY 2022 is \$71,951 bringing the total reimbursement to \$1,601,476.

Six new positions are included for the enterprise operations, one of which starts in October. The budget includes the recommendation of one Meter Reader to replace part-time, a Safety Officer to begin in October in Water Administration, a Collections Mechanic I and a Utilities Foreman in the Collections Division, and a Wastewater Operator and a Maintenance Mechanic II in Northeast Regional Wastewater at a total cost of \$357,810.



These changes bring the total number of positions to 1,144.60, of which 991.60 are associated with general government functions and 153 are associated with enterprise operations.

Capital Improvement Plan

The list of projects recommended for funding in FY 2021-2022 totals \$6,067,380.

The environmental protection component of the capital improvement plan includes \$5,417,380 for the construction of a transfer station at the existing landfill location and \$150,000 for landfill closure. The general government component includes \$500,000 for Smithville Park renovations.

The FY 2021-2022 Governmental Capital Improvement Plan funding source as presented is \$5,519,639 that has been set aside capital reserve designated for these projects and \$547,741 of pay-go. 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 \$6,026,544 dedicated to capital outlay and major operating expenditures, an increase of \$2,333,178 from the FY 2020-2021 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 an excavator with cab and hydraulic thumb with mower attachment at \$140,000 and a Skid steer with cab, bucket, and mowing head at \$66,000 for Operation Services, 3 new ambulances totaling \$840,000, a tow vehicle with an enclosed body at \$75,000, 2 off-road ATVs and trailer for trail rescue totaling \$82,000, 10 LUCAS 3 CPR devices totaling \$160,000, a building expansion for the Leland base at \$200,000 and \$187,500 for 25 Motorola APX 8000 radios for Emergency Medical Services, \$187,050 for radios for Central Communications, audio/visual improvements for the training center at \$70,000 for Cooperative Extension, Shallotte park asphalt and lighting at \$245,000 and a Cedar Grove park playground at \$240,000 for Parks and Recreation. Additional vehicles recommended include a ½ ton crew cab truck, a 1-ton van, and a ½ ton cargo van totaling \$87,000 for Operations Services, 30 replacement patrol cars (20 marked and 10 unmarked) totaling \$984,000 for the Sheriff's Office, an unmarked vehicle and a transport totaling \$116,747 for the Detention Center, a \$60,000 quick response vehicle for Emergency Services, a \$35,000 cargo van for logistics and a \$60,000 Supervisor SUV for Emergency Medical Services, an F-250 at \$43,000 for Building Inspections and Central Permitting, a replacement transport van for Sheriff Animal Protective Services at \$35,000, a replacement ½ ton truck at \$28,000 for Solid Waste, a replacement \$32,000 truck for Community Enforcement, a \$28,000 replacement truck for Soil and Water, and three replacement vehicles for Parks and Recreation totaling \$96,000. Social Services Administration had 6 replacement SUVs totaling \$150,000.

The Operation Services budget includes \$410,410 for repairs and maintenance to buildings, \$283,000 for repairs and maintenance to equipment, and \$95,000 for repairs and maintenance to vehicles. The budget also includes \$64,000 to overlay portions of the government center parking areas and off-site facilities

The major operating budget includes 166 replacements and 53 additional desktops, monitors, and laptop computers for a total recommended cost of \$398,704.

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 46,412 water retail customers and 21,116 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

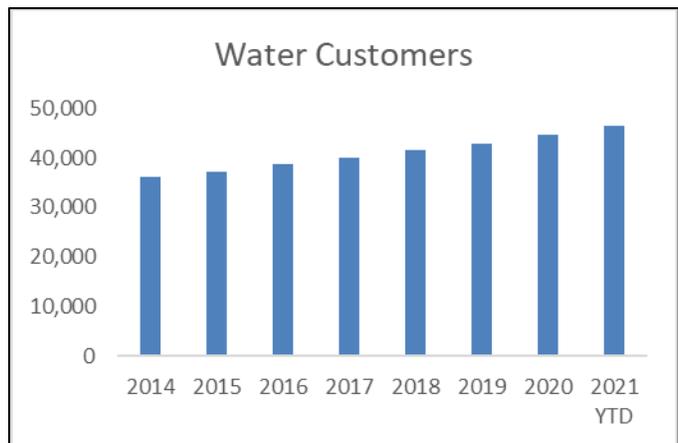
transmission systems in the three distinct regional service areas. The County continues to strengthen regionalism by adding participants and establishing contractual relationships that eliminate duplication of effort and capital costs. Additionally, several projects have occurred over the last several 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 under 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 waterline 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 increased to \$29,992,177 in FY 2021-2022 which is \$5,779,414 greater than the original budget for FY 2020-2021 appropriation of \$24,212,763. Conservatively budgeted, one-time user charges are expected to generate \$1,660,000 from System Development and Taps fees.



Rate changes recommended to become effective July 1, 2021, will include the change from a minimum usage charge to minimum usage gallons for a 6” retail meter, 4” – 12” Industrial meter, and 6” – 12” Wholesale meter.

To cover the increased cost of service and annual debt service associated with the construction of the 54” waterline, the plant expansion with low-pressure reverse osmosis, and the loss in industrial and wholesale revenues, effective January 1, 2022, a rate increase is being recommended for all customer classes (retail, irrigation, industrial and wholesale) based on the recent cost of service study.

Retail: (Increase for the average retail customer using 4,500 gallons is \$9.85 per month)

- Increase water base monthly service charge \$4.00 per month
- Volumetric blocks (tiered) rate increases
 - Block 1: from \$2.85 to \$4.15 per 1,000 gallons
 - Block 2: from \$3.30 to \$4.80 per 1,000 gallons
 - Block 3: from \$3.85 to \$5.70 per 1,000 gallons

Irrigation:

- Implement a \$5.00 monthly Irrigation base service charge to allocate additional costs associated with billing, ongoing repair, and maintenance, meter replacement costs, meter reading network, the capacity of the meter
- Volumetric blocks (tiered) rate increases
 - Block 1: from \$3.30 to \$4.80 per 1,000 gallons
 - Block 2: from \$4.30 to \$6.20 per 1,000 gallons
 - Block 3: from \$5.70 to \$8.30 per 1,000 gallons

Industrial:

- Increase water base monthly service charge \$4.00 per month for all Industrial meter sizes
- Recommend to Increase Industrial Rate from the annual practice of PPI determined rates currently \$2.89 to the AWWA-M-1 Manual cash needs determined rate of \$4.35 per 1,000 gallons

Wholesale:

- Increase water base monthly service charge \$4.00 per month for all Wholesale meter sizes
- Recommend to Increase Wholesale Rate from the annual practice of PPI determined rates currently \$2.89 to the AWWA-M-1 Manual cash needs determined rate of \$5.25 per 1,000 gallons.
- The wholesale customer base is similar to the county's retail customer and if the increase in the volumetric rate is passed on directly to a 4,500-gallon customer the increase per month is \$10.62.

Water sales are projected to be \$7,500,000 for retail, \$3,500,000 for irrigation, \$1,400,000 for industrial, and wholesale \$6,900,000. The monthly base service charges will produce \$7,900,000 annually mainly representing the county residential and commercial customers.

Operating Costs

There is one new position recommended to serve water operations, a meter reader in Utility Billing at \$50,872 for salary and benefits which replaces part-time salaries.

The amount budgeted for the purchase of raw water from the Lower Cape Fear Water and Sewer Authority is \$248,374 higher at \$1,538,677. There is an increase in the current rate of \$0.27 to \$0.33 per thousand gallons with a predicted flow of 4.662 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 decrease to \$435,377 due to the prior year's budget and purchase of a security system.

Capital Outlay

Some of the larger operating capital items for the water divisions include the replacement and demolition of the existing 150ft. monopole at \$130,000, \$150,000 to enclose the instrumentation and electrical garage, and a midsize excavator at \$110,000. The total operating capital outlay for the water fund is \$1,556,500.

Debt Service

Debt service in the water fund increased due to the addition of the Revenue Bonds issued in 2019 for a project cost of \$26,616,373 for the construction of the 54" Raw Water Main with a capitalized construction period and annual debt service of approximately \$1,461,000 to begin April 2022. In June 2020, issued 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 \$8,359,250 in debt service payments to begin in October 2022.

Capital Improvement Plan

The water fund capital improvement plan includes two projects planned for FY 2021-2022 at a total estimated cost of \$882,000. These are a Utility Operations Center Expansion at \$510,000 funded with pay-go funds and Navassa Water System Improvements at \$372,000 funded by grant funds. 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. Also under construction is 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 2021-2022 is \$31,728,894, net of capital reserve transfers for projects, representing a 5.4% increase or \$1,612,972 over the FY 2020-2021 original budget.

Revenue

No increase in the current sewer retail rate structure is projected to generate \$12,800,000 or \$1,300,000 more than the \$11,500,00 projected in the original FY 2020-2021 budget.

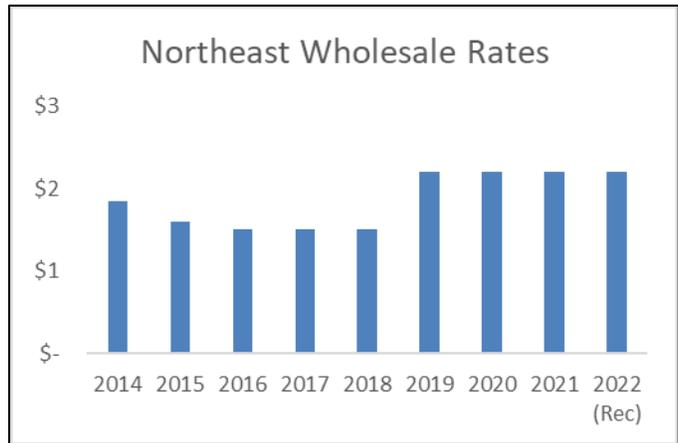
Conservatively budgeted, One-time user charges are expected to generate \$2,600,000 from System Development and Taps fees. System Development fees provide funds for debt service retirement.

Operating Costs

There are five new positions recommended for wastewater operations, a Safety Officer to begin in October, a Collections Mechanic I and a Utilities Foreman in the Collections Division, and a Wastewater Operator and a Maintenance Mechanic II in Northeast Regional Wastewater all totaling \$306,938 for salary and benefits.

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 2000s. Based on an annual average daily flow of 2.3 MGD and an operational budget of \$1,618,378, 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 2022, the wholesale rate will remain at \$3.80 per 1,000 gallons and an operational budget of \$701,798.



The recommended operating budget for the West Brunswick Regional Wastewater System is \$3,507,065, down 13.9% after taking into consideration the \$1,000,000 in capital improvements for pipeline rehab of the 24” force main from Oak Island approved in the prior year. The average daily flow to the plant is estimated to be 3.9 MGD. The wholesale rate is recommended to remain steady at \$2.20 per 1,000 gallons.

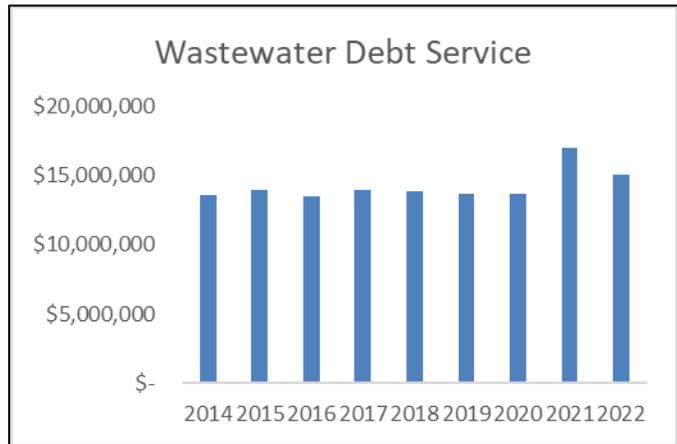
Capital Outlay

Some of the larger capital outlay items for the sewer divisions include various pump station rehabs totaling \$255,000, odor control units for lift stations at \$90,000, a replacement drip site

filter train at \$60,000, a replacement drip site tractor at \$65,000, and 4 new and 4 replacement vehicles totaling \$565,000. The total capital outlay for the wastewater fund is \$3,333,000.

Debt Service

The sewer fund debt service budget is substantial due to the development and expansion of collection systems using special assessment funds and the expansion for regional treatment and transmission infrastructure. The total debt service budget for FY 2021-2022 is \$15,067,249 decreasing \$1,948,566 from FY 2020-2021 due to final debt payments made in the prior year and the annual amortization schedule. No new debt issues are planned for FY 2021-2022.



The West Regional Wastewater participants are responsible for \$4,702,540 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 \$2,807,759, the Town of Holden Beach \$1,120,506, the Town of Shallotte \$499,275, and the Town Ocean Isle Beach \$275,000.

Northeast Regional Wastewater participants are responsible for \$3,810,107 in debt service. Debt service reimbursements from the Northeast Regional participants include the Brunswick Regional Water and Sewer (H2GO) \$1,819,587 and the Town of Leland \$1,990,520.

Capital Improvement Plan

The wastewater capital improvement plan for FY 2021-2022 is \$19,402,582. \$16,110,382 is for the West Brunswick Wastewater Treatment Facility .75 MGD Plant Expansion via Southport funding. To be funded from \$1,302,180 capital reserve and \$1,661,020 Pay-Go is the Ocean Ridge Reclaimed Eater Main Project at \$1,760,200, the Sea Trail Wastewater Treatment Plant Improvements at \$863,000, and the Trailwood Drive Force Main Replacement at \$340,000. \$329,000 of Navassa Wastewater Improvements are to be grant-funded.

CONCLUSION

As the past year has been consumed with constant issues related to the ongoing pandemic, the County has very successfully maneuvered through the unprecedented time. Likewise, the upcoming fiscal year may still be challenging, but the County will move forward to accomplish

its goals in much the same fashion. Moving forward, this budget allows for maintenance of the County's strong financial position and supports modest growth in spending.

The past year has been a very positive experience for me working with County staff and the Board of Commissioners to formulate this recommended budget for the next fiscal year. I especially want to thank the 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 to develop the final budget. Please feel free to reach out to us should you desire any further information or assistance during the budget process.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Randell Woodruff', with a stylized flourish at the end.

Randell Woodruff
County Manager