

BRUNSWICK COUNTY ADMINISTRATION

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May 16, 2022

Brunswick County Board of Commissioners:

I am pleased to present the recommended budget for FY 2022 – 2023. This budget represents a collaborative effort between key staff in our operating departments, our award-winning Finance team, and you, the Board of Commissioners.

Last year the Board of Commissioners refreshed and sharpened its Strategic Plan and we have redoubled our efforts to tie our recommended expenditures to the Board's major goals. As is expected initial aggregate departmental expenditure requests came in well above expected revenues for the coming year, but departmental leaders worked strenuously to revise their requests to meet revised expenditure targets that were requested by management after the initial budget reviews. I appreciate the cooperative spirit displayed by our department leaders during this year's budget development process. Likewise, we all greatly appreciate the support and direction the Board has given us as we have developed the recommended spending blueprint.

The recommended budget includes no ad valorem tax rate change from the current 48.50 cents. The FY 2022-2023 budget proposal for all funds totals \$315,303,505 which represents an increase of 8.2% over the budget adopted June 21, 2021. The general fund budget is balanced by utilizing a prudent fund balance appropriation of \$2,567,568, net of the \$1,317,720 in escrow funds held for the Holden Beach sand nourishment project, for non-recurring capital appropriations as compared to \$2,877,600 in FY 2021-2022.

The county's economy is experiencing substantial growth. Nationally, new job growth fluctuates monthly, and the March jobless rate was 3.8%. The average cost of a gallon of gasoline in North Carolina is considerably higher than a year ago at \$4.15 from \$2.73 per gallon. The Most recent statewide leading economic indicators are for March: the unemployment rate is down 1.0%, manufacturing hours worked are up 2.0% and average weekly earnings are also up 12.3%. Locally, in March of 2021 home sales decreased 21.7% compared to one year ago and sales dollars decreased 1.6% in the first quarter of 2022 under the first quarter of 2021 as reported by the Brunswick County Association of Realtors. Brunswick County's unemployment rate is 4.8% compared to the State at 3.6% and the United States at 3.8%.

Consistently ranking as one of the fastest-growing counties in the United States, Brunswick County ranked thirtieth for 2021 in growth percentage and twenty-first among counties with a population of greater than 10,000. The county is included in the Myrtle-Beach Metropolitan Statistical Area which is the third-fastest-growing MSA in the nation at 3.7%. The State Data



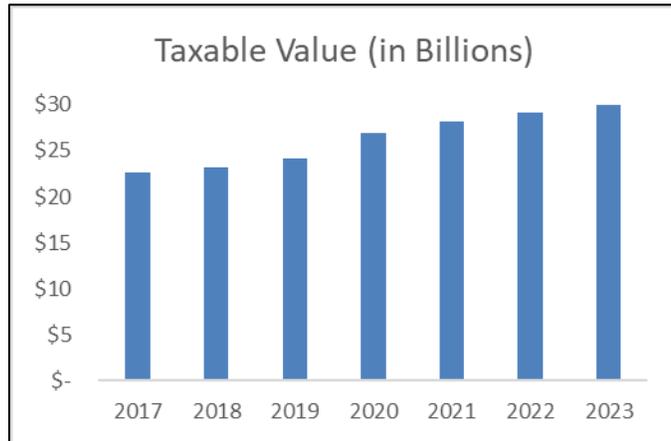
Center reported Brunswick County’s projected permanent population to be 143,549, up from the decennial census figure of 107,431. The county is ranked second in North Carolina population percentage growth and third in numeric population growth in the state indicating that people are increasingly choosing Brunswick County as a place to live.

GOVERNMENTAL FUNDS

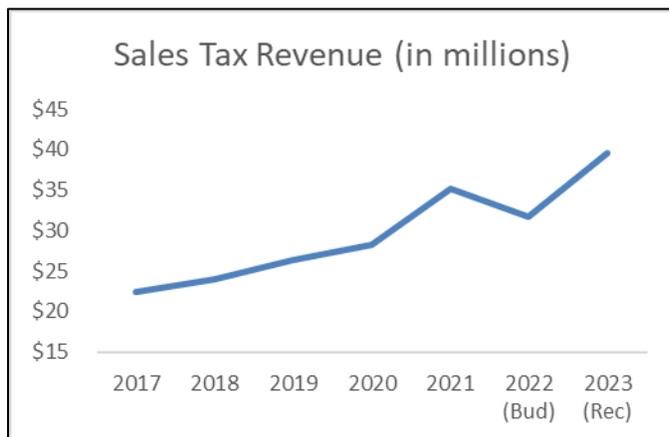
Revenues

The total recommended general government budget is \$248,041,804 which represents an 8.8% increase from FY 2021-2022. Property tax revenue is the primary source of governmental fund revenue, providing \$153,849,442 or 62.0% of the total revenue. The total projected tax base, inclusive of real property and motor vehicles for FY 2022-2023, is \$31,693,472,161 up by \$1,058,243,013 or 3.5% above the base of \$30,635,229,148 on which the FY 2021-2022 budget was based.

The total projected real property value for FY 2022-2023 is \$29,993,472,161, which represents a 3.1% increase over the FY 2021-2022 real property base of \$29,085,229,148. The motor vehicle base is projected to increase 9.7% over the prior year to \$1,700,000,000. The projected collection rate for motor vehicles is close to 100%, which will generate revenue of \$8,245,000.



The total real property levy for FY 2022-2023 is calculated on a tax base of \$29,993,472,161, at the recommended tax rate of 48.50 cents, and with an estimated collection rate of 98.10%. The real property levy is projected to provide \$142,704,442 in revenue. The total property tax revenue projection for both real property and motor vehicles is \$150,949,442, which is \$5,048,784, or 3.5% more than the original budget for FY 2021-2022. The value of one cent on the tax rate is \$3,112,360 as compared to \$3,008,261 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.



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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 2022-2023.

Total county sales tax revenues, exclusive of the portion of Articles 40 and 42 designated for school capital needs, are projected to be \$30,270,139, which is 6,267,548 or 26.1% greater than the original budget of \$24,002,591 for FY 2021-2022. The portion of Articles 40 and 42 designated for schools is \$9,293,095, which is \$1,576,706 or 20.4% greater than the current budget of \$7,716,389. The increased sales tax is attributable to the general economic conditions 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.

The County growth pattern continues to be consistent for FY 2022-2023 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 2020	FY 2021	FY 2022	FY 2023	% Change
Solid Waste Tipping Fees	\$2,600,000	\$2,600,000	\$2,600,000	\$3,000,000	+15.38%
Building Permits	\$2,250,000	\$2,505,000	\$2,861,000	\$4,340,000	+51.70%
Deed Stamp Excise Tax	\$2,920,000	\$2,850,000	\$3,100,000	\$5,125,000	+65.32%
Emergency Medical Services	\$4,576,000	\$4,896,320	\$5,100,000	\$5,525,000	+8.33%

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 2022-2023 budget of \$625,000. State misdemeanor reimbursements for state inmates are projected to remain consistent into the next year at \$300,000. 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 2022-2023 includes revenues of \$890,600 for a full year reimbursement to operate the program.

The restricted intergovernmental funds from the state and federal governments are projected to total \$16,287,772 net of \$1,000,000 NC Education Lottery proceeds received for the schools, which is increased by \$1,560,712 or 10.6% from the prior fiscal year original budget of \$14,727,060. 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 none of the health reserve funds.

The recommended budget includes a fund balance appropriation for funds held in escrow and non-recurring capital expenditures of \$3,885,288 for a decrease of \$336,192. A portion of the appropriation is due to escrow funds held in the amount of \$1,317,720 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 2020-2021 unassigned fund balance of \$98.1 million that is 43.3% 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

- Funding for the implementation of the Classification and Total Compensation Study results approved April 18, 2022
- 0.75% to 1.58% non-recurring merit bonus to employees who are satisfactory performers
- 1.70% to 2.53% non-recurring merit bonus to employees who are who are high performers
- 2.65% to 3.35% non-recurring merit bonus to the County's highest performers
- Maintaining competitive employee benefits with no reductions

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

- Increase of 5.79% per the funding agreement with Brunswick County Schools for the operating budget resulting from growth in ad valorem taxes
- Increase of 4.8% to Brunswick Community College to support existing programs and \$350,000 for the Foundation Grant providing tuition assistance
- Increase of 4.4% to Brunswick Senior Resources for program support for 5 district senior centers
- Added 49 new positions:
 - Additional Human Resources Generalist to meet the needs of a growing workforce
 - A Delinquent Tax/DMV Specialist and a GIS Analyst to maintain the County's high tax collection rate
 - IT Business Analyst
 - Additional Mechanic Technician for a larger County fleet
 - Engineering Services Deputy Director
 - 2 Custodial Assistants for increased workloads
 - Training Division Administrative Assistant to ensure compliance with laws related to public safety and welfare
 - 3 Detention Center positions to staff the Courthouse expansion
 - Emergency Management Specialist, an Emergency Medical Services Assistant Operations Supervisor/Training, and the reduction of a Senior Office Assistant to align with the needs of Emergency Services
 - Permitting Technician, a Multi-Trades Inspector IV, an Assistant Fire Marshal, and a Fire Inspector/Investigator to meet the demands in Code Administration and Fire Inspections

- Planner III position to keep up with the demands and improve long-range planning
- Veteran Services Officer to increase service
- Additional Library Assistant
- Additional Senior Accounting Clerk and Nutritionist I for increased workloads
- 2 Environmental Health Specialist and a Lead Environment Health Tech to meet the demands in Environmental Health
- Additional Social Worker, and Economic Services Supervisor, and 7 Income Maintenance Caseworkers (4 mid-year) to meet state guidelines with funding grant reimbursements provided
- 14 positions in Utilities for Engineering Project Manager, Public Utilities Inspector, Water Treatment Operator Trainee, Deputy Utility Billing Manager, Meter Reader, Construction Estimator, Collections Mechanic I, Construction Supervisor, 3 Mechanic Is, and 3 Wastewater Operator Trainees
- Continued funding for technology/computer software support and increased cybersecurity
- Maintain computer replacement program
- 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 2022-2023 per unit increased \$0.54 to \$13.19. Based on average growth in cans of 339 per month and replacement cans, the budget for countywide solid waste collection is \$16,911,400 for an increase over the prior year of \$15,656,000.

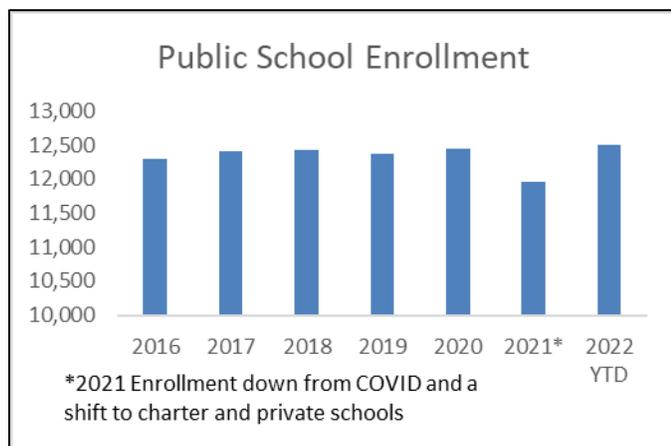
The construction and demolition tonnage received at the county landfill remained consistent as of June 30, 2021, compared to the previous year. To preserve the existing capacity in the landfill and extend the useful life of the facility, the County contracts with Waste Industries for diversion of waste to a landfill in Sampson County, North Carolina. The cost of diverting 80% (5% more than FY 2021-2022 at 75%) of the waste from the landfill is currently \$46.42 per ton or \$1,950,000 per year. The current landfill closure reserve balance accumulated is \$9.9 million with no additional transfer to the reserve in FY 2022-2023. The total cost of closure is estimated at \$10.2 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, 28,734 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 2022-2023 school appropriation, following the funding agreement, is \$51,327,480, which represents an increase of approximately 5.79% or \$2,807,236 over the FY 2021-2022 approved budget. The timing of schools GO debt payments completed this year and the Schools Bond Referendum Phase 3 issuance in FY 2022-2023 have resulted in a larger increase in the current year. School funding in FY 2023-2024 is expected to remain consistent compared to the recommended funding for FY 2022-2023. Under

the terms of the agreement, 35.75%, or \$50,272,806 will be used for current expense and 0.75% or \$1,054,674 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 \$7,498,170 of local option sales tax proceeds, after subtracting \$1,794,925 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



\$1,000,000 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 2022-2023 is \$9,368,717. An additional \$2,794,925 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, 40.2% or \$60,696,197 of the County's current year ad valorem property tax revenue is appropriated for K-12 public education purposes.

In FY 2020-2021, Brunswick County ranked 13th 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 79th, and local per-pupil expenditures combined, Brunswick County ranked 50th in the State in total for \$7,043.09 expended per pupil.

Brunswick Community College

The total General Obligation debt service for Brunswick Community College is \$366,587. Existing Community College General Obligation bond debt was paid substantially in FY 2021-2022 reducing debt service in FY 2022-2023 and will be satisfied completely in FY 2023-2024.

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 2022-2023 is \$4,659,035 to meet operating and capital needs. The combined recommended change to the support for the community college totals an increase of \$214,481 or 4.8%.

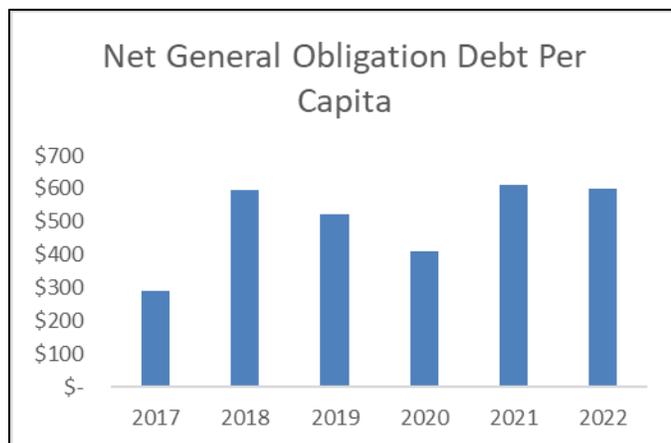
Included in the funding for the Brunswick Community College is funding for the Foundation Grant of \$350,000 (consistent with the prior year) to assist with tuition and fees for qualified Brunswick County High School graduates.

In FY 2021-2022, Brunswick Community College is ranked number 2 in the state for local support.

Debt Service

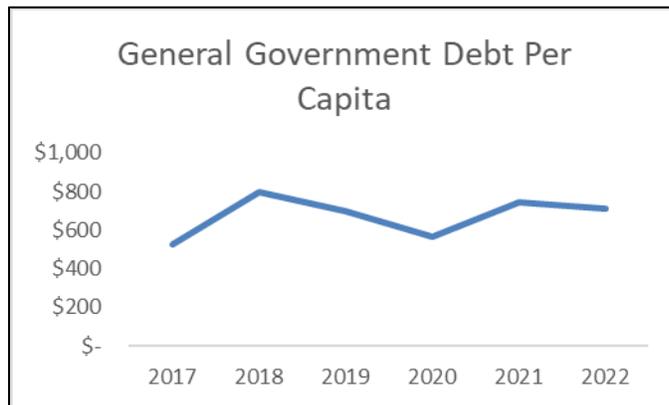
Brunswick County government is in a good position regarding capital facilities for general fund operations, but with aging facilities and growth in services a facility and space need study was completed in FY 2021-2022. An estimated \$180 million project has been added to the Recommended Capital Improvement Plan based on the results of the study, with all but \$32.9 million being on the Horizon. 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 were 3 separate phases of bond issues scheduled within 5 years, with the first phase issued of \$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 July 2022 of \$51,500,783 with an estimated interest only payment of \$1,142,257 in FY 2022-2023 and annual debt service payments to begin in the FY 2023-2024 adding an estimated \$4,749,625.

While most general obligation bonds are subject to voter approval, the general assembly has authorized certain exceptions to the voter approval requirement in G.S. 159-49, the most significant of which is the two-thirds bond exception. It allows the County to issue non-voted General Obligation debt in an amount of up to two-thirds of the amount by which its outstanding General Obligation indebtedness was reduced in the preceding fiscal year. The County plans to issue Series 2022A Two-Thirds Bonds for the Waccamaw Multiuse Facility Building project. It will have an issue amount of \$5,740,000 with an estimated interest only payment of \$137,123 in FY 2022-2023 and annual debt service payments to begin in the FY 2023-2024 adding an estimated \$569,750. These bonds will be issued at the same time as the final tranche of the County's voter-approved 2016 school bonds.



Overall, Brunswick County's per capita debt ratio is low. The County's total outstanding Governmental Funds debt will decrease from \$112,410,000 to \$101,645,000 as of June 30, 2022. This equates to approximately \$708 per capita and the current net general obligation debt is approximately \$598 per capita.

The total general government debt service budget will be \$13,121,134, which represents a decrease of \$2,825,743 or 17.7% from the prior year. This decrease is mainly due to existing General Obligation Bond Debt paid substantially in FY 2020-2021 reducing debt service in FY 2021-2022 and satisfied completely in FY 2022-2023.

The total principal payments on general fund debt are \$8,480,000 with interest and service fee payments equaling \$4,641,134.

Human Services

Changes in the costs for Human Service Departments and related organizations include a general government local funding contribution of \$5,992,855 to the health fund programs representing an increase of \$1,188,487 or 24.7% mainly due to increases in employee salary and benefits and the increased demand in Environment Health.

The total contribution to the social services fund of \$9,296,803 represents an increase from the current year's appropriation of \$1,492,655 or 19.1% mainly due to changes in employee costs including nine additional FTEs.

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 \$3,017,136, which is 4.4% greater than the prior year and dedicated to continued program support.

Employee Benefits

On April 18th, 2022, the County implemented the Classification and Total Compensation Study. This resulted in an estimated General Fund impact of \$8.7 million and \$1.1 million in the enterprise fund to the FY 2022-2023 budget. The FY 2022-2023 budget recommendation includes the additional funding of an employee non-recurring merit bonus of 2.0% at an estimated cost of \$1,769,669 of which \$244,066 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 10.9% increase in premiums partially due to the additional FTE's. County contributions for the health and dental program per employee are \$8,877.

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 \$112,621 from the prior year.

The Local Government Employee Retirement System Board recommended contribution rates for general employees at 12.14% and law enforcement at 13.04%.

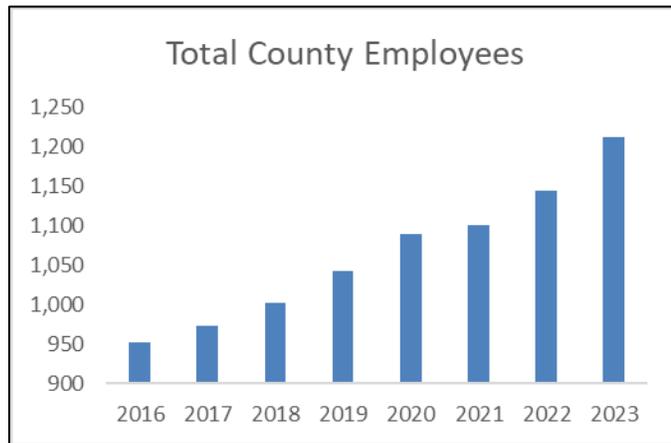
The proposed budget includes funding for all currently provided employee benefits, including the 5% 401K employer contribution and longevity pay for employees with five years or more of service.

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.

Thirty-five new positions are recommended for the general fund. The general fund recommended FTE changes are the addition of one Human Resources Generalist in Human Resources, one Delinquent Tax/DMV Specialist and one GIS Analyst in Tax Administration, one IT Business Analyst in Information Technology, a Mechanic Technician in Fleet Services, a Deputy Director in Engineering, two Custodial Assistants in Operation Services, a Training Division Administrative Assistant in the Sheriff's Office, one Deputy, one Detention Officer, and one Administrative Assistant in the Detention Center for the Courthouse Expansion, one

Emergency Management Specialist in Emergency Services, removal of a Senior Office Assistant and addition of an EMS Assistant Operations Supervisor/Training in Emergency Medical Services, one Permitting Technician and two Multi Trades Inspector IV in Building Inspections and Central Permitting, an Assistant Fire Marshal and a Fire Inspector/Investigator in Fire Inspections, one Planner III, one Veterans Service Officer, and one Library Assistant. Five additional recommended positions in Health Services include one Senior Accounting Clerk for Family Health, a Nutritionist I for WIC, two Environmental Health Specialist I, and one Lead Environmental Health Technician. Nine new positions are recommended in Social Services including seven Income Maintenance Caseworker II, one Economic Services Supervisor, and one Social Worker II. The total cost of new positions added in FY 2023 are \$2,229,443.



As part of the County’s goal to maintain a competitive pay plan per policy, more than 25% of budgeted positions are analyzed to ensure that the County remains very competitive with its peers and in line with the market. In FY 2021-2022, the budget included \$100,000 for a Classification and Total Compensation Study and as of April 18th, 2022, the County fully implemented the results of the study.

The general government operations provide school resource officers, which are reimbursed by the school system and the charter school totaling \$1,797,549 at a flat annual rate of \$73,369 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 2022-2023 is \$80,933. The officers, detective, and final payment of \$19,404 for body cameras approved in FY 2021-2022 brings the total reimbursement to \$1,897,886.

Fourteen new positions are included for the enterprise operations recommendation. The budget includes the recommendation of one Meter Reader to replace part-time and a Deputy Utility Billing Manager in the Utility Billing Department, an Engineering Project Manager and a Public Utilities Inspector in Water Administration, a Water Treatment Operator Trainee at the 211 Water Treatment Plant, a Construction Estimator in Wastewater Administration, a Collections Mechanic I in the Collections Division, one Construction Supervisor and three Mechanic Is in the Wastewater Construction Division, and three Wastewater Operator Trainees in West Regional Wastewater at a total cost of \$903,775.

These changes bring the total number of positions to 1,211.60, of which 1043.60 are associated with general government functions and 168 are associated with enterprise operations.

Capital Improvement Plan

The list of projects recommended for funding in FY 2022-2023 totals \$16,033,940.

The environmental protection component of the capital improvement plan includes \$7,663,940 for landfill closure. The culture and recreation component includes \$6,620,000 for the Waccamaw Multiuse Facility Building. The General Government component includes \$1,750,000 for Complex Buildings and Renovation.

The FY 2022-2023 Governmental Capital Improvement Plan funding sources as presented are \$7,663,940 of capital reserve that has been designated for these projects, \$6,620,000 of debt proceeds, and \$1,750,000 of escrow funds held in health reserve. 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 fund budget includes a total of \$3,966,137 dedicated to capital outlay and major operating expenditures, a decrease of \$2,060,137 from the FY 2021-2022 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 20 switch upgrades for Information Technology totaling \$126,000, one replacement 16-ton dump truck for Operation Services at \$172,000, and the replacement of 15 in-car camera systems for the Sheriff's Office totaling \$100,875. Additional vehicles recommended include two replacement trucks and an additional SUV for Fleet Services totaling \$362,000, an additional SUV for the Engineering Department for \$26,000, a ½ ton truck and two ½ ton cargo vans totaling \$100,000 for Operation Services, 15 replacement marked patrol cars and 8 unmarked replacement vehicles totaling \$972,900 for the Sheriff's office, one replacement transport vehicle & cage for the Detention Center at \$40,408, \$72,000 for a replacement SUV for Emergency Medical Services, an additional SUV for Building Inspections and Central Permitting at \$31,000, two additional Ford F150s for Fire Inspections totaling \$72,000, a replacement marked 4x4 truck for Sheriff Animal Protective Services at \$44,896, \$35,000 for a replacement Ford F250 for the Parks and Recreation Maintenance Department. Two additional Ford F150 4x4 trucks are recommended for Environmental Health totaling \$60,000 and \$25,000 for Social Services for a replacement AWD vehicle.

The Operation Services budget includes \$235,000 for repairs and maintenance to buildings, \$423,000 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 183 replacement and 42 additional desktops, monitors, and laptop computers for a total recommended cost of \$500,516.

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 49,284 water retail customers and 22,900 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.

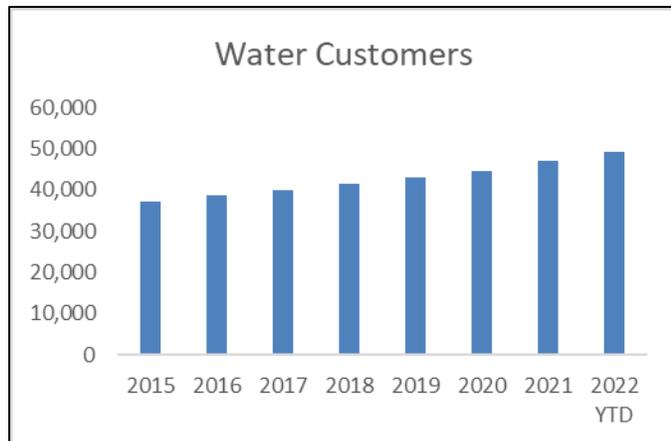
The County continues to expand the water distribution system to meet the potable water needs of the county. The County is under construction of advanced water treatment through a low-pressure reverse osmosis system and expansion of the treatment capacity of the Northwest Water Treatment Plant, along 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 \$36,422,388 in FY 2022-2023 which is \$6,430,211 greater than the original budget for FY 2021-2022 appropriation of \$29,992,177. Conservatively budgeted, one-time user charges are expected to generate \$2,730,800 from System Development and Taps fees.

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 was approved for all customer classes (retail, irrigation, industrial and wholesale) based on the recent cost of service study.



Water sales are projected to be \$8,800,000 for retail, \$4,000,000 for irrigation, \$1,300,000 for industrial, and wholesale \$6,600,000. The monthly base service charges will produce

\$9,500,000 annually, mainly representing the county residential and commercial customers. The Irrigation base service charge is projected to produce \$800,000 annually.

Operating Costs

There are five new positions recommended for water operations; a Meter Reader to replace part-time and a Deputy Utility Billing Manager in the Utility Billing Department, an Engineering Project Manager and a Public Utilities Inspector in Water Administration, and a Water Treatment Operator Trainee at the 211 Water Treatment Plant all totaling \$345,471 for salary and benefits.

The amount budgeted for the purchase of raw water from the Lower Cape Fear Water and Sewer Authority is \$323,739 higher at \$1,862,416 at the current rate of \$0.33 per thousand gallons with a predicted flow of 5.644 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 \$537,286 due to the addition of a partial position during FY 2021-2022.

Capital Outlay

Some of the larger operating capital items for the water divisions include a hydraulic pump and power unit at \$120,000 for the 211 Water Treatment Plant, a replacement bore machine at \$150,000 and \$85,000 for a replacement excavator for the Water Construction Division. Additional vehicles recommended include eight replacement and two additional vehicles totaling \$756,000. The total operating capital outlay for the water fund is \$1,131,000

Debt Service

Debt service in the water fund increased due to the addition of the Revenue Bonds issued in June 2020 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 three projects planned for FY 2022-2023 at a total estimated cost of \$1,886,500. These are a Utility Operations Center Expansion at \$510,000 funded with capital reserve funds, a Northwest Water Treatment Plant Reservoir at \$1,000,000 funded with pay go funds, and Southeast Area Improvements at \$356,500 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.

WASTEWATER FUND

The total recommended wastewater fund budget for FY 2022-2023 is \$30,079,930, net of capital reserve transfers for projects, representing a 5.2% decrease or \$1,648,964 under the FY 2021-2022 original budget.

Revenue

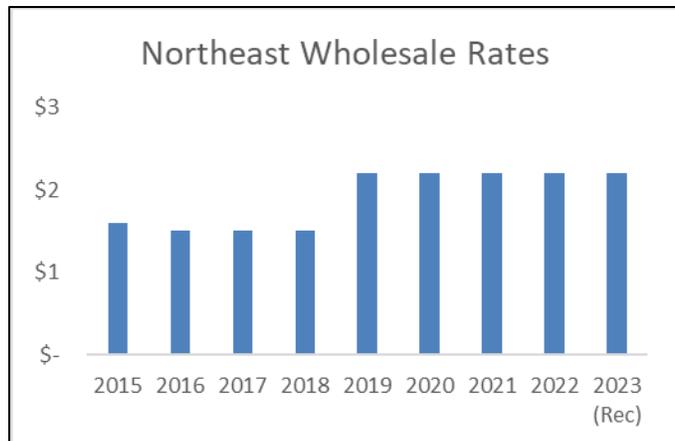
No increase in the current wastewater retail rate structure is projected to generate \$14,000,000 or \$1,200,000 more than the \$12,800,000 projected in the original FY 2021-2022 budget. Conservatively budgeted, one-time user charges are expected to generate \$2,800,000 from System Development and Taps fees. System Development fees provide funds for debt service retirement.

Operating Costs

There are nine new positions recommended for wastewater operations; a Construction Estimator in Wastewater Administration, a Collections Mechanic I in the Collections Division, one Construction Supervisor and three Mechanic I in the Wastewater Construction Division, and three Wastewater Operator Trainees in West Regional Wastewater all totaling \$558,304 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 \$1,841,687, 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 2022-2023, the wholesale rate will remain at \$3.80 per 1,000 gallons and an operational budget of \$639,344.

The recommended operating budget for the West Brunswick Regional Wastewater System is \$4,120,173, up 17.5% due to the addition of 3 Wastewater Operator Trainees. 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.

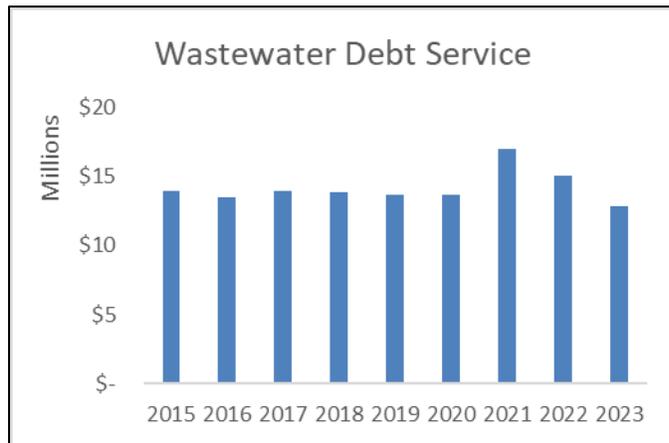


Capital Outlay

Some of the larger operating capital items for the wastewater divisions include laydown yard improvements for Wastewater Administration at \$125,000, a replacement camera trailer and three odor control units totaling \$435,000 for the Collections Division, \$135,000 for a drip site filter train and \$200,000 for infiltration basin fencing and excavation for West Regional Wastewater. Additional vehicles recommended include three replacement and four additional vehicles totaling \$473,750. The total operating capital outlay for the wastewater fund is \$1,956,250.

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 2022-2023 is \$12,852,460 decreasing \$2,214,789 from FY 2021-2022 due to final debt payments made in the prior year and the annual amortization schedule. No new debt issues are planned for FY 2022-2023.



The West Regional Wastewater participants are responsible for \$4,697,856 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 \$2,808,845, the Town of Holden Beach \$1,115,363, the Town of Shallotte \$498,648, and the Town Ocean Isle Beach \$275,000.

Northeast Regional Wastewater participants are responsible for \$3,082,469 in debt service. Debt service reimbursements from the Northeast Regional participants include the Brunswick Regional Water and Sewer (H2GO) \$1,443,963 and the Town of Leland, now also paid by H2GO, \$1,638,506.

Capital Improvement Plan

The wastewater capital improvement plan for FY 2022-2023 is \$28,604,537. \$20,400,187 is for the West Brunswick Wastewater Treatment Facility .75 MGD Plant Expansion via Southport funding. To be advance funded from \$3,430,000 debt proceeds is the NE Brunswick Regional Wastewater Treatment Plant 2.5 MGD Expansion FY23. Transmission Midway Road to West Brunswick Treatment Facility to be funded from \$430,000 grant proceeds and Southport Funding of \$1,840,000. Bolivia By-Pass Transmission Force Main at \$1,055,000 and Whiteville Road Force Main at \$1,077,350 are to be grant-funded. Ocean Isle Beach Wastewater Treatment Plant Expansion at \$372,000 to be funded by Pay Go.

CONCLUSION

I will not here acknowledge individuals that have made this process successful as the comprehensive list would be far too long to place in this letter, but I do sincerely thank all that have worked to assemble the recommended budget. I look forward to working with the Board to produce a final budget that best meets your expectations and priorities.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Steve Stone', written over a horizontal line.

Steve Stone
County Manager