



BRUNSWICK COUNTY

May 15, 2023

Brunswick County Board of Commissioners:

I am pleased to present the recommended budget for FY 2023 - 2024. This budget represents a focused collaborative effort between staff across our entire organization, directed by the Strategic Plan of the Board of Commissioners. I appreciate the spirit of cooperation displayed by our departments as we moved through the process to prioritize the initial departmental requests to produce a recommended budget that address the Board's key service objectives within the overall revenue guidance directed by the Board.

The revaluation in the County's 4-year cycle was completed January 1, 2023, which resulted in a 54.73% increase in total county values. As required by NC General Statutes, the county calculates a revenue neutral tax rate based on the average of growth during the past four years. The county's average growth in assessed valuation from fiscal year 2019-2020 through 2022-2023 was 4.03%. The FY 2023-2024 calculated revenue neutral rate is 33.70 cents, decreasing 14.80 cents or 30.5% to produce the same levy as FY 23 plus the average growth over the last 3 fiscal years. The recommended budget of 34.25 is 0.55 cents higher than the revenue neutral ad valorem tax rate, and a decrease of 14.25 cents under the current rate of 48.50 cents.

The FY 2023-2024 budget proposal for all funds totals \$346,016,061 which represents an increase of 9.7% over the budget adopted June 20, 2022. The general fund budget is balanced by utilizing a prudent fund balance appropriation of \$3,278,062, net of the \$1,291,560 in escrow funds held for the Holden Beach sand nourishment project, for non-recurring capital appropriations as compared to \$2,567,568 in FY 2022-2023.

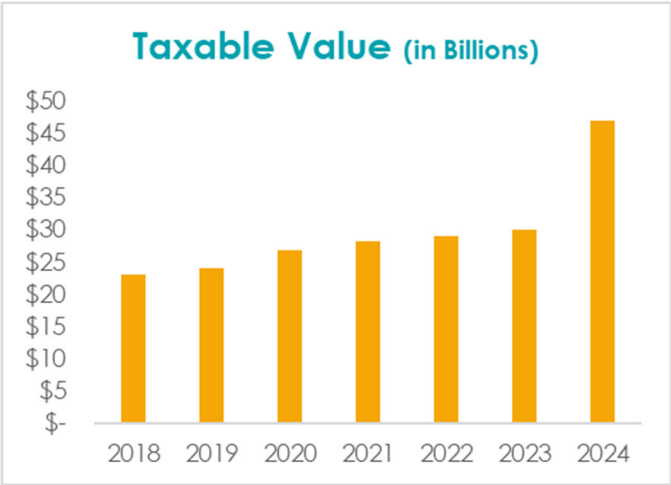
The county's economy is experiencing substantial growth. Nationally, new job growth fluctuates monthly, and the March jobless rate was 3.6%. The average cost of a gallon of gasoline in North Carolina is considerably lower than a year ago at \$3.29 from \$4.15 per gallon. The most recent statewide leading economic indicators are for March: the unemployment rate is down 0.1%, manufacturing hours worked are down 1.5% but average weekly earnings are up 7.3%. Locally, in March 2023 home sales increased 3.0% compared to one year ago and sales dollars increased 8.0% in the first quarter of 2023 versus the first quarter of 2022 as reported by the Brunswick County Association of Realtors. Brunswick County's unemployment rate is 4.5% compared to the State at 3.5% and the United States at 3.6%.

Consistently ranking as one of the fastest-growing counties in the United States, Brunswick County ranked seventh among counties with a population of greater than 20,000. 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 153,064, up from the decennial census figure of 107,431. The county is ranked first 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

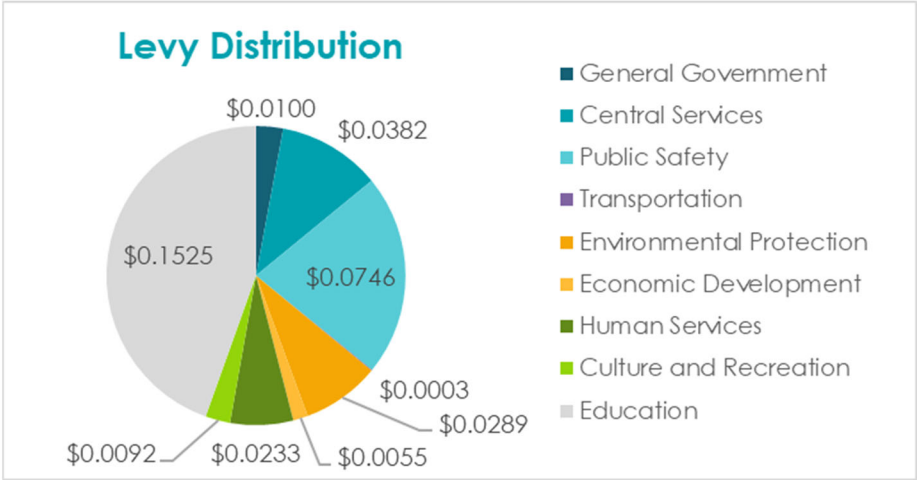
The total recommended general government budget is \$274,077,491 which represents a 10.5% increase from *FY 2022-2023. Property tax revenue is the primary source of governmental fund revenue, providing \$166,940,676 or 60.8% of the total revenue. The total projected tax base revalued as of January 31, 2023, inclusive of real property and motor vehicles, is \$49,038,902,191. FY 2023-2024 is up by \$17,345,430,030 or 54.7% above the base of \$31,693,472,161 on which the FY 2022-2023 budget was based.



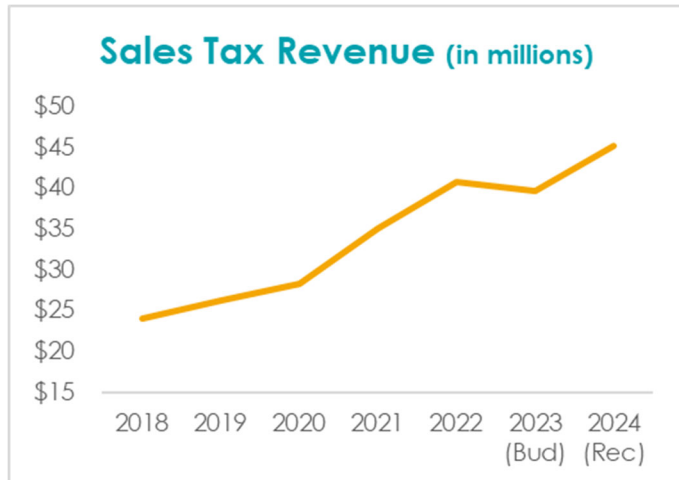
*For comparability purposes, the prior year amount includes an additional appropriation of \$3,017,136 associated with BSRI that was approved immediately following the approval of the original budget ordinance on June 20, 2022.

The total projected real property value for FY 2023-2024 is \$47,138,902,191, which represents a 57.2% increase over the FY 2022-2023 real property base of \$29,993,472,161. The motor vehicle base is projected to increase 11.8% over the prior year to \$1,900,000,000. The projected collection rate for motor vehicles is close to 100%, which will generate \$6,507,500 of revenue.

The total real property levy for FY 2023-2024 is calculated on a tax base of \$47,138,902,191, the recommended tax rate of 34.25 cents, and with an estimated collection rate of 98.10%. The real property levy is projected to provide \$158,383,176 in revenue. The total property tax revenue projection for both real property and motor vehicles is \$164,890,676, which is \$13,941,234, or 9.2% more than the original budget for FY 2022-2023. The value of one cent on the tax rate is \$4,814,326 as compared to \$3,112,360 in the prior year. The county tax on a home valued at \$375,000 would be \$1,284 and the county tax on a vehicle with a value of \$25,000 would be \$86.



A major source of general governmental revenue is local option sales tax. The growth in sales tax revenue is greater than the current year's projections and the outlook for continued growth extends into the projection for FY 2023-2024. Total county sales tax revenues, exclusive of the portion of Articles 40 and 42 designated for school capital needs, are projected to be \$34,466,445, which is 4,196,306 or 13.9% greater than the original budget of \$30,270,139 for FY 2022-2023. The portion of Articles 40 and 42 designated for schools is \$10,620,675, which is \$1,327,580 or 14.3% greater than the current budget of \$9,293,095. 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 2023-2024 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.

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Revenue	FY 2021	FY 2022	FY 2023	FY 2024	% Change
Solid Waste Tipping Fees	\$2,600,000	\$2,600,000	\$3,000,000	\$3,800,000	+26.67%
Building Permits	\$2,505,000	\$2,861,000	\$4,340,000	\$4,525,000	+4.26%
Deed Stamp Excise Tax	\$2,850,000	\$3,100,000	\$5,125,000	\$5,500,000	+7.32%
Emergency Medical	\$4,896,320	\$5,100,000	\$5,525,000	\$6,700,000	+21.27%

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 2023-2024 budget of \$585,936. 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 2023-2024 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 \$17,780,488, net of \$1,000,000 NC Education Lottery proceeds received for the schools, which is increased by \$1,492,716 or 9.2% from the prior fiscal year original budget of \$16,287,772. The recommended budget includes an appropriation in the health fund of \$705,000 from estimated Medicaid Maximization funds to provide current year eligible services.

The recommended budget includes a fund balance appropriation for funds held in escrow and non-recurring capital expenditures of \$4,569,622 for an increase of \$684,334*. A portion of the appropriation is due to escrow funds held in the amount of \$1,291,560 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 2021-2022 unassigned fund balance of \$103.4 million that is 40.5% of expenditures and transfers to capital projects.

Expenditures

The recommended budget took into consideration three major focus areas:

1. Employee Retention, Recruitment and Succession Planning

- 6.5% Market adjustment to employees who earn less than \$50,000 and are satisfactory performers
- \$3,250 Market adjustment to employees who earn \$50,000 or greater and are satisfactory performers
- 0.75% to 1.58% merit to employees who are satisfactory performers
- 1.70% to 2.53% merit to employees who are who are high performers
- 2.65% to 3.35% merit to the County's highest performers
- Maintaining competitive employee benefits with no reductions
- Provide employees training, resources, and equipment to facilitate high service levels to citizens

2. Build appropriate staff capacity for the County's external service functions and internal support functions:

- A Deputy Finance Officer, an IT Computer Technician, and an IT Business Analyst to meet the needs of a growing Utility System
- Additional Mechanic Technician for a larger County fleet
- A Custodial Assistant for increased workloads and to improve library services to daily coverage
- A Sergeant, an IT Specialist, and a Brunswick County Schools funded Deputy School Resource Officer
- A Classification Officer in the Detention Center to assist with the post-pandemic workload
- Emergency Management Planner and the reduction of an Emergency Services Director to align with the needs of Emergency Services
- Six (6) EMS Technicians to meet the needs of a growing County
- A Permitting Technician to meet the demands in Code Administration
- Project Planner position to keep up with the demands and improve long-range planning
- Veteran Services Technician to improve services to our area veterans

- Five (5) additional Library Assistants and a Youth Services Librarian to allow all library branches to expand evening & weekend hours and provide better service
- An Athletics Coordinator dedicated to programming, overseeing, managing, and facilitating programs for the adult demographic
- A Health Educator I Prevention and Recovery Coordinator for coordinating substance use prevention and recovery efforts
- An Environmental Health Program Specialist to improve County response time to service demands
- Additional Child Support Office Assistant, a Daycare Income Maintenance Caseworker I, a Visitation Social Worker I, a Kinship Social Worker III, a Staff Development Specialist dedicated to Social Work, and a Staff Attorney to meet state guidelines with grant reimbursements provided

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

- Increase of 8.44% per the funding agreement with Brunswick County Schools for the operating budget resulting from growth in ad valorem taxes
- Increase of 10.9% to Brunswick Community College to support existing programs and \$350,000 for the Foundation Grant providing tuition assistance
- Increase of 9.4% to Brunswick Senior Resources* for program support for five (5) district senior centers and the installation of a generator at the Supply (Stone Chimney) Senior Center
- Continued funding for technology/computer software support and increased cybersecurity
- Maintain computer replacement program

Solid Waste Management

Solid waste management, including the operation of the County's construction and demolition landfill and contracting for the countywide curbside collection of municipal solid waste, represents 8.5% of the general government expenditures. The County has a countywide solid waste collection and disposal contract with Waste Industries through June 2023. The contract includes an annual price adjustment formula based on March CPI and the previous year's number of new cans added. The FY 2023-2024 per unit increased \$0.33 to \$13.52. Based on average growth in cans of 354 per month and replacement cans, the budget for countywide solid waste collection is \$18,267,000 for an increase over the prior year of \$16,911,400.

The construction and demolition tonnage received at the county landfill increased 13.5% as of June 30, 2022, 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 GFL for the diversion of waste to a landfill in Sampson County, North Carolina. The cost of diverting 100% (20% more than FY 2022-2023 at 80%) of the waste from the landfill is currently \$51.99 per ton or \$3,000,000 per year. The current landfill closure reserve balance accumulated is \$10.6 million with no additional transfer to the reserve in FY 2023-2024. The total cost of closure is estimated at \$10.6 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. As of June 30, 2022, 28,977 county households are using curbside recycling either voluntarily or through their municipal services.

Brunswick County Public Schools

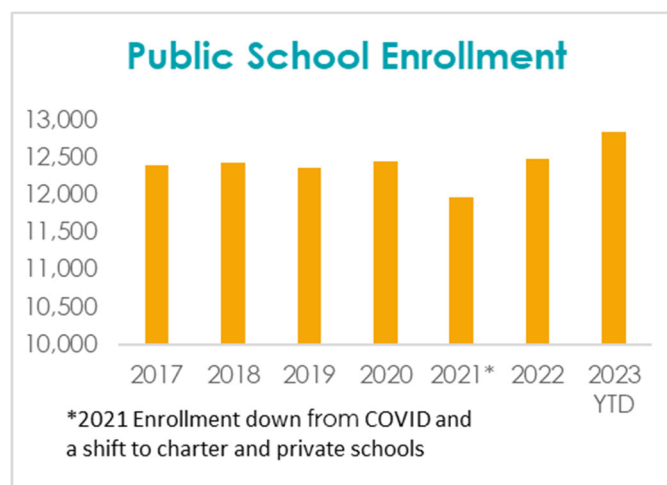
The County has a long-standing funding agreement with the Brunswick County Board of Education that was extended through June 30, 2025. The terms of the agreement are substantially identical to prior agreements. The requirements are for the County to provide 36.5% of the ad valorem tax revenue to the schools for operating expenditures less the portion of the tax rate dedicated to paying debt service.

The total recommended FY 2023-2024 school appropriation, following the funding agreement, is \$55,660,808, which represents an increase of approximately 8.44% or \$4,333,328 over the FY 2022-2023 approved budget. Under the terms of the agreement, 35.75%, or \$54,517,093 will be used for current expense and 0.75% or \$1,143,715 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 \$8,922,720 of local option sales tax proceeds, after subtracting \$1,697,955 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 the prior year ad valorem collections received according to the funding agreement of \$547,500 to aid in funding additional category 1 capital outlay system improvements.

The total general obligation debt service for Brunswick County Schools for FY 2023-2024 is \$11,614,710. An additional \$2,697,955 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, 40.8% or \$67,275,518 of the County's current year ad valorem property tax revenue is appropriated for K-12 public education purposes.

In FY 2021-2022, 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 104th, federal funding rank of 64th, and local per-pupil expenditures combined, Brunswick County ranked 65th in the State in total for \$7,083.72 expended per pupil.



Brunswick Community College

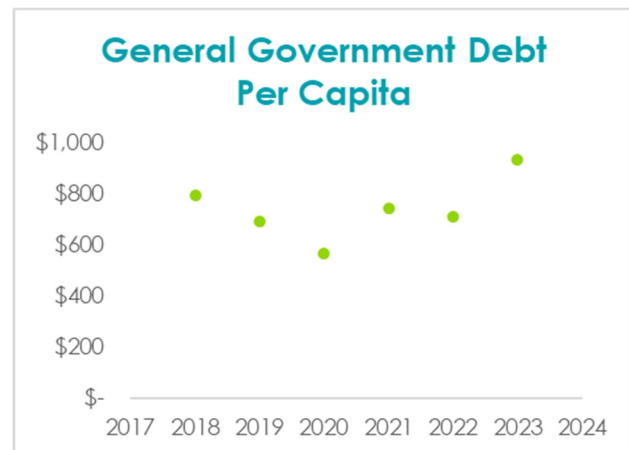
The total General Obligation debt service for Brunswick Community College is \$348,428 and will be satisfied completely in FY 2023-2024. The new Allied Health Building was constructed to house all health occupation programs on the main campus utilizing \$2.85 million of NC Connect State Bond Funds and 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 2023-2024 is \$5,165,700 to meet operating and capital needs. The combined recommended change to the support for the community college totals an increase of \$506,665 or 10.9%. 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 2022-2023, Brunswick Community College is ranked number three (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 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 \$42.6 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 was issued in July 2022 of \$51,684,431 with an estimated interest only payment of \$1,094,620 in FY 2022-2023 and annual debt service payments to begin in FY 2023-2024 adding an estimated \$4,386,100.

Overall, Brunswick County's per capita debt ratio is low. The County's total outstanding Governmental Funds debt will increase from \$102,144,192 to \$141,183,355 as of June 30, 2023. This equates to approximately \$936 per capita, and the current net general obligation debt is approximately \$834 per capita.

The total general government debt service budget will be \$15,093,267, which represents an increase of \$1,972,133 or 15.0% from the prior year. This increase is mainly due to the annual debt service payments beginning in FY 2023-2024 for phase 3 of the \$152 million bond referendum offset by 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.

Human Services

Changes in the costs for Human Service Departments and related organizations include a general government local funding contribution of \$6,355,556 to the health fund programs representing an increase of \$362,701 or 6.1% 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 \$9,762,903 represents an increase from the current year's appropriation of \$466,100 or 5.0% mainly due to changes in employee costs including six 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 \$3,302,182, which is 9.4% greater than the prior year and dedicated to continued program support and the installation of a generator at the Supply (Stone Chimney) Senior Center.

Employee Benefits

The FY 2023-2024 budget recommendation includes a market adjustment of 6.5% related to the December CPI index change from the prior year capped at \$3,250 per employee. This is a cost of approximately \$4,700,000 of which \$655,000 is budgeted in the enterprise fund. Additional funding for employee merit raises of 2.0% is budgeted at an estimated cost of \$1,735,000 of which \$245,000 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 an 11.0% increase in premiums partially due to the additional FTE's. County contributions for the health and dental program per employee are \$9,303.

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 no increase from the prior year.

The Local Government Employee Retirement System Board recommended contribution rates for general employees at 12.91% and law enforcement at 14.24%.

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

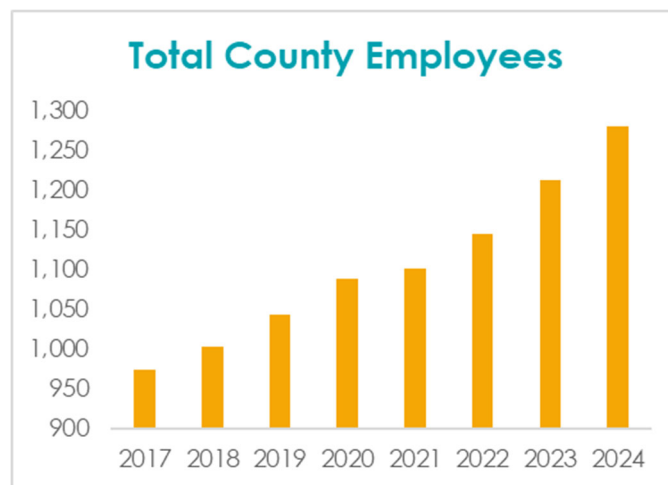
Departments associated with development and construction permitting are experiencing an increased level of activity over the prior year due to the continued growth in the county. Other departments, primarily those that provide human services, public safety, or internal and support services have continued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

Thirty-three new positions are recommended for the general fund. The general fund recommended FTE changes are the addition of one position in General Government, four positions in Central Services, eleven positions in Public Safety, nine positions in Human Services, seven positions in Cultural and Recreation, and one position in Economic and Physical Development. The total cost of new positions added in FY 2024 is \$2,282,782.

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.

The general government operations provide school resource officers, which are reimbursed by the school system and the charter school totaling \$1,961,349 at a flat annual rate of \$76,619 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 2023-2024 is \$84,183. The officers and detective bring the total reimbursement to \$2,037,968.

These changes, along with the eight new positions included with the enterprise recommendation, brings the total number of positions to 1,279.60, of which 1,096.60 are associated with general government functions and 183 are associated with enterprise operations.



Capital Improvement Plan

The list of projects recommended for funding in FY 2023-2024 totals \$53,876,113.

The environmental protection component of the capital improvement plan is \$8,158,467 for landfill closure. Central services include \$85,388 for Covered Equipment Storage and \$51,000 for planning a Warehouse Mezzanine and Expansion. The culture and recreation component includes \$4,644,200 for the Waccamaw Multiuse Facility Building. The public safety component includes \$50,000 for planning an Animal Protection Services Adoption Center. The general government component includes \$40,887,058 for Complex Buildings and Renovation.

The FY 2023-2024 Governmental Capital Improvement Plan funding sources as presented are \$52,802,667 of capital reserve that has been designated for these projects, \$887,058 of escrow funds held in health reserve, and \$186,388 of Pay-Go funds. 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 \$6,286,054 dedicated to capital outlay and major operating expenditures, an increase of \$2,323,517 from the FY 2022-2023 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 one replacement 16-ton dump truck for Operation Services at \$182,500, two ambulances totaling \$650,000 and a narcotics safe system at \$112,000 for Emergency Medical Services, and the replacement of 15 in-car camera systems for the Sheriff's Office totaling \$112,500. Replacement and additional vehicles recommended include four replacement vehicles for Tax Administration totaling \$144,000, replacement of one SUV and one pickup truck for Fleet Services totaling \$64,500, replacement of one SUV and one 4x4 truck for Operation Services totaling \$67,000, 15 replacement marked patrol cars and 10 unmarked replacement vehicles totaling \$1,026,000 for the Sheriff's office, a replacement inmate transport vehicle and a replacement evidence transport vehicle for the Detention Center at \$170,000, replace one truck for Emergency Services at \$92,195, \$120,000 for a replacement SUV with command and equipment body for Emergency Medical Services, two replacement trucks for Fire Inspections totaling \$82,000, a replacement vehicle for the Central Communications Center at \$45,000, \$99,692 for two replacement marked trucks for Sheriff Animal Protective Services, a replacement truck for Solid Waste at \$44,000, two replacement trucks, one replacement sedan, and one additional sedan for Environmental Health totaling \$135,000, and \$100,000 for Social Services for four replacement vehicles.

The Operation Services budget includes \$619,000 for repairs and maintenance to buildings, \$283,000 for repairs and maintenance to equipment, and \$130,000 for repairs and maintenance to vehicles. The budget also includes \$64,000 to cover portions of the government center parking areas and off-site facilities.

The major operating budget includes 359 replacements and 32 additional desktops, monitors, laptops, and tablets for a total recommended cost of \$648,870.

Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. Funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The County has received \$1,764,409 as part of this settlement to date. Per the terms of the Memorandum of Agreement (MOA), the County created a Special Revenue Fund to account for these funds. Included in the recommended budget is funding for a DSS Clinician to provide care navigation and crisis response for cases involving Opioid usage.

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 51,578 water retail customers and 24,879 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.

In April 2018, the County completed an analysis of the water and wastewater systems which resulted in System Development Fee recommendations and adoption by the County Commissioners. According to Chapter 162A, Article 8 of the North Carolina General Statutes, this fee must be re-evaluated and updated every five years or less. Accordingly, in January 2023, Brunswick County authorized a firm to evaluate and develop cost-justified public water and wastewater System Development Fees. Based on the lack of available capacity and the extensive Capital Improvement Plan, the appropriate method for calculating the SDF is the Incremental Cost Method. This method requires the analysis of existing and proposed projects as defined by the County Water and Wastewater Master Plans and the associated Capital Improvement Plans to serve new development on the planning horizon. The Capital Improvement Plans for both the water and wastewater utilities are extensive and reflect the current and future development of the coastal region. The recommendation is for the Capital Recovery Fee (CRF) and Transmission Recovery Fee (TRF) to be the maximum allowable water and wastewater System Development Fee on a per gallon and per connection basis for new development within the County retail area.

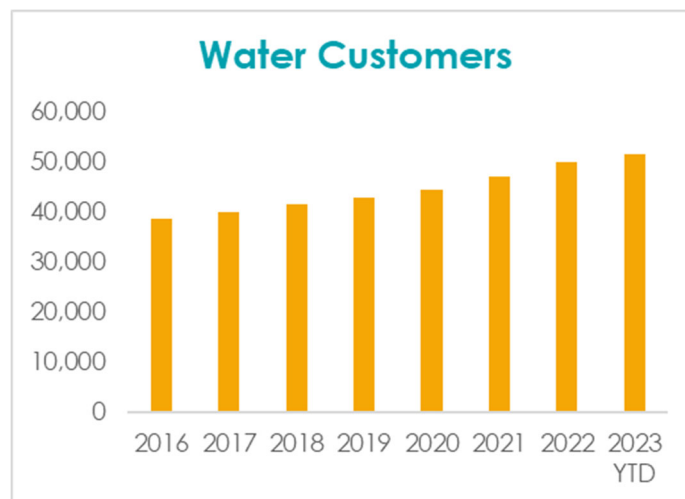
Item	Current Capacity Recovery Fee	Proposed Maximum Cap. Recovery Fee
Water System		
CRF Residential – per bedroom	\$287.00	\$2,389.47
CRF Commercial – gallons per day	4.10	29.87
TRF Residential – per bedroom	97.00	295.33
TRF Commercial – gallons per day	1.38	3.69
Wastewater System		
CRF Residential – per bedroom	\$1,000.00	\$2,079.53
CRF Commercial – gallons per day	14.29	29.71
TRF Residential – per bedroom	333.00	267.57
TRF Commercial – gallons per day	4.76	3.82

Water Fund

Revenues

The total recommended water fund revenue budget increased to \$39,296,171 in FY 2023-2024 which is \$2,873,783 greater than the original budget for FY 2022-2023 appropriation of \$36,422,388. Conservatively budgeted, one-time user charges are expected to generate \$3,043,300 from System Development and Taps fees.

Water sales are projected to be \$9,200,000 for retail, \$4,500,000 for irrigation, \$2,000,000 for industrial, and wholesale \$6,600,000. The monthly base service charges will produce \$10,200,000 annually, mainly representing the county residential and commercial customers. The Irrigation base service charge is projected to produce \$825,000 annually.



Operating Costs

There are eight new positions recommended for water operations; a GIS Analyst in Water Administration, a Utility Plant Mechanic I (mid-year, ½ FTE budgeted) at the Northwest Water Treatment Plant, a Water Distribution Supervisor in the Water Distribution Division, a SCADA System Manager and Generator Maintenance technician I in the Instrumentation/Electrical Division, and a Field Services Technician in the Water Construction Division all totaling \$434,269 for salary and benefits.

The amount budgeted for the purchase of raw water from the Lower Cape Fear Water and Sewer Authority is \$186,544 higher at \$2,048,960 at the current rate of \$0.38 per thousand gallons with a predicted flow of 4.314 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 \$690,363 due to increases in required maintenance.

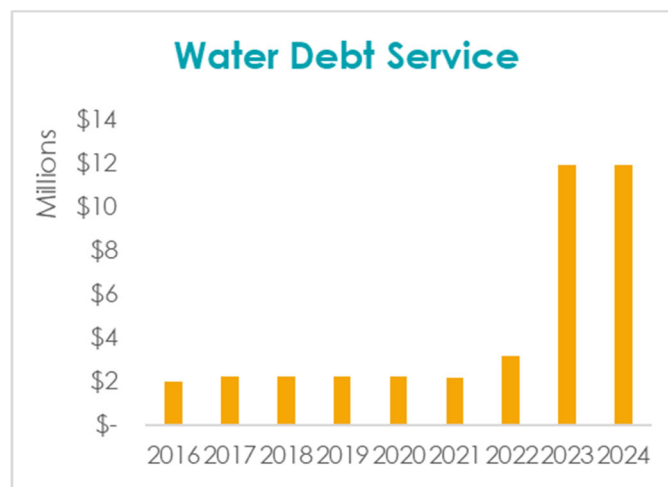
Capital Outlay

Some of the larger operating capital items for the water divisions include a backhoe extendable boom bucket at \$90,000 and a replacement lime control panel at \$75,000 for the 211 Water Treatment Plant, and an \$80,000 70' towable lift for the Instrumentation/Electrical Division. Additional vehicles recommended include nine replacements and four additional vehicles totaling \$1,017,946. The total operating capital outlay for the water fund is \$1,471,946.

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 that began in October 2022. The total water fund debt service budget is \$11,954,906.

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.



Capital Improvement Plan

The water fund capital improvement plan includes one project planned for FY 2023-2024 at a total estimated cost of \$5,800,000. This project is for Transmission Improvements from the Northwest Water Treatment Plant to Bell Swamp is funded with \$2,105,000 of grant funds and the remainder with debt proceeds. Currently 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 2023-2024 is \$31,218,374, net of capital reserve transfers for projects, representing a 3.8% increase or \$1,138,444 over the FY 2022-2023 original budget.

Revenue

No increase in the current wastewater retail rate structure is projected to generate \$14,400,000 or \$400,000 more than the \$14,000,000 projected in the original FY 2022-2023 budget. Conservatively budgeted, one-time user charges are expected to generate \$4,300,000 from System Development and Taps fees. System Development fees provide funds for debt service retirement.

Operating Costs

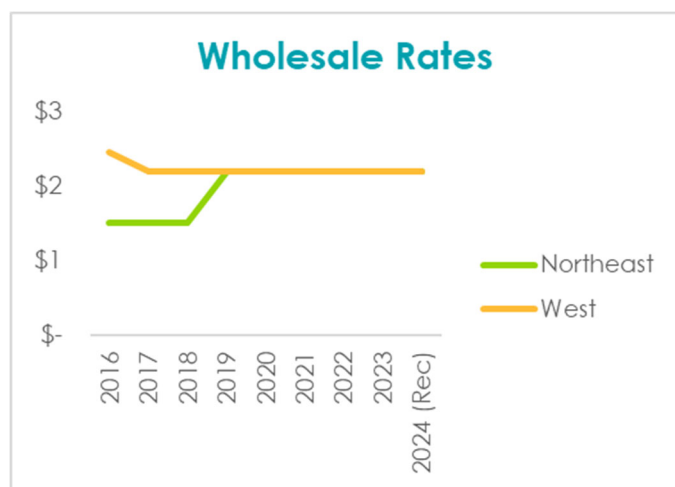
There are two new positions recommended for wastewater operations; a Contracts Manager and an Environmental Compliance Officer in Wastewater Administration totaling \$184,424 for salary and benefits.

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 \$2,814,126, 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 2023-2024, the wholesale rate will remain at \$3.80 per 1,000 gallons and an operational budget of \$708,119.

The recommended operating budget for the West Brunswick Regional Wastewater System is \$4,356,176, up 5.7%. The average daily flow to the plant is estimated to be 4.0 MGD. The wholesale rate is recommended to remain steady at \$2.20 per 1,000 gallons.



Capital Outlay

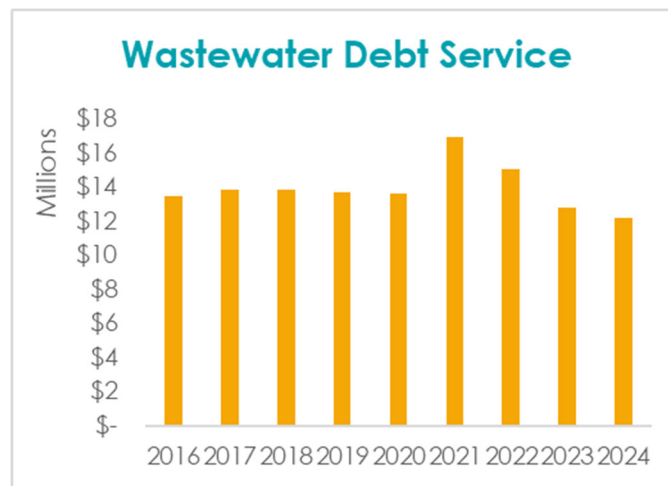
Some of the larger operating capital items for the wastewater divisions include a vac truck with boom and two odor control units totaling \$722,000 for the Collection Division, an odor control unit and a clarifier splitter box for the Northeast Regional Plant totaling \$550,000, and two replacement RAS pumps, one odor control unit, and two replacement thickened sludge pumps totaling \$400,000 for the West Regional Plant. Additional vehicles recommended include five replacements and one additional vehicle totaling \$412,000. The total operating capital outlay for the wastewater fund is \$2,719,000.

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 2023-2024 is \$12,189,438 decreasing \$663,022 from FY 2022-2023. The County plans to issue Revenue bonds for the Mulberry Branch Water Reclamation Facility 0.75 MGD Expansion for an estimated \$21,000,000. The debt service, along with the remaining cost of the project of approximately \$30,000,000, will be reimbursed by the City of Southport allowing them to become a participant in the West system. Alongside this issue will be an estimated \$7,200,000 for a Biosolids Processing Facility at the West Plant. Wholesale participants will reimburse the County through a rate increase for the term of the financing.

The West Regional Wastewater participants are responsible for \$4,694,366 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 \$2,808,411, the Town of Holden Beach \$1,112,477, the Town of Shallotte \$498,478, and the Town Ocean Isle Beach \$275,000.

Northeast Regional Wastewater participants are responsible for \$2,665,900 in debt service. Debt service reimbursements from the Northeast Regional participants include the Brunswick Regional Water and Sewer (H2GO) \$1,580,400 and the Town of Leland, now also paid by H2GO, \$1,085,500.



Capital Improvement Plan

The wastewater capital improvement plan for FY 2024-2028 is \$71,342,600. \$48,597,000 is for the 0.75 MGD expansion of the Mulberry Branch Water Reclamation Facility (WRF) and \$1,895,000 for the Transmission Midway Road to West Brunswick Treatment Facility to be funded by the City of Southport and debt proceeds. \$630,000 for the Sea Trail WWTP Decommissioning is to be funded with pay go funds. West Brunswick WRF Biosolids Processing Facility at \$1,200,000 to be funded with Capital Reserve and Debt Proceeds. Whiteville Road Force Main at \$1,180,000 to be grant funded. Northeast Brunswick Regional Wastewater Treatment Plant 3.75 MGD Expansion FY23 (\$8,625,000) and the Northeast Transmission Force Main (\$2,595,553) to be funded with Debt Proceeds. Sewage Lift Station Rehabilitation and Upgrades to be funded with grant proceeds at \$3,000,000 and pay go funds of \$3,200,000, dependent on the status of the grant award.

CONCLUSION

I sincerely thank all who worked with us on producing this document and look forward to working with the Board to produce the FY 2023-2024 budget that best meets your expectations and priorities.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Steve Stone', with a stylized, cursive script.

STEVE STONE

Brunswick County Manager