



## BRUNSWICK COUNTY

May 20, 2024

Brunswick County Board of Commissioners:

Thank you for the opportunity to present the recommended budget for Fiscal Year (FY) 2024-2025. This document is the product of an annual process to align Brunswick County's public resources with the Commissioners' identified goals in the County's Strategic Plan. Our entire Leadership Team and countless staff members have worked diligently to produce a plan that will fund activities and services designed to further achieve the Board's key objectives for the coming fiscal year.

The recommended budget does not include an ad valorem tax rate change from the current 34.20 cents. The FY 2024-2025 budget proposal for all funds totals \$392,026,053 representing an increase of 12.8% over the budget adopted June 19, 2023. The general fund budget is balanced by using a reasonable fund balance appropriation of \$6,731,357, net of the \$1,265,400 in escrow funds held for the Holden Beach sand nourishment project, for non-recurring capital appropriations as compared to \$4,942,538 in FY 2023-2024.

The county's economy is experiencing substantial growth. Nationally, new job growth fluctuates monthly, and the March jobless rate was 3.9%. The average cost of a gallon of gasoline in North Carolina is \$3.38, which is slightly higher than a year ago at \$3.29 per gallon. The most recent statewide leading economic indicators for March are as follows: the unemployment rate is up 0.2%, manufacturing hours worked are up 1.5% and average weekly earnings are up 4.4%. Locally, in March 2024 home sales decreased 3.8% compared to one year ago but sales dollars increased 10.0% in the first quarter of 2024 versus the first quarter of 2023 as reported by the Brunswick County Association of Realtors. Brunswick County's unemployment rate is 4.3% compared to the State at 3.7% and the United States at 3.9%.

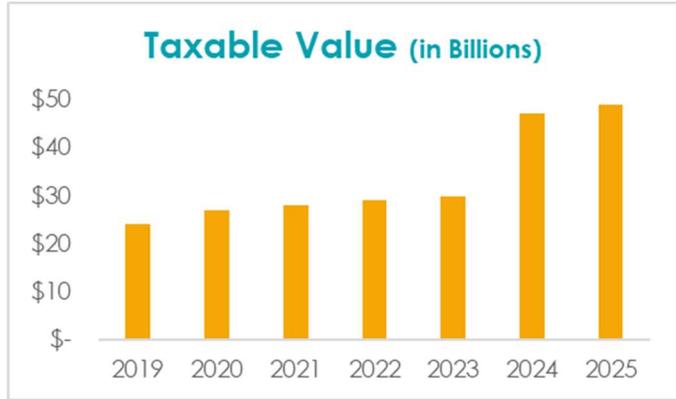
The county is included in the Wilmington Metropolitan Statistical Area (MSA) which is the ninth-fastest-growing MSA in the nation at 2.8%. The State Data Center reported Brunswick County's projected permanent population as 159,964, up from the decennial census figure of 107,431. The county is ranked first in North Carolina for population percentage growth and fourth in numeric population growth, indicating that people are increasingly choosing Brunswick County as a place to live.

## GOVERNMENTAL FUNDS

### Revenues

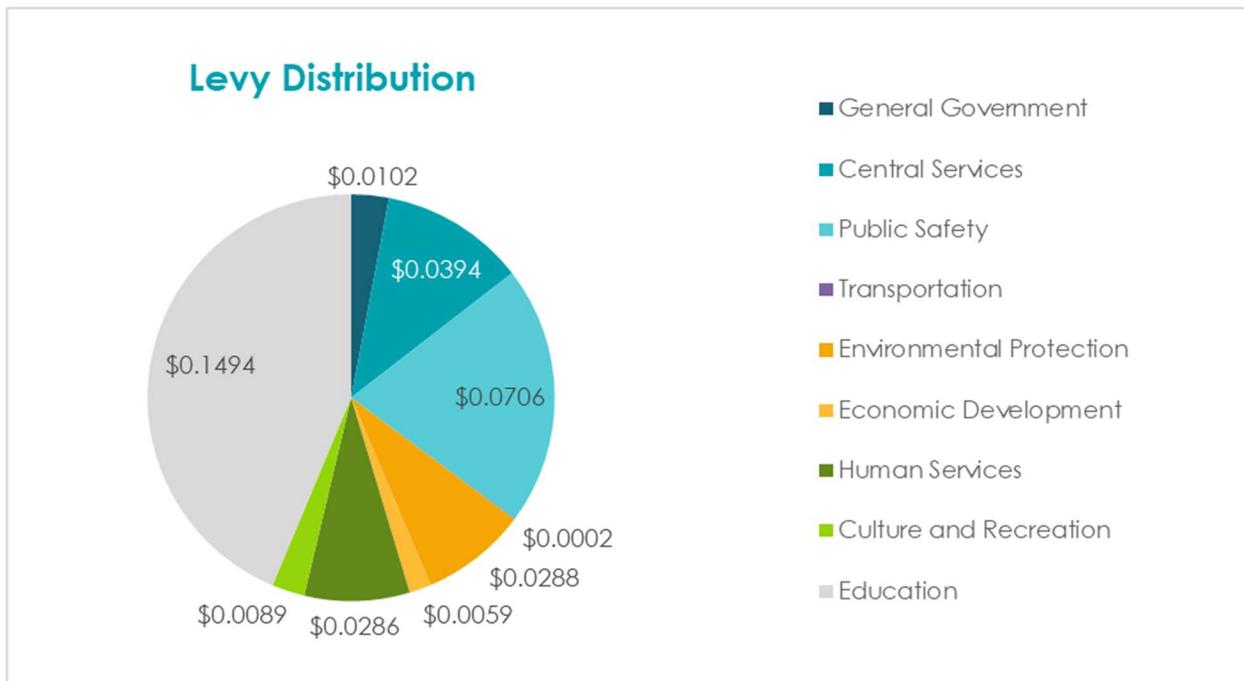
The total recommended general government budget is \$296,217,525, which represents a 7.4% increase from FY 2023-2024. Property tax revenue is the primary source of governmental fund revenue, providing \$174,173,891 or 58.8% of the total revenue. The total projected tax base revalued as of January 31, 2024,

inclusive of real property and motor vehicles, is \$51,108,205,184. FY 2024-2025 is up by \$2,069,302,993 or 4.2% above the base of \$49,038,902,191, on which the FY 2023-2024 budget was based.



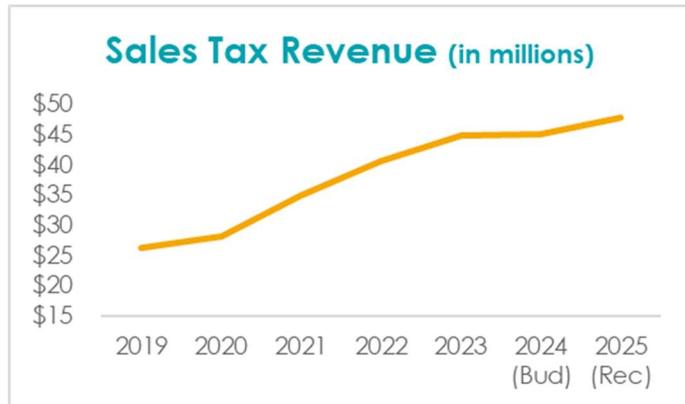
The total projected real property value for FY 2024-2025 is \$49,108,205,184, which represents a 4.2% increase over the FY 2023-2024 real property base of \$47,138,902,191. The motor vehicle base is projected to increase 5.3% over the prior year to \$2,000,000,000. The projected collection rate for motor vehicles is close to 100%, which will generate \$6,840,000 of revenue.

The total real property levy for FY 2024-2025 is calculated on a tax base of \$49,108,205,184, the recommended tax rate of 34.20 cents, and with an estimated collection rate of 98.74%. The real property levy is projected to provide \$165,833,891 in revenue. The total property tax revenue projection for both real property and motor vehicles is \$172,673,891, which is \$8,014,431, or 4.9% more than the original budget for FY 2023-2024. The value of one cent on the tax rate is \$5,048,944 as compared to \$4,814,326 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 2024-2025. Total county sales tax revenues, exclusive of the portion of Articles 40 and

42 designated for school capital needs, are projected to be \$36,493,316, which is 2,026,871 or 5.9% greater than the original budget of \$34,466,445 for FY 2023-2024. The portion of Articles 40 and 42 designated for schools is \$11,303,086, which is \$682,411 or 6.4% greater than the current budget of \$10,620,675. 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 2024-2025 and is reflective of the continued number of residential and commercial permits issued. Therefore, most revenue sources are projected to have a significant increase over the previous year.

Revenue	FY 2022	FY 2023	FY 2024	FY 2025	% Change
<b>Solid Waste Tipping Fees</b>	\$2,600,000	\$3,000,000	\$3,800,000	\$4,500,000	+18.42%
<b>Building Permits</b>	\$2,861,000	\$4,340,000	\$4,525,000	\$7,725,000	+70.72%
<b>Deed Stamp Excise Tax</b>	\$3,100,000	\$5,125,000	\$5,500,000	\$5,575,000	+1.36%
<b>Emergency Medical</b>	\$5,100,000	\$5,525,000	\$6,700,000	\$7,400,000	+10.45%

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 2024-2025 budget of \$597,216. 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 FY 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 2024-2025 includes revenues of \$988,200 for a full-year reimbursement to operate the program.

The restricted intergovernmental funds from the state and federal governments are projected to total \$17,796,051, net of \$1,000,000 NC Education Lottery proceeds received for the schools, which is increased by \$15,563 or 0.1% from the prior fiscal year's original budget of \$17,780,488. This lack of an increase, despite the increase in program expenditures, is a result of the state taking over most of the payment distribution process for several major social programs, reducing revenues received by \$1,013,287. This trend is anticipated to continue in the future. 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 \$7,996,757 for an increase of \$1,762,659. A portion of the appropriation is due to escrow funds held in the amount of \$1,265,400 by the County related to the Holden Beach Interlocal Agreement and the issuance of Special Obligation Bonds for beach nourishment. Taking the escrow fund requirement into consideration, this level of fund balance appropriation is consistent with levels in prior years and is reasonable due to the County's FY 2022-2023 unassigned fund balance of \$104,463,914 which is 38.12% 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**

- 3.75% market adjustment to employees who meet expectations with a minimum increase of \$1.00 per hour
- 0.75% to 1.15% merit to employees who meet expectations
- 1.30% to 1.90% merit to employees who are who exceed expectations
- 2.05% to 2.25% merit to exceptional County employees
- Maintaining competitive employee benefits with no reductions
- Provide employees training, resources, and equipment to facilitate high service levels to residents

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

- A Real Estate Appraiser and a Tax Administration Customer Service Supervisor to meet the needs of a growing county and a Paralegal to assist with legal matters and public information request reviews
- Two IT Business Analysts to collaborate with county departments to identify needs and create efficiencies through innovative solutions
- Additional Mechanic Technician for a larger county fleet
- An Electrician, a Maintenance Assistant, and a Custodial Assistant for increased workloads and additional locations
- An Emergency Management Deputy Director and an Emergency Planner to enhance the county's emergency preparedness
- Eight Paramedics, a Data Analyst, a Community Training Specialist, and a Logistics Specialist to meet the needs of a growing county
- Three Permitting Technicians, five Multi-Trades Inspectors, a Code Compliance Officer, an Inspections Scheduler, and a Building Plans Reviewer to meet the service demands in Code Administration
- A Fire Inspector/Investigator to align with the needs of fire inspections
- Zoning Technician position to keep up with demand and to improve long-range planning
- Veteran Services Officer to improve services to our area veterans

- An additional Librarian and Library Assistant to allow library branches to expand services by adding a bookmobile
- An additional Park Maintenance Assistant to enhance the County's Parks and Recreation experience
- An Interpreter, a Public Health Nurse, and a Senior Processing Assistant to improve health services to our community
- Two Paramedics to establish a community paramedicine program, initially focused on goals that align with the National Opioid Settlement Fund
- Two Social Worker Supervisors, ten additional Social Workers, three Income Maintenance Caseworkers, two Office Assistants/Call Center, and a Fiscal Technician to meet mandated state service guidelines

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

- Continued funding to increase cybersecurity, maintain the current computer replacement program, and for technology and software support
- Increase of 3.6% per the funding agreement with Brunswick County Schools for the operating budget resulting from growth in ad valorem taxes
- Increase of 14.5% to Brunswick Community College to support existing programs and \$350,000 for the Foundation Grant providing tuition assistance
- Increase of 9.0% to Brunswick Senior Resources for program support for five district senior centers, the installation of a generator at the Calabash Senior Center, and a new nutrition site at the Ash Waccamaw Multi-use Facility
- Increase in debt service for the issuance of an estimated \$30,000,000 limited obligation bond for a combined Emergency Operations Center and Health and Human Services building project, planned to start in FY 2024-2025 at an estimated cost of \$70.2 million
- Increase in County contributions of 10.1% to Health Services and an increase of 15.3% to Social Services to align with Commissioner goals and to promote a healthy and strong community

## 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 8.8% of the general government expenditures. The County has a countywide solid waste collection and disposal contract with GFL Environmental through June 2028. The contract includes an annual price adjustment formula based on March CPI and the previous year's number of new cans added. The FY 2024-2025 per unit increased \$0.23 to \$13.75. Based on average growth in cans of 354 per month and replacement cans, the budget for countywide solid waste collection is \$19,800,000, a \$1,533,000 increase over the prior year's budget of \$18,267,000.

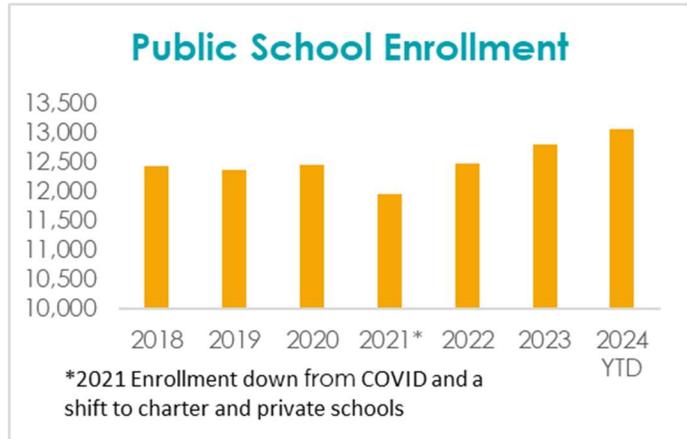
The construction and demolition tonnage received at the County's landfill increased 16.5% as of June 30, 2023, compared to the previous year. To preserve the existing capacity in the landfill and extend the useful life of the facility, the County contracts with GFL Environmental for the diversion of waste to a landfill in Sampson County, North Carolina. The cost of diverting 100% of the waste from the landfill is currently \$53.81 per ton or \$4,200,000 per year. The current landfill closure reserve balance accumulated

is \$10,644,355 with plans for an additional transfer of \$685,298 to the reserve based on FY 2023-2024 results. The total cost of closure is estimated at \$11,329,653.

GFL Environmental provides 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 April 30, 2024, 29,704 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 2024-2025 school appropriation, following the funding agreement, is \$57,571,169, which represents an increase of approximately 3.60% or \$1,998,222 over the FY 2023-2024 approved budget. Under the terms of the agreement, 35.75%, or \$56,388,200 will be used for current expense and 0.75% or \$1,182,969 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 \$9,706,347 of local option sales tax proceeds, after subtracting \$1,596,736 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 used 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 \$419,750 to aid in funding additional category 1 capital outlay system improvements.

The total general obligation debt service for Brunswick County Schools for FY 2024-2025 is \$11,275,585. An additional \$2,596,739 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, 39.87% or \$68,846,754 of the County's current year ad valorem property tax revenue is appropriated for K-12 public education purposes.

In FY 2022-2023, Brunswick County ranked 16<sup>th</sup> in North Carolina for local funding of public schools based on per-pupil expenditures. With the State provided funding rank of 91<sup>st</sup>, federal funding rank of 86<sup>th</sup>, and local per-pupil expenditures combined, Brunswick County ranked 70<sup>th</sup> in the State in total for \$12,272.46 expended per pupil.

## Brunswick Community College

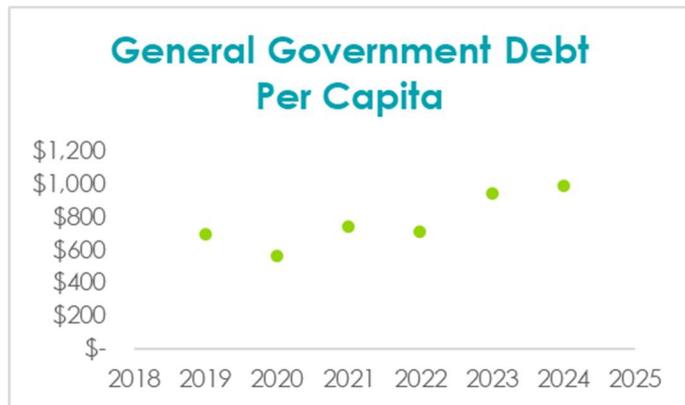
There is no general obligation debt outstanding for Brunswick Community College. The debt was satisfied in FY 2023-2024. The new Allied Health Building was constructed to house all health occupation programs on the main campus using \$2.85 million of NC Connect State Bond Funds and an additional \$2.85 million of county and college funds. The former Early Childhood Education Center was renovated, and an addition was constructed.

The recommended community college appropriation in FY 2024-2025 is \$5,912,765 to meet operating and capital needs. One-time capital costs make up \$590,000 of this amount and includes \$400,000 for a dehumidifier, \$145,000 for building improvements, and \$45,000 for a fleet maintenance van. The combined recommended change to the support for the community college totals an increase of \$747,065 or 14.46%. 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 third 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 \$70.2 million being on the horizon. A combined Emergency Operations



Center and a Health and Human Services building project is planned to start in FY 2024-2025 at an estimated \$70.2 million. \$41,932,059 of reserves are available with the remaining funds coming from a limited obligations bonds issuance. There is excess capacity in the County Detention Center, however, an Animal Adoption Center is included in the Capital Improvement Plan for FY 2024-2025. Funds for annual debt service of \$770,175 are recommended for an estimated FY 2024-2025 concurrent \$7.0 million limited obligation bond issuance.

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, replacement of the Waccamaw K-1-2 building, and the addition of a STEM/CTE Program, totaling \$152 million. There were three separate phases of bond issues scheduled within five years, with the first phase issuing \$52,950,184 in June 2018, adding additional debt service in FY 2020 of \$5,636,172. The second phase was issued in July 2020 of \$47,549,033 adding \$4,362,370 in 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 \$138,980,000 to \$165,900,000 as of June 30, 2024. This equates to approximately \$994 per capita, and the current net general obligation debt is approximately \$710 per capita.

The total general government debt service budget will be \$17,541,399, which represents an increase of \$2,448,132 or 16.2% from the prior year. This increase is mainly due to the annual debt service payments beginning in FY 2024-2025 for an estimated \$38,000,000 of limited obligation bond debt service issued for a combined Emergency Operations Center and a Health and Human Services building as well as an Animal Adoption Center. This is offset by existing general obligation bond and limited obligation bond debt satisfied completely in FY 2023-2024.

## Human Services

Changes in the costs for Human Service departments and related organizations include a general government local funding contribution of \$6,997,032 to the health fund programs representing an increase of \$641,476 or 10.1% mainly due to increases in employee salary and benefits, the start-up of a community paramedicine program, and the increased demand in Environmental Health.

The total contribution to the social services fund of \$11,253,556 represents an increase from the current year's appropriation of \$1,490,653 or 15.3% mainly due to changes in employee costs including seventeen additional FTEs. Additionally, legislation has required a partially reimbursable increase of \$240,000 in social programs and a \$55,000 increase in required non-reimbursable programs.

Funding of \$250,443 is recommended to enter into a contract for services that include crisis intervention with the state agency Trillium. Funding of \$481,000 for The Healing Place and \$273,750 for Christian Recovery Centers Incorporated (CRCI) is recommended with an estimated 40% eligible for National Opioid Settlement funding.

The recommended appropriation to Brunswick Senior Resources, Inc. is \$3,597,832, which is 9.0% greater than the prior year and dedicated to continued program support. This includes a \$122,000 increase for additional accounting and communications positions in general administration and \$155,000 for the new Nutrition Site at the Ash Waccamaw Multi-Use Facility. This recommendation also includes the installation of a generator at the Calabash Senior Center, offset and comparable to \$150,000 for a generator at Stone Chimney in FY 2023-2024.

## Employee Benefits

The FY 2024-2025 budget recommendation includes a minimum market adjustment of \$1.00 per hour, but not less than 3.75% to employees who meet expectations. This is a cost of approximately \$3,825,000 of which \$570,000 is budgeted in the enterprise fund. Additional funding for employee merit raises of 1.5% is budgeted at an estimated cost of \$1,200,000 of which \$175,000 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 a 10.0% increase in premiums, partially due to the additional FTEs. County contributions for the health and dental program per employee are \$9,502.

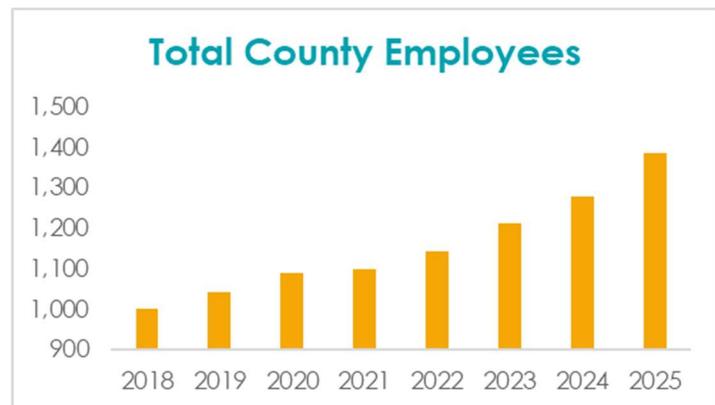
The County will continue with its program for worker’s compensation with the North Carolina Association of County Commissioners (NCACC) and has provided a quote for a standard pay plan with an estimated 20% increase from FY 2023-2024 for a total budget of \$1,126,858, of which \$161,032 is in the enterprise fund.

The Local Government Employee Retirement System Board recommended contribution rates for general employees at 13.85% and law enforcement at 15.10%, an additional 1.00% for each.

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.



Sixty-two new positions are recommended for the general fund. The general fund recommended FTE changes are the addition of four positions in General Government, six positions in Central Services, twenty-five positions in Public Safety, twenty-three positions in Human Services, three positions in Cultural and Recreation, and one position in Economic and Physical Development. The total cost of new positions added in FY 2025 is \$4,168,173.

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 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 schools totaling \$2,186,036 at a flat annual rate of \$79,492 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 2024-2025 is \$87,340. The officers and detective bring the total reimbursement to \$2,273,375.

These changes, along with the twenty-six new positions included with the enterprise recommendation, bring the total number of positions to 1,386.51, of which 1,170.51 are associated with general government functions and 216 are associated with enterprise operations.

## Capital Improvement Plan

The list of projects recommended for funding in FY 2024-2025 totals \$88,512,232.

The environmental protection component of the capital improvement plan is \$11,329,653 for landfill closure. The public safety component includes \$7,000,520 for constructing an Animal Protection Services Adoption Center. The general government component includes \$70,182,059 for a combined Emergency Operations Center and Health and Human Services building.

The FY 2024-2025 governmental capital improvement plan funding sources as presented are \$50,644,355 of capital reserve that has been designated for these projects, \$182,059 of escrow funds held in health reserve, \$37,000,520 of debt proceeds, and \$685,298 with funding still to be determined. 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 \$7,965,914 dedicated to capital outlay and major operating expenditures, an increase of \$1,675,235 from the FY 2023-2024 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 replacing the outdated county-wide phone system at a total cost of \$1,200,000, split between Information Technology (\$822,200), Social Services (\$267,800), and Public Utilities (\$110,000), two replacement and two additional ambulances totaling \$1,560,000, a fuel site tank replacement at \$325,000, a heavy truck lift for Fleet Services for \$120,000, one replacement flatbed dump truck for Operation Services at \$127,000, and \$200,000 for mobile and portable radios for Emergency Medical Services. Replacement and additional vehicles recommended include eleven replacement vehicles for Fleet Services totaling \$455,000, four replacement and one additional vehicle for Operation Services totaling \$312,000, thirteen replacement marked patrol cars, six unmarked replacement vehicles, and two K-9 replacement vehicles totaling \$1,090,114 for the Sheriff's Office, replacement of one quick response vehicle for Emergency Services at \$65,220, \$116,000 for a replacement quick response vehicle and an additional transit van for Emergency Medical Services, six additional and two replacement vehicles for Building Inspections and Central Permitting totaling \$264,000, one additional truck for Fire Inspections totaling \$41,000, a replacement truck for Solid Waste at \$47,000, \$50,489 for a replacement truck for Cooperative Extension, a replacement truck for Parks & Recreation Maintenance for \$55,000, two replacement sedans for Environmental Health totaling \$60,000, and \$35,000 for Social Services for one replacement vehicle.

The Operation Services budget includes \$235,000 for repairs and maintenance to buildings, \$200,000 for the upfit of long-term leased warehouse space, \$283,000 for repairs and maintenance to equipment, \$550,000 to retrofit the alarm system in the Detention Center, and \$130,000 for repairs and maintenance to vehicles. The budget also includes \$61,267 to cover portions of the government center parking areas and off-site facilities.

The major operating budget includes 148 replacements and 175 additional desktops, monitors, laptops, and tablets for a total recommended cost of \$767,400.

## Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion nationwide settlement related to multiple opioid lawsuits referred to as Wave One Settlements. Wave One Settlements will be disbursed over 18 years to each participating state according to the North Carolina Memorandum of Agreement (MOA) on the use of opioid settlement funds.

An additional \$21 billion in settlements were finalized from Walmart, Teva, Allergan, CVS, and Walgreens and are referred to as Wave Two Settlements. Wave Two Settlements are governed by the Supplemental Agreement for Additional Funds (SAAF) in a manner consistent with the MOA and will be made over 15 years.

The County is estimated to receive over \$24 million from Wave One and Wave Two Settlements from 2022-2038. To date, the County has received \$5,500,341 in settlement disbursements and earned \$124,761 in interest. Per the terms of the MOA, the County created a special revenue fund to account for these funds.

Included in the recommended budget is funding for a Social Services Clinician to provide care navigation and crisis response for cases involving opioid use, residential recovery services to Brunswick County residents from contracted providers The Healing Place and CRCI, a Health Educator to support/coordinate the county's substance use prevention and recovery efforts, and a Community Paramedicine program to support post overdose response by providing connection to treatment services.

## ENTERPRISE FUND

The County's enterprise fund continues to expand to meet the service needs of retail, industrial, and wholesale customers. The customer base is experiencing consistent and moderate growth. The County currently has 57,581 water retail customers and 27,997 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 past 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 currently constructing an advanced low-pressure reverse osmosis water treatment system and expanding the treatment capacity at the Northwest Water Treatment Plant.

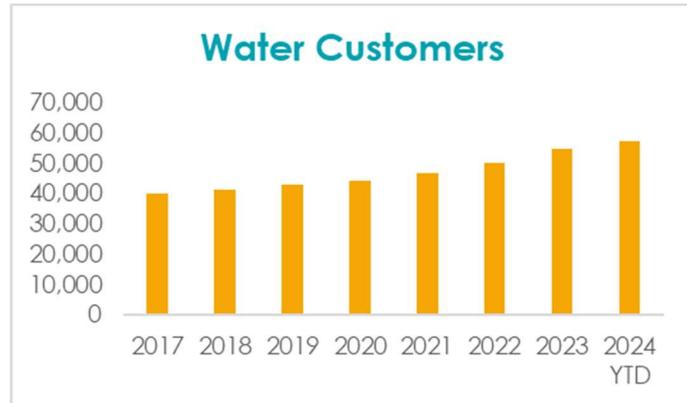
In April 2018, the County completed an analysis of the water and wastewater systems which resulted in system development fee (SDF) recommendations and adoption by the County Commissioners. According to Chapter 162A, Article 8 of the North Carolina General Statutes, this fee must be re-evaluated and

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. The County Commissioners received and adopted this report at the April 15<sup>th</sup>, 2024, meeting. 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 incrementally increase to 90% of the maximum allowable water and wastewater System Development Fee on a per gallon and per connection basis for new development within the County’s retail area.

Item	Current Capacity Recovery Fee	Proposed Maximum Cap. Recovery Fee
<b>Water System</b>		
CRF Residential – per bedroom	\$287.00	July 1, 2024 - \$287 Jan. 1, 2025 - \$621 July 1, 2025 - \$955
CRF Commercial – gallons per day	4.10	July 1, 2024 - \$4.10 Jan. 1, 2025 - \$8.01 July 1, 2025 - \$11.92
TRF Residential – per bedroom	97.00	July 1, 2024 - \$97 Jan. 1, 2025 - \$108 July 1, 2025 - \$119
TRF Commercial – gallons per day	1.38	July 1, 2024 - \$1.38 Jan. 1, 2025 - \$1.43 July 1, 2025 - \$1.48
<b>Wastewater System</b>		
CRF Residential – per bedroom	\$1,000.00	July 1, 2024 - \$1,000 Jan. 1, 2025 - \$1,478 July 1, 2025 - \$1,956
CRF Commercial – gallons per day	14.29	July 1, 2024 - \$14.29 Jan. 1, 2025 - \$21.11 July 1, 2025 - \$27.93
TRF Residential – per bedroom	333.00	July 1, 2024 - \$252 Jan. 1, 2025 - \$252 July 1, 2025 - \$252
TRF Commercial – gallons per day	4.76	July 1, 2024 - \$3.59 Jan. 1, 2025 - \$3.59 July 1, 2025 - \$3.59

## Water Fund

The total recommended water fund budget increased to \$51,499,883 in FY 2024-2025 which is \$12,203,712 greater than the original budget for FY 2023-2024 of \$39,296,171. The increase is mainly attributed to the merger with Southport adding approximately 2,500 additional customers, the transfer to reserves for capital projects, and the increased operating costs associated with the advanced treatment at the Northwest Water Treatment Plant.



## Revenues

Water sales are projected to be \$11,075,000 for retail, \$5,250,000 for irrigation, \$2,000,000 for industrial, and \$5,410,000 for wholesale. The monthly base service charges will produce \$11,800,000 annually, mainly representing the County's residential and commercial customers. The irrigation base service charge is projected to produce \$982,000 annually. Conservatively budgeted, one-time user charges are expected to generate \$5,707,430 from system development and tap fees.

## Operating Costs

There are seventeen new positions recommended for water operations; a Water Treatment Plant Maintenance Crew Supervisor and three Water Treatment Plant Operators at the Northwest Water Treatment Plant, all beginning mid-year to align with the completed advanced treatment project, a Distribution Mechanic in the Water Distribution Division, a Generator Maintenance Tech in the Instrumentation/Electrical Division, and a Utility Locator, Utilities Crew Supervisor, and three Distribution Mechanics in the Water Construction Division. Additional FTEs related to the Southport merger include a Project Manager, two Distribution Mechanics, a Customer Service Representative, an Instrumentation Control Tech, and a Utility Locator. All additional FTE costs total \$961,901 for salary and benefits.

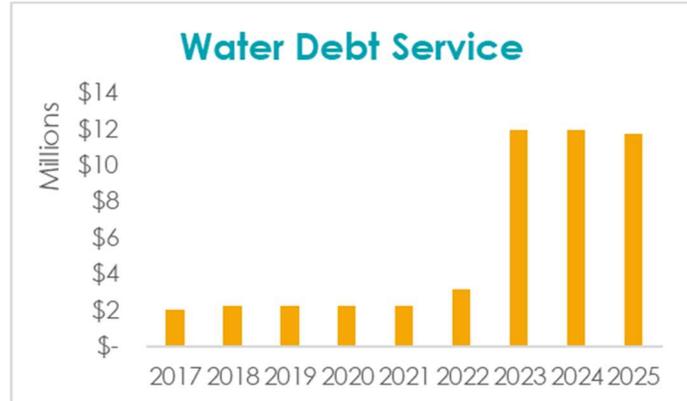
The amount budgeted for the purchase of raw water from the Lower Cape Fear Water and Sewer Authority (LCFWSA) is \$350,360 higher at \$2,399,320 than the current rate of \$0.44 per thousand gallons with a predicted flow of 4.641 billion gallons. The County will continue to operate and maintain the raw 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 \$737,510 due to increases in required maintenance.

## Capital Outlay

Some of the larger operating capital items for the water divisions include Water Administration Utility Operations Center upgrades, including a generator, laydown yard, asphalt resurfacing, and rock replenishment, totaling \$875,000, a portion of the replacement of the county phone system at \$110,000, a mobile emergency generator at \$195,000 for the Instrumentation/Electrical Division, and a replacement wheel loader for the Water Construction Division at \$180,000. Additional vehicles recommended include eight replacements and thirteen additional vehicles totaling \$1,301,699. The total operating capital outlay for the water fund is \$2,275,699.

### 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 \$11,787,961.



### Capital Improvement Plan

The water fund capital improvement plan includes four projects planned for FY 2024-2025 at a total estimated cost of \$13,346,163. These projects include the Hwy 74/76 Industrial Park Tank at \$6,256,000 partially grant funded with additional funds needed still to be determined, the Mid-Atlantic Rail Park On-site Water Project at \$2,700,000 funded with pay-go funds, Transmission Improvements from the Northwest Water Treatment Plant to Bell Swamp project at \$3,390,163 funded with reserve to be reimbursed with debt proceeds upon issuance, and \$1,000,000 of pay-go funds to reestablish the Neighborhood Water Mains Improvement Project. Currently under construction is the Northwest Water Plant expansion and advanced treatment through a low-pressure reverse osmosis process to provide 36 million gallons per day (MGD) of treated water.

### Wastewater Fund

The total recommended wastewater fund budget for FY 2024-2025 is \$42,806,597, representing a 30.0% increase or \$9,886,223 over the FY 2023-2024 original budget. The increase is mainly attributed to the merger with Southport, adding approximately 3,200 additional customers and \$2,464,397 in debt service, and the transfer to reserves for capital projects.

### Revenue

No increase in the current wastewater retail rate structure is projected to generate \$16,300,000 or \$1,900,000 more than the \$14,400,000 projected in the FY 2023-2024 budget. Conservatively budgeted, one-time user charges are expected to generate \$4,943,400 from system development and tap fees. system development fees provide funds for debt service retirement.

### Operating Costs

There are nine new positions recommended for wastewater operations; a Utility Asset Manager in Wastewater Administration, three Collections Mechanics in the Wastewater Collection Division, a Utilities Crew Supervisor and three Collections Mechanics in the Wastewater Construction Division, and an additional Collections Mechanic related to the Southport merger for the Wastewater Collections Division, totaling \$578,726 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 2.5 MGD and an operational budget of \$2,499,382, the wholesale rate for the Northeast participants is recommended to increase from \$2.20 to \$2.71 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 2024-2025, the wholesale rate will increase to \$4.20 from \$3.80 per 1,000 gallons for an operational budget of \$717,386.

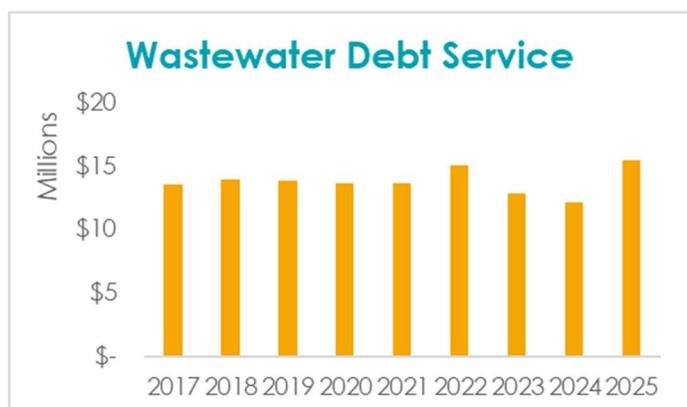
The recommended operating budget for the West Brunswick Regional Wastewater System is \$4,462,229, up 2.4%. The average daily flow to the plant is estimated to be 3.95 MGD. The wholesale rate is recommended to increase from \$2.20 to \$3.19 per 1,000 gallons. Part of this increase is also due to the elected rate funding of the Biosolids Processing Facility as part of the West Brunswick Regional Wastewater System estimated at approximately \$7,200,000.

### Capital Outlay

Some of the larger operating capital items for the wastewater divisions include a replacement pumper truck and three odor control units totaling \$689,669 for the Collection Division, an excavator for the Wastewater Construction Division for \$105,000, and four programmable logic controller upgrades totaling \$100,000 for the Northeast Regional Wastewater Plant. Additional vehicles recommended include seven replacements and seven additional vehicles totaling \$979,000. The total operating capital outlay for the wastewater fund is \$2,594,709.

### Debt Service

The wastewater 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 2024-2025 is \$15,480,292 increasing \$3,290,854 from FY 2023-2024. This is due to the 2023 Revenue bonds and State Revolving Funds (SRF) loan obtained during the Southport merger for the Mulberry Branch Water Reclamation Facility's 0.75 MGD expansion.



The West Regional Wastewater participants are responsible for \$4,690,583 of the total wastewater fund debt service related to the construction and expansion of the plant and associated facilities. Contributions from participants are the Town of Oak Island (\$2,807,140), the Town of Holden Beach (\$1,109,245), the Town of Shallotte (\$499,198), and the Town of Ocean Isle Beach (\$275,000).

Northeast Regional Wastewater participants are responsible for \$2,543,697 in debt service. Debt service reimbursements from the Northeast Regional participants include the Brunswick Regional Water and Sewer (H2GO) at \$1,502,577 and the Town of Leland, now paid by H2GO, at \$1,041,120.

### Capital Improvement Plan

The wastewater capital improvement plan for FY 2024-2025 is \$69,677,487. Of this amount, \$23,135,000 is a result of the anticipated merger with the City of Southport, all funded with grants. These projects include Pump Station Rehabilitation, a Sewer Replacement Project, and a Construction Find and Fix It project. Other major projects include the previously mentioned West Brunswick Biosolids Processing Facility, \$12,019,011 for the construction of the Bolivia By-Pass Transmission Force Main, the Mid-Atlantic Rail Park On-site Sewer Project at \$2,970,963 funded with pay-go funds, and the West Brunswick Regional 3.0 MGD expansion project at \$12,515,658 funded with reserves to be reimbursed with debt proceeds upon issuance.

## CONCLUSION

I want to extend my thanks and appreciation to the Commissioners and all our staff who worked tirelessly to produce the recommended budget, as well as to all of our employees who constantly work to fulfill the Board's directives and goals. I look forward to working with you over the next month to produce the Board's final budget for FY 2024-2025.

Respectfully Submitted,

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

**STEVE STONE**

Brunswick County Manager