ANNUAL RETREAT MEETING
MINUTE
Thursday, March 16, 2023 9:00 AM
Hampstead Annex

MEMBERS PRESENT: Fred McCoy
Jacqueline A. Newton
Jerry Groves
Wendy Fletcher-Hardee
Brad George

MEMBERS ABSENT:

OTHERS PRESENT: David Andrews, County Manager
Trey Thurman, County Attorney
Nancy Avery, Interim Clerk to the Board
Allen Vann, Assistant County Manager
Other Staff and Members of the Press and Public.

1 Breakfast and open discussion

9:00 am - 9:30 am

2 Call to order and Adoption of Agenda

Chair Newton called the retreat to order at 9:30 am.

3 Presentation of County Finances and Debt Analysis

Davenport & Associates

3.1 Ted Cole, with Davenport and Associates presented the Utilities existing debt and financial overview with the following highlights:

- County is paying $1.8 million annually in existing debt for the Utilities Division
- Page 5 is important page in the booklet which is a summary of combined funds
- Operating revenue $10,961,335
- Capacity revenue $2,690,943
- Total revenue is $13,65,652,278

- Operating expenses are $7,102,410
- Debt revenue available for debt service is $6,549,868- this is after operating expenses,
- Debt service is $4,581,598
- County had $6,649,868 to pay debt
- Important to demonstrate there are more dollars available to pay debt than just debt service budgeted
- Surplus of $1.8 million in FY 2022
- Majority of debt is in low interest, long term USDA loans - currently in a high interest rate for loan environment
- No tax revenue to pledge for loan - depends on utility system reserves status
- **CAPITAL IMPROVEMENT PLAN**
- Total projects budgeted FY 2023 $28,730,466
- Over next five years, total expected projects to be funded is $101,248,100
- Sources of funding are system cash, ARPA funding, grants, ASADRA disaster relief loan/grant rom Hurricane Florence at 1.8 % interest with principle forgiveness
- LGC does not like you to borrow for engineering or planning needs
- FY 2024-2028 timeframe - need to decide what type of revenue we need to fund Capital projects
- Building into model base line growth assumption of 7% in revenues using historical data
- Reserves need to be at least 1.25 times debt service coverage
- Assuming 7 % natural revenue growth based on historical data - from current rates, fees and new customers
- No assumption for rate increase
- **GENERAL FUND PRESENTATION**
- County bond rating is Aa2 from Moody's, AA from S&P and two notches away from highest bond rating with Fitch
- FY 2022 revenues were $91,761,732 and expenditures were $79,499,832
- FY 2022 Fund balance - increased by $8,871,158
- Ending Fund Balance $68,436,099
- County Fund Balance policy is that unassigned Fund Balance is equal to at 20% of expenditures
- Unassigned Fund Balance is well above policy requirement
- Ten Year Tax Supported Debt Service of $94,453,452 payout ratio is 75.8%
- County policy establishes minimum 10 year payout ration of 55%
- Debt as percentage of tax base is .9%. County policy is maximum debt to assessed value of tax base of 2.50%.

- Existing Debt Service versus Expenditures for FY2023 is 9.3%. County policy is maximum Debt Service to Expenditures of 15%.
- County has good policies and is in compliance with all of them. There is room for additional debt and stay within compliance with policy.
- Existing debt 2022 - 2037: Schools $87,519,163; County $6,230,699; Debt Service $633,328; Housing $70,263 for total of $94,453,452
- Value of a penny FY 2024 budgeted figure $876,715 at an assumed growth rate of 1.0%.
- Upcoming projects: 1. FY 2024 estimated $28.4 million Human Services Building -eligible for reimbursement for DSS part of the building (state and federal); 2. FY 2025, estimated $44 million Law Enforcement Center/Jail Construction; $178 million school bond referendum -have seven years from the vote to issue the debt. Assumption is FY2025 $111,650,000; FY2027 $28,150,000; FY 2028 $38,200,000. Expect to issue via either bond issuance or USDA - slight difference in interest rate between 4 or 5 %. Bond payout by LGC is 20 years. USDA is 30 years. USDA over longer time will cost more in interest.
- Reviewed borrowing options. Total debt assumptions for both Human Services Building and LEC/Jail project issues $250,400,000 debt. In Capital Market at 20 Years at 5% assumes $385,355,000 total debt. USDA over 30 years at 4% interest assumes $401,465,310 total debt.

Board members discussed various funding options for the new Human Services Building, Law Enforcement Center/Jail Construction and new schools as well as how to fund future operating expenditure increases once facilities are constructed and in use. There was also discussion on how long Fund Balance could be used for expenditure increases before a tax increase was needed and whether that would allow additions to Fund Balance, the fact that taxpayers approved the school bond which means tax increase, and how low can a tax increase be and provide the necessary services.

4 Pender County Schools Update

Dr. Brad Breedlove & staff

4.1 Dr. Breedlove, Pender County School Superintendent and staff, gave a presentation to the board on expected growth in school with the following highlights:

- Current enrollment is 11,000. Averaging 5% increase in enrollment each year. During 202-2022 school year Pender

County saw 5.7% growth rate compared to -3.7% in New Hanover County.

- 87% of school age children in Pender County attend Pender County making it a school of choice over private or charter schools or home schooling.
- There are six schools over capacity.
- More than 50% of schools are over 20 years old with 8 of them are over 30 years old.
- Some needs of the school system are an increase in instructional support personnel for counselors and instructional assistants and for student support there is a need for socail workers and school psychologists.

Board members discussed collaboration ideas, funding availability including the recent opioid settlement, how best to fill the needs of the school system.

5 Review FY2024 to FY 2028 Capital Improvement Projects

5.1 Carolyn Moser, Wes Stewart, Bobbit Construction
Health and Human Services Building and the Animal Shelter

Health Department Director Moser, Social Services Director Stewart and staff gave a presentation to the Board with the following highlights:

- There is $5 million in escrow for the new Health and Human Services Building. This is from Medicaid revenue. Bobbitt Construction was awarded the design-build contract.
- Social Services will have about 65% of the building and will get 40% reimbursement every year to go towards the debt.

Bobbitt Construction reviewed the design of the new facility with the Board. Dental, child support payments and WIC areas will have separate entrances to reduce traffic and increase security in other areas of the building with fewer people coming in and trying to find services. Conference meeting space will be available for other departments to use also. There will be space for a family court courtroom to enable social workers to stay in there office and work until court rather than spending time at the courtroom waiting for their case to come up. Expect completion May of 2026. Proposed budget $24.6 to $28.4 million. Scope additions may need to be added for new Medicaid expansion for 10,000 square foot additional space, full building generator, low voltage conduit and cabling, security and furniture for a total increase in projected budget to $30.4 to $36.3 million.

Animal Shelter

Director Moser stated we have seven staff. We have a vet that comes once or twice a week. We spay and neuter the pets before they are released. The building is concrete built in 1996 with minimal heat and cooling. There are indoor kennels for vicious dogs. Total square footage is 3200.She recommends a new 13,000 square foot facility to meet projected needs through 2040 to be built on old landfill site. Current building is close to a creek and an antiquated septic system. Proposed budget for new site if $6.5 - $7.2 million. State animal inspector lets us get by.

5.2 Sheriff Allen Cutler, Mosely Architects regarding Law Enforcement Center and New Jail
Back Up Radio System to Benefit Multiple Departments

Sheriff Cutler gave a brief presentation to the Board and turned it over to Mr. Mace with Mosely Architects who stated:

- We did the needs assessment for the Health Department and the Sheriff's Department
- The new Law Enforcement Center and jail will have 96,000 square feet; a new sheriff's office, new 911 center, new detention center and 242 beds.
- The schematic design phase and design development phases are complete.
- The project was put on hold for a while and will restart in April 2023. Construction documents phase should be July 2023 with an agency review/approval in September 2023.
- We expect bidding award to be November 2023 and substantial completion in November 2025.
- Probable cost total is $47.9 million.

Withers and Ravenel representatives reviewed the design with the Board. There are concerns about water access from Town of Burgaw for required sprinkler system and capacity. The Sheriff has requested another road ingress and egress for storms and emergency situations that has not been cost out. We could include as a separate item during bid to give you the idea of cost. The design includes a row of inmate housing and a tiered housing area.

Backup radio system

Sheriff Cutler stated:

- This system would be a backup in case the Viper system were to go down and a system that other County departments could use year round.
- During Hurricane Florence, Viper system went down.
- EMS uses a VHF; Fire, Forestry, EM and FM use a VHF 155 radio; Law Enforcement uses a UHF radio channel

- This system would support a back up radio communication for all emergency services in the county, Available channels could be used for Utilities, Facilities and Parks and Recreation.
- This would allow us to reuse existing radios not in use
- Entire project cost is $369,884, less $80,000 in Sheriff's budget for a revised total of $289,884.
- Annual maintenance $15,000

5.3 Emergency Management Tommy Batson
New EOC
Logistics Warehouse
Mobile Command Unit

Emergency Manager Batson stated:

- Currently when we set up a command post, have to use old trailer and old truck plus a generator, and no restroom facilities when they deploy.
- Want the County to purchase Mobile Command Center for emergency situations.
- Replacement cost for current items we use, approximately $1 million.
- New Mobile Command Center would cost $1.7 million.
- Looking for grants for funding. Large scale events, we might get FEMA reimbursement.
- If deployed through the state, we could receive reimburse costs.
- It would be a critical unit to support special operations. It would be used jointly with the EMS and the Sheriff's Department.
- Requesting authorization to explore grant possibilities.

Emergency Operations Center

Emergency Manager Batson said five to ten years out he would like the County to build a new Emergency Operations Center because they have outgrown the current one. Preferably near the Law Enforcement Center. Currently, there are no restroom facilities not located in a secure area of the building.

He also has in his long range plan, a 40,000 square foot warehouse.

6 Adjournment

6.1 The meeting adjourned at 4:12 pm.