

Resolution 21-07: A Resolution for Brunswick County to Mitigate Proposed Water Rate Increases

LET IT BE KNOWN THAT:

WHEREAS, the Town of Holden Beach, NC is a barrier island community located in Brunswick County; and

WHEREAS, the Town of Holden Beach (the Town) provides water services to its property owners, which includes operation and maintenance of on-island storage, distribution and metering systems, as well as customer services; and

WHEREAS, the Town of Holden Beach purchases its potable water from Brunswick County at a wholesale rate; and

WHEREAS, Brunswick County (the County) obtains water from the Cape Fear River and the Castle Hayne Aquifer, with water from the Cape Fear treated at the Northwest Water Treatment Plant; and

WHEREAS, the County is expanding its potable water capacity and constructing advanced treatment capability at the Northwest Treatment Plant to remove industrial pollutants known as PFAS, which are discharged into the Cape Fear upstream of the treatment facility, construction having started in June 2020; and

WHEREAS, the County is predicting completion of the expansion portion of the project in Spring 2022 with the improved treatment anticipated to come on-line in Summer/Fall or 2023; and

WHEREAS, the decisions taken to move on these two significant Capital Projects was predicated on the ability to bond both systems with a federal program that allowed "capitalization of interest for an extended period" (7years rather than 2 years) and delaying the debt service on 49% of the project cost; and

WHEREAS, the County became aware they could not take advantage of the WIFIA program capitalization period and instead issued revenue bonds for all capital projects in two different series, thereby necessitating full debt service for the two projects beginning in fiscal year 2023; and

WHEREAS, due to the cost of the combined projects, when compared to fiscal year 2020, debt service for the water system in fiscal year 2023 is anticipated to increase by \$9.7million (\$8.3 million attributed to the Northwest Plant projects) and increased O&M expenses of \$2.6 million while water revenue will drop by an estimated \$3 million and possibly more due to loss of some long-term wholesale and industrial customers by 2022; and

WHEREAS, the Town of Holden Beach receives some of its potable water from the Northwest Treatment Plant.

FURTHERMORE, LET IT BE KNOWN THAT:

WHEREAS, the County has recommended to change its cost of services methodology from annual practice of PPI to the AWWA-M-1 Manual cash needs to “more equitably allocate” costs to the different customer classes; and

WHEREAS, the cost of water purchased from Brunswick County by the Town in fiscal year 2021 is \$2.89/1000 gallons; and

WHEREAS, the proposed wholesale cost of water for the Town will rise to \$5.25/1000 gallons under the proposed change in methodology beginning January 1, 2022, the proposed increase having been communicated to the Town in January of 2021; and

WHEREAS, the proposed rate increase of 81.7% translates to approximately \$400,000 in additional costs to the Town, all of which will have to be absorbed by the Holden Beach property owners; and

WHEREAS, the impact of the proposed rate increase has undergone a preliminary examination by the Town; and

WHEREAS, while all property owners will be financially impacted by the proposed rate increase, the impact becomes greater as water volume use increases; and

WHEREAS, the Town of Holden Beach relies on attracting and retaining owners willing to invest in short term rental properties and commercial efforts which accommodate vacationers, tourism being the main economic driver for the Town; and

WHEREAS, water use at rental properties and businesses is particularly subject to high volume use for many months each year; and

WHEREAS, other island municipalities in Brunswick County are similarly circumstanced; and

WHEREAS, the proposed Brunswick County action will negatively impact residents and investors throughout the County due to both the immediacy and magnitude of the proposed rate increases.

NOW THEREFORE BE IT RESOLVED that the Board of Commissioners of the Town of Holden Beach requests the County Commissioners mitigate the dramatic impact on all rate payers of Brunswick County, as was originally envisioned by the County by seeking means to delay approximately 50% of the debt service for an additional 5 years.

BE IT FURTHER RESOLVED that in particular, the County should apply some portion of the \$28 million that it will receive under the recently passed **American Recovery Act** that permits using such funds for "...water, sewer, and broadband infrastructure projects", money that remains available for use through December 2024, and

BE IT ALSO RESOLVED that before any decision is taken by Brunswick County on the proposed water rate increases, meetings between County and municipal leaders and staff and parties representing county residents should be held to attempt to arrive at viable solutions to help phase in any proposed rate increase and ensure fairness across all customers vs residents receiving water directly or indirectly from Brunswick County.

This the 20th day of April, 2021.

J. Alan Holden, Mayor

ATTEST:

Heather Finnell, Town Clerk