

Good morning. It has been my honor and privilege to serve as Chairman of this Board of Commissioners for the past year. Today I would like to take a few minutes to talk about the state of our county.

As you all know, the economy has posed significant challenges for all of us personally over the past year or so, and your County government is no exception. Fortunately, I can report to you today that through our strong focus on fiscal responsibility - at all levels of County government – the County is in sound financial shape.

We have all shared in the sacrifices required to maintain a fiscally responsible budget. In the fiscal year that ended on June 30th, 2009, the County implemented formal budget reductions on two occasions to reduce operating and capital expenditures for County departments, New Hanover County schools, Cape Fear Community College, Southeastern Center for Mental Health and the court system. County employees faced

layoffs, furloughs (those are unpaid days off), and reductions in accruals for personal time off. Citizens have faced reductions in services, such as reduced library hours and the closing of County offices for two additional days.

In addition, the County used 2.5 million dollars from our fund balance – financial reserves required to meet emergency situations. While the County prefers to not use our reserves to fund normal operations, one purpose of the fund balance is to have a cash reserve on hand in case of emergency. The economic conditions we have faced constituted a financial emergency that required the use of those funds.

These proactive steps, approved by the County Commissioners, minimized the impact of the severe economic conditions on the County's financial health. These efforts were successful in reducing expenditures. The plans minimized the use of fund balance reserves while also offsetting the impact of dramatic drops in

revenue, including sales taxes, construction inspection fees and Register of Deeds revenues.

The following indicators are helpful in looking at our local economy. Sales tax and room occupancy taxes are indicators of retail sales and tourism activity. Sales tax revenue is down by 14 percent from last year, and room occupancy taxes are down by 8 percent from last year. Register of Deeds revenue is an indicator of real estate activity and its impact on our economy. These revenues are down approximately 33 percent. Inspections revenue is an indicator of commercial and residential construction that adds to the property tax base and provides needed jobs. Inspection revenues are down approximately 29 percent. The local unemployment rate of 9.2 percent, while lower than the state's rate of 11.2 percent, continues to indicate a cautious business climate. While all of these indicators are presently down, New Hanover County remains optimistic that the efforts which we have taken will meet our current needs.

Ironically, demand for County-provided services in many areas has peaked with the difficult economy such as food stamps and child care subsidies at the same time reductions in expenditures were required. I am grateful for the dedicated efforts that County employees have exhibited during this difficult time, particularly in light of the increased demand for services and reduced staffing levels.

The current fiscal year budget, which began on July 1st, 2009 and ends on June 30th, 2010 has seen even greater reductions in revenues. Expenditures in this year's budget have been reduced by 21 million dollars, 8% below last year's adopted budget. This budget includes continued and increased personnel furloughs and layoffs, additional expenditure cuts throughout County government, and additional closing days for County offices.

The good news is that the measures we have taken have worked, allowing us to maintain a financially healthy

County government. The County's bond rating has remained a high AA rating, which enables the County to save money on interest payments for the County's debt. As you know with your mortgage payment, interest costs are a major factor in paying your bills. The County is no different.

The next fiscal year will bring exceptional challenges such as principal and interest payments on voter-approved bonds that this board will have to address with your awareness and support.

On a more positive note, I would like to take this opportunity to share some of the accomplishments we have enjoyed during 2009:

The following reorganization of County departments to better serve citizens were taken:

- Eliminated the Human Relations Department.

- Combined the departments of Emergency Management and 911.
- Combined the departments of Parks, Airlie Gardens, and Senior Resource Center.
- Combined the departments of Human Resources, Public Information and Customer Service.
- Combined the departments of Planning and Inspections.
- Various other measures that in total reduced salaries and benefits by approximately 1 million dollars.

The reorganization of County government better serves citizens by creating new possibilities for program coordination and resource sharing, and by creating more efficiency in the development and construction aspects of New Hanover County government.

- Investing in the future we issued 43 million dollars of voter approved school bonds which include the following projects: the new Castle Hayne elementary school, the new Holly Shelter Middle school, and renovations to Winter Park, Snipes Elementary, Sunset park, and renovating the Spencer Complex and Jap Davis Field House, to name a few.

- Maintained excellent AA bond rating (despite the worst economy in 60 years)
- Obtained nearly 3 million dollars in various grants and stimulus funding for food and nutrition programs and flu vaccinations.
- The Health Department received a total of 6,300 doses of H1N1 vaccine. Of those, 1,800 have been redistributed to local medical providers for their high risk patients, and 4,500 have been administered in the Health Department's flu clinic. We currently have about 8,000 individuals on our H1N1 wait list. The Health Department has extended its hours for flu immunizations, remaining open until 7:00 p.m. Monday-Thursday.
- Our Health and Emergency Management departments completed a successful Strategic National Stockpile exercise in March testing our ability to operate a medical supplies receiving and dispensing site.
- Construction is underway on Olsen Park. This voter approved, city/county partnership will be completed early next year.

- Groundbreaking for The Althea Gibson Tennis Center at Empie Park...another city/county partnership.
- Completion of new pier/boat ramp at River Road Park.
- Construction of the Butterfly House at Airlie Gardens.
- Completion of Murrayville Fire Station – This will result in lower insurance premiums for many residents in the area as well as improved response times.
- Adoption of Low Impact Development (LID) guidelines to foster green development.
- Opened the Development Services Center with the goal to provide a more efficient one-stop service.
- Implemented new web site communication for citizens – utilizing Twit'-ter & Face book.
- Initiated request for proposals to evaluate County's management of solid waste. This project is expected to have public discussion in December.
- Received a half-million dollar matching grant for our new Smith Creek Park – This new park features a 70-acre lake - on property donated by the state of North Carolina, and is being developed through this grant and the sale of sand.

- Trails End water access agreement reached with Wildlife Resources Commission, construction is to start next month with completion in the spring.
- New and improved integrated Library system to improve access to the library's book collection for use by our citizens.
- Airlie Gardens completion of improved walking trails.
- Tax collection rate of 98.6% - highest in 16 years. This is the fourth highest collection rate of the 100 counties.

Finally, I want to highlight some of our upcoming projects.

- New Hanover County is pursuing several millions of dollars in stimulus funding for green initiatives such as development of renewable energy and public safety projects.
- In 2006 the citizens of New Hanover County approved 35.5 million dollars in park bonds. The remaining 17.5 million dollars will be issued later this fiscal year.

- In addition to the new Smith Creek Park we will develop new parks in Wrightsboro and Middle Sound, and make improvements to the parks in the Arrowhead, Monterey Heights, and Parkwood neighborhoods. The Parks Advisory Board has given positive support to these projects
- Construction of Community College projects including Union Station and parking deck, the Fine Arts and Auditorium, Advanced and Emerging Technology Center and additional space for the Cosmetology program for a total of 164 million dollars. We will issue a portion of this debt later this fiscal year.

In May 2010 you will have an opportunity to vote on a one-quarter cent sales tax alternate revenue source which is projected to generate 7 million dollars annually. This 7 million dollars is equal to 2.1 cents on the property tax rate. In coming weeks, more information on this referendum will be provided to you.

As you can tell, New Hanover County has a lot of projects underway. But we also have a lot more to start. We will continue to adjust to the economic conditions as we strive to maintain a high level of service to you our citizens in a fiscally responsible manner. I'll leave you with a short video of some of the highlights of the last twelve months. The commissioners are committed to working with you to face our challenges while maintaining our quality of life and keeping New Hanover County a great place in which to live.