

Date: May 18, 2020

To: Mayor Ann Schneider
Mayor Pro Tem Jim Kinneman
Council Member George McClellan

Council Member Doug Nodine
Council Member Martha Pittman

From: Bill Bruce, Town Manager

Re: Budget Message

It is my pleasure to present the proposed Town of Oak Ridge Fiscal Year 2020/2021 budget for your consideration. The budget has been prepared with considerable input and oversight from the Finance Committee and Finance Officer, as well as input from various committees and Town citizens. After multiple drafts, many hours of meetings and evaluations, and ultimately a recommendation of approval from the Finance Committee, I present this report to the council and citizens in the form of a recommended budget. The recommendation is in the proper form for budgetary adoption and has been verified as to accuracy and completeness.

The Town of Oak Ridge, as well as our nation and the world, will face unprecedented challenges in the next year, as the economy rebounds and business resumes after a long period of disruption caused by the COVID-19 pandemic. While we are bracing for a reduction in revenue, the Town maintains a strong fund balance that affords us the ability to continue providing responsive and effective citizen service and to provide the amenities residents demand and expect. Some discretionary capital projects, however, have been deferred to future years. Likewise, operating expenses have been thoroughly reviewed and some planned increases have been eliminated.

During the next year, the Town will begin to implement the ambitious vision of the Whitaker property park (park name still to be determined). Planning and engineering for development of the park will begin, with site preparation, restrooms, and parking areas slated to begin construction in the Spring of 2021. The Town has applied for a PARTF grant in the amount of \$450,000 to help defray costs for this investment. Efforts to implement the priorities of the Strategic Plan will continue with planning and design services to help implement a village design aesthetic in the Town Core, and architectural services to assist the Town in establishing a plan for renovation of the Redmon house, on the corner of Linville Road and Lisa Drive, as a community meeting facility. Also, work will continue on the Mountains-to-Sea Trail, where planning and construction continues in our efforts to connect the Cascades Open Space Preserve with the Town Park and beyond.

Expenses have been researched and vetted by the Finance Committee and reflect an effort to streamline the limited services offered by the Town. Though reductions in sales tax revenue and interest income, and to a lesser extent property tax and intergovernmental revenue, are hard to predict in this uncertain environment, staff felt it prudent to project conservatively. Analysis of our own historic financial data as well as input from the North Carolina State Treasurer, the North Carolina Department of Revenue, and the Guilford County Tax Department as well as other sources, has been considered. As in past years, all requests for expenditures have been heard, debated and evaluated before being included in the budget.

The 2020-2021 recommended budget **proposes no change to the property tax rate of .0800** as adopted in 2017 and uses unassigned fund balance to pay for the capital improvements plan promulgated by the Town Council. This plan anticipates making \$944,200 of capital improvements during 2020-2021, as well as the third payment on a 10 year financed purchase of additional land. This year's budget maintains the current tax rate, funds these initiatives, and also maintains adequate reserves. Even with an expected downturn in revenue the Town expects revenues to exceed operating expenses by over \$300,000.

The following budget message provides a recap of major initiatives in the 2019/20 budget year, summarizes major initiatives in the upcoming budget year, and then provides background information on the Town plans and policies that provide input into the budget process. The budget message also includes the 2020/21 budget ordinance and budget worksheet with comments.

Re-cap of 2019/20 Fiscal Year Priorities

The Town of Oak Ridge began its 22nd year as an incorporated town with an ambitious agenda to meet the needs of a growing population. Priorities for the 2019/2020 fiscal year were set during Town Council's annual Capital Planning workshop, by the Strategic Plan, and through other adopted plans and studies.

1. *Parks and Recreation Master Plan.* Throughout the second half of 2019, the Town, in working with our consultant McGill Associates, conducted extensive public outreach and established parks and recreation priorities for the next 10-20 years. With the guidance of the Parks and Recreation Advisory Board, the Plan prioritized parks and recreation investments and included detailed recommendations for the development of the Whitaker property. Following adoption, the Town prepared and will be submitting a PARTF grant application in the amount of \$450,000 to be applied toward Phase 1 improvements.
2. *Water system.* The Town continued its due diligence process for establishing a municipal water system by conducting a financial analysis, preparing and adopting ordinances, rules, and regulations, and publishing a Request for Proposals for a Water System Operator. Proposals will be received and considered in June and July, with a decision expected on implementation later this summer.
3. *Pedestrian Improvements.* Planning and engineering are nearly complete for a sidepath on Pepper Road and Haw River Road that will connect two off-road sections of the Mountains-to-Sea Trail. Construction is expected to begin in late summer/early fall of 2020. With the hard work and guidance of the Mountains-to-Sea Trail Committee, over a mile of new trail was constructed along the Haw River, and plans to construct a bridge and boardwalk section and small trailhead parking lot, thanks to the Town's receipt of a \$35,505 Recreational Trails Program grant, are cycling through the state and federal approval process and will be ready for construction this summer.
4. *Information Technology.* Reflecting the Town's commitment to transparency and information technology, the Town installed a camera system in Council chambers, embarked on the first

significant redesign of the Town's website in over 15 years, and contracted with Stone PC Works to provide on-call assistance for the Town's growing IT needs.

5. *Town Park/ Beautification.* The Parks and Recreation Department made several capital investments in maintenance equipment and in site furnishings for the Town Park including new trash receptacles, benches, and pitching mounds. In anticipation of the development of the Whitaker property, preparations for demolition of several outbuildings is underway and will be completed by the end of the fiscal year. Lastly, new landscaping was installed at the Welcome to Oak Ridge sign at NC/68 and Peebles Rd.

The 2019/2020 budget included several investments that were delayed or were shelved following further analysis. A severe funding shortfall at NCDOT has delayed the start of the NC68/NC150 intersection improvement project, of which the Town planned to contribute funds toward sidewalks, enhanced landscaping, and other streetscape elements. This project remains in our Capital Improvement Plan for future consideration. Also, logistical difficulties involving right-of-way and utilities prevented construction of a proposed Welcome to Oak Ridge sign at NC Highway 68 and W. Harrell Road.

Priorities for 2020/2021 Fiscal Year

Oak Ridge Strategic Plan: Vision Statement

Oak Ridge is a safe and livable community that takes great pride in its natural beauty and small-town village charm. The Town's rich history and rural roots inspire an independent, family-oriented community engaged in planning for its future while preserving its unique character, historic resources, and open spaces.

Priorities for the 2020/21 Fiscal Year were shaped by the Goals and Policies adopted in the Town's Strategic Plan and the recently adopted Parks and Recreation Master Plan. Highlights include major investments in parks and recreation, consulting assistance for Strategic Plan priorities, and reclassification of the Deputy Clerk position from part time to full time. Below is a summary of the major proposed initiatives in 2019/20:

1. *Begin Development of the Whitaker property.* The most significant project the Town intends to undertake in the next year is the planning, engineering, and start of construction at the Whitaker property. Of the Town's capital budget, \$900,000 is devoted to this project, of which \$450,000 would be offset if the Town is successful in its PARTF grant application. It is anticipated that grading and installation of utilities could begin in Spring 2021, with construction of parking and restrooms to follow.
2. *Village Design Assistance.* Implementation of a village design aesthetic is a goal of the Strategic Plan. The budget anticipates planning and design assistance to guide updates to the Town's zoning regulations and to help establish building and site design standards.
3. *Architect at Redmon house.* In furtherance of the Strategic Plan objective to explore potential uses of the Chester Redmon house, the Town will hire an architect to work with the Parks and

Recreation Advisory Board and Historic Preservation Commission on a proposed plan to renovate the Redmon House for a community meeting space.

4. *Veterans Memorial.* With the help of private donations spearheaded by a funding campaign of the Special Events Committee, planning and design of a Veterans Memorial at the new park property will begin in the next fiscal year. Construction of the Veterans Memorial will be coordinated with the first phase of construction at the Whitaker property.
5. *Mountains-to-Sea Trail.* Capital funds are allocated to the Mountains-to-Sea Trail as the Town continues to work toward connecting the Cascades Open Space Preserve with the Town Park and beyond.
6. *Town Park/ Beautification.* Capital projects at the Town Park will include stormwater drainage improvements and beautification, as well investment in new site furnishings including new bleachers.
7. *Full-time Deputy Clerk.* The year's budget proposes reclassifying the Deputy Clerk position from part-time (20 hours/week) to full-time. Administrative responsibilities of Town staff have increased as additional committees and projects are authorized by Town Council. Including Town Council, staff at Town Hall supports 12 boards and committees and assists with countless projects and initiatives. The Deputy Clerk primarily assists the Town Clerk in managing a growing social media and outreach program; preparing advertisements, agendas, and minutes for boards and committees; responding to public requests and inquiries; and answering phones, responding to emails, and assisting walk-in customers.

Documents that set priorities for budget

Operational and capital expenses in the proposed budget are developed, debated, and vetted in a multitude of ways. Ideas for major capital expenses typically begin through long-range and strategic planning processes, which are conducted over many months of analysis and public involvement. Below is a summary of the long-range planning documents that are used as inputs into the proposed budget:

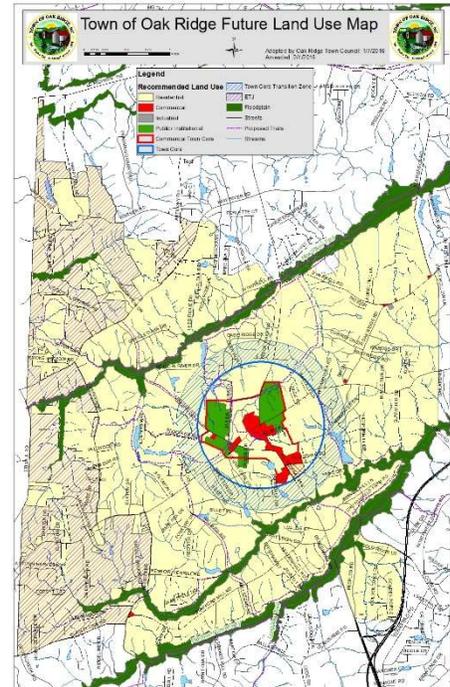
1. *Strategic Plan.* The Strategic Plan, adopted in December 2018, was developed by Town Council to provide a strategic direction for priorities over the next 5-10 years. The Plan highlights strategic priorities in four focus areas and sets an ambitious schedule for implementation.
2. *Capital Improvement Program (CIP).* Town Council meets in December or January of every year to review its current five-year Capital Improvement Program and to revise as necessary in order to reflect new or emerging priorities, infrastructure or equipment needs, or projects no longer deemed feasible. The result is a five-year Capital Improvement Program that guides budget development.
3. *Parks and Recreation Master Plan.* The Parks and Recreation Master Plan, adopted in 2020, sets priorities for system-wide investments in parks and recreation over the next 10 years. The plan analyzes existing facilities and community input, reviews recreation standards, and provides

recommendations and strategies for improving and enhancing the park system in the Town of Oak Ridge. The Plan also includes detailed recommendations for development of the Whitaker property.

4. *Pedestrian Plan.* The Oak Ridge Pedestrian Plan was adopted in 2013. Through stakeholder and public involvement, the Plan prioritizes pedestrian improvements including sidewalks, side paths, and trails. The Plan is used as a guide in setting pedestrian priorities in the five-year CIP.

5. *Future Land Use Plan.* The Future Land Use Plan, first adopted in 2003, was amended and adopted by Town Council in 2016. The Plan primarily guides land use decisions and has particular relevance during rezoning requests as well as guides transportation policy, prioritizes open space preservation, and influences building and site design. The Plan also includes the Town's Thoroughfare and Collector Street Plan.

6. *Streetscape Vision Plan.* Oak Ridge adopted the Streetscape Vision Plan in April 2018. The Plan envisions streetscape improvements including sidewalks, lighting, planters, benches, and other improvements in the Town Core. It also recommends other design features to create a safe and inviting public realm for pedestrians and bicyclists.



Budget Calendar

Preparation of the Town budget began on January 23 when the Town Council met for the first of two Capital Planning workshops. Following adoption of the five-year CIP on February 19, the Town Manager and Finance Officer met multiple times to review current year spending, prior year trends, and upcoming projects and initiatives. Input and requests were collected from Town staff, boards, and committees. Drafts of these figures were then reviewed, vetted, and amended through three Finance Committee meetings in February and March. A fourth Finance Committee meeting was held on April 27 to assess proposed changes to the draft budget in response to the economic uncertainty posed by the COVID-19 pandemic. The eleventh and final version of the draft budget was released on May 19 with public hearings scheduled for June 4 and a date to be determined for public comment and Council consideration.

Finance Committee Meeting Schedule FY 2020-21

Thursday, Jan. 23	Town Council Capital Planning Workshop
Monday, Feb. 17	Finance Committee Meeting
Wednesday, Feb. 19	Second Town Council Capital Planning Workshop
Monday, Mar. 2	Finance Committee Meeting
Monday, Mar. 16	Finance Committee Meeting
Monday, Apr. 27	Finance Committee Meeting (electronically)
Tuesday, May 19	Preliminary Budget Released for Public Review
Thursday, June 4	Budget Public Hearing and Presentation to Council (7 pm)
TBD	Budget Public Hearing and Adoption

Budget summary

Revenues

The Town of Oak Ridge projects an 8% decrease in revenues in 2020/2021 compared to the previous budget year, primarily due to a projected 26% decline in sales tax revenue. The Town's moderate growth rate will help to mitigate these temporary reductions in revenues, which reflects both state and nationwide trends in revenue reduction due to the COVID-19 pandemic. Parks revenue is also projected to decrease slightly, reflecting a programmatic trend toward more local events and fewer revenue-generating tournaments. Slight increases in ABC Store distributions are expected.

	Amount	Percent
• Property Tax Receipts	\$811,342	32.9%
• Sales Tax Receipts	\$167,900	6.8%
• Intergovernmental Revenue (e.g. utility and other taxes collected by the state and distributed to local governments)	\$336,800	13.6%
○ ABC Distribution	\$163,000	6.6%
• Interest Earnings	\$25,000	1.0%
• Planning and Zoning Fees	\$20,000	0.8%
• Park Revenues	\$30,260	1.2%
• Other Revenue	\$6,650	0.3%
• Fund Balance Appropriation	\$907,045	36.8%
TOTAL	\$2,467,997	100.0

Operating Expenses- Administrative

Administrative operating expenses include salaries and benefits for administrative employees; contracts for accounting, legal services, and consulting; expenses for Town committees and boards; as well as other miscellaneous operating expenses.

This year's budget includes a reclassification of the Deputy Clerk position from part-time to full-time and a proposed cost of living increase of 2.5% for Town employees. The budget also maintains benefits and retirement contributions for Town staff at current levels. The Town's contribution to the Local Government Employee Retirement System (LGERS) has increased from 8.95% to 10.15%, as required by the State of North Carolina to ensure future retirement fund solvency. The budget also maintains adequate funding for professional contracts for accounting and legal services, and includes a consulting budget to address 1) on-call engineering services; 2) IT administration; 3) architectural services for the Redmon House; 4) planning and village design assistance; and 5) veterans memorial design.

Budget requests for Town committees and boards were reviewed by the Town Manager and Finance Committee with an eye toward historic funding levels and any new or proposed initiatives. Highlights include: training and education for the Planning and Zoning Board, Historic Preservation Commission, and Board of Adjustment; \$5200 for the Historic Heritage Grant Program; a historic property survey, communications, and outreach for HPC; outreach and

materials for the Tree Committee; and Special Events Committee programs, including a parade, Winter Festival, and continuation of the popular Community Trees program. Over 40% of the Special Events Committee budget will be generated by special events revenue.

	Amount	Percent
• Salaries and benefits for administrative employees	\$374,337	52.2%
• Contracts for accounting, legal services, consulting, Animal control, and tax collection	\$240,000	33.5%
• Expenses for Town committees and boards	\$27,685	3.9%
• Other operating expenses	\$74,400	10.4%
TOTAL	\$716,422	100.0%

Operating Expenses- Building and Grounds

	Amount	Percent
• Electricity, maintenance, furnishings, etc.	\$38,000	100.0%

Operating Expenses- Culture and Recreation

A modest increase in Parks and Recreation expenses is proposed for the coming fiscal year, due in large part to recently acquired acreage that requires additional equipment and labor to maintain.

Parks and Recreation staff will continue to provide superior service to the Town Park, the grounds at Town Hall, the Cascades Preserve, Union Cemetery, the “Welcome” signs, Town-installed sidewalks, the intersection of NC68 and NC150, the Chester Redmon house, the Whitaker and McCandless properties, and a portion of the Mountains-to-Sea Trail. Staff will also continue to support facility rentals and special events held at the park. Culture and Recreation operating expenses also includes contributions to Senior Services of Guilford County.

	Amount	Percent
• Salaries and benefits for Parks employees	\$328,445	65.3%
• Operations and maintenance	\$141,430	28.1%
• Special events	\$19,900	4.0%
• Other (Dog Park, insurance, etc.)	\$13,200	2.6%
TOTAL	\$502,975	100.0%

Capital Expenses

Capital expenses include:

	Amount	Percent
• Whitaker Property Site Development, Restrooms, and Parking Lot	\$900,000	74.4%
• Mountains-to-Sea Trail	\$10,000	0.8%
• Town Park Improvements and Equipment	\$23,200	1.9%
• Amortized land purchase payment	\$266,400	22.0%
• Computer equipment	\$11,000	0.9%
TOTAL	\$1,210,600	100.0%