

Date: May 5, 2022

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

Council Member Martha Pittman  
Council Member Spencer Sullivan

From: Bill Bruce, Town Manager

## **Re: Budget Message**

It is my pleasure to present the proposed Town of Oak Ridge Fiscal Year 2022/2023 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 four meetings of the Finance Committee, concluding with a favorable recommendation, 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 proposed FY22/23 budget reflects not only the ambitious strategic agenda of the Town Council, but also the sizeable state and federal influx of grant monies earmarked for capital investments. The Town is set to receive the second tranche of \$828,051 in American Rescue Plan funding, which Town Council approved for allocation to the Heritage Farm Park project along with \$490,000 in state Parks and Recreation Trust Fund (PARTF) grant funds awarded to the Town earlier in 2022. The budget also accounts for \$1,155,000 in state funds earmarked explicitly for water infrastructure. Both of these projects further Town Council's strategic initiatives, and as multi-year projects, will likely be transferred to dedicated Capital Project budget ordinances.

Major initiatives reflected in the proposed budget include construction of Heritage Farm Park, establishment of the Town's municipal water system including the acceptance of our first customers in the Honeycutt Reserve subdivision, and renovation of the historic Redmon House on Town Park property into a meeting and event space. Additionally, the budget contains the Town's share of sidewalk construction along the NCDOT-funded NC150/NC68 intersection project, matching funds for private donations to the Veterans Honor Green, funding for the continued development of Oak Ridge's growing trail network, including the Mountains-to-Sea Trail, and much-needed improvements to the Town Council chambers audio/visual capabilities.

Staff will continue to provide exceptional service and guidance to the Town's thirteen standing boards and committees, as well as other project-specific working groups, consultants, and contractors, while managing the increasingly demanding day-to-day responsibilities of a growing town. A new Town website will be unveiled in the coming months, and expanded public outreach through social media and website content will be a prioritized initiative for staff in the coming year. A new Office Assistant position is proposed in the FY22/23 budget, and 1.5 new positions are proposed in the Parks and Recreation Department when Heritage Farm Park is complete.

On the revenue side, the Town anticipates a 20% increase in property tax revenue, due primarily to the first county-wide property revaluation in five years, and a 20% increase in sales tax revenue due to projected increased retail sales coupled with higher retail prices. The revenue increase is offset by rising costs for labor and materials for capital projects, as well as costs for services and day-to-operations, reflecting the highest inflation rate in the U.S. in 40 years. All expenses have been researched and vetted by the Finance Committee, and all income has been conservatively estimated after due consideration of our own historic financial data as

well as the best information we could obtain from the North Carolina State Treasurer, the North Carolina Department of Revenue, and the Guilford County Tax Department as well as other sources. As in past years, all requests for expenditures have been heard, debated and evaluated before being included in the budget.

The 2022-2023 recommended budget **proposes no change to the property tax rate of .0800** as adopted in 2017. The Finance Committee reviewed and considered a draft revenue neutral property tax rate, which has been adjusted and confirmed at .0674, but concluded that the revenue neutral rate would be inadequate to fund planned capital improvements, provide essential services in an environment of increasing costs, and maintain adequate reserves for future uncertainties. This year's proposed budget therefore maintains the current tax rate, funds these initiatives, and also maintains adequate reserves.

The following budget message provides a recap of major initiatives in the 2021/22 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 2022/23 budget ordinance and budget worksheet.

## Re-cap of 2021/22 Fiscal Year Priorities

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The Town of Oak Ridge began its 24<sup>th</sup> year as an incorporated town with a hopeful and ambitious agenda despite the continued challenges presented by the COVID-19 pandemic. Major multi-year initiatives, including planning for the construction of a new park and planning for a future municipal water system, were a major focus. Priorities for the 2021/2022 fiscal year were set during Town Council's annual Capital Planning workshop, by the Strategic Plan, and through other adopted plans and studies.

1. *Heritage Farm Park.* The 21/22FY budget anticipated kicking off construction of a portion of the first phase of Heritage Farm Park in Spring 2022. After completion of design documents and cost opinions, however, Town Council recognized that consolidating the first three years of planned construction into one contract would result in cost and operational efficiencies, and elected to seek financing for construction of the entire first phase. Staff continues to work diligently to secure all local and state permits, coordinate Local Government Commission approval of all financing documents, and ensure compliance with both state and federal grant funding in anticipation of bidding the project for construction in Summer 2022.
2. *Water.* In March 2022, the Town was formally approved as a municipal water system by the NC Department of Environmental Quality. This announcement marked the culmination of a years-long effort, and marks the beginning of the Town's goal to establish local control over this vital resource. Through the guidance of the Water Advisory Committee, and with the assistance of our contracted water operator, the Town established ordinances, rules, and procedures in anticipation of accepting the system's first customers in the coming months. The Town also received the results of a study to evaluate the feasibility and costs of providing additional water access for firefighting, and will be analyzing these results in the coming months.
3. *Veterans Honor Green.* Spearheaded by the Special Events Committee, donations for the Veterans Honor Green in the current fiscal year have so far exceeded \$80,000 (including a Town match of \$34,000). An exciting year that included visioning, public input, and completion of construction documents was capped by a symbolic ground-breaking ceremony on April 7.

4. **Mountains to Sea Trail.** Through the completion of the new Headwaters Trail in 2022, Oak Ridge has now successfully routed over three miles of the Mountains-to-Sea Trail off of roadways and onto trail. A new trailhead parking lot on Linville Rd. offers hikers additional access to the trail network, and an innovative new gravel sidepath connecting the Cascades Preserve with the Haw River allows hikers safe passage along Haw River Rd. and Pepper Rd. The Town's efforts have brought statewide attention to Oak Ridge, energized an active local population, and has provided an additional amenity for residents and visitors alike.
5. **Conservation Easements.** The newly formed Conservation Easement Committee began meeting in 2021 to implement the strategic initiative of conserving open spaces and historic resources through conservation and preservation easements. The committee developed the innovative CORE grant initiative (Conserving Oak Ridge through Easements), which is designed to help property owners navigate and fund the complex process of establishing voluntary preservation easements.
6. **Town Park/ Beautification.** In the current fiscal year, the Town invested in new dugouts for both baseball/softball fields, with additional space for players and equipment, and completed much-needed tree removal at the Town-owned and maintained Union Cemetery on East Harrell Rd.

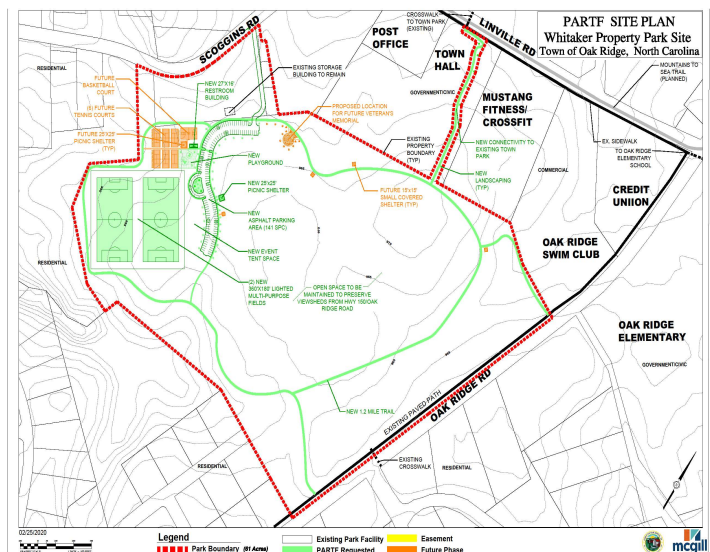
## Priorities for 2022/2023 Fiscal Year

### 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 2022/23 Fiscal Year were shaped by the Goals and Policies adopted in the Town's Strategic Plan, the Parks and Recreation Master Plan, and the Streetscape Vision Plan. Below is a summary of the major proposed initiatives in 2022/23:

1. **Construction of Heritage Farm Park.** The Town will use a combination of American Rescue Plan funds, a Parks and Recreation Trust Fund grant, and anticipated debt proceeds to fund construction of two multi-purpose playing fields, a picnic shelter, restrooms, parking lot, walking trails, and a playground at Heritage Farm Park. The project will add much-needed facilities for youth athletics, provide additional recreational opportunities for Oak Ridge citizens, and preserve an iconic vista of fields and woods in the Town's Historic District.



2. *Water.* 2022 will mark the acceptance of the first customers of the Town's newly approved municipal water system, when the community well system at the Honeycutt Reserve subdivision is completed and turned over to the Town. A separate Enterprise Fund will be established to segregate and manage all revenues and expenses related to the system. Expansion of the system through the purchase of additional community well systems, as well as the provision of additional water sources for Oak Ridge Fire Department use will be two priorities for the expenditure of \$1.1M in state money earmarked specifically for water.
3. *Redmon House.* Over the past four years the Town has analyzed potential future uses of the house on the corner of Linville Rd. and Lisa Dr., a former life estate on Town Park property that came into the Town's possession in 2018. The Parks and Recreation Master Plan encouraged consideration of the house as a center for community gathering, and through the subsequent work of the Redmon House Subcommittee, construction plans have been prepared for the renovation and expansion of the structure to be used as meeting space. The 2022/23 budget contains funding for preparation of a site development plan as well as capital funds for renovation and construction.
4. *68/150.* Construction of intersection improvements at NC68/150, as well as roundabouts at NC150/Marketplace Dr. and NC68/Linville Rd. will likely begin in late Spring of 2023. While federal and state dollars are the primary source of funds for the project, the Town will participate in a municipal agreement for sidewalks and other improvements designed to further the goals of the Streetscape Vision Plan.
5. *MST.* The Mountains-to-Sea Trail Committee will continue its work planning and constructing sections of trail in Oak Ridge. Construction of over two new miles of trail in 2022/23 near the new Reserve at Carriage Cove and Pemberley Estates subdivisions will mark the first new trail construction east of NC68, and will further the committee's goal of connecting trails with the new Bandera Farms property on Bunch Rd., providing a gateway to the Piedmont Greenway, Summerfield, and Greensboro. Planning a trail connection between the new Linville Rd. trailhead and Town Park will also be a high priority.
6. *Veterans Honor Green.* Led by the Special Events Committee, fundraising for construction of the Veterans Honor Green will continue in 2022/23. The Town has committed a funding match of up to \$34,000, and will also allocate a \$50,000 State Capital and Infrastructure Fund (SCIF) Directed Grant to the project.
7. *Town Park/ Beautification.* The Parks and Recreation Department will undertake several projects at the Town Park in 22/23, including drainage improvements at the Dog Park, a new landscaping installation, and needed maintenance at the caretaker's house.

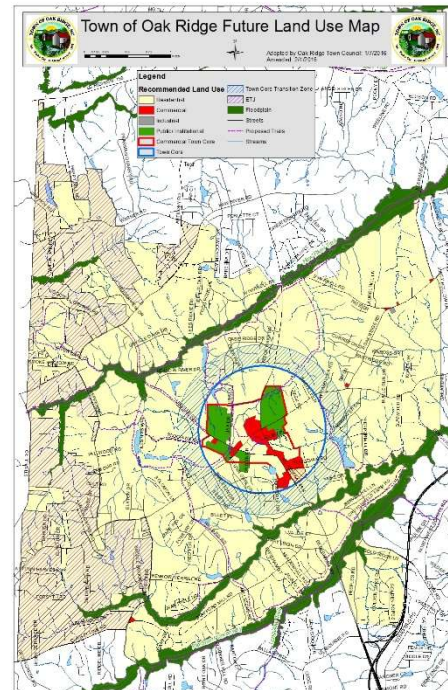


## Documents that set priorities for budget

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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 and revised in January 2021, 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 January or February 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 Heritage Farm Park.
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

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Preparation of the Town budget began on February 9 when the Town Council met to discuss and adopt the Capital Improvement Plan (CIP) for 2022-2027. Following adoption of the CIP the Town Manager and Finance Officer met 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 four Finance Committee meetings in March and April. The final version of the draft budget was released on May 5 with a public hearing scheduled for June 2 for public comment and Council consideration.

### Finance Committee Meeting Schedule FY 2021-22

Wednesday, Feb. 9	Town Council Capital Improvement Plan Workshop
Monday, Mar. 7	Finance Committee Meeting
Monday, Mar. 21	Finance Committee Meeting
Monday, Apr. 4	Finance Committee Meeting
Monday, Apr. 25	Finance Committee Meeting
Thursday, May 5	Preliminary Budget Released for Public Review
Thursday, June 2	Budget Public Hearing and Possible Adoption (7 pm)

## Budget summary

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### Revenues

Increased revenues reflect an unprecedented influx of project-specific state and federal grants, including Oak Ridge's share of American Rescue Plan funding and receipt of a competitive PARTF grant. The budget also anticipates debt proceeds from an installment financing agreement for a portion of the construction costs of Heritage Farm Park. Both property and sales tax revenues are projected to increase 20%. Marginal gains or losses are projected in other revenue sources, reflecting trends from the last several budget years.

	Amount	Percent
• Grants	\$2,473,051	33.6%
• Debt Proceeds	\$1,200,000	16.3%
• Property Tax Receipts	\$1,113,600	15.1%
• Sales Tax Receipts	\$397,712	5.4%
• Intergovernmental Revenue (e.g. utility and other taxes collected by the state and distributed to local governments)	\$324,700	4.4%
○ ABC Distribution	\$225,000	3.1%
• Interest Earnings	\$22,000	0.3%
• Planning and Zoning Fees	\$20,000	0.3%
• Park Revenues	\$58,350	0.8%
• Other Revenue	\$50,001	0.7%
• Fund Balance Appropriation	\$1,473,566	20.0%
TOTAL	\$7,357,979	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 allocations for merit increases for Town employees (5%), a small increase to Town Council stipends (\$100/month) and maintains benefits and retirement contributions for Town staff at current levels. A new full-time Office Assistant is also proposed. The budget also maintains adequate funding for professional contracts for accounting and legal services, and includes a consulting budget to address on-call engineering services and IT administration.

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; funding for grant programs including the Historic Heritage Grant Program and the Conserving Oak Ridge through Easements (CORE) grant initiative; development costs for a Historic Oak Ridge book program, as well as funding for communications and outreach for HPC; outreach and

materials for the Tree Committee and MST Committee; and Special Events Committee programs, including Heritage Day, Light Up the Night, and fundraising for the Veterans Site.

	Amount	Percent
• Salaries and benefits for administrative employees	\$476,658	56.7%
• Contracts for accounting, legal services, consulting, Animal control, and tax collection	\$230,000	27.4%
• Expenses for Town committees and boards	\$43,550	5.1%
• Other operating expenses	\$89,800	10.7%
TOTAL	\$840,008	100.0%

### *Operating Expenses- Building and Grounds*

	Amount	Percent
• Electricity, maintenance, furnishings, etc.	\$39,660	100.0%

### *Operating Expenses- Culture and Recreation*

A 10% increase in Parks and Recreation expenses is proposed for the coming fiscal year, due in large part to increased costs for materials and services. The budget anticipates additional maintenance responsibilities at Heritage Farm Park later in the fiscal year as construction winds down and portions of the park open for public use. One additional full-time and one additional part-time position are partially funded in the proposed budget, and will be filled with Heritage Farm Park construction is complete. The budget also continues a subsidy program for the Oak Ridge Youth Association (ORYA) for up to \$30,000 in facility use fees.

In addition to these added tasks and programs, 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 Redmon house, 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	\$385,599	61.8%
• Operations and maintenance	\$167,700	26.9%
• Special events	\$24,500	3.9%
• Other (Senior Services, insurance, etc.)	\$16,500	2.6%
• ORYA stipend expense	\$30,000	4.8%
TOTAL	\$624,299	100.0%

### *Capital Expenses*

Capital expenses include:

	Amount	Percent
• Heritage Farm Park	\$3,660,000	62.5%
• Water	\$1,155,000	19.7%

• Redmon House	\$455,000	7.8%
• Debt Service	\$305,511	5.2%
• Veterans Honor Green	\$84,000	1.4%
• NC68/NC150 Share	\$70,000	1.2%
• Parks and Rec Equipment/Capital	\$58,000	1.0%
• MST	\$37,500	0.7%
• Computer equipment/AV Upgrades	\$29,000	0.5%
TOTAL	\$5,854,011	100.0%