

Date: May 6, 2021

Revised May 13, 2021. Updates to property and sales tax revenues and retirement expenses.

To: Mayor Ann Schneider Council Member Doug Nodine
Mayor Pro Tem Jim Kinneman Council Member Martha Pittman
Council Member George McClellan

From: Bill Bruce, Town Manager

Re: Budget Message

It is my pleasure to present the proposed Town of Oak Ridge Fiscal Year 2021/2022 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.

It is with great optimism that the Town of Oak Ridge, as well as our nation and the world, emerges from a long period of challenges caused by the unprecedented COVID-19 pandemic. Fortunately, reductions in projected revenues during the last fiscal year were much less dramatic than anticipated, and the Town enters the new fiscal year with a healthy financial position and strong fund balance. New residential growth is at its strongest level since before the 2007 recession, and as Oak Ridge grows, demands and expectations for services and amenities continues to increase.

During the upcoming fiscal year, the Town plans to break ground on the first phase at the Whitaker Property park, which will include site preparation, restrooms, and parking areas. The Town has again applied for a PARTF grant in the amount of \$450,000 to help defray costs for this investment. Other new initiatives include funding for an innovative new program to encourage open space and historic preservation, much-needed maintenance at the Town-owned Union Cemetery, and a \$34,000 match to the private donations for the Veterans Honor Green to be spearheaded by the Special Events Committee. 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.

The Town continues to face rising costs on Town expenses which are offset by increasing revenues. Expenses have been researched and vetted by the Finance Committee. 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 2021-2022 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 \$1,039,857 of capital improvements during 2020-2021, as well as the fourth 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.

The following budget message provides a recap of major initiatives in the 2020/21 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 2021/22 budget ordinance and budget worksheet with comments.

Re-cap of 2020/21 Fiscal Year Priorities

The Town of Oak Ridge began its 23rd year as an incorporated town with a hopeful and ambitious agenda despite the economic and public health challenges presented by the COVID-19 pandemic. Due to revenue uncertainties, however, some initiatives were scaled back or deferred to future years. Priorities for the 2020/2021 fiscal year were set during Town Council's annual Capital Planning workshop, by the Strategic Plan, and through other adopted plans and studies.

1. *Begin Development of the Whitaker property.* The 2020/21 budget allocated \$900,000 toward the development of the first phase of the Whitaker property park. During January's CIP workshop Council acknowledged this ambitious schedule was dependent on the success of a PARTF grant application of \$450,000. In September the Town learned it was unsuccessful in its initial attempt to secure this highly competitive grant.

Consequently, Town Council instructed staff to re-apply for PARTF funding in the next fiscal year, and ensure that the Whitaker property was "shovel-ready" when results of the PARTF awards are announced in September 2021. The Town hired McGill Associates to prepare design documents, and that work is well underway and is expected to be complete in Summer 2021. In the meantime the Parks and Recreation Department installed a parking facility, signage, and made repairs to existing walking trails and opened the park to the public in early Spring 2021.

2. *Village Design Assistance.* In furtherance of the Strategic Plan objective to encourage a "village feel" in the Town Core, the Town hired Hill Studio to conduct a series of focus group meetings and prepare a design guidelines pattern book to help guide future development decisions. Work is underway and is expected to be complete by Summer 2021.
3. *Redmon House Architectural Services.* In furtherance of the Strategic Plan objective to explore potential uses of the Redmon house at the corner of Linville Rd. and Lisa Dr., the Town hired Hill Studio 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 Site (name to be determined).* The Special Events Committee worked with landscape architects at Revington Reaves to develop a design concept for the Veterans Site at the Whitaker property. After extensive public input the plan was endorsed by Town Council and a contract for preparation of construction documents was approved. Construction of the Veterans Site will be coordinated with the first phase of construction at the Whitaker property.
5. *Mountains to Sea Trail.* The MST Committee completed construction of the Headwaters Trail connecting Pepper Rd. with Linville Rd. along the Haw River. The committee also coordinated installation of emergency locator signage.

Priorities for 2021/2022 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.

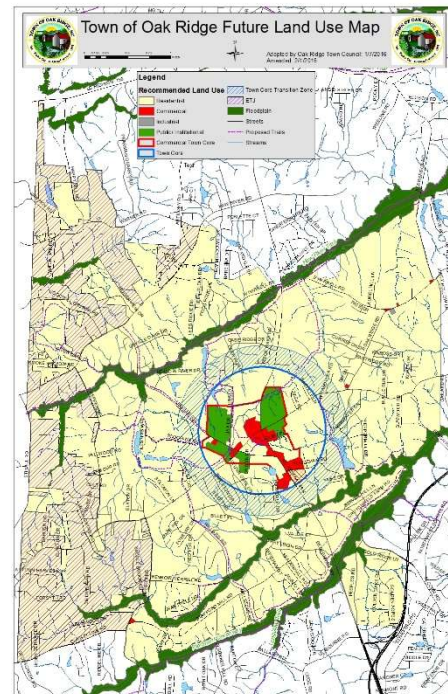
Priorities for the 2021/22 Fiscal Year were shaped by the Goals and Policies adopted in the Town's Strategic Plan and Parks and Recreation Master Plan. On-going efforts to study the feasibility of a municipal water system continue though capital investments are not included into the budget. Major studies and investments may be considered when more details about the American Rescue Plan funding and eligible projects is released. Below is a summary of the major proposed initiatives in 2021/22:

1. *Begin Development of the Whitaker property.* Design work is underway for development of the Whitaker property park. Permits and approvals will be in hand by Fall 2021 when Parks and Recreation Trust Fund awards are announced. While phasing and timing of work may be impacted by PARTF results, the budget as submitted commits \$855,000 to the first phase of construction, anticipated to begin in Spring 2022.
2. *Veterans Site.* The Town has budgeted \$34,000 this fiscal year to match the private fundraising efforts of the Special Events Committee. Construction of the Honor Green will be coordinated with the first phase of park construction.
3. *Mountains to Sea Trail.* This year's budget proposes \$37,500 to continue planning and construction of the Town's growing trail network. The Town's highest priority in the coming year is connecting the Headwaters Trail trailhead on Linville Rd. with the Town Park. MST funding will assist with easement acquisitions and construction.
4. *Water.* The newly established Water Advisory Committee will meet regularly in 2021/22 to advise Town Council on several projects related to water. Town Council has adopted a proposed scope of work that includes investigating the proposed purchase of several community well systems, investigating water for fire protection, and other potential infrastructure investments.
5. *Conservation Easements.* The budget allocates \$20,000 to a new program designed to provide assistance to property owners contemplating conservation and preservation easements on eligible projects. The allocation, and the appointment of a committee to oversee the program, implements the recommendations of the Conservation Easement Committee's final report.
6. *Town Park/ Beautification.* This year the Parks and Recreation Department will be enlarging dugouts on the baseball fields, and replacing fencing and roofing. Large equipment scheduled for replacement includes grooming equipment for infield preparation and a new work pick-up truck. Major tree work is proposed for the Town-owned Union Cemetery in an effort to minimize gravesite damage from storms.

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 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 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 21 when the Town Council met to review and update the Strategic Plan and Implementation Schedule. Priorities from the Strategic Plan involving capital expenditures were further discussed and programmed when Town Council adopted the 2021-2026 Capital Improvement Plan (CIP) at a Council workshop on February 10. 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 three Finance Committee meetings in March and April. The final version of the draft budget was released on May 6 with a public hearing scheduled for June 3 for public comment and Council consideration.

Finance Committee Meeting Schedule FY 2021-22

Thursday, Jan. 21	Town Council Strategic Planning Workshop
Wednesday, Feb. 10	Town Council Capital Improvement Plan Workshop
Monday, Mar. 1	Finance Committee Meeting
Monday, Mar. 15	Finance Committee Meeting
Monday, Apr. 5	Finance Committee Meeting
Tuesday, May 6	Preliminary Budget Released for Public Review
Thursday, June 3	Budget Public Hearing and Possible Adoption (7 pm)

Budget summary

Revenues

Last year's predictions of a precipitous decline in tax revenue were never realized, as Oak Ridge maintained strong property tax collections and benefited from higher than expected sales tax and ABC revenues. In keeping with the Town's conservative revenue forecasting, only minor increases in property tax and sales tax revenue over projected year-end collections are projected. Parks revenue is 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	\$916,559	34.9%
• Sales Tax Receipts	\$331,427	12.6%
• Intergovernmental Revenue (e.g. utility and other taxes collected by the state and distributed to local governments)	\$332,501	12.7%
○ ABC Distribution	\$200,000	7.6%
• Interest Earnings	\$21,500	0.8%
• Planning and Zoning Fees	\$20,000	0.8%
• Park Revenues	\$56,250	2.2%
• Other Revenue	\$35,300	1.3%
• Fund Balance Appropriation	\$712,623	27.1%
TOTAL	\$2,626,160	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. The Town's contribution to the Local Government Employee Retirement System (LGERS) has increased from 10.15% to 11.25%, 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 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; a historic property survey, 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	\$404,295	55.8%
• Contracts for accounting, legal services, consulting, Animal control, and tax collection	\$185,000	25.5%
• Expenses for Town committees and boards	\$41,035	5.7%
• Other operating expenses	\$94,150	13.0%
TOTAL	\$724,480	100.0%

Operating Expenses- Building and Grounds

	Amount	Percent
• Electricity, maintenance, furnishings, etc.	\$38,200	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 additional maintenance responsibilities, additional park programming, and increased costs for materials and services.

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	\$349,522	61.5%
• Operations and maintenance	\$149,500	26.3%
• Special events	\$25,500	4.5%
• Other (Dog Park, insurance, etc.)	\$13,500	2.4%
• ORYA stipend expense	\$30,000	5.3%
TOTAL	\$568,022	100.0%

Capital Expenses

Capital expenses include:

	Amount	Percent
• Whitaker Property Site Development, Restrooms, and Parking Lot	\$855,000	66.0%
• Mountains-to-Sea Trail	\$37,500	2.9%
• Veterans Site	\$34,000	2.6%
• Town Park Improvements and Equipment	\$77,317	6.0%
• Union Cemetery Renovation	\$30,000	2.3%
• Amortized land purchase payment	\$255,600	19.7%
• Computer equipment	\$6,040	0.5%
TOTAL	\$1,295,457	100.0%