



Town of Oriental

Proposed Annual Budget

Fiscal Year 2023-2024

To: Mayor Sally Belangia
Board of Commissioners

From: Diane H. Miller, Manager and Budget Officer

Date: May 19, 2023

Re: Budget Message 2023-2024

As the fiscal budget allows our citizenry to transparently view the fiscally responsible use of their tax money, I have respectfully submitted a budget to the Board for their consideration and further adoption of a Budget Ordinance for FY 2023-2024 in time for a public hearing scheduled for June 6, 2023.

Discussion of fees covering services extended the discussions, along with delays in completion of the audit due to software issues, the NC League of Municipalities' projections for the upcoming year, and current trends in pricing, service delivery, shipping supply issues, and availability of products used in the maintenance of the Town.

How money is handled and accounted for throughout the year is dictated by GAAP (Generally Accepted Accounting Principles) and GASB (Governmental Accounting Standards Board) plus monitored by our auditors and ultimately reported annually to the LGC (Local Government Commission). Two distinct funds, General Fund & Water Fund, must have separate reserves, be balanced and accounted for individually, but are worked from a central depository and are in this budget as presented.

The balanced budget has been produced in accordance with the North Carolina Local Government Budget and Fiscal Control Act, and was resolved and will be presented in its final form to the Board at the June 6, 2023 regular Town Board Meeting. We were able to produce a balanced budget within the original time constraints. At the time of publishing public notice, a copy was filed with the Office of the Clerk at Town Hall where it has been and shall remain available for public inspection until the required Budget Ordinance is adopted to take effect July 1, 2023.

The Town of Oriental was faced with average revenue projections from the League of Municipalities in the last fiscal year, moderated by local trends in the submitted budget. (We always say Oriental is unique- and the budget is no different- we have different circumstances, which require us to adjust official predication by our local trends.) We usually used the SOG as a steadfast guide and had always previously adhered to without question. As expected last year, our slightly reduced projections were still outpaced. As real estate turned up, the addition of nearly \$3M of real property to our inventory assisted in the relief. We are still adding new single family residences and losing previously vacant lots at a pace not seen since

the 1980s-1990s development booms. The Town has been placed on the Unit Assistance List for its low balance in the Water Fund Reserve and has complied with extra monitoring requirements that come with that.

Again, in the Manager's opinion, the proposed budget is a maintenance budget. We will continue significant contracted services to continue our drainage work progress. This budget is a fiscally responsible effort, delivering required services at rates that cover the actual cost of the services. The past two years had an infusion of federal funds in the form of American Rescue Plan Act (ARPA) deposit of \$274,398. Those funds are ended and nothing from that fund is entered as revenue in this budget.

At the retreat in March of 2023, a list of priority needs was discussed, in an attempt to decide which projects, in which order, with limited resources, can be accomplished. The extent or size of the services is largely controlled by the available funds (Revenues, plus any monies taken from Fund Balance) and Appropriations (expenses or monies spent) coupled with the efficiencies we practice in utilizing these funds.

The Retreat usually directs our priorities for the upcoming year and targets a few projects each year to increase our provided services or enhance services already provided. This year, the Board is continuing to direct our energy and funding toward maintaining facilities we have. This is where the Board took all recommendations on the budget prepared by the Manager in her capacity as Budget Officer. The rework of our website to become more mobile-friendly were accomplished in the 22-23 budget, as was the restoration of the Sargent Boathouse at Town Dock 2, addition of rock at the end of Wall St on our bulkhead, correction of drainage at John Bond Beach, paving of parts of four (4) roads and a few patches, and more than 2,000 linear feet of drainage ditches cleared. The overwhelming support and guidance offered by those with specialized knowledge was invaluable once again, and directed the most efficient use of limited funds for maximum benefit.

The Board chose Drainage, Roads and People as their priorities this year at their retreat. Draining the Powell reserves to pave those roads designated worst by our 2019 street assessment in 2023 will likely push out additional paving without an increase in taxes.

I firmly believe that we are blessed with a dedicated staff that truly cares about the citizenry and does everything in their power to make things work, and accomplishes the desires of the Town. As such, the pay and benefits packages for employees are directly in line with those across the State with populations less than 2500. Our staff was reduced by one member, following eighteen months of unsuccessful advertising to fill the position. Public Works now operates with five total members, including a working supervisor who is also the Operator in Responsible Charge (ORC) of the Water Plant.

The Board is also awaiting the third phase of the USDA application to rehabilitate the seawall and road at Hodges St. That project was determined to be a priority as the structural integrity of the wall, sidewalk, and road has come into question following the settling that occurred following Hurricane Florence and the longer term continued separation of structures following repairs.

Following appropriations received in 21-22 and the additional distribution of ARPA funds in the 22-23FY, and subsequent innumerable changes in the allowance of usage and documentation required, approximately \$156,000 of the allocated \$274,398.50 was used in the 21-22 year. Projects completed include: install a generator on well#2, install a chlorine gas alarm, and rehabilitate our softeners to provide better quality water, and ensure the continued operation of the plant following catastrophic power loss. Without these funds, these important upgrades to the Plant would not have been possible. The remainder of the funds received in the 22-23 year were designated as "revenue replacement" and used to supplement operating funds for the Town requiring less use of any reserved funds.

Water rates have increase slightly- from \$4.25/1000 gallons to \$4.50/1000 gallons at the lowest usage levels, which should translate to approximately \$15-\$20/year additional on the water portion of the

monthly bill. Flat fees have increased \$1/month for residential customers. In addition, the garbage fee has remained the same, but the recycling charge has been increased from \$4.50/bin to \$6.75/bin/month to cover the cost of the service to the Town. The increase should result in a \$57/year increase in recycling fees per resident per year. Green Waste disposal (yard waste) is still covered by the general fund, as the Town Board agrees that the removal of such results in unintended and worthy good results, including reduced burning, and decreased vegetation overgrowth and dumping in drainage paths.

No property tax increase is proposed, but it is understood that Pamlico County's property rates are beyond our control and may affect our residents if that governing body chooses to raise them. Significant discussion were had during the budget process, including raising the tax up to \$.10/\$100 valuation to fund additional roadwork, but the Board ultimately decided not to raise the rate, and instead, reduced contributions to capital reserves and all capital projects, in order to fund a minimal amount of paving. In addition, Bay River Metropolitan Sewer District rates are outside our control; we simply provide the billing service and it is a pass through- what we collect, we forward, less a fee for the service of collecting, to Bay River.

The Board and staff feel that the need to not increase the burden on its citizens is significant; however, the fees currently collected are not covering the cost to the Town. For this reason, our Town has been placed on the Unit Assistance List, and is being monitored by the LGC for the low fund balance in the Water Fund.

Fees in the Chapter S Fee Schedule will be adjusted this year to include:

Water

Residential/commercial ¾" meters

0-2000 gal: from \$4.25 to \$4.50/1000,

2001-5000 gal: from \$4.50 to \$4.75/1000,

5001 gal and over: from \$4.75 to \$4.95/1000.

Commercial under 25,000 gallons \$5.00 to \$5.50,

Over 25,000 gallons \$5.50 to \$6.50.

Base rate fee ¾ in meter (residential, irrigation, subtractive): \$16 to \$17/mo

Base Rate business ¾ in meter: \$20 to \$22/mo.

Base Rate 2" meter: \$40 to \$45/mo.

Late Fee: from \$5 to \$15

Disconnect Fee: \$25 to \$50

Online payment bank charge \$3.50 to \$4.00 per transaction

Development Fees:

Change to GMO Map- rezoning \$500 to \$1,000

Watercraft Rack Rental Fee:

From \$25/qtr (with lock) to \$15/qtr (without lock)

Change to Recycling Fee:

From \$4.50/bin to \$6.75/bin

Using staff to perform many of the repairs may have brought many repairs and services in under estimates. We continue to look for additional efficiencies to improve. This schedule is presented at the Public Hearing with the proposed budget as is customary.

We currently retain approximately 64% of our operating budget. Budgets as small as ours are recommended to reserve at least to 50% in case of catastrophic system failure or weather emergency and repair. The adjusting entries that move anything left in the 21-22 budget have been made.

The Sanitation Fund does not currently operate as a standard enterprise fund. It is significantly subsidized by the general fund taxes revenue. The recycling costs approximately \$20,000 in addition to what is collected. That equates to a \$2.25/household/month to recover the cost and is reflected in the proposed fee schedule. We have also been warned that tipping fees will likely increase significantly next year (24-25). We have been spared that expense in 23-24 by virtue of an extension agreement signed in 21-22 for a two year extension on our current contract. The green waste removal service is provided as part of this fund and exists to remove dead vegetation so that it is not in ditch work and burned in the Town Limits. So, all residents benefit from the service, even if they do not make personal use of it. It should be noted that recycling is provided at a cost of over \$8/bin/month, but residents will pay \$6.75/bin/month, including this increase.

The Water Fund is balanced with slight increases to fees. No major projects are slated for the 23-24 year.

We have not been apprised of any change in County property tax at the time of this writing. Nor will the Town be increasing property tax.

Budget Overview

The budget being presented for your consideration is balanced in accordance with N.C.G.S. §159-8. The proposed operating budgets for our major funds are:

General Fund	\$ 1,271,889.98
Water Fund	\$ 343,650.00
Combined 2023-2024 Operating Budget	\$ 1,615,539.98

Without the addition of ARPA funds and expenses, and grant funded USDA project, this budget is based solely on property, Occupancy, and Sales and Use Taxes.. The General Fund budget was derived and balanced with no increase to the tax rate. The Water Fund is balanced with increases to water rates, mostly due to increases in chemicals used to disinfect and test the water as required. (N.C.G.S §143.355.4) The total budget has decreased by \$134,458.02, including an increase in the water fund of \$7,555, and a decrease in the general fund of \$142,013.02.

General Fund

GF Revenues

Ad Valorem (“according to value”) property taxes should amount to \$532,324.03 of revenue as computed within guidelines, with our proposed tax rate at \$0.22 per \$100 county assessed valuation. One penny (\$.01) on the tax rate generates \$24,728.59. Oriental contracts with the Pamlico County tax office to collect our taxes. (as adjusted by a 98% collection rate- the collection rate [from May 2021- used as directed by N.C.G.S. §159-13 (b)(6)] is likely due to new construction in progress. The collection rate is projected to be approximately 98% for the 2021-2022 FY, and 97.6% was used to budget as the year end numbers had not yet been verified as total.

Sales and Use tax, and expected revenues from sales of beer & wine have been conservatively estimated as is customary for Oriental, and based on projections received from the North Carolina League of Municipalities (NCLM), but has been on a slight downward trend. As a mostly residential community, property tax is the disproportionate contribution of all revenue. As the market continues to recover, we will likely see an increase in new homes added to the inventory and fewer homes vacant. We have issued fifteen (15) new single family residential zoning permits as well as sixteen (16) other improvements on compliance forms in this fiscal year, with several more previously vacant lots now developed, and several more in development and planning stages. The addition of nearly \$3 million dollars in property value added this fiscal year attests to the fact that new structures and mobile units are gracing our Town. Other revenues were typically based upon historical data and trend observations and analysis.

The popular Dog Park Tags expire June 30, 2023 and new tags and registration will be required for July 1. Rabies vaccination proof must be presented at Town Hall to renew the tags. OPD and Pamlico Animal Control are checking tags intermittently at the park. The Parks and Recreation Committee has worked tirelessly to clean up, drain, and rehabilitate old and install new facilities at the Recreation Park to make it a destination for families as well as dogs. Lupton Park renovations and additions to Lou Mac Park have also been accomplished by this dedicated group of volunteers.

Our small staff functions efficiently enough to deliver the services expected from a much larger contingent, by the education received and dedication given. Staff has moved forward with certification renewal and continuing education in all departments. Public works has recertified in OSHA standards, water distribution, pesticide application, herbicide application, backflow and cross connection, and our ORC is a certified B well operator, as well as the PW Director. Police maintain state certifications in several different categories as required and audited by the state, including, but not limited to, bloodborne pathogens, de-escalation, crowd control, domestic violence control, hazmat operations, legal updates, interview and interrogation, search and rescue, and radar certification. In addition, both Officers earned Advanced Law Enforcement Certificates this year, making them both qualified to be Chiefs of Police throughout NC.

GF Appropriations

General Fund appropriations were typically based upon historical data adjusted by trend observations. 2023-2024 General Fund changes/projects:

- Storm water drainage maintenance will be performed by staff with the assistance of a contractor and is expected to continue to be a prime focus.
- Reserve Funding is not included in this budget, but will be appropriated as projects come online.
- Additional Capital Projects are removed from this budget.
- Capital purchases are removed from this budget.

Water Fund

Budgeting for the water fund has few changes. The percentages of employee salary attributed to the Water Fund are reduced so that the GF absorbs more of the administrative costs. Also, adhering to N.C.G.S. §143.355.4(b)(1), the Town must establish rates and maintain adequate reserves for the repair and rehabilitation of the system's aging infrastructure to be eligible for any grants or loans through the state in the future.

2023-2024 Water Fund projects:

- continuation of meter replacement schedule
- planning for looping cul de sac waterlines and reduce flushing.
- Planning for distribution system replacement
- Planning for EPA required unfunded mandate to catalogue pipe composition from the meter to the structure.

For comparison of Oriental's water rates to other municipalities and water suppliers across the state it is recommended to visit the website:

<http://www.efc.sog.unc.edu/reslib/item/north-carolina-water-and-wastewater-rates-dashboard>

- Our water quality surpasses State water quality regulations and the Town of Oriental is committed to delivering a quality product at a reasonable cost. The current cost is less than recommended by the State, less than Pamlico County, as can be seen on the dashboard linked above. Water quality has increased significantly with the rehabilitation of our water softeners. Our water loss remains around 8%. Our CCR is available online as required by NCGS, with no

notices of deficiency. Our testing requirements had been relaxed by the State, owing to consistently good tests. However, the increased draw and service provided means increased numbers of tests are now being required. Installation of fencing between water plant and neighborhood has been accomplished and the sealing of the plant to the elements has been again pushed out.

In closing, exiting the FY 22-23 budget better than projected, the addition of so much development and the promise of more coming, great documentation of our equipment use and man-hours and the American Recovery Plan funding to provide those large items in the Water System that would have taken years to purchase, have taken tremendous weight off of the budget. Thank you, especially to the Board for their vision, looking toward the future needs of the Town of Oriental and its economic stability, and identifying those items as priority that service our residents and keep visitors coming. Noting the shift in traditional visitors from sailors to motor boat/recreational fishing visitors has been noted by the Board and acknowledged in their granting of a rezoning to expand a local boatyard facility. The Board worked tirelessly to produce a maintenance budget that includes no new projects, but also no new taxes. My thanks to those who offered guidance and alternative solutions during the construction of this budget. Very few of the general public participated in the creation of this budget, which I hope means that the confidence in our ability to be financially responsible with tax revenues is satisfactory. The Board conducted a budget retreat on March 3, 2023 and then participated in four additional budget planning sessions, discussing at length additions/deletions to the budget and priorities for the upcoming year. Unfortunately, though advertised on our website, TownDock.net, and our social media, there was very minimal participation from the general public following the budget retreat. The Board and I always welcome input, most especially during the creation of the budget, and we encourage the general public to contact me or the Board directly with any questions or suggestions throughout the year.

Respectfully submitted,

Diane H. Miller, MPA, ICMA-CM
Manager, Town of Oriental