

Small Town Budgeting Case Study: Town of Stantonsburg, North Carolina

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Background on Stantonsburg, North Carolina

Creating a financial reserve is an important factor in any budget. The Town of Stantonsburg built up their reserves in the water and wastewater Enterprise Fund through revenues from their rates. With a good working relationship with the neighboring communities, maintained through mutual growth and benefit, the town has been able to sell water to the County. Through the water sales to the County and its own customers, the town has budgeted for and established a significant cash reserve that the town can use for capital projects for which they might not be able to receive grants. By maintaining reserves, Stantonsburg has prepared for anticipated growth of their town which will necessitate a water system expansion.



Stantonsburg is marked on the map between Raleigh and Greenville.

Image provided by Google Maps.

Stantonsburg, located in rural North Carolina, hosts a current population of around 630 and spans only 0.6 square miles¹. However, they are expecting significant growth with their location being 28 miles from Greenville and 60 miles from Raleigh, and just south of Wilson. The town hosts plenty of stores and businesses, including a Piggly Wiggly, various restaurants, and gas stations. People from surrounding smaller towns seek out Stantonsburg for its convenient location and local stores. With the potential growth, Stantonsburg will become even more of a hub for these areas and spread the growth to surrounding towns as well.

Monitoring the Budget Monthly

The budget is set in June for the upcoming fiscal year. Throughout the year, the town monitors its expenses closely against the budget. Every invoice and purchase order goes to the town manager for approval and is assigned a budget line item, ensuring that the town manager is aware of any financial issues that need to be corrected. The budget and expenses are also printed for the Board of Directors once a month for their review. During this monthly meeting, the board examines how much of the budget has been spent and any line items that seem higher or lower than expected. They also assess any irregular payments or high expense checks that were sent out. These steps are important for the town's financial health to ensure there are no out of ordinary expenses and the town can make informed decisions when needed.

Planning and Funding Capital Projects

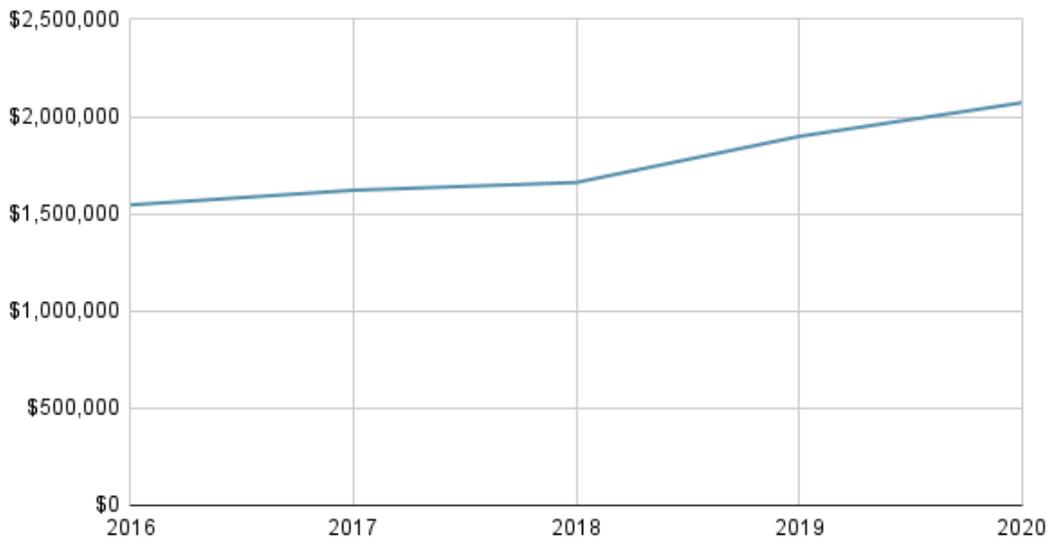
When the town has plans for a new water or wastewater project, they apply for grant funding, sometimes with assistance from the [NC Rural Water Association](#). If a grant is awarded, a separate budget is set up.

Planning for capital projects does not entail waiting on grant funding, however. To plan ahead, the town completed an Asset Inventory and Assessment of its wastewater system in 2018, funded through a grant by the North Carolina Department of Environmental Quality's Division of Water Infrastructure and conducted by an engineering firm. The study identified the condition of the wastewater system's infrastructure, and developed a capital improvement plan to rehabilitate ageing infrastructure. The assessment estimated approximately \$797,000 would be needed over ten years to pay for a SCADA system, improvements on tertiary filters, and other infrastructure work on the wastewater system. The study also estimated that modest increases to sewer rates, between 0% and 5.5%, would be needed each year to fund sewer rehabilitation projects. Asset management studies are important to know what projects might need to be completed soon, so the town can seek funding early on and/or raise rates accordingly to generate the financial resources needed to pay for the projects.

Growing a Reserve Fund

Over time, the town grew its water and wastewater reserves, and intends to use those funds to pay for infrastructure projects. As of F2020, the town's water and wastewater Enterprise Fund had over \$2 million in unrestricted cash, and this reserve is only growing as the years go on.

Stantonsburg Unrestricted Cash and Investments



The town reserves those funds for emergencies mostly, and accesses the funds for capital projects if needed. While the town aims to preserve a high reserve level, it budgets for and attempts to generate the revenues needed for any given year through its rates, so that they do not need to dip into the reserves.

Rate Decisions

If water and wastewater rates need to be raised, a rate proposal will go in front of the board. The town has conducted rate studies in the past with the North Carolina Rural Water Association, and rates are reviewed each year. This year, it was determined that no rate increases would be needed to cover the budget. However, in the future, if rates may need to be increased again, the town plans to conduct an updated rate study. Current rates generate the revenues during the year needed to contribute to water system improvements and other large projects that are needed in order to keep the systems running.

System Management

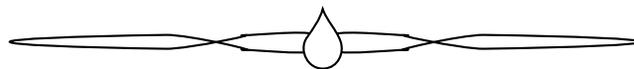
The town manager, David Beaman, recognizes the importance of ensuring there is no gap in coverage as the town supplies power, water and wastewater services to the surrounding areas as well to those living in the town of Stantonburg. The town has redundant assets and systems in place that can continue service provision while other assets are taken offline for maintenance or replacement. For instance, Stantonburg currently operates five wells; three that supply a sand filter water treatment plant and two that can supply the distribution system directly with disinfection. If one well is taken offline for rehabilitation, the other wells can continue to supply all of the water needed by the customers.

The town has also been able to build a good relationship with surrounding towns, and consequently sells water to those towns. Stantonburg serves around 10% of its customers outside the town limits. Providing services to residents and neighboring towns on a regional basis contributes to the town's financial resources. These interlocal partnerships can sometimes grow and adjust over time. For instance, the town of Stantonburg originally connected their water system with the Southeast Water District's water system for emergency water supply. Lately, the interconnection has been used to provide regular water supply to the District rather than only emergency supplies. This partnership provides revenues to the town of Stantonburg, while allowing the District to avoid having to build or expand water treatment capacity of its own.

These factors all contribute to Stantonburg's financial stability and put the town in an excellent position for continued growth as a sustainable water system.

Lessons

Every water and wastewater system - even the smallest systems - face capital costs as well as operating costs. Relying on grant funding to pay for all needed infrastructure projects is never a successful long-term strategy. Assessing the condition of the infrastructure, identifying necessary capital improvement projects, raising rates, budgeting for and building reserves, and monitoring expenses closely all work together to ensure utility viability in the long term, while accessing grant and low-interest loans assist with project funding. Even the smallest systems in the state can carry out these strategies, as evidenced by the town of Stantonburg. Assistance is provided by technical assistance providers and engineering/consulting firms, and funding to help system assess its assets and plan for their upkeep is provided in North Carolina through Asset Inventory and Assessment grants.



Acknowledgments

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¹Population and land data: <https://data.census.gov/cedsci/>

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