



Budget Update FY2008-09

February 4, 2009



What's New since Last Report?

- Sales tax distribution for October received
- More bad economic news on a state and national level:
 - Employment numbers worsen
 - State Budget problems starting to trickle down
 - Consumer confidence at a low point
 - Continued instability in Housing Markets
- Continue to make progress on Budget Savings Plan.

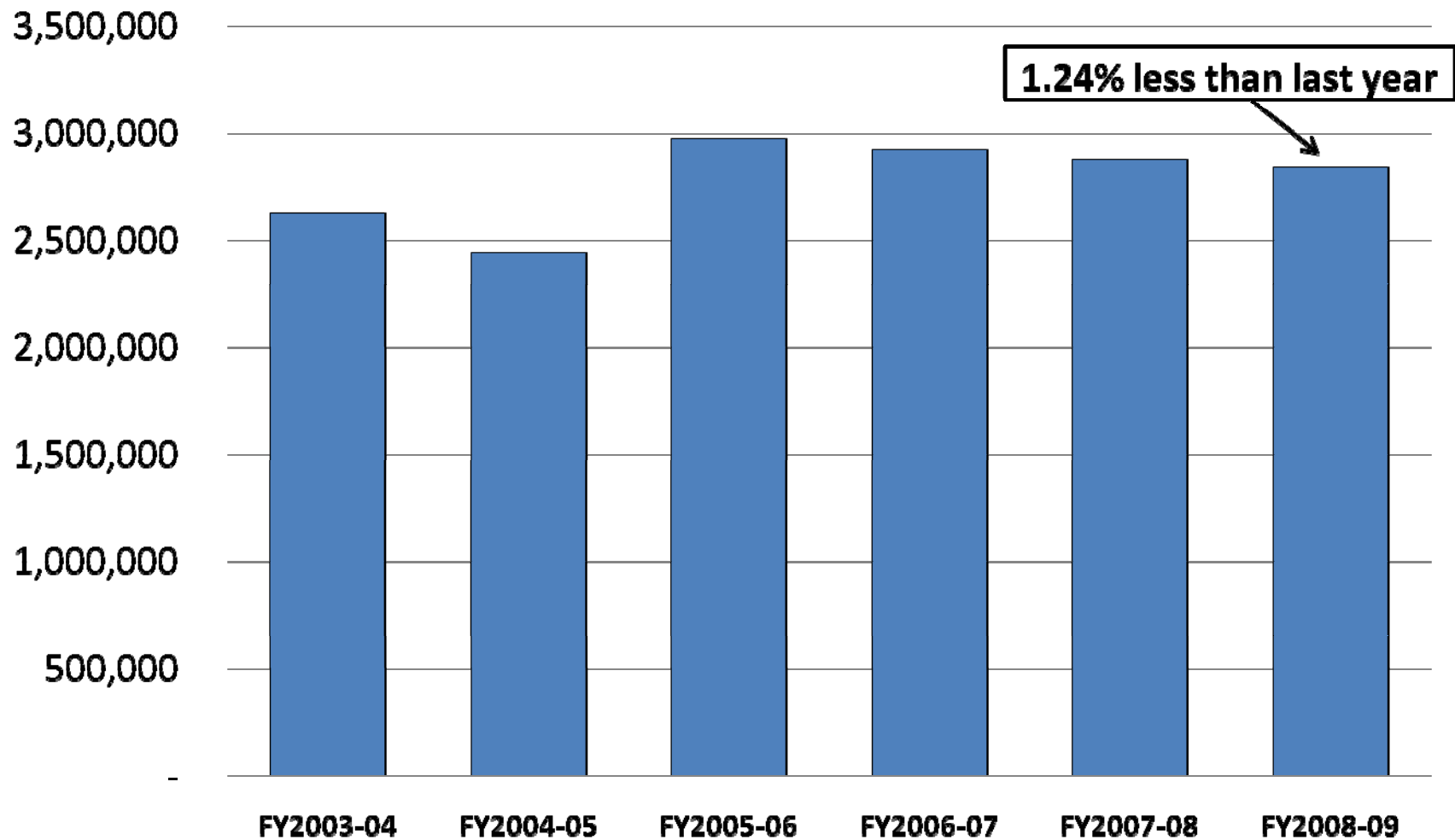
Sales Tax Receipts 2008-09

- Compared to the first 4 months of last Year total Sales Tax receipts are down 1.24%.
- Article 40 & 42 segments that are based on population decreased 12.4% and 11.5%, respectively compared to the same period last year (Oct.).
- Article 39 & 44 segments are based on point of sale* and are skewed due to the timing of the annual refund to UNC and adjustments related to the hold-harmless provisions of the Medicaid Reform Legislation.

- Article 44 is based on $\frac{1}{4}$ cent population and $\frac{1}{4}$ point of sale.
- Distribution basis describes allocation of sales tax to County.
County distributes to Town on ad valorem basis.

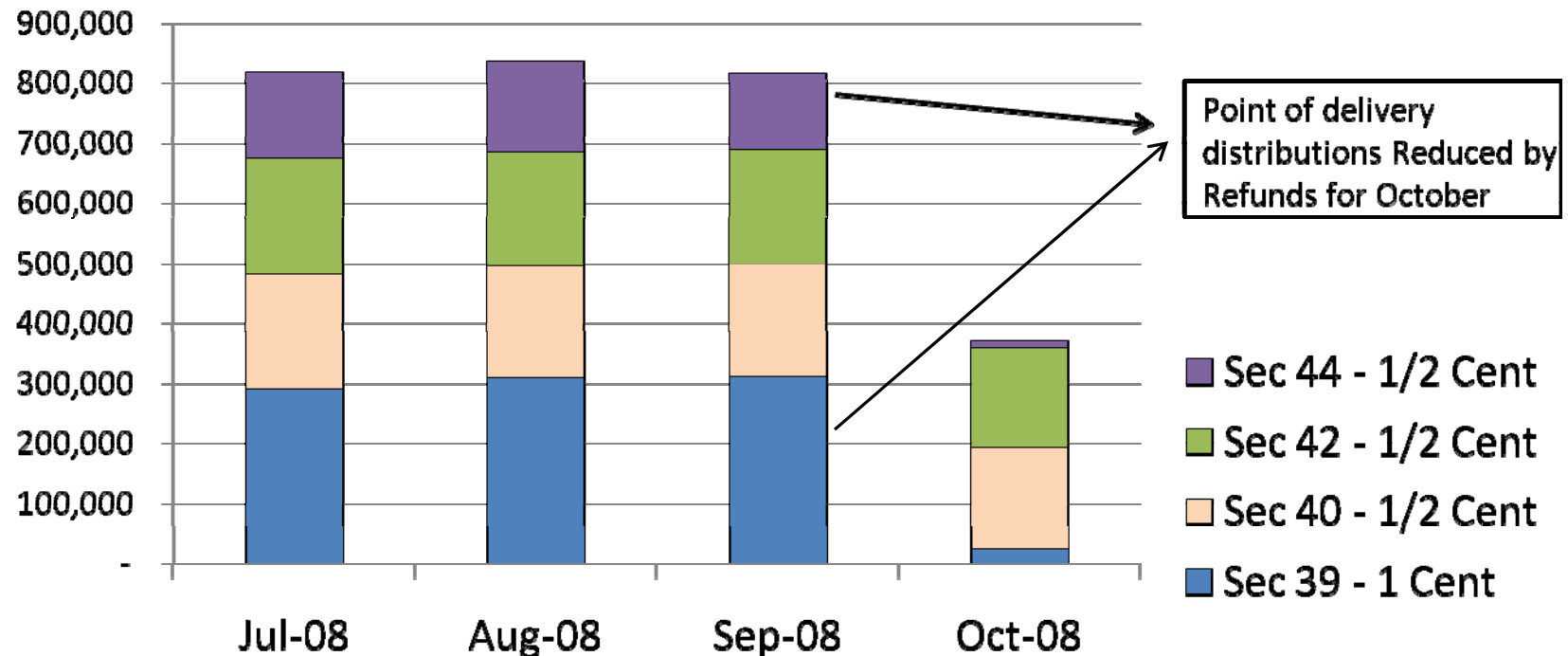
First 4 Months of TOCH Sales Tax Receipts

FY04 – FY09



Sales Tax Receipts by Month

FY2008-09



	Jul-08	Aug-08	Sep-08	Oct-08
Sec 44 - 1/2 Cent	144,675.56	151,572.73	126,926.25	11,822.10
Sec 42 - 1/2 Cent	191,180.26	186,728.96	188,312.90	166,672.49
Sec 40 - 1/2 Cent	192,846.56	188,580.81	190,137.62	166,630.32
Sec 39 - 1 Cent	288,556.40	307,579.03	308,767.95	25,174.02

Sales Tax Summary

- Total receipts to date are not inconsistent with prior years, however there is not enough data to draw conclusions.
- Collections for the first 3 months of the year were “normal” and were within budget estimates.
- The decreases in Article 40 & 42 segments (12.4% and 11.5%) for the month of October may be due, in part, to the impact of the Financial Crisis.
- November receipts (due Feb 15th) should provide a clearer picture.



State Economy

- Sales and Use Taxes state-wide are now about 8% less than last year.*
- Employment down 154,000 jobs –
Unemployment rate 8.7% (December).*
- State budget gap of \$2 billion for FY2008-09, \$2.1 billion projected for FY2009-10.*
- State budget reductions will impact local governments

* Source: NCGA Fiscal Research Division



State Economic Outlook

- Prolonged Recession
 - Recessionary conditions for most of 2009
 - Slow recovery in 2010
 - Employment will lag behind recovery
- Revenue picture will continue to deteriorate

Source: NCGA Fiscal Research Division



Budget Outlook

- Due to time lag in receiving sales tax receipts we will not begin to see actual impact of crisis until February 15 when we receive November's payment.
- Other revenues are tracking close to budget
- The drop in petroleum prices should provide savings in this years budget

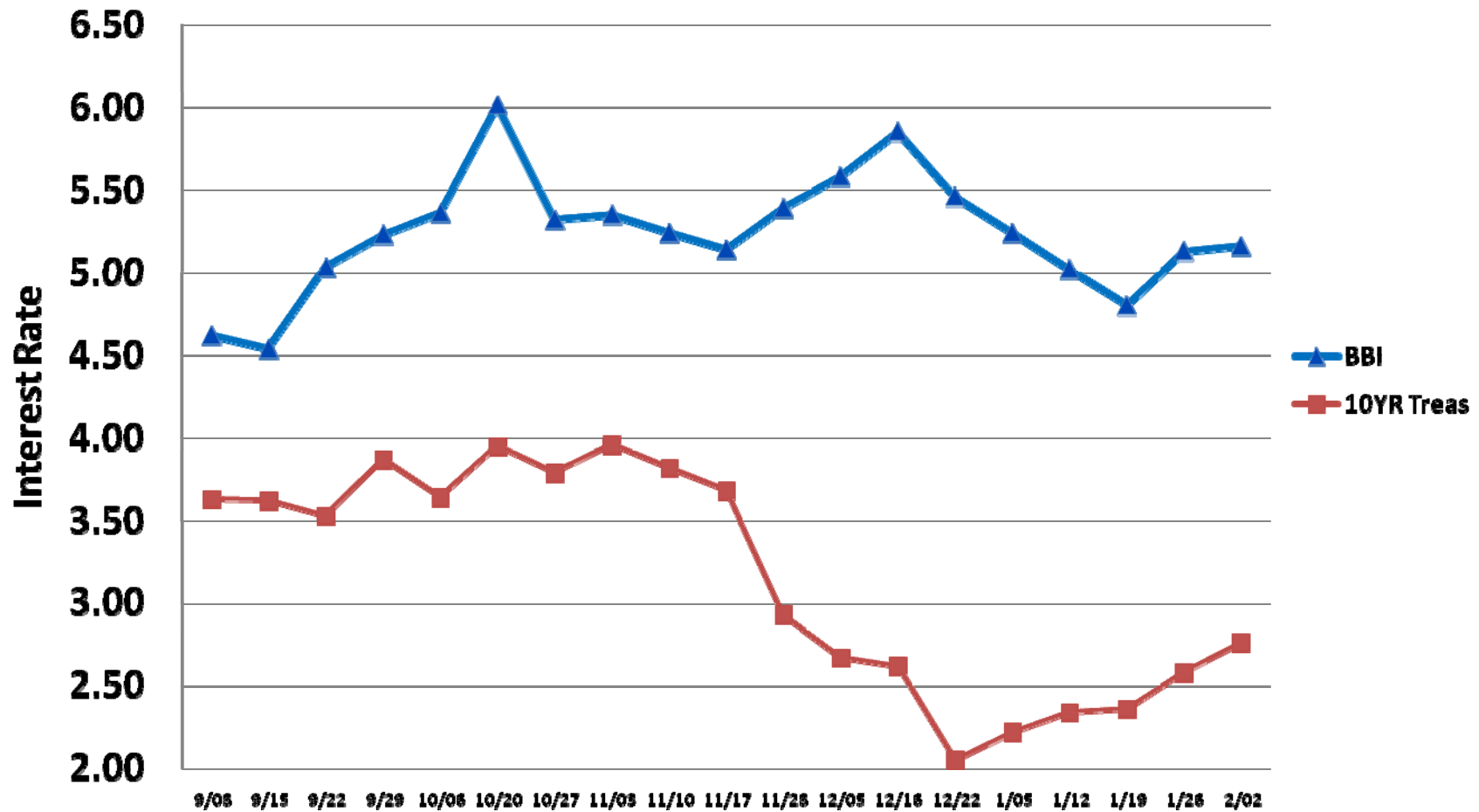


Debt Markets

- No real change – some positive signs
- Issuers paying a significant premium to sell bonds in current market
- Spreads between GO Bonds and Treasuries are at historic highs
- Triple A rated issuers are doing better in the market due to premium on quality



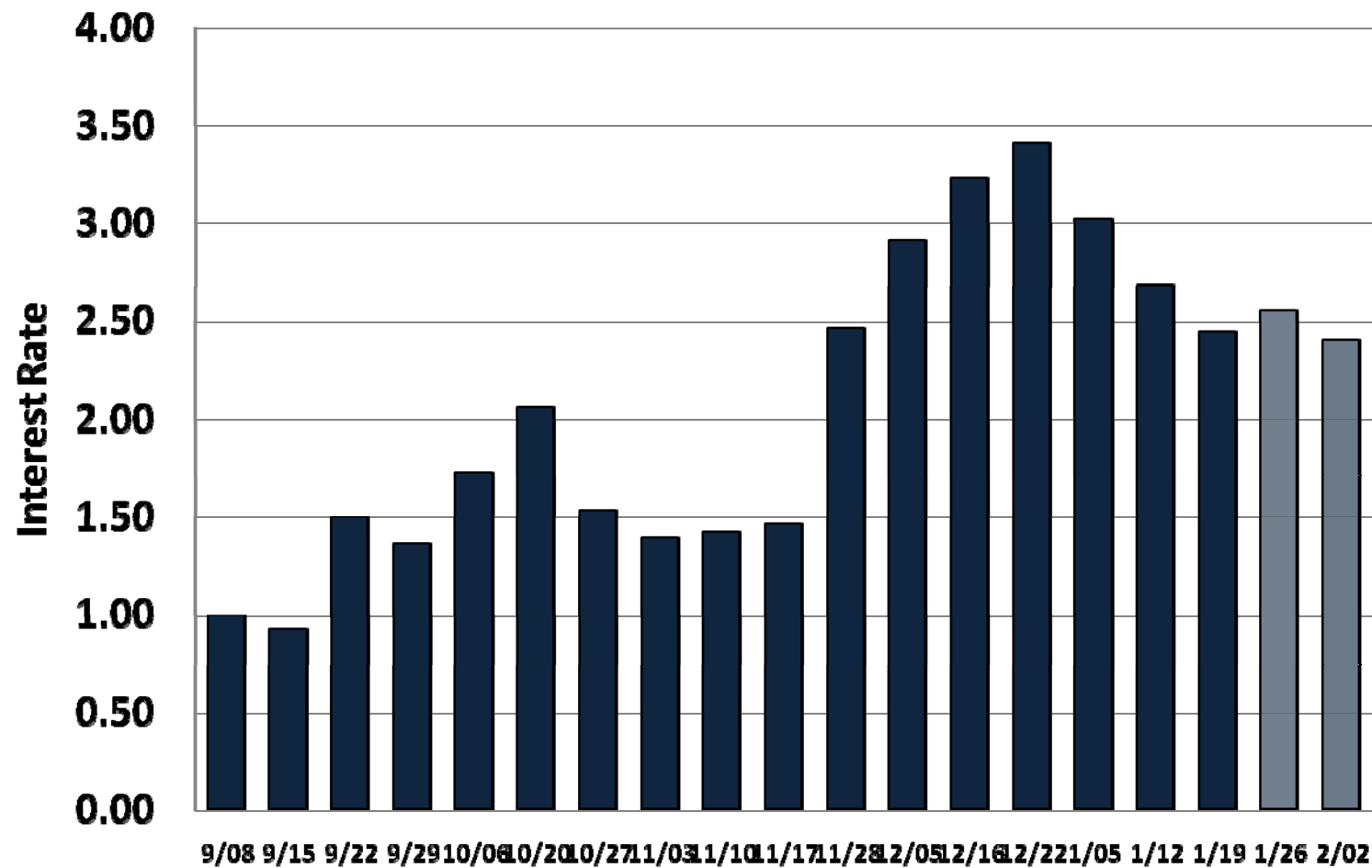
Municipal Bond Index (prev. 5 months)





Buyer Index vs 10yr Treasury Spread

Last 4 months





Major Budget Initiatives for FY2009-10

Goal: Protect Town services by reducing costs and minimizing effect on current employees

- Worker's Compensation Costs
 - Enhanced safety programs to reduce preventable accidents.
 - The Towns W/C insurance costs are 60-100% higher than similar size towns in NC.*
 - Change W/C Benefit to conform to Statutory Benefits for claims filed after July 1, 2009.

* Risk Management Audit 2007



Major Budget Initiatives for FY2009-10

- Retiree Healthcare Liability
 - Begin addressing \$45 million unfunded liability for retiree healthcare costs
 - If steps are not taken to reduce liability the burden to fund (approx. \$5 mil/yr) will overwhelm the Budget
 - Change benefit for **new employees** to defined contribution plan to reduce growth in liability



Budget Savings Plan

Goal: Maximize savings in current year's budget without compromising service delivery.

Target: 5% of the overall Town Budget.

General Fund savings target is **\$2,482,000.**

Amount transferred to Reserve: \$2,303,824 (93% of target)*

*Includes debt savings and OPEB contribution



Budget Development for 2009-10

Goal: Recommended Budget based on revenue neutral tax rate

Alternatives being developed:

- Maintenance of Effort
- Funding Level same as 2008-09
- 3% reduction

Information required:

- Effect on service



Budget Development for 2009-10

Next Steps:

- Planning Retreat - February 20-21
- Board and Commission priorities – March 15
- Monthly updates to Council on economy and budget status
- Status Report on Budget to Council at Public Forum - April 15
- Recommended Budget to Council – May 6