



Impact of the Economy on the Town Budget

March 23, 2009



What's New since Last Report?

- Sales tax distribution for December
- Governor's Proposed State Budget Released
- Stimulus Package Approved

Sales Tax Summary

- Receipts appeared to bounce back in December increasing 5.4%, however it is our understanding that the DOR was behind in its processing in November and caught up in December. This means that November receipts (-11.8%) are understated and December Receipts (+5.4%) are overstated.
- In order to adjust the data for the lack of timely processing we averaged out the months of November and December to approximate actual receipts.

Sales Tax Receipts 2008-09

- **November's** Sales Tax Collections are down 11.8% (\$97,905) compared to November of last year.
 - Article 40 & 42 segments that are based on population decreased 19.3% and 19.7%, respectively.
 - Article 39 & 44 segments are based on point of sale* and decreased 2.6% and 8.1% respectively.

	Article 40	Article 42	Article 39	Article 44	Total
Nov. 2007	\$ 203,211	\$ 201,824	\$ 279,543	\$ 143,474	\$ 828,052
Nov. 2008	163,929	162,046	272,384	131,788	730,147
Difference	-39,282	-39,778	-7,159	-11,686	-97,905
Percent	-19.3%	-19.7%	-2.6%	-8.1%	-11.8%

- Article 44 is based on ¼ point of sale plus a hold harmless payment
- Distribution basis describes allocation of sales tax to County.
County distributes to Town on ad valorem basis.

Sales Tax Receipts 2008-09

- **December's** Sales Tax Collections are up 5.4% (\$43,947) compared to December of last year.
 - Article 40 & 42 segments that are based on population increased 12.2% and 12.3%, respectively.
 - Article 39 & 44 segments are based on point of sale* and increased 2.7% and decreased -9.7% respectively.

	Article 40	Article 42	Article 39	Article 44	Total
Dec 2007	\$ 210,555	\$ 209,358	\$ 252,602	\$ 147,067	\$ 828,052
Dec 2008	236,176	235,034	259,469	132,851	730,147
Difference	25,620	25,676	6,867	-14,216	43,947
Percent	12.2%	12.3%	2.7%	-9.7%	5.4%

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Sales Tax Receipts 2008-09

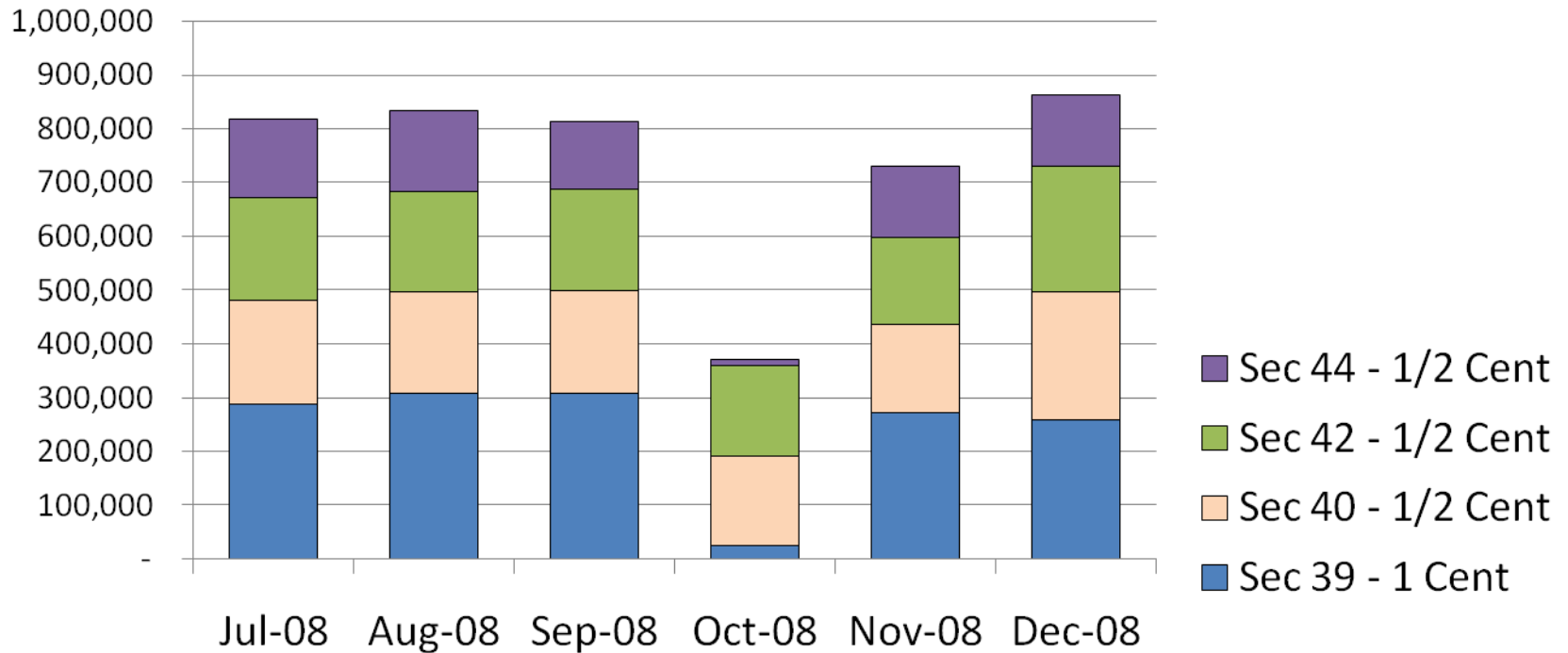
- **November & December Average:** In order to adjust for DOR not processing all of the November tax receipts in a timely manner, which understated November receipts and overstated December receipts, the following table averages the two months receipts.

	Article 40	Article 42	Article 39	Article 44	Total
Nov/Dec 2007	\$ 413,767	\$ 411,182	\$ 532,145	\$ 290,541	\$ 1,647,635
Nov/Dec 2008	400,105	397,080	531,854	264,639	1,593,677
Difference	(13,662)	(14,102)	(292)	(25,903)	(53,958)
Avg Percent	(3.3%)	(3.4%)	(0.1%)	(8.9%)	(3.3%)

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County distributes to Town on ad valorem basis.

Sales Tax Receipts by Month

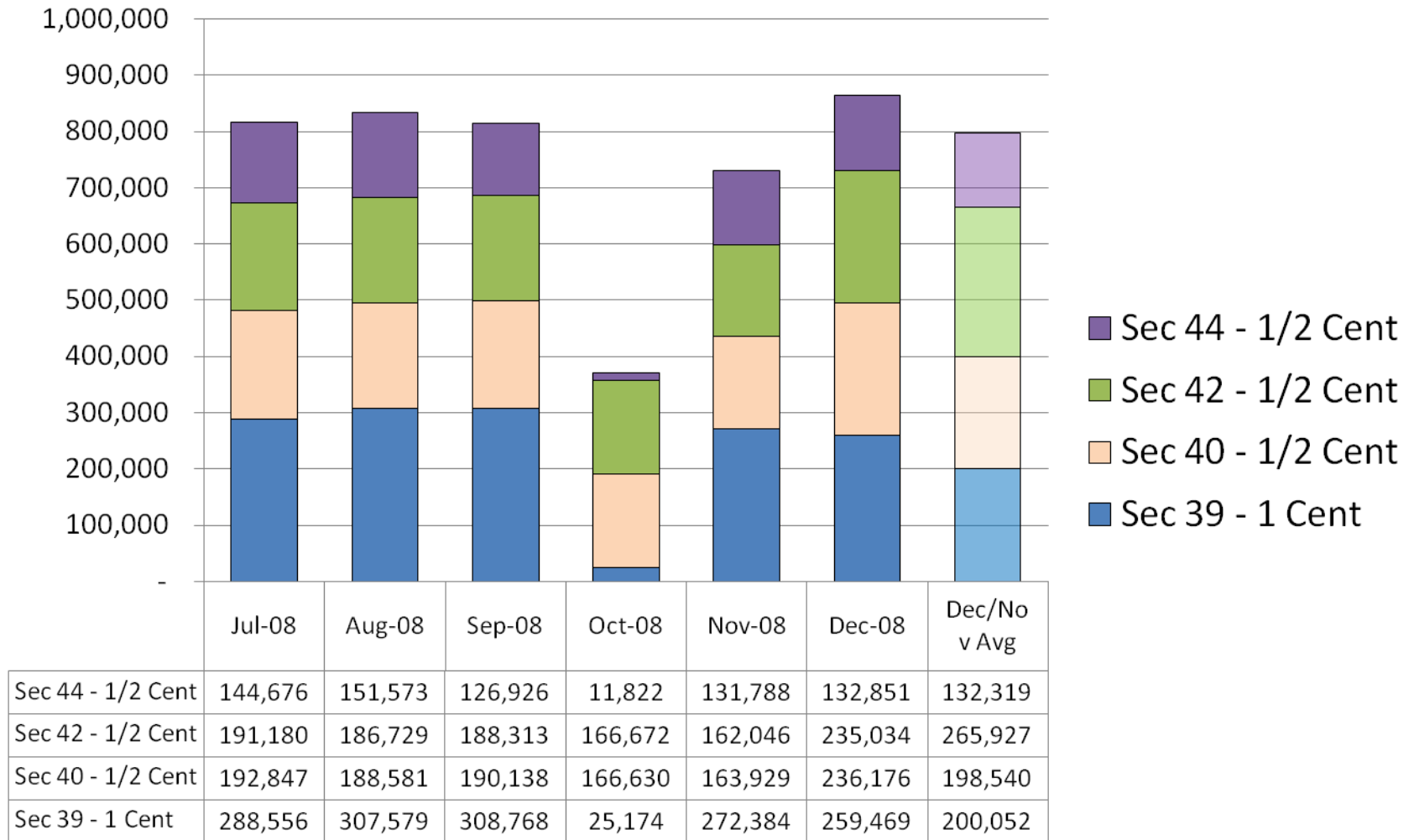
FY2008-09



	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Sec 44 - 1/2 Cent	144,675.56	151,572.73	126,926.25	11,822.10	131,788.00	132,851.00
Sec 42 - 1/2 Cent	191,180.26	186,728.96	188,312.90	166,672.49	162,046.00	235,034.00
Sec 40 - 1/2 Cent	192,846.56	188,580.81	190,137.62	166,630.32	163,929.00	236,176.00
Sec 39 - 1 Cent	288,556.40	307,579.03	308,767.95	25,174.02	272,384.00	259,469.00

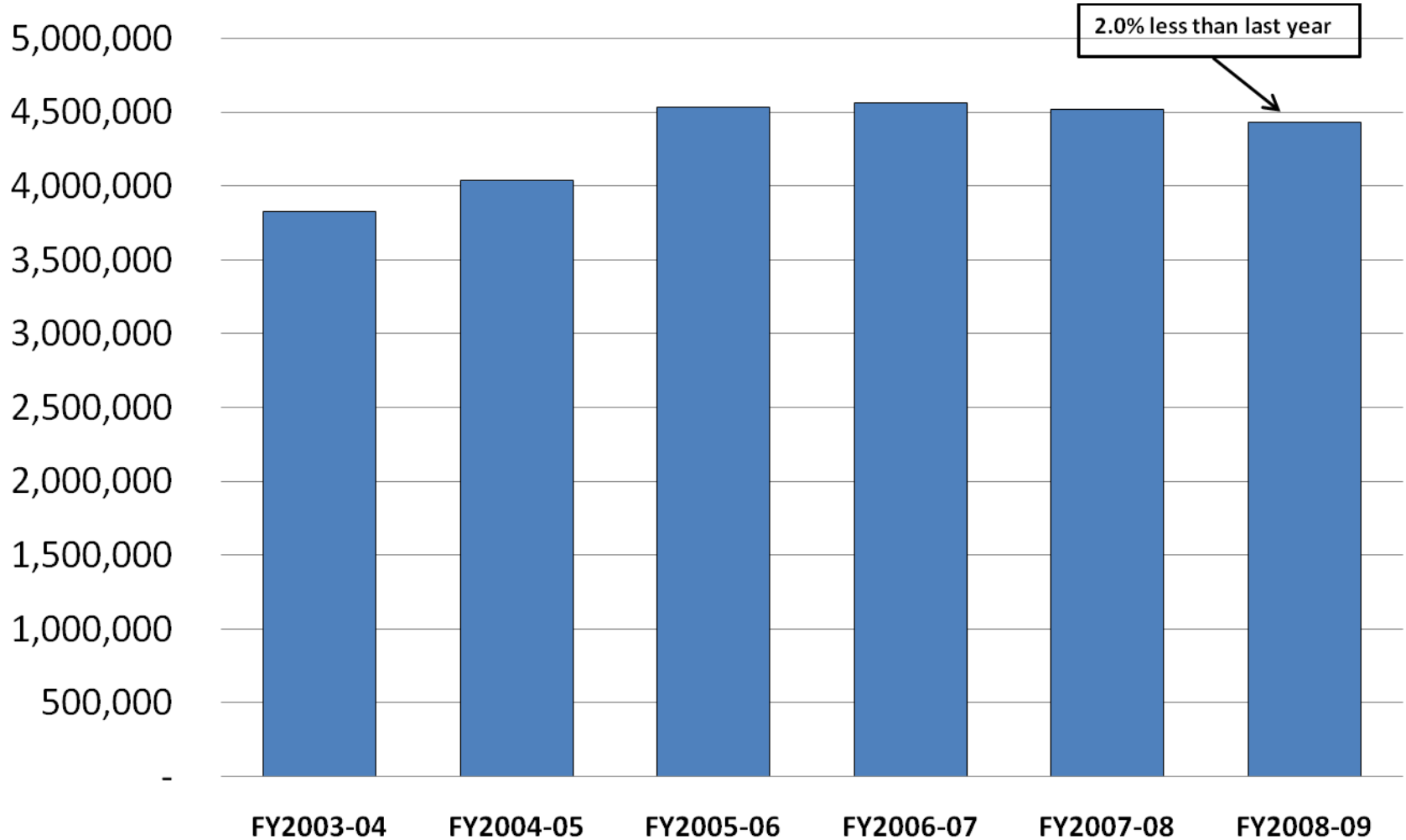
Sales Tax Receipts by Month

FY2008-09



First 6 Months of TOCH Sales Tax Receipts

FY04 – FY09



Sales Tax Summary

- Total receipts reflect declining returns since October.
- Collections for the first 3 months of the year were “normal” and were within budget estimates.
- State-wide the drop in sales tax receipts for the current fiscal year is anticipated to be in the 8-9% range.



State Budget

- The Governor's proposed 2009-11 Budget was released on March 17th .
- The \$3.5 Billion budget gap* for FY2009-10 was filled with the following:
 - Expenditure Reductions \$ 1.3 Billion
 - Federal Recovery Funds 1.7 Billion
 - Revenue Changes 0.6 Billion

* Based on requested appropriations



State Budget

- The Governor's budget does not propose to take or withhold any municipal revenue source.
- There does not appear to be any major cuts to programs affecting cities and towns, however there are some unspecified cuts in DENR and Dept. of Commerce that could potentially impact cities and towns.

* Source: NCLM



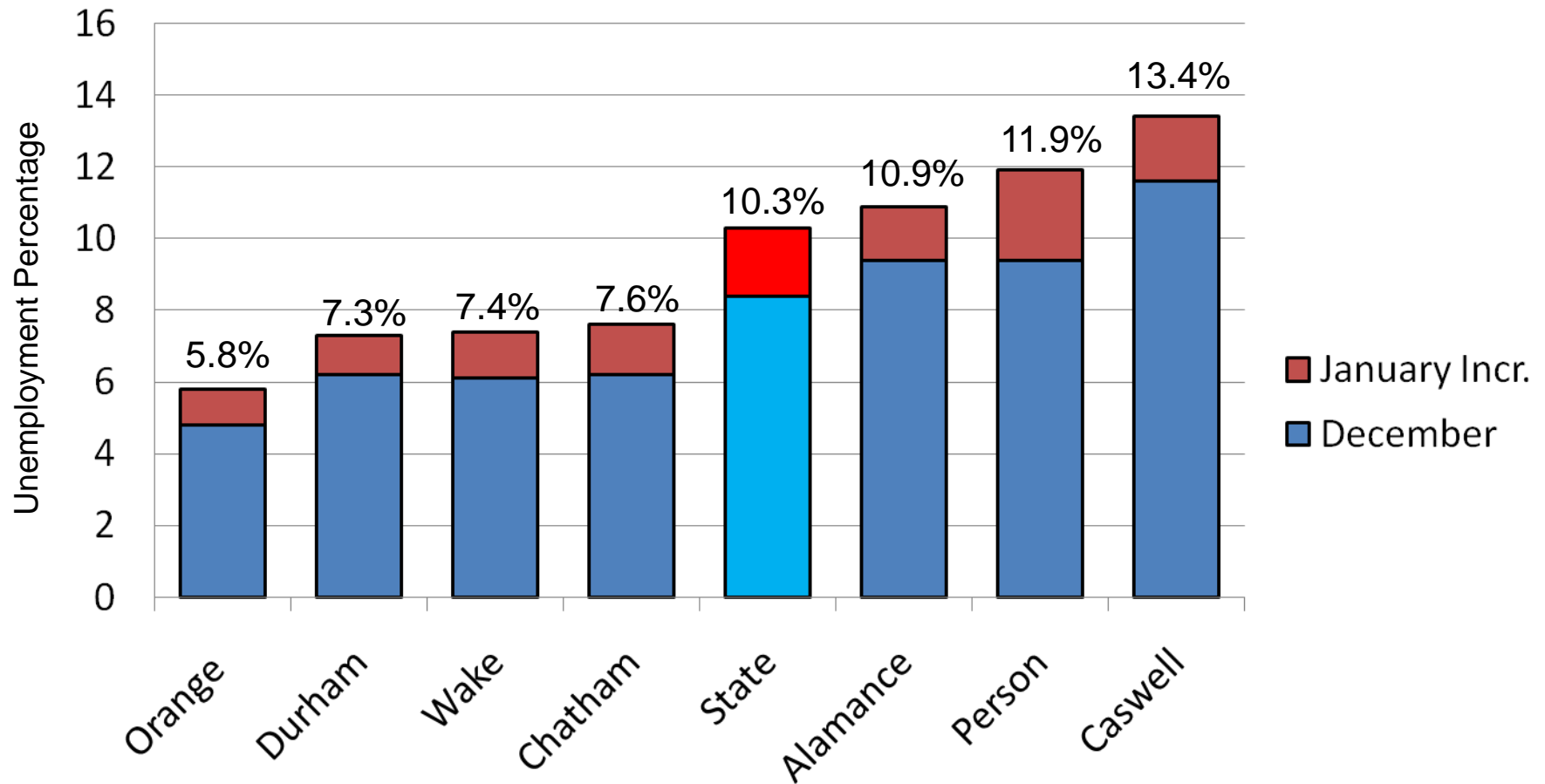
State Economy

- Sales and Use Taxes state-wide are now about 9.2% less than last year.
- State revenue shortfall for the current recession is estimated at 10.7%.
- Employment down 197,000 jobs – Unemployment rate 10.3%.

* Source: NCGA Fiscal Research Division

Unemployment by County

December to January 2009



Source: Employment Security Commission of NC



Town Budget Outlook

- Due to time lag in receiving sales tax receipts and recent inconsistency in reporting by state there continues to be considerable forecast risk.
- Other revenues are tracking close to or slightly below budget.
- The drop in petroleum prices should provide some savings in this years budget.



Debt Markets

- Municipal bond market has not fully recovered and issuers are still paying a significant premium compared to treasury rates.
- Triple A rated issuers are doing better in the market due to a premium on quality.



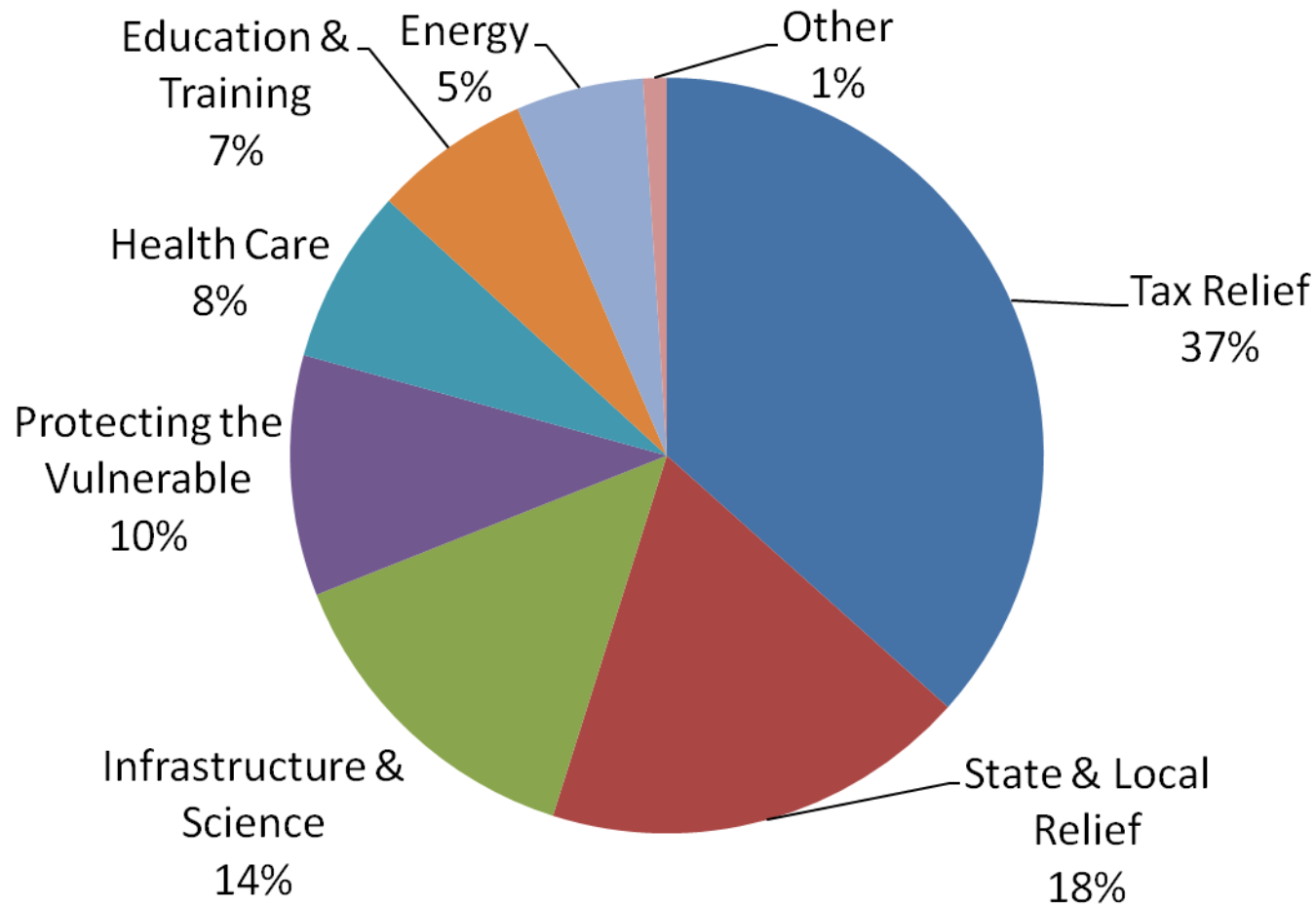
Stimulus Package

American Recovery and Reinvestment Act (ARRA)

- State of NC will receive more than \$6 Billion in grants and a large share will be passed on to local governments.
- Governor has established Office of Economic Recovery and Investment (ORI) to oversee use of ARRA funds by local governments and to provide information on availability of funds.
- ARRA funds carry use and reporting requirements.

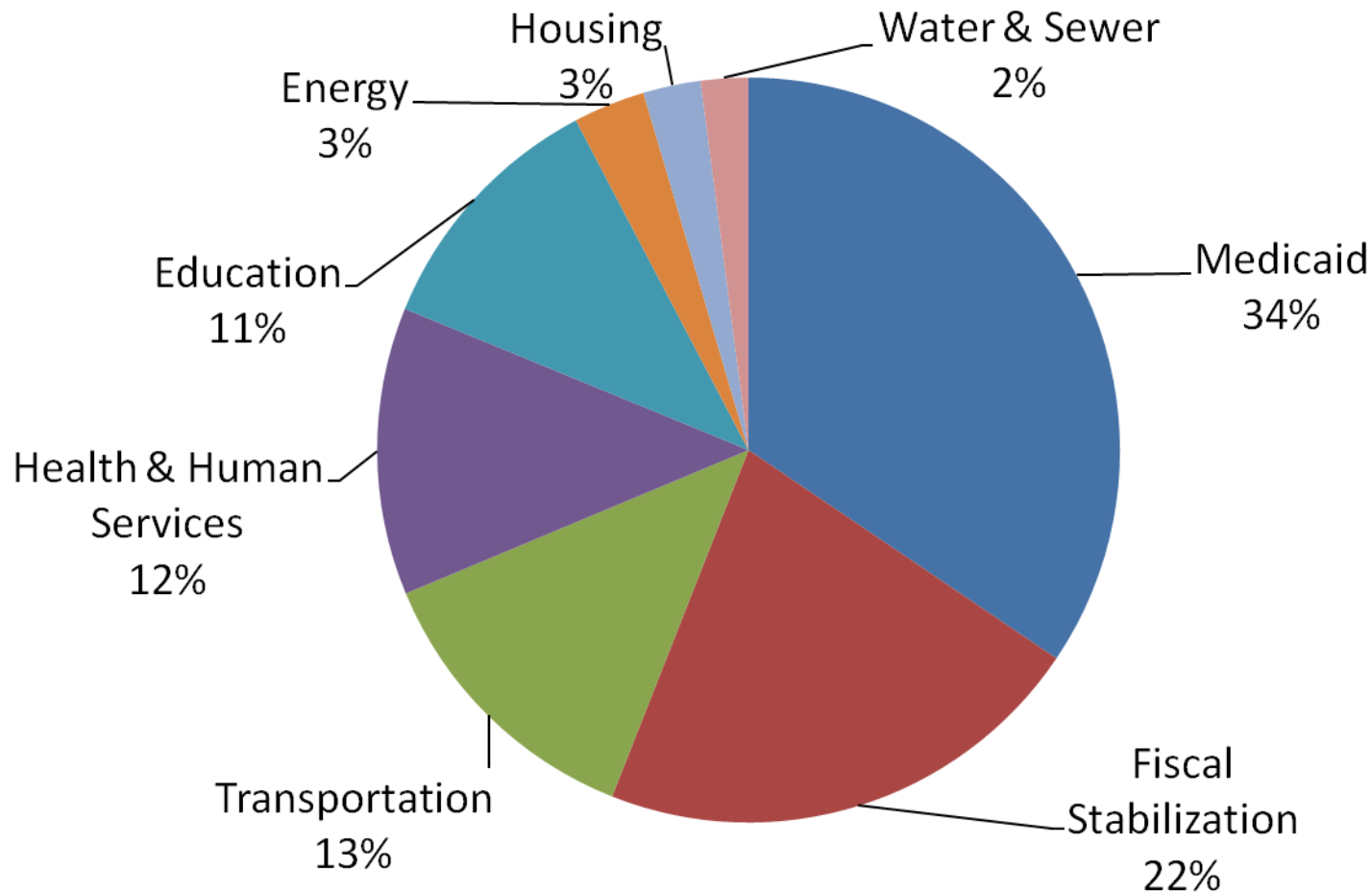
Distribution of ARRA Funds

\$789.5 Billion



Source: ncrecovery.gov

Distribution of North Carolina ARRA Funds \$6.1 Billion



Source: ncrecovery.gov



Stimulus Package

American Recovery and Reinvestment Act (ARRA)

- We are currently reviewing the funding opportunities available through the ARRA.
- Major items that are currently in the works:
 - Capital Fund Program for Public Housing Renovation grant \$732,519
 - Transit project funding – FTA 5307 and 5340 grants \$2,714,867



Budget Strategies

- Delay long-term financial commitments:
 - Delay debt issuance until March 2010
 - Defer non-critical capital projects
- Maximize Savings in current fiscal year:
 - Fund budget savings plan
- Minimize impact on employees:
 - Maintain workforce, preserve benefits, maintain current salaries (no COLA)
- Maintain Fund Balance Levels
 - Minimum 12% GF fund balance