



Financial Crisis and the Town of Chapel Hill

It is difficult to predict the future from the past because these are unique economic times.



Financial Crisis and the Town of Chapel Hill

Sales Tax:

- Drop in consumer confidence
- Decline in household wealth (stock market, real estate values)
- 5-10% decline from budget estimate possible



Financial Crisis and the Town of Chapel Hill

Sales tax:

- 19.4% of General Fund Revenues (\$9,623,000)
- 10% decline = \$962,000 revenue loss
- Delay in state reporting means 4th quarter before know impact



Financial Crisis and the Town of Chapel Hill

Action:

- Immediately adjust revenue estimate to 10% loss
- Monitor the situation



Financial Crisis and the Town of Chapel Hill

Property Tax:

- Effect of housing bubble burst?
- Less growth in revaluation
- Largest revenue source
- 50% general revenue; 100% debt
- Delayed effect



Financial Crisis and the Town of Chapel Hill

Other possible shortfalls:

- Development fees = \$150,000
- Interest income – near zero = \$50,000
- User fees = \$100,000



Financial Crisis and the Town of Chapel Hill

Goal:

5% reduction in expenditures for the
current fiscal year without
jeopardizing service delivery

\$2,480,000



Financial Crisis and the Town of Chapel Hill

Strategies:

- Manage vacancies: no new hires without Town Manager approval
- No out of state or redundant travel and training expenses without Town Manager approval



Financial Crisis and the Town of Chapel Hill

Strategies:

- Only mission critical purchases
- Fuel and utility saving measures in place
- Review CIP projects for deferral
- SMT report monthly to Manager



Financial Crisis and the Town of Chapel Hill

- These are achievable targets because our management team and employees regularly end the year under budget through good management
- Report to Council in 60 days