



Town of Chapel Hill

Manager's Recommended Budget Summary for FY 2009-10

May 20, 2009

**Roger Stancil
Town Manager**

Goals of the FY 2009-10 Budget

- Support Council's Priorities
- Address Impact of Economic Crisis
- Maintain Existing Services
- Maintain Competitive Compensation for Employees
- Move Toward Financial Sustainability
- Support New Facilities and Maintain Existing Facilities

Goals of the FY 2009-10 Budget

- Support Council's Priorities
 - Steward Organizational Development
 - Champion Downtown
 - Continue Focus on Land Use, Transit and Development
 - Maintain and Improve Community Services and Facilities
 - Improve Town's Fiscal Condition
 - Plan Ahead for Carolina North

Budget Status

- We have developed a proposed General Fund Budget that maintains current services without a tax increase (adopting a revenue neutral rate).
- Proposed GF Budget is balanced using budget savings, fund balance, delaying debt issuance and deferring CIP projects, providing no pay increase and limiting increases in departmental budgets.

The Bottom Line

- The Manager's Recommended Budget is balanced with a proposed combined tax rate of **49.4** cents.
- The Official Revenue Neutral Rate is **50.2** Cents (Includes 26.6% annual growth for Durham County)

	FY2008-09	FY2009-10
General Fund	42.3	36.0
Debt Service	11.0	9.3
Transit	4.8	4.1
Total	58.1	49.4

Key Budget Factors

- **Economic Conditions** - No revenue growth
- **Federal Stimulus Funding** – For “shovel ready” one-time projects and some maintenance funding (Transit)
- **Debt and Operating Cost** - New Facilities
- **Pending Debt Issuance** – Spring 2010
- **Health Care Cost Increase** – 17.4% Increase
- **Employee Safety/Worker’s Comp. Costs**
- **Retiree Health Care Costs (OPEB)**

Budget Strategies

- **Principles:**

- Do not make long term commitments in times of economic uncertainty
- Maximize savings in current year in order to be better prepared for next year
- Use budget balancing strategies that preserve services and have the least impact on long-term employees
- Maintain adequate fund balance levels for cash flow and credit support

General Fund Revenue Projections

Revenues:	FY2008-09 Revised Budget	FY2009-10 Budget
Property Taxes	\$ 24,733,000	\$ 24,971,000
Other Taxes	1,084,000	989,500
Licenses/Permits	1,601,400	1,812,100
Sales Taxes	9,623,000	8,660,730
State Collected Taxes	6,112,000	6,196,000
Grants	381,234	371,600
Service Charges	1,693,741	1,735,797
Interest & Other	539,123	493,450
Transfers	<u>1,302,472</u>	<u>1,399,896</u>
Total Revenues	\$ 47,069,970	\$ 46,630,073

General Fund Expenditures

Revenues:	FY2008-09 Original Budget	FY2009-10 Budget	% Change
General Government	\$ 9,269,763	\$ 8,788,125	-5.2%
Environmental & Development	13,286,985	13,338,480	0.4%
Public Safety	19,155,021	19,434,467	1.5%
Leisure	<u>7,909,231</u>	<u>8,197,928</u>	<u>3.7%</u>
Proposed General Fund Budget	\$ 49,621,000	\$ 49,759,000	0.3%

General Fund Budget Reconciliation

	FY2008-09 Revised Budget	FY2009-10 Budget
Total Revenues	\$ 47,069,970	\$ 46,630,073
Total Expenditures	<u>51,901,150</u>	<u>49,759,000</u>
Deficit (Revenues – Expenditures)	(4,831,180)	(3,128,927)
Other Funding Sources:		
Budget Savings Plan (FY09)		2,000,000
Fund Balance*	4,831,180	1,128,927

* For FY09 balance includes excess funds generated in FY08

Budget Balancing Strategies

- Delay debt issuance and defer CIP projects
- Establish Budget Savings Plan to provide funds to balance the FY2009-10 Budget
- Maintain current salary levels and preserve core benefits
- Maintain fund balance above minimal levels to act as insurance against continued revenue declines

Use of Fund Balance

- The are two components of fund balance being used to fill the FY2009-10 Budget Gap.
 - The first is excess of revenues over expenditures generated during FY2008-09 and reserved in Budget Savings accounts. We propose to use \$2,000,000 of these funds.
 - The second is accumulated fund balance which does not include current year excess of revenues over expenditures. The following slide shows the history of accumulated fund balance. We propose using \$1,270,000 of accumulated fund balance.
 - Using this strategy we believe fund balance will drop to between 13% and 14% calculated at year-end.

Budget Calendar

- **April 15 - Budget Status Report to Council and Public Hearing**
- **May 6 - Manager's Recommended Budget**
- **May 13- Budget Work Session**
- **May 20 - Public Hearing and Budget Work Session**
- **June 3 - Budget Work Session***
- **June 8 - Budget Adoption**

* *As needed*