



TOWNtalk

A newsletter for Town of Chapel Hill employees

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Special Issue

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Message to Employees on the Financial Crisis

from Town Manager Roger L. Stancil

I have presented a goal to the Town Council to reduce our Town expenditures by five percent or about \$2.48 million by July 1, 2009. I want to share this budgetary information with all employees, and ask for your help in achieving our target.

As you are aware, we are facing an economic crisis that is gravely serious; our economy's recent and yet to be financial failure has been compared to the Great Depression. We have seen millions of people across the country lose their homes and jobs, and major financial institutions fail. Because this financial crisis is so unique, there is no way anyone can predict the future. This situation creates immediate and long-term effects on our Town's financial picture. Most economists predict that it will be well into 2009 before we see some sense of stability return to the financial markets and the economy as a whole.

How does the nation's economy affect the Town of Chapel Hill? While we will face some short-term effect, the long-term effect is unknown. We must not only protect our financial position in the short term, we must also conserve resources until we know the long-term consequences of the current changes in the economy.

The Town's main sources of revenue are affected: sales tax, property tax, development fees, and user fees. We are currently projecting a 10 percent shortfall in sales tax revenue from our budget estimate for this year. A 10 percent loss is equal to \$962,000. Because there is a delay in State reporting of sales tax to us, it may be April before we know the real loss of sales tax revenue for this current year.

We do not yet know the effects of the current crisis on tax value of real property, but the housing bubble burst is expected to slow our projected growth in tax base. This growth is how we pay the increasing costs of operating Town government services. In addition, we are bracing ourselves for possible shortfalls in development fees, user fees and interest earned in investments.

In response to diminishing revenues, our goal is to reduce expenditures by 5 percent or \$2.48 million in the 2008-09 fiscal year without jeopardizing service delivery. Our strategies to achieve this are as follows:

- Manage vacancies: no new hires without Town Manager approval
- No out of state travel
- Eliminate redundant travel (multiple employees going to the same training, without Town Manager approval)
- Only mission critical purchases of supplies and equipment
- Continue and enhance fuel and utility saving measures already in place
- Review CIP projects for deferral
- Senior managers will develop a plan for curtailing expenditures and report monthly on progress toward achieving the goals of those plans

I believe these are achievable targets because our management team and our employees regularly end the year under budget through good management. I will plan to report back to the Council and also to Town employees on a regular basis to provide an update on our work toward this goal.

Many of us are experiencing unprecedented levels of insecurity, uncertainty, and anxiety about the future. This is understandable, but I believe we will be able to meet our challenges. I want you to have confidence in knowing that we are doing our homework and watching this situation very closely, and our recommendations now and in the future will be based on facts and reality. Having real facts -- objective data, helps us to determine what budget action is necessary. I intend to continue to provide the facts and make measured, prudent goals for what makes good sense for the future. I will seek your help in identifying ways we can reduce expenditures. While achieving our financial goals, I am placing a high priority on preserving our service levels to the community and safeguarding the interests of current employees.

Thank you for working together to find the best solutions to our challenges.