

BOARD OF ALDERMEN

ITEM NO. D(4)

AGENDA ITEM ABSTRACT MEETING DATE: February 12, 2001

TITLE **A Report on Options to Address the Governors withdrawal of Revenues**

DEPARTMENT: Town Manager	PUBLIC HEARING: YES ___ NO <u>x</u>
ATTACHMENTS: A. N.C. League of Municipalities' Action Call on Current Fiscal Situation	FOR INFORMATION CONTACT: Robert W. Morgan, Town Manager

PURPOSE

Governor Mike Easley announced Tuesday that he was withholding a number of long-standing municipal revenues. This action will cause a shortfall of \$299,284 in the Town of Carrboro's current year budget. The purpose of this agenda item is for the Board of Aldermen to receive a presentation from the Town Administration on options to address this loss of revenues.

INFORMATION

The Governor's actions on Tuesday will create a revenue shortage in the Town's budget of \$299,284. This shortage must be addressed between now and June 30, 2002. The Town is losing \$71,831 in Beer and Wine Tax, \$195,829 in Utility Franchise Tax, \$28,158 for reimbursement of business inventory tax, and \$3,467 in reimbursements for Homestead Exemptions. Until last year almost all of these revenues came to local governments. In the past only the business inventory and homestead exemption reimbursements have been in jeopardy.

To cover this loss of revenue the Town will have to limit expenditures and postpone important projects. The impact of these decisions will have an immediate operational impact as well as long-range budgetary impacts.

The Town Administration will propose to the Mayor and the Board a strategy to address the loss of these revenues Tuesday evening. It will also suggest political actions that the Board may wish to consider in trying to avoid the loss of these revenues.

The Town will receive its next quarterly payment of sales tax on February 13, 2002. This payment will give the Town Administration a strong indication of how well the Town is going to do with its other revenues. The Board should delay deciding on any particular strategy until it can receive updated revised revenue projections on February 19, 2002. The Town Manager has already frozen the filling of any full-time position and directed all Department Heads to limit expenditure to essential needs. These directives will be revised once a strategy is adopted.

ADMINISTRATION'S RECOMMENDATION

To receive a presentation on a proposed strategy to address the loss of revenues.