

BOARD OF ALDERMEN

ITEM NO. D(5)

AGENDA ITEM ABSTRACT MEETING DATE: February 19, 2001

TITLE **Discussion of Options to Address the Governor's Withdrawal of Revenues**

DEPARTMENT: Town Manager	PUBLIC HEARING: YES ___ NO <u>x</u>
ATTACHMENTS: Note: Report to be distributed on Monday, February 18th	FOR INFORMATION CONTACT: Robert W. Morgan, Town Manager

PURPOSE

Governor Mike Easley announced February 5 that he was withholding a number of long-standing municipal revenues. The Board of Aldermen received a presentation last week from the Town Manager as to options to address this loss of revenues. The purpose of this agenda item is to allow the Board to discuss the options and to select a plan of action.

INFORMATION

The Governor's actions on February 5 will create a revenue shortage in the Town's current budget of \$299,285. This shortage must be addressed between now and June 31, 2002. The Town is losing \$71,831 in Beer and Wine Tax, \$195,829 in Utility Franchise Tax, and \$28,158 for reimbursement of business inventory tax and \$3,467 for 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.

In addition to this loss the Town is receiving less revenues in other areas especially in sales tax. The Town Administration reported last week that the revenue shortfall was at least \$110,000. The Town has received the second quarter payment of sales tax and it is less than what was projected. The Town Administration is in the process of collecting information from various sources to better project what the remainder of the year will look like. Changes in the State statutes relative to sales tax and peculiarities of Orange County's economy will affect the next two quarters of sales tax. **The Town Administration will prepare a revised report on revenues for this fiscal year and deliver it to the Board Monday evening.**

The Board received a list of options to address the projected revenue shortfall (\$410,000) last Tuesday evening. The Town Administration identified \$451,000 that could be saved. The Board can review these options and determine which ones it wishes to include. As stated last Tuesday evening these identified cuts do not include lapsed salary funds. The Town Administration expects to have additional savings in both lapsed salary and operating cost to protect the Town's fund balance. The Board will have revised revenue estimates by Monday evening as well as other options to consider meeting the projected shortfall.

ADMINISTRATION'S RECOMMENDATION

To receive revised revenues for the current budget year and to review and select options to address the revenue shortfall.