

**From:** Maurice Jones  
**Sent:** Friday, April 24, 2020 6:01 PM  
**To:** Town Email Users  
**Subject:** Manager's Weekly COVID-19 Update and Budget Message

Hello Everyone,

I hope this message finds you well as we head into the weekend. I'm writing to provide you a brief update on the COVID-19 pandemic and the latest details about budget development for Fiscal Year 2021. I apologize for the length of this email but these are important subjects that require some explanation. Thanks for your patience.

### **Stay-at-Home Orders: Governor's Tiered Approach to Reopening**

Governor Roy Cooper announced Thursday afternoon that the statewide stay-at-home order is being extended until May 8. The Governor's staff has outlined a tiered approach to removing restrictions outlined by the stay-at-home order. You can find information about the Governor's tiered approach at <https://governor.nc.gov/news/governor-extends-stay-home-order-through-may-8-plans-three-phase-lifting-restrictions-based>. The Town will also be signing onto Orange County's extension of the Stay at Home Order through May 8<sup>th</sup>.

### **Scamming Efforts on the Rise**

Robert Reynolds from Technology Solutions [sent an email Thursday morning to all Town staff](#) about recent and increasing attempts to scam email users. I strongly encourage you to review that email and take his recommendations seriously. A cyber attack to you personally or to our organization would be crippling on top of the pandemic. Please navigate email and the internet on the whole carefully.

### **FY 2020-2021 Budget**

In Fiscal Year 2020 (FY 2020 - July 1, 2019, through June 30, 2020), we began conversations with the Town Council regarding how to address the growing gap between the wants and needs of our community and the resources needed to fund those initiatives. In response, we proposed the creation of a long-term budget strategy to help guide future budgeting processes.

In October 2020, a core group of staff embarked on the creation of a five-year budget strategy. Throughout the fall and winter months, staff from every department worked together to construct this document. We believe that the final product was going to be a useful resource for the Council and could act as a guiding roadmap for them through the budget process. We were scheduled to present the final product to the Council at the March 18 Town Council work session.

Our initial budget projections from January 2020 were very positive. Sales tax revenues were higher than we had ever experienced. Occupancy tax numbers were high. Department revenue projections looked good. We were looking forward to begin incorporating the five-year budget strategy into the FY 2021 budget development and to address needs by increasing the funding in several focus areas:

- Employee pay
- Street resurfacing
- Building & Parks Maintenance
- Vehicle Replacements
- Pay-Go Capital Projects
- Climate Action Plan

The FY 2020 budget also had \$100,000 set aside to fund a comprehensive classification and compensation study, which would review the Town's salary ranges and compare job classes for appropriate compensation levels to allow us to be more

competitive with the market and be sustainable for the Town. We knew that the results would not be back before the recommended budget was scheduled to be presented to the Council, but we had plans to set aside funding in FY 2021 to roll out a phased approach to implement the study.

All of those plans for FY 2021 have now changed dramatically as a result of the COVID-19 pandemic. The pandemic has had significant effects on our nation's economy, and unfortunately Chapel Hill has not been spared the financial hit.

To help put this in context, here is some information related to the national economic impacts:

- More than 22 million people have applied for unemployment in the last month (for perspective, 8.8 million jobs were lost during the financial crisis a decade ago)
- It is projected that the unemployment rate will reach more than 30%, which is higher than it was during the Great Depression
- Retail sales are down 8.9% overall (this impact is somewhat reduced by the increase in grocery sales, home improvement, and online sales) but it is significant

Here are a few details on our local economy:

- We are projecting a 10% decrease in sales tax growth through the end of FY 2020 (approximately \$800,000)
- We are projecting a 50% decrease in occupancy tax revenues through the end of FY 2020 (approximately \$250,000)
- We are projecting decreases to department revenues in the areas of building & development, parks and recreation, library, public works, police and fire (impact depends on how long services are either suspended or reduced)
- We are working with departments to help fill the more than \$1 million revenue shortfall in department operating budgets

We immediately recognized the need to look back over revenue projections for the remainder of FY 2020 and for what we are recommending for FY 2021. Our difficulty is trying to project the impact on the Town's budget when we don't know how long this event will last. However, we are not alone on this journey as the entire country is feeling the effects. And we are working together to find ways to balance our budget for this year and next without cutting the core services that you all provide to our residents.

So what does this all mean for next year? At best we are looking at a status quo budget for FY 2021. That means little to no increase in discretionary spending while at the same time we continue to search for savings to our operational costs. That is the message we have communicated to the Council as we prepare for the budget process. Based on the Council's feedback and additional information about potential local impacts, we recognize the need to be even more conservative in our approach. We are reducing our sales tax projections and looking for areas of reduction that will have the least possible impact on the organization and community. Our goal is to maintain the high-quality core services that we provide to our residents, businesses, and visitors.

At the moment we are not recommending a pay increase for employees. However, we are not proposing any reductions in staff either and we hope to reevaluate pay mid-year if economic conditions improve. We have also implemented a hiring freeze on vacant positions to help provide personnel savings this year. Many of those frozen positions will extend into next fiscal year and will be reconsidered at the end of the first quarter.

Our healthcare broker is continuing to negotiate our health insurance premium to ensure we get the best rate possible. We do anticipate a rate increase this year but we expect it to be a smaller increase than the current fiscal year.

Please know that once the economy turns around and things return to normal, it is our plan to resume conversations on the five-year budget strategy to help meet the needs of our community and employees. A lot of hard work has gone into this process, and we do not plan to abandon it.

We also plan to address the findings from the comp and class study at that time. My goal is to use that document as a guide for us to respond to the disparities we may have in compensation.

These are exceptionally challenging times and I am proud of the way all of you have responded to this crisis. I appreciate your hard work and dedication to the Town and to the people of Chapel Hill. Thank you!

All the Best,  
Maurice

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