

Cities cut costs during crisis

BY RACHEL GLOVER
STAFF WRITER

In the wake of a national economic crisis, N.C. cities are planning how best to negate its toll.

Right now, they are pinpointing what could strain their budgets. Decreased tax revenues, higher interest rates and increased unemployment — up to 6.8 percent from 4.7 percent — are their key challenges.

"My guess is that this crisis will have a broad impact," Kenan-Flagler Business School professor Steve Appold stated in an e-mail.

Cities and businesses will find it hard to take out loans, likely making day-to-day operations and expansions problematic, Appold said. Decreased sales, income and property taxes will result in smaller revenues.

Cities are considering energy conservation, pruning of capital expenses and freezes on hiring, while also crafting backup plans.

"You can run, but you can't hide because this is going to hit everybody," said Warren Wood, assistant city manager of Hickory.

Slashing energy costs

Hendersonville, Greensboro and Burlington are just a few of the cities looking to save money on energy and fuel costs.

"While we certainly anticipated higher energy costs, we probably didn't go far enough in terms of the cost of gasoline and other fuels. That continues to be a moving target," Jim Collins, spokesman for the city of Greensboro, stated in an e-mail.

Greensboro also will try to reduce expenditures by 2 percent by stopping out-of-state travel, reducing fuel usage and using energy efficiently.

Hendersonville is looking at fuel-efficient vehicles to remove some of the burden of higher fuel costs, said Jim Rudisill, city finance director.

And while consumers may try to conserve, revenue from state electricity and gas taxes won't change much because the state's major power companies are planning to increase their rates to offset consumption decreases, a report from the N.C. League of Municipalities said.

Fewer city improvements

The league also encouraged cuts in spending and postponements of capital projects until the credit market stabilizes.

Raleigh is postponing projects such as road resurfacing and roof repairs, which will save millions of dollars, said City Manager Russell Allen.

Some cities had funding set

aside for specific improvements. Burlington is one of those cities and it will continue with its projects, although they are looking at options for cutting costs, said city spokesman John Nixon.

Asheville will reduce payments by \$1.6 million with its plan for city infrastructure improvements, said Tony McDowell, budget manager.

Managing personnel costs

Cities also are planning to reduce their costs through hiring freezes, eliminating positions and consolidating responsibilities.

McDowell said Asheville plans to eliminate 10 full-time positions, while cities such as Hickory and Raleigh froze their hiring. In Raleigh, all but vital public safety positions are frozen.

Greensboro cut staff and froze hiring previously and can't afford to do that again, said Johnson. Asheville is reducing nonessential training, and Burlington plans to combine staff positions and fill vacancies selectively.

Crafting Plan B

Cities also are trying to build up their savings and form contingency plans.

"Thankfully, North Carolina has some of the most conservative regulations in the nation in terms of local government investments," Johnson said about Greensboro. "As a result, we are in a good position in terms of day-to-day cash flow."

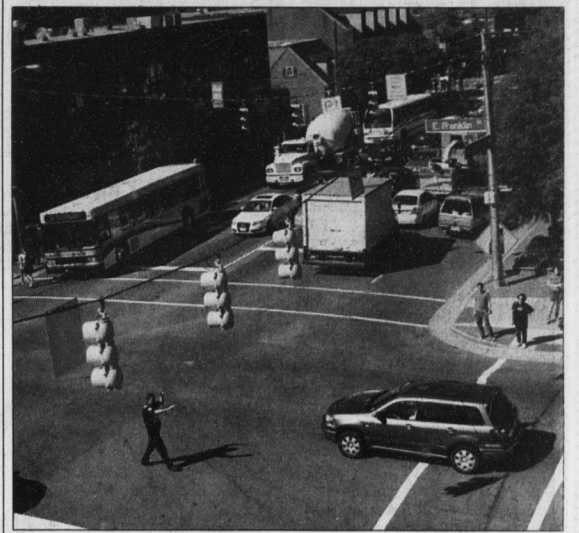
The league has advised cities to protect their savings by spreading out investments and ensuring there is adequate collateral for investments.

Johnson said Greensboro is on track to accumulate a healthy savings balance and improve its contingency budget. Hendersonville also is comfortable because of a healthy fund balance and adequate cash reserves, Rudisill said.

"Our goal is to maintain a healthy fund balance to get you through the tough times if need be," he said.

Contact the State & National Editor at stntdesk@unc.edu.

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