

Recessions: Lessons Learned and Planning Ahead in the Face of Uncertainty

Panelists:

- **Tony McDowell**, City of Asheville
- **Jennifer Mace**, Catawba County
- **Dr. Bill Rivenbark**, UNC School of Government

The Great Recession

Recession: “a period of reduced economic activity”

The “Great Recession”:

- Biggest downturn since the “Great Depression”
- Technically lasted from December 2007 to June 2009
- Caused by:
 - “Reckless borrowing and risk”
 - “Unprepared policy makers”
 - ...and more.

Market Summary > Dow Jones Industrial Average

INDEXDJX: .DJI

27,911.30 +29.58 (0.11%) ↑

Dec 11, 5:01 PM EST · Disclaimer

1 day

5 days

1 month

1 year

5 years

Max



Open
High

27,867.31
27,925.50

Low

27,801.80

The Headlines

WSJ Wall Street Journal

CFOs Brace for Potential Recession in 2020

Chief financial officers are bracing for a recession, cutting costs and hoarding cash to ride out an expected downturn ahead of next year's ...

1 day ago



CNBC

'Bond King' Gundlach says a recession is 'very unlikely' in 2020

Jeffrey Gundlach is not worried about a possible recession in 2020, saying on Wednesday that he thinks it's "very unlikely" one will happen.

18 hours ago



 NBCNews.com

What impending recession? New survey shows most people think they will be better off next year

Economists are beginning to predict a near-term economic future that, until recently, would have been considered inconceivable, or at the very ...

2 days ago



 MarketWatch

Economists say a recession is coming: How can 401(k) investors prepare?

According to a recent survey by the National Association for Business Economics, seven out of 10 economists expect a recession by the end of ...

4 days ago



F Forbes

Inverted Yield Curve Suggesting Recession Around The Corner?

The yield curve has inverted before every U.S. recession since 1975, although it sometimes happens months or years before the recession ...

Oct 2, 2019



B Bloomberg

Inverted Yield Curve's Recession Flag Already So Last Year

If 2019 was the year the yield curve went mainstream, with an inversion sending a stark recession warning, then 2020 is already shaping up as ...

2 weeks ago



What's next?

“The best description for the current North Carolina economy is a "deceleration in growth", rather than a "recession in growth.”

-Dr. Michael Walden, NC State University

“Stop talking about a recession or you're going to will it into existence.”

-Two Anonymous City of Durham Directors

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Great Recession

- Great recession officially lasted from December 2007 until June 2009.
- The City was half-way through fiscal year 2007-08 at the start of the recession.
- Impacts were felt far beyond 2009.

General Fund Fund Balance History

Fiscal Year	Unassigned (Available) Fund Balance
2005-06	\$17,297,325
2006-07	\$13,930,710
2007-08	\$13,014,873
2008-09	\$10,561,635
2009-10	\$11,162,752
2010-11	\$13,102,169
2011-12	\$13,626,200
2012-13	\$15,485,434
2013-14	\$15,040,899
2014-15	\$16,646,856
2015-16	\$18,009,662
2016-17	\$20,090,224
2017-18	\$18,288,714

City Manager Budget Message June

2007:

“...our strong financial performance in the current year will bring our unreserved fund balance up to approximately 32%. Staff is proposing that Council appropriate ***\$4.4 million*** in fund balance in next year’s General Fund budget. As staff indicated to Council at the April Budget Preview, ***\$2.0 million from fund balance will be going to enhance CIP*** funding. In addition, ***\$2.3 million is being appropriated to fund...one-time service enhancement costs.***”

**** Recession started December 2007***

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> Planned
reduction

Tax Base History

The tax base continued growing during the recession due to projects coming on the tax rolls that were started prior to the recession.

After the recession, growth stagnated due to the fall off in construction during the recession. The tax base did not begin growing at a normal rate again until 2016.

Fiscal Year	Tax Base	Change
2004	\$6,536,690	3.3%
2005	\$6,679,017	2.2%
2006	\$6,866,588	2.8%
<i>2007*</i>	<i>\$9,817,895</i>	<i>43.0%</i>
2008	\$10,014,816	2.0%
2009	\$10,435,047	4.2%
2010	\$10,800,914	3.5%
2011	\$10,931,307	1.2%
2012	\$11,013,391	0.8%
2013	\$11,126,841	1.0%
<i>2014*</i>	<i>\$11,167,998</i>	<i>0.4%</i>
2015	\$11,147,858	-0.2%
2016	\$11,411,112	2.4%
2017	\$11,802,458	3.4%
<i>2018*</i>	<i>\$14,458,564</i>	<i>22.5%</i>

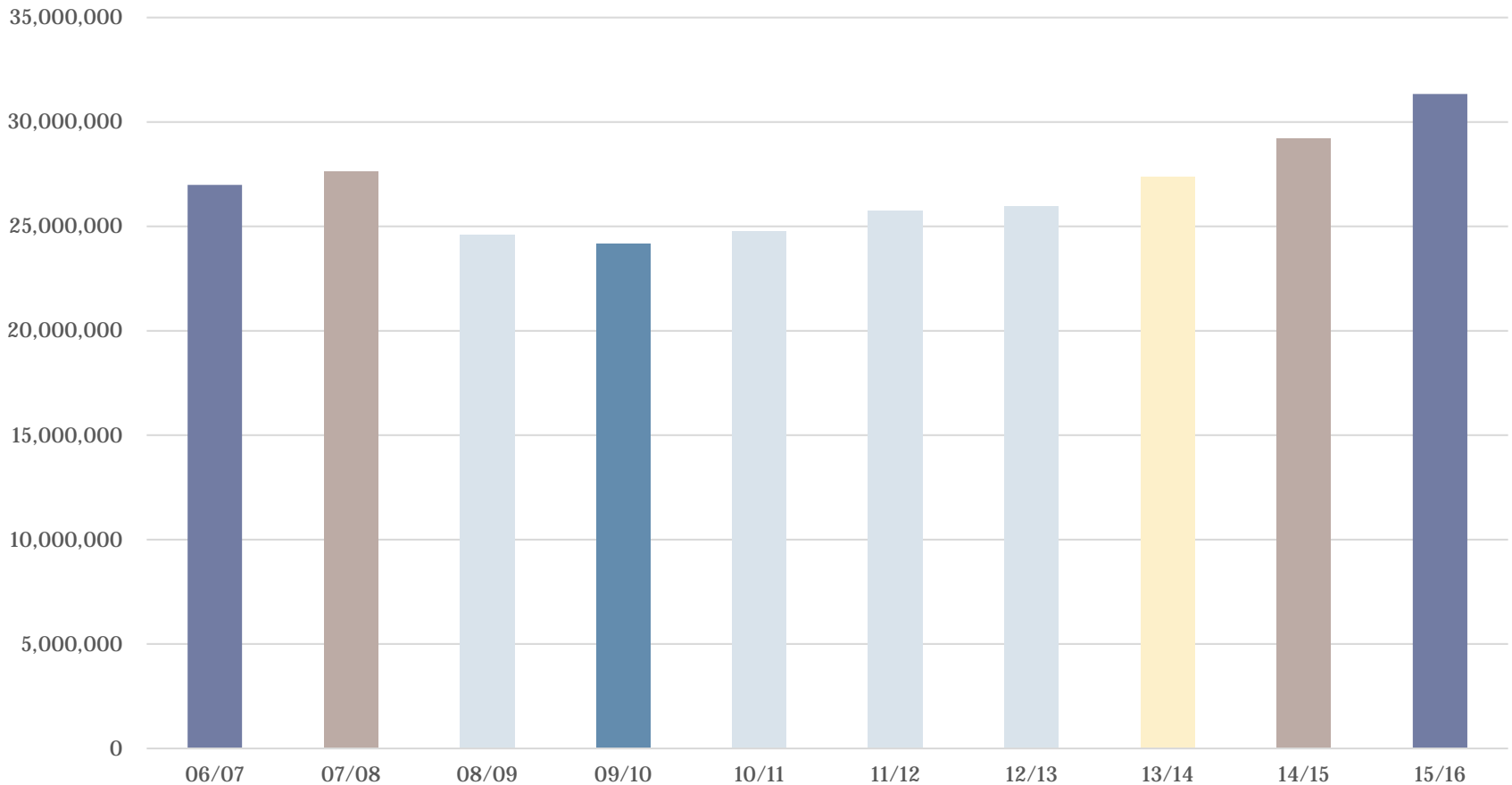
**Revaluation Years*

Sales Tax History

Sales taxes fell dramatically over a 3-year period. Actual revenue collected did not return to 2007 (pre-recession) levels until 2014.

Fiscal Year	Other Taxes	Change
2005	\$16,081,026	
2006	\$16,482,287	2.5%
2007	\$17,859,437	8.4%
2008	\$16,935,253	-5.2%
2009	\$15,473,546	-8.6%
2010	\$14,561,557	-5.9%
2011	\$15,372,430	5.6%
2012	\$16,487,134	7.3%
2013	\$17,309,592	5.0%
2014	\$18,139,616	4.8%

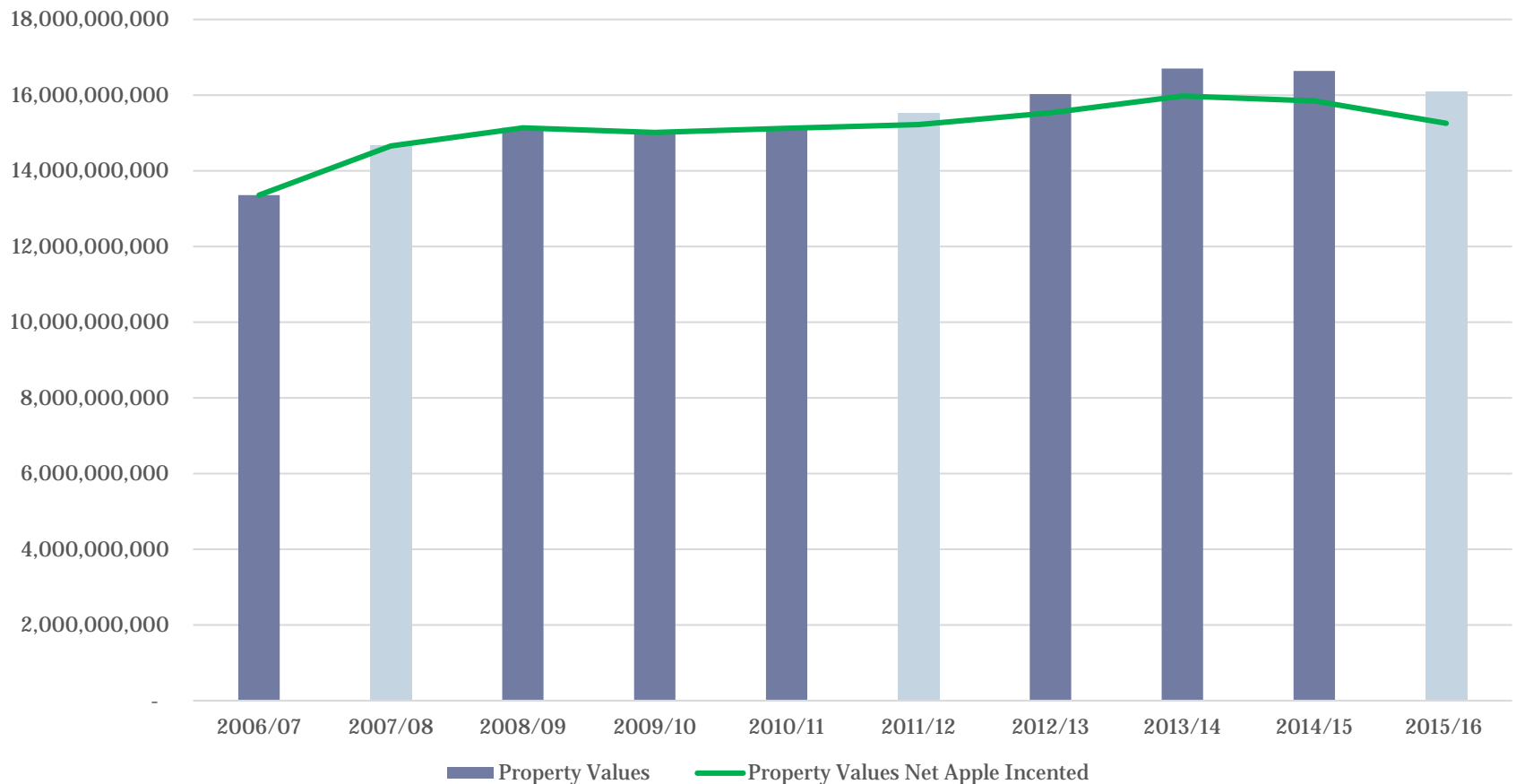
Catawba County lost \$3.5M or 12.5% in sales tax over 2 years, didn't recover fully until 14/15



Sales Tax

- **\$3.5M (12.5%) loss FY07/08-09/10** (based on 1st 2 cents)
- **1/4 cent dedicated by Board of Commissioners for specific needs**
- **Missed early signs due to Dept. of Revenue duplication of 1/4 cent sales tax proceeds in 1st cent distributions (\$1.9M overpayment)**
- **Didn't fully recover until Fiscal Year 2014/15**

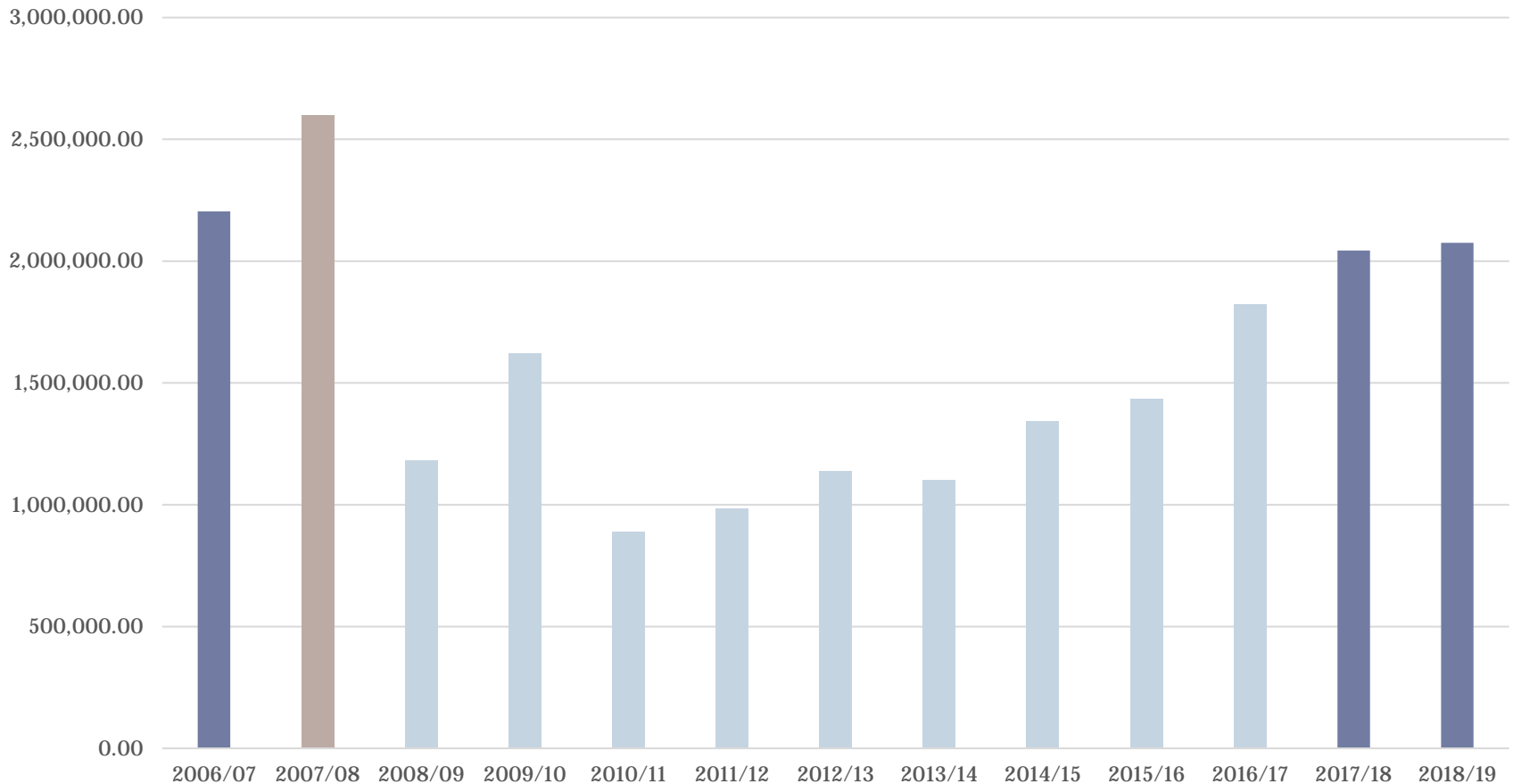
Catawba County Property Values flat in 11/12 & 5.9% loss in 15/16 Revaluation



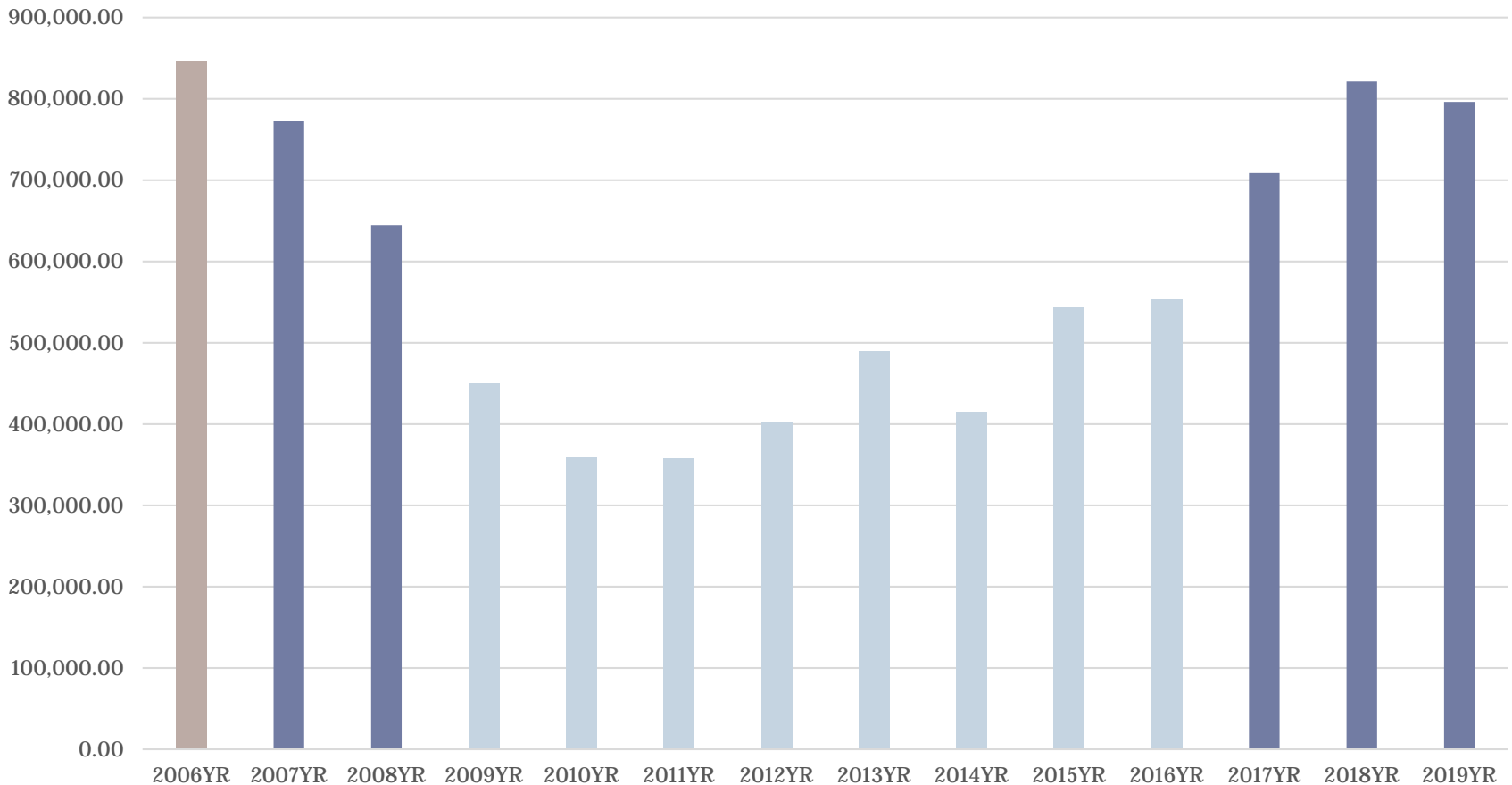
Property Values

- **08/09 – Duke Power listed \$191M in investments incorrectly, should have gotten 85% Green Energy Credit loss of \$860K revenue**
- **11/12 – Revaluation was flat. Only picked up \$100M value net of Apple incentivized property**
 - Board on record would adopt revenue neutral rate.
 - Apple property value gain resulted in ½ cent lower revenue neutral rate
 - Still owed Apple for incentive lost net \$1M
- **15/16 –5.9% value loss with revaluation (\$6M at pre-revaluation tax rate)**
 - 56.78 cent revenue neutral
 - Needed minimum of 2 cents above revenue neutral to cover pressures including 1.5 cents for a jail expansion
 - 57.5 cent adopted rate

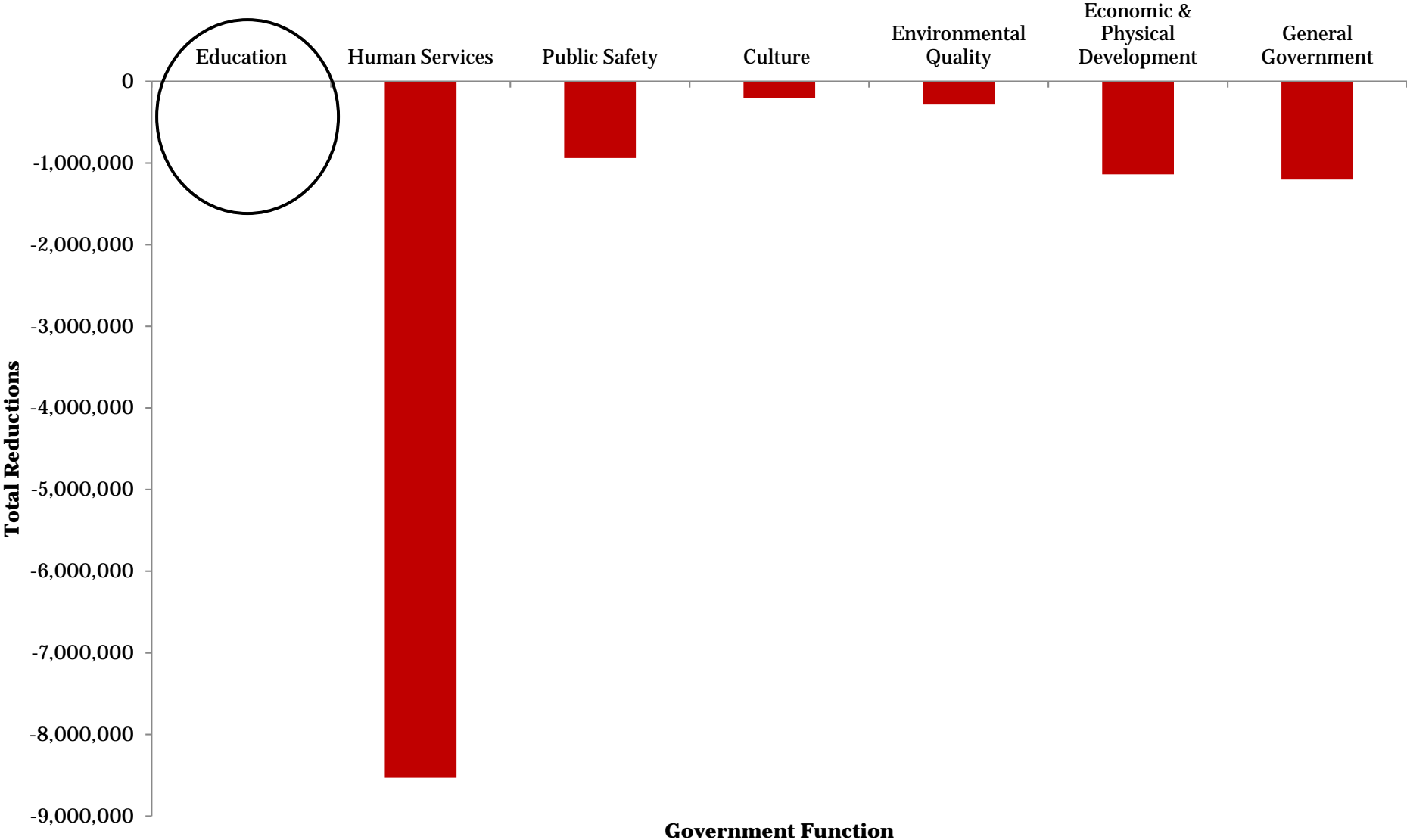
Building Permit Revenue decreased \$1.7M from pre-recession high, still hasn't completely recovered



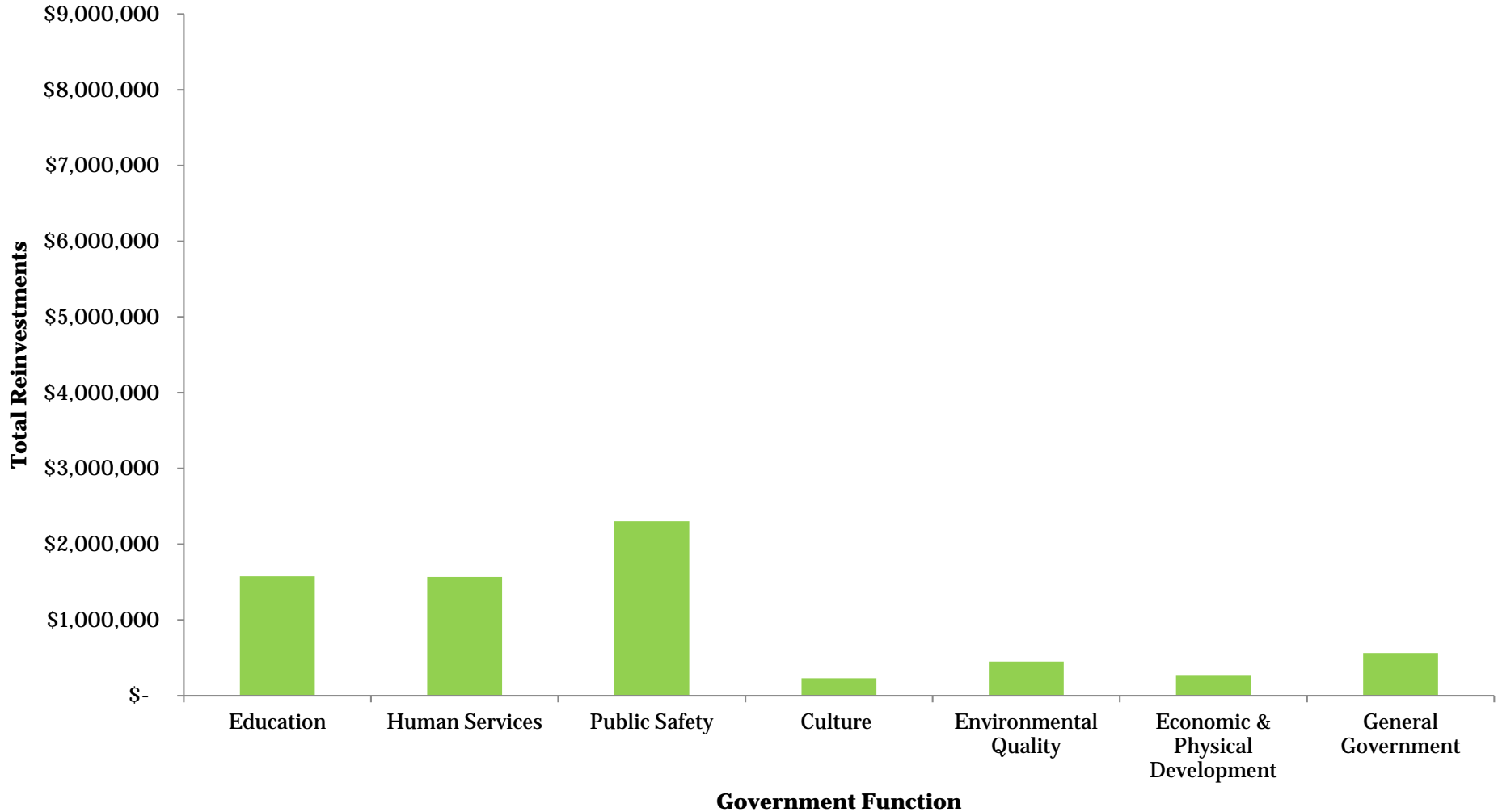
Real Estate Excise Tax was cut in half (\$488K loss) and just getting back to pre-recession level



Catawba County reduced its operating budget by \$12.3 million between 2009 and 2015



During same time Catawba County strategically invested \$6.9 million in core government functions.



Budget reductions resulted in net decrease of 37 positions -- only Public Safety experienced a positive net change in personnel.

