

Christopher A. Coons  
County Executive

Jeffrey W. Bullock  
Chief Administrative Officer



November 13, 2008

Dear Employees:

Over the past several months, we have all watched as the economy has taken an unprecedented downturn. New Castle County government has also felt the impact, and we must begin taking steps to address our worsening financial situation.

In recent years, we have made hard choices to bring our expenses in line with our revenues, yet the current economic situation has effectively erased the savings and revenue increases gained by those decisions. Like many governments, we have seen our revenues decrease sharply since the beginning of our current fiscal year, which began on July 1<sup>st</sup>.

Our estimated revenues for the current fiscal year have dropped \$14.2 million, primarily due to the drop in real estate transfer tax, Deeds office transactions and residential building permits and additions. Even more disturbing, those revenues continue to decline. We have lost an estimated \$3 million in just the last few weeks.

With no improvement in our situation on the horizon, we have no choice but to adjust how we do business to meet our current fiscal reality.

I will be discussing our financial situation and publicly announcing cost cutting measures with the media at 1:30pm today in the Government Center Lobby, and wanted you to be aware of these steps ahead of the announcement.

The following measures are effective immediately:

- Hiring freeze for non-essential positions
- Overtime spending only for approved critical needs
- Reductions in capital projects spending
- Limits on all travel and training
- Prior approval for all contractual services requests for spending
- Reductions in all new major equipment purchases/replacement including public safety fleet

These measures could help save as much as \$5 million during our current fiscal year, but that is only a fraction of the revenues we have already lost in the last 5 months. Further action will be necessary to address our bleak financial picture. The County's current year general fund projected budget shortfall has risen from \$17 million to nearly \$30 million at year-end. This represents a budget deficit of 17% of our general operating budget.

We are now using up our operating reserves so quickly that at our current rate of spending, we will exhaust those reserves before the end of the next fiscal year.

In the months ahead, I anticipate that additional actions will be necessary, including the reduction or elimination of some non-essential services. Also, as we prepare next year's budget, general managers and the Department of Finance will work with the administration to further reduce spending. We will continue to follow our approach of the last four years – seeking to both increase revenues and cut expenses to ensure longer-term financial stability for the County.

My budget next year will include recommendations to increase revenues significantly. If we are unable to increase revenues to compensate for some of our lost revenues and pay for the cost of our government, we will have no choice but to take more drastic actions to bring our expenses in line with our revenues.

I believe the services you provide to our residents are valuable ones, and you have risen to the challenge of doing more with less as this government is serving more people today with the same number of employees as five years ago. In that same spirit, I welcome your thoughts and ideas on ways we can find savings and increase our revenues to improve our financial situation.

Please feel free to communicate your ideas through your general manager or to me directly. As always, thank you for all you do for the residents of New Castle County, and I will continue to update you as we navigate through the challenges that lie ahead.

Sincerely,

A handwritten signature in cursive script, appearing to read "Chris".