



THE CITY OF OXFORD

SUNDAY, APRIL 19, 2020

MAYOR'S UPDATE

I hope this rainy day finds you doing well. Unfortunately, we found out this morning that the number of positive Covid-19 cases in Lafayette County rose from 40 cases yesterday to 64 today. We are certainly not out of the woods yet.

Since our announcement of the furlough of 135 employees and suspension of several City services, we have received numerous questions, criticisms and concerns. Today I will attempt to address some of the questions, concerns, and criticisms and give you some insight into the process of determining how budget cuts would make up for the projected \$3M shortfall between now and the end of September, which is the end of our fiscal year.

Let me start by giving you an overview of our finances. Sales tax revenues make up more than 1/3rd of our overall general operating budget. Where few stores are open, there is no way to make up that type of revenue. We project that our sales tax collections will be down by approximately \$2M before the end of the fiscal year. We also project that other revenues typically generated by building and permitting fees, court fines, mTrade park fees, Oxford Park Commission activity fees and summer camps....will be down another million putting us at a little over \$3M down for this year. This does not take into account the 2% food and beverage tax and 2% hotel/motel taxes that will certainly be way down. These tourism tax funds make up significant portions of the Visit Oxford, Oxford Conference Center, OPD, mTrade Park, Building and Grounds and Oxford Park Commission budgets. If the current trends continue, we expect our revenues for next year to be down approximately \$6.7M.

With those dire numbers in mind, our Board went to work making difficult cost saving decisions. When the pandemic was imminent, we eliminated all employee travel for the rest of the year, put in place a hiring freeze, either canceled orders or determined not to order any equipment that had been budgeted for but had not arrived, stopped all planned projects - water and sewer, street repairs, paving projects, sidewalk projects, landscaping projects and others. You will see some projects continue in the

coming months but these are projects that were already begun or that are funded at least partially with Federal grant monies or private donations and must be completed in order to receive that funding by a certain date.

Once projects were eliminated, we began evaluating costly services that were not critical including our curbside recycling, City pool and others. Knowing that opening the pool and allowing crowds would probably not be a possibility this summer, it wasn't a very hard decision not to invest the funds needed to open the pool this year although we know how important this activity is during a normal summer season.

Curbside recycling is much more difficult. We have made this service a priority for more than 20 years. For the past two years we have watched the cost increase and the demand decrease for the recyclables and knew hard decisions would have to be made at some point. The curbside recycling program cost our community approximately \$500,000 over the past year. During this financial crisis, this is simply a cost we cannot justify.

As I mentioned earlier this week, the curbside recycling program will be suspended May 1st. After that date, residents can still recycle by delivering their recyclables to the locations on Highway 7 South and Molly Barr Road. We know this service is important to our citizens and it is very important to us. Hopefully, you will be patient with us and in time we can return to curbside recycling.

Unfortunately these cost cutting measures were not enough. We had to consider furloughing employees. The Board made the heartbreaking decision to furlough 135 full time employees this week. That is about 34% of our full time employees...we will also not be hiring about 150 seasonal workers. These seasonal workers would have been at mTrade Park or the City Pool or helping with park commission activities but many would have been cutting grass...you will see a difference this summer in the services we are able to provide.

I have been asked why in the world we would have to furlough so soon...could we not have waited until later....did we not have the reserves to pay people a few more months?

Let me start by saying this was the most heartbreaking decision I've ever had to make. We knew that to meet our revenue shortfalls, a furlough of a large number of employees for 10 - 14 weeks was imminent. It didn't have to happen immediately but it would by Fall. With that in mind, we started analyzing how this could be done with

our employees best interest at heart. We knew we could wait until September to implement these furloughs. The City saves the same amount of money no matter what months we choose to furlough. The employees, however, would make much less in unemployment if we waited until September. The CARES Act is providing \$600 a week to those receiving unemployment currently only until July 31st. By furloughing employees now they to take advantage of the \$600 additional per week from the Federal Government. Each City employee that is furlough will make \$835 per week. If we waited and determined to furlough them in the fall, they would only receive \$235 per week. More than 90% of the employees furloughed will bring home more money on unemployment than they bring home when working. That does not remove the fear and anxiety that we know exists when being furloughed but it is the choice our Board knew was in their best interest long term.

While on furlough, City employees have not lost their jobs. They are subject to call back as soon as we can get back to normal and see our revenues get back on track. Furloughed employees will retain all of the City of Oxford benefits while on furlough - their insurance benefits will still be paid by the City and employees will still accrue sick leave and vacation leave during this time.

The furloughing of 135 employees for 14 weeks saves the City approximately \$1M.

I have been asked how employees were chosen for furlough?

We asked Department Heads to help us determine the minimum amount of people they could operate with. Let me be clear - every single employee of the City of Oxford is critical to our success. Employees who are performing critical services at this moment - are part of a project that is ongoing - serve a certain type of role that is needed everyday were not furloughed. Employees who are critical in other seasons - serve a certain type of role that is not needed currently due to closures - work for a department that has closed facilities or programming suspensions were furloughed. Again, all of our employees are valued and critical. We had to make some difficult decisions based on timing of this furlough.

I have been asked why some departments had to furlough more employees than other departments?

We could not place the same requirements on every department due to the different services each provides. Some Departments are almost completely shutdown due to the pandemic - for example 90% of the Oxford Park Commission employees were

furloughed because all activities and facilities are closed. Environmental Services only furloughed 7% and that is due to the fact that sanitation and maintaining right of ways hasn't slowed down at all...the only employees furloughed were for health concerns during the pandemic. The Court Department is much slower without holding City court in the normal fashion each week and with the lack of arrests due to people sheltering in place - 50% of the Court employees were furloughed. The Fire Department will maintain the same level of service and only 8% of the OFD employees were furloughed. With schools closed, our population down by approximately 40%, our downtown district closed for business, parking enforcement not needed with free parking and mounted patrol not being utilized often without crowds as well as Code Enforcement not being as active at this time, 28% of Oxford Police Department employees are furloughed. 60% at Visit Oxford, 71% at the Oxford Conference Center, 58% in Development Services and 32% in Building and Grounds, 33% in Utilities....everyone is making sacrifices to keep the cost to our tax payers down.

I have chosen to take a salary reduction during this time, as well.

Many have asked - how long will this last and will everyone get their job back?

I wish I knew the answers...I suspect this will be different for many employees depending on their role. For example, if the University has a fall session which we pray they do - our utility workers will be needed to set up new accounts. If schools open in the fall, all of our Student Resource Officers will be needed. If restaurants and bars open, our Downtown District Police force will be needed immediately. Our goal is to bring employees back after July 31st. We pray this passes much more quickly than we expect, and that we are able to reopen businesses successfully.

The Board has every intention of bringing every single employee back. We would not be continuing benefits if that was not our intention. We hope that we will be bringing them back sooner rather than later.

Another question I've been asked is - doesn't the City have a rainy day fund? What about the money that is in a trust from the sale of Baptist Memorial Hospital?

We, of course, considered these funds in every discussion about furloughs and suspensions of services. This fund was at about \$36M before the pandemic. It went down to about \$28M and is now sitting around \$30M due to the market fluctuation. The way that these funds are invested and utilized is strictly defined by Local and

Private Legislation that established this fund. Currently, the City of Oxford receives a 3% draw of the fund each year. This is typically between \$800,000 - \$900,000. Approximately \$500,000 of those funds are committed to bond payments each year. The additional \$300,000 - \$400,000 is spent on equipment or capital projects each year. These funds have allowed us each year to purchase needed equipment or perform needed improvements without raising taxes. We have been careful not to utilize these funds as general operating funds because we can't depend on an amount each year.

The way this fund is established by legislation, if an amount larger than the 3% is drawn out, no further amount can be taken out until the fund replenishes itself. So, if we were to take a 10% draw - \$3M to meet the shortfall we are currently experiencing, we would not be able to take our 3% draw until the fund replenished itself. We would need to find the \$500,000 from another source to meet the bond payments each year if we could not depend on the 3% payout. This funding option may be necessary to consider in the future if we are unable to make bond payments on our recent capital projects. Simply put, our Board saw this option as robbing Peter to pay Paul.

I hope that this answers some of the discussions surrounding our decisions to suspend services and furlough employees. I will still maintain - we have the most incredible employees in the nation. I am praying this passes quickly and we are able to get our entire team back together soon. Our family isn't complete without everyone here. Because we are definitely stronger together.