LATOYA CANTRELL, MAYOR
CITY OF NEW ORLEANS

October 5, 2020

Ms. Lisa M. Hudson
Director of Personnel
Department of Civil Service
1340 Poydras St., Suite 900
New Orleans, Louisiana 70112

RE: FORMAL REQUEST TO INVOKE FURLOUGH FOR CITY EMPLOYEES

Dear Ms. Hudson:

As we approach the 2021 budget season, the financial implications the City of New Orleans faces due to COVID-19 are far reaching. As a result, we are at an extremely consequential point in time and must demonstrate that we are being thoughtful, prudent, and responsible as it relates to the City's financial integrity and position.

The City of New Orleans began 2020 in better financial health than at any point since Hurricane Katrina. General Fund revenue was expected to grow by 1.2% in 2020 to a total of $725.8M. The City was projecting an unrestricted fund balance of $27.7M and a restricted savings fund balance of $31M. We had recently received bond rating upgrades from Moody's and S&P, allowing us to finance capital projects while paying less in interest rates. Unfortunately, the impact of the COVID-19 pandemic has been severe and devastating – the bottom has dropped, and we must manage our financial status accordingly. The economic structure of New Orleans, particularly its reliance on the tourism and hospitality industries, positions New Orleans to have a steeper and longer recovery than most other cities.

We are projecting a loss of approximately $150M in revenues in 2020, which represents more than 20% of anticipated revenues. The two revenue streams most impacted as a result of the pandemic are sales taxes and fines and forfeitures. Together, these two areas represent over 96% of our estimated revenue losses. As we approach the 2021 budget season, we will continue to face unprecedented financial challenges as a result of the COVID-19 pandemic. The upcoming budget year will be unlike any other we have seen before.

Over the last six months, we have done everything in our power to close this revenue gap. For 2020, we were able to find $100M in one-time money to supplement our revenue losses. Additionally, we significantly cut expenses by implementing multiple cost reduction measures to mitigate impacts on critical operations and services. These measures have included both a hiring and spending freeze, the evaluation of non-essential contractual obligations, the request for Departments to submit cost reduction and reorganization plans, and the mandate for Departments to implement a 20% budget reduction for the 2021 fiscal year.

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These efforts still leave us with a projected funding gap of millions of dollars. We had hoped to be able to close this gap by obtaining additional CARES Act funding from the State. The CARES Act, enacted in March 2020, allocated Coronavirus Relief Funding directly to local governments with more than 500,000 residents but relied upon state governments to distribute relief funding to smaller units of local government. Based upon the initial allocation to the State of Louisiana, we anticipated receiving approximately $150M in CARES Act funding this year. However, the State Legislature has repurposed much of this funding and we now expect to receive only $60M or about 40% of what was intended for our City. Over the last several months we have had extensive conversations with legislators and the State to advocate for the restoration of this funding. We held off on taking significant personnel actions such as furloughs or layoffs out of hope that these conversations might yield additional funding. However, the end of the fiscal year is rapidly approaching, and we can no longer afford to hold out hope for funding that may never come. It is imperative that we begin to sharply reduce expenditures now in order to ensure that we can meet our financial obligations this year. These actions are extremely critical and will be necessary for the City's current financial stability and future trajectory.

Therefore, I am forced to officially request that the City invoke a furlough in accordance with Rule XII, Section 9.1 of the Civil Service Rules. This request is being made to avoid layoffs in 2020. All employees, including members of our public safety Agencies, classified and unclassified employees, and General Fund as well as non-General Fund employees will be required to take six (6) furlough days through the end of the year. Employees who are funded solely by federal, state, local, or foundation grants will be exempted. Exempted Departments and Agencies are the Aviation Board, the Sewerage and Water Board, all Public Benefit Corporations, and all classified and unclassified personnel employed by these Departments and Agencies, as they operate without City General Fund revenues. I will participate in this furlough and will encourage all other elected officials who receive their salary from City funding to participate as well. I further request that the Civil Service Commission waive the 30-day notification period required by Rule XII, Section 9.1(a) and the 10-day notification period required by 9.1(f) so that we can begin furloughs immediately and minimize their impact on City services by spreading them out over the six remaining pay periods. Accordingly, we would like to begin the furloughs effective October 11th, 2020 and ask that the Commission hold a special meeting as soon as possible to authorize this request.

I appreciate that this request will have significant consequences for our many dedicated and hard-working City employees, and I do not make it lightly. Unfortunately, I anticipate that I may need to make additional requests of the Commission in the coming months. As we approach the 2021 budget cycle, the City is facing revenue shortfalls as severe as we experienced in 2020, but without the expectation of the one-time funds or federal funding for 2021. We will only be able to reduce personnel expenditures enough to fill this funding gap through some combination of furloughs, pay reductions, and/or layoffs. When we introduce the 2021 budget at the end of this month, that budget will necessarily include personnel spending cuts that will require action from the Commission or Personnel Director. I know that you appreciate the unprecedented situation that the City is in and that we share the common goal of continuing to provide necessary services to the residents of New Orleans even in these difficult times. I ask you to approve this request so that we can continue to provide these services in a fiscally responsible manner.

Thank you for your thoughtful consideration of this request. Should you need any additional information, please do not hesitate to contact my Chief Administrative Officer, Gilbert Montaño.

Sincerely,

LaToya Cantrell
Mayor, City of New Orleans

cc: Chief Administrative Officer Gilbert A. Montaño
Chief Financial Officer Norman White
Commissioner Michelle Craig
Commissioner Brittney Richardson
Commissioner John Korn
Commissioner Mark Surprenant
Commissioner Clifton Moore
Councilmember Jason Rogers Williams, At Large
Councilmember Helena Moreno, At Large
Councilmember Joseph I. Giarrusso III, District A
Councilmember Jay H. Banks, District B
Councilmember Kristin Gisleson Palmer, District C
Councilmember Jared C. Brossett, District D
Councilmember Cyndi Nguyen, District E