



MAYOR
Toby Barker

COUNCIL - WARD ONE
Jeffrey George

COUNCIL - WARD TWO
Deborah Denard Delgado

COUNCIL - WARD THREE
Carter Carroll

COUNCIL - WARD FOUR
Mary Dryden

COUNCIL - WARD FIVE
Nicholas Brown

MEMORANDUM

TO: *Members of the City Council*
FROM: *Mayor Toby Barker*
DATE: *May 1, 2020*

In response to your request concerning an assessment of the city's financial standing, there are several areas which need to be compared to the financial standing at this time one year ago. The first item to be compared is the General Fund's fund balance. This number includes not only cash on hand, but also includes any receivables, liabilities, and cash on hand at the beginning of the fiscal year. Currently, the fund balance is \$13,855,070. At this time in 2019, the fund balance was \$18,248,206. The difference is a reduction of \$4,393,136.

The second item to be compared is the cash balance. As of April 27, current cash on hand is \$10,618,221. Cash on hand at this time in 2019 was \$14,840,491. The difference is a reduction of \$4,222,270. Fluctuations in fund balance and cash balance, including reasons for variations in both, are addressed in paragraph 5 of this memo.

The next item to be compared is General Fund revenues. Current year-to-date General Fund revenues are \$36,063,123. FY 2019 revenues through April were \$36,983,794. The difference of \$920,671 is due to the fact that there are a few more days in April for which revenue can be posted, and our analysis shows that the following revenues have not yet been posted: franchise fees; garbage collection fees have not yet been transferred from the Water Billing office to the General Fund; MPO reimbursements are less at this time (this depends on when the reimbursement request is sent to the state and processed back to us); fluctuation in amount and timing of receipt of grant revenues. We expect that total April 2020 revenues will be very close to April 2019 revenues once franchise fees and garbage collection fees are posted to the General Fund.

The next group of accounts compared is General Fund expenditures. Expenditures as of April 27, 2020 are \$27,581,765. Expenditures at this time in April 2019 were \$23,827,812. The difference of \$3,753,953 is very close to the difference in both cash balance and fund balance, as explained above.

What analysis of the above items reflects is that expenditures for year-to-date FY 2020 are greater than expenditures at this time in FY 2019, and that difference is reflected in both cash balance and fund balance. The explanation for an increase in expenditures includes several factors: an increase in the PERS contribution rate – it is now 17.4%, and it was 15.75% for the first 9 months of FY 2019; the paving budget not only was increased for FY 2020, but the timing of expenditures was different in that some open purchase orders from the end of FY 2019 were paid in the early months of FY 2020; the timing of interfund transfers to other funds occurred in March 2020, whereas interfund transfers were made in May of 2019; debt service is a little higher in FY 2020 due to payments for the Courtesy Ford building.

The above fluctuations would not cause much concern under ordinary circumstances, since they are, in large part, a matter of when the revenue was received and expenditure incurred. The most concerning item is sales tax, an item for which you specifically requested detailed information.

Sales tax receipts through April 2020 are \$13,191,310. Sales tax receipts through April 2019 were \$13,141,823. There is a slight increase in receipts of \$49,487. The diversion received in April represents sales from February. While we were beginning to see the effects of the COVID-19 pandemic in this area in February, no businesses had yet been adversely affected, and our local economy was operating very close to budget expectations.

Within the next two weeks, we experienced unprecedented changes, with the closing of virtually all businesses classified as non-essential, closing of schools and the two universities, anticipation of supply shortages, and inundation of medical facilities with seriously ill citizens.

We have been in contact with state officials concerning the impact of business closings on our sales tax revenue, and it has been confirmed that there will be at least a 15% reduction in sales tax revenue for the month of May, which represents March revenue. That equates to an approximate \$300,000 reduction. It stands to reason that the June sales tax revenue (April sales) would be double that 15% reduction, which would mean a possible reduction of \$600,000 in sales tax revenue alone for the month of June.

Depending on when restrictions are eased and businesses begin to reopen, we could be faced with a 15% reduction in sales tax collections for FY 2020, which would mean a loss of about \$3.4M. Keep in mind that another unprecedented factor in this calculation is the fact that our university students are not physically here – a potential 10,000 – 12,000 individuals – whose buying power has gone elsewhere, and likely will not return until the fall.

It is important to note here the significance of a 15% reduction in sales tax revenue. Sales tax accounts for 42% of the General Fund budgeted revenue. In terms of dollars, the sales tax budget is \$22,700,000, the property tax budget is \$18,735,000, and the total General Fund revenue budget is \$54,656,828. Property tax accounts for 34% of budgeted General Fund revenue. Other items, such as franchise fees, municipal court fines, and federal and state grants make up the remaining 34%. While a \$3.4M

reduction in General Fund revenue may not seem like a significant amount, that amount covers the Sanitation department or ¼ of the Police Department budget.

To continue a business-as-usual operation would mean dipping into the General Fund's cash and fund balances, a practice we have worked very hard to cease in the past couple of years. Therefore, it was incumbent upon us to develop a reduced spending plan that would carry the city through this period and potentially into FY 2021. A hiring freeze was initiated, and expenditures were reduced to only those items absolutely essential to providing services. Continued concern that this was not a sufficient reduction in costs prompted further analysis of our options.

One option was a 15% reduction in salaries. The savings generated from this option would be approximately \$1.8M. Another option was reducing work schedules to 30 hours per week (excluding sworn police and fire personnel), which would generate savings of approximately \$1.4M. While these two options would generate short-term savings, those savings would only occur for the period of time that the salaries or hours were reduced. Leaving the salaries at a reduced level past fiscal year 2020 would have a detrimental effect upon long-term earnings capacity for all employees and would also affect retirement benefits. Leaving hours at a reduced level would seriously affect the city's ability to provide services.

At this point, it became evident that a more aggressive option was necessary, and we had no choice but to initiate a Reduction in Force. Each of the directors was asked to review their department budgets and staffing needs and develop a Reduction in Force plan which could be accomplished through restructuring of department duties. The review produced a list of 27 currently vacant positions supported by General Fund revenues which will not be filled.

The tougher decision was to identify 39 currently filled positions for the Reduction in Force. Of these 39 reductions, 22 positions are full-time positions, 6 are part-time positions, and 10 are full-time positions where the employees will be moved to non-General Fund supported departments or to essential public safety/code positions; one position is a salary reduction.

The Water & Sewer budget will support 50% of three Engineering Department salaries for the remainder of this fiscal year, as well as FY 2021, since a significant portion of their work provides oversight of Water & Sewer projects. This will generate savings of \$58,760 for the remainder of FY 2020 and savings of \$143,095 for FY 2021.

The total cost savings for FY 2020 is \$952,519. Cost savings for FY 2021 would be \$2,586,710. A Reduction in Force does two things: first, the savings generated in FY 2020 will cover the sales tax shortfall we know we will have for March and April sales; second, the savings generated for FY 2021 will significantly reduce the structural deficit in the General Fund.

We will continue to evaluate the city's financial position for the remainder of FY 2020, since it is difficult to project the full impact of sales tax revenue shortfall. Additional cost-cutting measures will likely be necessary, depending upon how quickly the local economy recovers.

CITY OF HATTIESBURG
30-Apr-20
REDUCTION IN FORCE PROPOSAL - MODIFIED

<u>Position</u>	<u>Salary</u>	<u>Pay Pds. in FY 20</u>	<u>PERS</u>	<u>FICA</u>	<u>Insurance</u>	<u>Total</u>
<u>GENERAL FUND - vacant positions:</u>						
CFO20-1	44,750	17,212	2,995	1,317	2,200	23,723
PLANNER90-3	50,000	19,231	3,346	1,471	2,200	26,248
CODEENOFR180-2	30,037	11,553	2,010	884	2,200	16,647
GISTECH94	32,000	12,308	2,142	942	2,200	17,591
RECRDCLRK100-05	21,840	8,400	1,462	643	2,200	12,704
FMR191-2	22,880	8,800	1,531	673	2,200	13,204
DIVMGRCATB207	46,738	17,976	3,128	1,375	2,200	24,679
MECH204-3	29,120	11,200	1,949	857	2,200	16,206
MECH204-9	33,280	12,800	2,227	979	2,200	18,206
EQUIPOP220-18	29,120	11,200	1,949	857	2,200	16,206
EQUIPOP201-3	29,328	11,280	1,963	863	2,200	16,306
EQUIPOP201-7	24,960	9,600	1,670	734	2,200	14,205
EQUIPOP201-9	24,960	9,600	1,670	734	2,200	14,205
CRWWRKR250-1	22,880	8,800	1,531	673	2,200	13,204
CRWWRKR250-6	22,880	8,800	1,531	673	2,200	13,204
CRWWRKR250-12	22,880	8,800	1,531	673	2,200	13,204
EQUIPOP250-14	24,960	9,600	1,670	734	2,200	14,205
EQUIPOP250-15	24,960	9,600	1,670	734	2,200	14,205
DIVMGRCATB40-1	19,883	7,647	1,331	585	2,200	11,763
CRWWSEA250-1	3,240	3,240		248		3,488
CRWWSEA250-2	3,240	3,240		248		3,488
CRWWSEA250-3		3,240		248		3,488
Total vacant positions	563,936	224,126	37,307	17,146	41,800	320,378

GENERAL FUND - filled positions:

<u>Position</u>	<u>Salary</u>	<u>Pay Pds. in FY 20</u>	<u>PERS</u>	<u>FICA</u>	<u>Insurance</u>	<u>Total</u>
ADMINAST20-2	34,284	13,186	2,294	1,009	2,200	18,689
DIGMGRCATA40-1	47,508	18,272	3,179	1,398	2,200	25,050
ASTDIVMGS207-1	31,200	12,000	2,088	918	2,200	17,206
CUSTSVCCORD20	45,000	17,308	3,012	1,324		21,643
DEPTYCLRK15-6	23,920	9,200	1,601	704	2,200	13,705
MUNIPROS15-1	45,010	17,312	3,012	1,324	2,200	23,848
DEPTYCLRK15-2	11,440	4,400	766	337		5,502
PLANNER90-1	37,080	14,262	2,482	1,091	2,200	20,034
PERMITTECH180-1	24,004	9,232	1,606	706	2,200	13,745
EVITECH100-2	15,600	6,000	1,044	459		7,503
OFFASST100-3	24,960	9,600	1,670	734	2,200	14,205
VICTADV100-2	22,880	8,800	1,531	673	2,200	13,204
PARKVIO560-3	12,480	4,800	835	367		6,002
PARKVIO560-1	12,480	4,800	835	367		6,002
PARKVIO560-3	12,480	4,800	835	367		6,002
OFFASST100-2	23,504	9,040	1,573	692	2,200	13,505
ANIMALCTRL260-1	23,504	9,040	1,573	692	2,200	13,505
RECRDSCLRK100-4	22,880	8,800	1,531	673	2,200	13,204
CRWFRMN191-2	27,040	10,400	1,810	796	2,200	15,205
FMR191-1	22,880	8,800	1,531	673	2,200	13,204
FMR207-2	24,440	9,400	1,636	719	2,200	13,955
FMR207-5	23,920	9,200	1,601	704	2,200	13,705
FMR207-7	23,920	9,200	1,601	704	2,200	13,705
FMRELECT207-2	29,120	11,200	1,949	857	2,200	16,206
EQUIPOP250-5	24,960	9,600	1,670	734	2,200	14,205
CFWWRKR201-16	24,960	9,600	1,670	734	2,200	14,205
CRWWRKR250-8	22,880	8,800	1,531	673	2,200	13,204
CRWWRKR250-2	33,363	12,832	2,233	982	2,200	18,246
ACCTTECH42-1	22,520	8,662	1,507	663	2,200	13,031

<u>Position</u>	<u>Salary</u>	<u>Pay Pds. in FY 20</u>	<u>PERS</u>	<u>FICA</u>	<u>Insurance</u>	<u>Total</u>
Total filled positions	750,217	288,545	50,207	22,074	50,600	411,426
<u>PARKS & RECREATION - vacant positions:</u>						
ASTRECSPC315-39	11,440	4,400	766	337		5,502
ASTRECSPC315-40	11,440	4,400	766	337		5,502
ASTRECSPC315-10		2,800		214		3,014
ASTRECSPC315-11		2,800		214		3,014
ASTRECSPC315-12		2,800		214		3,014
Total vacant positions	22,880	17,200	1,531	1,316	-	20,047

<u>Position</u>	<u>Salary</u>	<u>Pay Pds. in FY 20</u>	<u>PERS</u>	<u>FICA</u>	<u>Insurance</u>	<u>Total</u>
<u>PARKS & RECREATION - filled positions:</u>						
FMR553-6	22,880	8,800	1,531	673	2,200	13,204
OFFASST553	23,400	9,000	1,566	689	2,200	13,455
CUSTODIAN650-3	30,056	11,560	2,011	884	2,200	16,656
CUSTODIAN650-7	25,564	9,832	1,711	752	2,200	14,495
CRWWKR300-11	22,880	8,800	1,531	673	2,200	13,204
CRWWKR300-12	22,880	8,800	1,531	673	2,200	13,204
CRWWKR300-13	22,880	8,800	1,531	673	2,200	13,204
CRWWKR300-8	22,880	8,800	1,531	673	2,200	13,204
CRWWKR300-9	22,880	8,800	1,531	673	2,200	13,204
INVPROGCOO315-1	33,009	12,696	2,209	971	2,200	18,076
Total filled positions	249,309	95,888	16,685	7,335	22,000	141,908

<u>GENERAL FUND - other changes and cost savings (shared costs with other funds or grant-funded):</u>	<u>(savings to General Fund is half of total position cost)</u>
OFFASST570	26,749
	895
	394
	2,200
	8,633

<u>Position</u>	<u>Salary</u>	<u>Pay Pds. in FY 20</u>	<u>PERS</u>	<u>FICA</u>	<u>Insurance</u>	<u>Total</u>
ACCT203-1	51,000	9,808	1,707	750	2,200	14,465
DIRECTOR203-1	85,000	16,346	2,844	1,250	2,200	22,641
ENGSPRV203-1	45,000	8,654	1,506	662	2,200	13,022
Total other changes & cost savings	207,749	39,952	6,952	3,056	8,800	58,760
GRAND TOTAL - GENERAL FUND SAVINGS	1,794,091	665,711	112,681	50,927	123,200	952,519

WATER & SEWER - vacant positions:

ASMCOLAST660-3	28,600	11,000	1,914	842	2,200	15,956
CRWWRKR672-4	27,560	10,600	1,844	811	2,200	15,455
DIVMGRCATC673	62,000	23,846	4,149	1,824	2,200	32,020
OPERENG673-3	28,080	10,800	1,879	826	2,200	15,705
PROJMGR676-1	42,000	16,154	2,811	1,236	2,200	22,400
TOTAL W & S SAVINGS	188,240	72,400	12,598	5,539	11,000	101,536

**CITY OF HATTIESBURG
REDUCTION IN FORCE
FY 2019-2020**

<u>DEPARTMENT</u>	<u>SALARY</u>	<u>STATUS</u>
Mayor:		
Full-time:		
CFO20-1	44,750	Vacant
ADMINAST20-2	34,284	Filled
Part-time:		
CUSTSVCCORD20	45,000	Filled
Municipal Court:		
Full-time:		
DEPTYCLRK15-6	23,920	Filled
MUNIPROS15-1	45,010	Filled
Part-time:		
DEPTYCLRK15-2	11,440	Filled
Municipal Clerk:		
Full-time:		
DIVMGRCAT40-1	47,508	Filled
DIVMGRCATB40-1	19,883	Vacant
Accounting:		
Full-time:		
ACCTTECH42-1	22,520	Filled
Urban Development:		
Full-time:		
PLANNER90-1	37,080	Filled
PLANNER90-3	50,000	Vacant
CODEENOF180-2	30,037	Vacant
PERMITTECH180-1	24,004	Filled
GISTECH94	32,000	Vacant
Police:		
Full-time:		
RECRDSCLRK100-5	21,840	Vacant
VICTADV100-2	22,880	Filled
OFFASST100-3	24,960	Filled
OFFASST100-2	23,504	Filled
RECRDSCLRK100-4	22,880	Filled
ANIMALCTRL260-1	23,504	Filled

Part-time:

PARKVIO560-3	12,480	Filled
PARKVIO560-1	12,480	Filled
PARKVIO560-3	12,480	Filled
EVITECH100-2	15,600	Filled

Public Works:**Full-time:**

FMR191-2	22,880	Vacant
DIVMGRCATB207	46,738	Vacant
ASTDIVMGR207-1	31,200	Filled
MECH204-3	29,120	Vacant
MECH204-9	33,280	Vacant
EQUIPOP220-18	29,120	Vacant
EQUIPOP201-3	29,328	Vacant
EQUIPOP201-7	24,960	Vacant
EQUIPOP201-9	24,960	Vacant
CRWWRKR250-1	22,880	Vacant
CRWWRKR250-6	22,880	Vacant
CRWWRKR250-12	22,880	Vacant
EQUIPOP250-14	24,960	Vacant
EQUIPOP250-15	24,960	Vacant
CRWFRMN191-2	27,040	Filled
FMR191-1	22,880	Filled
FMR207-2	24,440	Filled
FMR207-5	23,920	Filled
FMR207-7	23,920	Filled
FMRELECT207-2	29,120	Filled
EQUIPOP250-5	24,960	Filled
CFWWRKR201-16	24,960	Filled
CRWWRKR250-8	22,880	Filled
CRWWRKR250-2	33,363	Filled

Part-time:

CRWWSEA250-1	3,240	Vacant
CRWWSEA250-2	3,240	Vacant
CRWWSEA250-3	3,240	Vacant

Parks & Recreation:**Full-time:**

FMR553-6	22,880	Filled
OFFASST553	23,400	Filled
CUSTODIAN650-3	30,056	Filled
CUSTODIAN650-7	25,564	Filled
CRWWRKR300-11	22,880	Filled
CRWWRKR300-12	22,880	Filled
CRWWRKR300-13	22,880	Filled
CRWWRKR300-8	22,880	Filled

CRWWRKR300-9	22,880	Filled
INVPROGCOO315-1	33,009	Filled
Part-time:		
ASTRECSPC315-39	11,440	Vacant
ASTRECSPC315-40	11,440	Vacant
ASTRECSPC315-10	2,800	Vacant
ASTRECSPC315-11	2,800	Vacant
ASTRECSPC315-12	2,800	Vacant