

THOMAS B. MODICA  
City Manager

August 3, 2020

Dear City Team:

I want to take this opportunity to keep you informed about our financial situation and the challenges ahead. On August 3, 2020, I will be presenting the Proposed Fiscal Year 2021 (FY 21) Budget to the Mayor and City Council. This budget was developed while facing an unprecedented series of issues – a world-wide pandemic, calls to address systemic racism, and the largest projected budget shortfall in recent history. The City is faced with a \$30 million General Fund shortfall to resolve, along with significant losses in just about every other fund of the City.

No one could have predicted we would be facing a global pandemic and how significantly it would alter the City's plans, priorities, and focus in FY 20. I am proud to say that City staff responded to meet this challenge by activating our emergency response teams and doing whatever was necessary to protect residents and lessen the economic impact on businesses – reconfiguring much of what the City normally does to make the health and safety of our community a top priority. I continue to be so proud of your work.

In order to pass a balanced budget, the City diligently sought ways to increase revenue, find efficiencies, and consider innovative and new service delivery models that could cut down on costs without impacting services. Even with these efforts, however, given the size of the shortfall, the Proposed FY 21 Budget includes the elimination of 136 positions. Of these 136 positions, 77 are filled positions covering a broad range of both classified and unclassified classifications. I take the decision to eliminate positions very seriously and very reluctantly – it is a reflection of the incredibly difficult reality we are facing, just as hundreds of thousands of our own residents are facing tough decisions about their own finances and businesses, and local unemployment in excess of 20 percent.

Assuming the Proposed FY 21 Budget is approved by the City Council with the reductions of filled positions, the City will be requesting an Order of Layoff from the Civil Service Commission. The Departments of Human Resources and Civil Service will work in partnership to administer the layoff process and communicate with affected employees. Please remember that for classified positions, layoffs are based on seniority in classification. It is important to recognize that even if a particular classified position is not

listed as eliminated in the Proposed Budget, it could be impacted by bumping rights of others in that same classification due to seniority, once the Order of Layoff is prepared.

You have my commitment that we will do everything possible to find positions for affected employees and minimize layoffs as much as possible. Please know that the decision to make these layoffs is not final - the Proposed Budget still needs to go through an intense review process by the Mayor and City Council with a number of hearings and community meetings. I will communicate again with you as to the status of the Budget and the position reductions once that process is complete.

Additionally, given how difficult the financial situation is, and to avoid even further layoffs and reduction of services to the community, I am asking for all of us as City employees to participate in generating one-time savings for FY 21. This will be worked out at the bargaining table, so I am not able to get into specific details, but we are actively engaging with each of your employee associations to have these discussions. My goal, as reflected in the Proposed Budget, is that savings of \$11 million to the General Fund will be generated to limit reductions and avoid further layoffs. Savings in all other funds will help those funds as well, as nearly every fund in the City is experiencing revenue declines. At the same time, we are negotiating long-term contracts to address compensation issues and provide some economic clarity for you and your families. Generating that level of one-time savings will not be easy – but each bargaining unit with an open contract will be able to negotiate the least impactful way to achieve the goals.

I want to be upfront with you – in all likelihood the savings from City employees will come in the form of significant furloughs. As an example, to generate the \$11 million in savings needed, it could result in up to 26 days of furloughs next year and potentially closing most City services every other Friday. Specific implementation may differ, and some units have closed contracts that may assist in other ways. Given the gravity of our financial situation, I am asking for all of us to help. The \$11 million of employee one-time savings included in the Proposed Budget is equivalent to 106 City positions spared from layoffs in the Proposed Budget.

I will not pretend to know the impact that equivalent loss of pay for a year will mean to you and your families; at the same time, I am hoping you understand the need for it. I will be participating as well, along with the top management team. We are all in this together and it is my hope that we can collectively contribute to the solution together to show our resolve to both protect employees from additional layoffs and prevent drastic service reductions to our community.

These are difficult times with no obvious or easy answers, but I will commit to staying transparent and keeping you all informed along the way. We will endure during this tough period and continue to help our community as we all live through these amazing and historic times together.

If you have any additional questions at this time, please do not hesitate to contact your Department's Administrative Officer or for the status of negotiations your union representative as those negotiations will happen at the bargaining table.

Sincerely,

A handwritten signature in blue ink, appearing to read 'T. B. Modica', written in a cursive style.

Thomas B. Modica  
City Manager