

CHIEF ADMINISTRATIVE OFFICE  
CITY OF NEW ORLEANS

LATOYA CANTRELL  
MAYOR

GILBERT MONTAÑO  
CHIEF ADMINISTRATIVE OFFICER

**Jared C. Brossett**

Chair, Budget/Audit/BOR Committee  
1300 Perdido Street  
Suite 2W20  
New Orleans, LA 70112

**Jason R. Williams**

Council Vice President  
1300 Perdido Street  
Suite 2W50  
New Orleans, LA 70112

**Jay H. Banks**

Council District B  
1300 Perdido Street  
Suite 2W10  
New Orleans, LA 70112

**Cyndi Nguyen**

Council District E  
1300 Perdido Street  
Suite 2W60  
New Orleans, LA 70112

**Helena Moreno**

Council President  
1300 Perdido Street  
Suite 2W40  
New Orleans, LA 70112

**Joseph I. Giarrusso**

Council District A  
1300 Perdido Street  
Suite 2W80  
New Orleans, LA 70112

**Kristin Gisleson Palmer**

Council District C  
1300 Perdido Street  
Suite 2W70  
New Orleans, LA 70112

May 1<sup>st</sup>, 2020

Councilors of the City of New Orleans:

Thank you for the opportunity to share with you all the information requested on the COVID-19 response. In response to your letter dated April 16<sup>th</sup>, please find the answers to each of your questions as well as the following reports and supporting documentation:

- 2020 Personnel Spending Projection report
- Revenue Collections report
- 2020 Other Operating Expenditure report
- Status of the Current Workforce report
- COVID-19 Expense report
- FTE Tracking spreadsheet
- 2020 Adopted vs. Filled FTEs report
- Department Budget Reduction Plan email and Expense report request

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Please keep in mind that what we are presenting to you is a snapshot in time. The City is in an extremely dynamic situation that may change significantly over the coming months. Nevertheless, we are working on a daily basis to update our current projections and figures.

We will continue to keep you updated with accurate information as the situation moves forward.

Sincerely,



Gilbert Montaña  
*Chief Administrative Officer*

CC: Norman White, *Chief Financial Officer*  
Chad Brown, *Chief of Staff to the CAO*

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**Revenue Loss**

1. *What modeling has been done thus far to estimate the potential revenue loss for FY 2020 and the current projections? Is this a moving target (\$100 million, \$120 million \$150 million)? Why?*

The Finance Department closely monitored the Sales Tax collections for January thru April. In addition, the current year's sales tax revenues were compared month to month for fiscal 2018 and 2019.

Yes, it is a moving target. The potential revenue loss was based on data collected from the City's Revenue Sales Tax system and various bank accounts that sales tax payments are deposited. This information was used to compare month-to-month and year-to-year activities to get a better understanding of future collections. However, it is still an estimate. As more data becomes available, we will adjust our estimates to reflect more accurate and up-to-date information.

2. *Can you provide a detailed, side-by-side comparison of the revenue estimates on which the budget was based vs. the current estimates? Please see the table below.*

**City of New Orleans  
Revenue/Budget Estimates, FY 2020**

	2020 Budget	Adjustments	2020 Proposed Forecast	%
1A-Property Tax	167,171,619	-	167,171,619	100%
1B-Sales and Other Taxes	264,292,185	(110,750,390)	153,541,795	58%
2-Licenses and Permits	76,953,723	(4,642,283)	72,311,440	94%
3-Intergovernmental	21,538,551	(859,397)	20,679,154	96%
4-Service Charges	98,635,620	(5,750,256)	92,885,364	94%
5-Fines and Forfeits	39,232,065	(12,853,360)	26,378,705	67%
6-Miscellaneous	35,772,322	(2,027,439)	33,744,883	94%
7-Other Financing Sources	22,283,588	-	22,283,588	100%
<b>Total</b>	<b>725,879,673</b>	<b>(136,883,124)</b>	<b>588,996,549</b>	<b>81%</b>

3. *Can you specify which revenue items are most impacted as a result of COVID-19 closures and if any areas of city finances that have remained stable or have increased collections?*

The two areas most impacted as a result of COVID-19 closures are sales taxes and fines and forfeits revenue items. These two areas represent over 96% of our estimated losses.

As of April 30, 2020, over 97% of property taxes have been collected. Currently, representing the most stable revenue source for the city.

4. *Can you provide the underlying assumptions on which any revised estimates are based (e.g. length of the estimated closure of non-essential businesses, impact of conventions/events that will be eliminated, decline in hotel occupancy etc.)?*

With a high degree of uncertainty surrounding the pandemic, assumptions tend toward caution.

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(a) We assume official closures of businesses and public spaces will be approximately mid-March through mid-May, in some instances possibly extending longer, and that schools will not reopen for the 2019-2020 school year.

(b) All major events are assumed to be canceled or postponed, and essentially all conventions are assumed to be absent.

(c) We assume hotel occupancy rates will be less than 10% through June, and not more than 15% by autumn; we based these assumptions of hotel occupancy on estimates provided by New Orleans & Company.

(d) Further, we assume that individual decisions will, on average, be cautious in response to the lifting of restrictions; for example, flight bookings will only gradually increase throughout the year.

5. *Do you anticipate having a projected deficit for the city for FY 2020? What basis and/or methods are used in developing this projection?*

The city is currently in the process of refining our revenue projections, determining the level of state and federal support, reducing our expenditures by reevaluating departmental spending and evaluating cash flow initiatives. It's too early in the process to determine the outcome of FY2020.

6. *What is the methodology used to calculate the projected \$150 million budget deficit?*

The estimated budget deficit was calculated as a result of the projected \$130 million in revenue shortfall (primarily sales taxes, fines, and forfeits) and the anticipated unbudgeted COVID-19 related costs of approximately \$20 million.

**Fund Balance**

1. *What is current estimated fund balance for the general fund?*

In July 2019, we implemented several components of our new ERP (BRASS, AVL Tax system, and INOVAH) systems. Six months later, the city experienced a cyber-attack that required most of our financial resources to dedicate our efforts to recover.

As a result, we had to delay the submission of our CAFR by several months. Based on a high-level estimate and consistent with the information submitted in the FY2018 CAFR, we anticipate the FY2019 fund balance to total over \$100 million.

2. *How much is currently set aside for the rainy-day fund? What criteria is established for use of this funding during an emergency/disaster?*

Based on the October 2019 REC, the rainy-day fund figures are as follows:

2020 Forecast = \$31.0M

City ordinance requires the rainy-day fund's appropriation to be 5 percent of the average of the previous five years of actual General Fund expenditures. Appropriations from the fund may only be made when one or more of the following conditions have been met: (1) an emergency which

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threatens widespread loss of life or grievous injury to health or property, (2) a significant loss in City revenues due to an economic downturn of serious proportions has occurred or is occurring, and/or (3) a mandate by the United States Government that has been determined by the City Attorney to be in accordance with law.

3. *Is either the fund balance or the rainy-day fund calculated in the estimate of any projected deficit for FY2020?*

No, the fund balance nor the rainy-day fund is calculated in the estimated of any projected deficit for FY2020.

4. *Have all of the collected property tax checks been deposited? If not, how many remain undeposited, and why?*

Yes, all collection property tax checks have been deposited.

**Expenditures**

1. *What is the current available balance within each of the department's operating budgets?*  
Please refer to the 2020 Other Operating Expenditures report.

2. *How long do you anticipate maintaining the current freeze on spending? What impact is this having on the operations of the city (e.g. delays of street maintenance, drain cleaning, delivery of city services etc.)?*

We anticipate maintaining the hiring and spending freeze for the rest of the 2020 and possibly into Q1 or Q2 of 2021. Besides closing City Hall, there have not been any impacts on the operations for the City. Staff are (1) working onsite, (2) working remotely, or (3) on Civil Leave. City functions have moved online for certain operations, such as for Safety and Permits.

3. *What impact on any projected deficit will result from any expenditure savings during FY 2020?*

Personnel Spending: we are projecting a \$16.7M surplus in personnel spending based on model assumptions, which include no change in FTE count for any department except for NOPD hiring for three recruit classes, a 25 percent reduction in prior-year overtime spending, and prior-year terminal leave spending. Please refer to the 2020 Personnel Spending Projection report.

Other Operating: departments directors have been tasked with developing a thoughtful and comprehensive budget reduction plan. Please see Department Budget Reduction Plan email and Expense report request attached. We are still compiling this information, but have a breakdown of obligated versus unobligated funds. Please also refer to the 2020 Other Operating Expenditures report.

4. *What operating expenses are we saving as a result of limited government functions and remote workspace efforts since the stay-at-home order?*

We are actively working to not limit government functions while still balancing health and safety of employees and residents. While employees who do not have core government functions and

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cannot work remotely are on Civil Leave, the City is still responsible for paying full salaries and benefits. However, our Personnel Spending Projections assume a 25 percent decrease in overtime spending for departments as a result of this public health crisis. Please refer to the 2020 Personnel Spending Projections report.

5. *What is the overall status of operating and personnel expenses in light of the budget projections? What are projections for the rest of 2020? What are current funding priorities?*

Current funding priorities include COVID-19 related expenses, personnel and benefits costs, core government functions related to public safety, and core government functions that produce revenue. Please refer to the 2020 Personnel Spending Projections report and 2020 Other Operating Expenditures report.

**COVID-19 Expenses**

1. *Can you provide an estimate of the projected COVID-19 related expenditures?*

The City estimates that it could spend up to \$20M on the response to COVID-19. Note that the situation is still fluid, especially without an end date to required social distancing. There have been extensive measures taken to categorize all the COVID-19 expenses including requiring staff to log ADP hours under the COVID-19 charge code. Please refer to the COVID-19 Expense report for further details.

2. *Do you anticipate any or all these expenditures to be reimbursed in FY2020 as part of the recently passed CARES Act? Are you including any potential reimbursement of these expenditures in the calculation of any projected deficit?*

We are hoping to access CARES Act funding that could reimburse some of these expenses. The extent of that funding that the City will be able to access is not fully known, as the State is determining how it will allocate \$1.8B in Coronavirus Relief Fund dollars. Those potential reimbursements are not included in the calculation of revenues or expenditures presented.

3. *Is there any other potential financial assistance to the city as part of the CARES Act?*

There are several areas of potential assistance available to the City through the CARES Act. There is the Coronavirus Relief Fund that the State can distribute to localities. There is formula funding available directly to the City through grant programs like CDBG or Byrne JAG. Finally, there are competitive grant opportunities that are available for potential funding. The City is reviewing the most critical use of all these potential funding sources and will leverage them to the greatest degree possible.

**Status of Workforce**

1. *The city budgeted for 100 new FTEs in 2020. How many have been hired so far? What is the total amount of salaries of those who've been hired? And of those not hired, how much was allocated for their salaries?*

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The 100 new FTEs consist of 71.00 Grant funded positions and 28.95 General Fund FTEs. Currently, our systems are not designed to specifically reconcile and track vacancies from one fiscal year period to another. However, the new budget application, Questica, will support the storing and reconciliation of vacancies. We are able to provide you with a report that shows the total Adopted FTEs as compared to the currently Filled FTEs. Please refer to the 2020 Adopted vs. Filled FTEs report). Projected savings associated with unfilled vacancies can be seen in the monthly personal services projection. Please refer to the 2020 Personnel Spending Projection report.

2. *By department, provide a list of the current filled positions and a list of funded vacant positions (position title & salary) which cannot be filled as a result of the freeze on hiring (Unclassified vs. Classified)?*

Please refer to the FTE Tracking spreadsheet containing:

2020 Adopted Tab - a list of filled and vacant positions as adopted during the budget (General Fund)

Current Tab - Current snapshot of filled positions (General Fund)

2020 Adopted Tab - a list of filled and vacant positions as adopted during the budget (Non-General Fund)

Current Tab - Current snapshot of filled positions (Non-General Fund)

3. *The hiring freeze prohibits hiring budgeted positions. What are the projected savings from the hiring freeze?*

Projected savings from the hiring freeze can be seen in the 2020 Personnel Services Projection report. The report assumes that all currently filled positions will remain throughout the fiscal year. However, it is expected that separations in the normal course of business will occur. In addition, the CAO may determine that is necessary to fill vacant positions where the skillset is necessary to achieve the goals of the Administration.

4. *How many employees are on civil leave?*

Approximately 1,400 employees have used Civil Leave at least once during the COVID-19 response.

5. *What positions are on civil leave and what is the salary for each position?*

Please refer to COVID-19 expense report.

There are approximately 262 position types on civil leave which include public safety and administrative. The highest salary reported is approximately \$113K.

6. *Which department has the most individuals on civil leave?*

New Orleans Public Library has the most individuals on Civil Leave.

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7. *What is the monthly total cost of current civil leave employees?*  
Civil Leave cost varies by pay period. Please refer to the COVID-19 Expense report for the breakdown by pay period.
8. *What is the administration's plan on implementing furloughs and/or layoff (e.g. timeline, what positions, how determinations are made etc.)?*  
The Administration continues to evaluate furloughs as an option. No furlough or layoff decisions have been made as of today. Furloughs and layoffs remain a possible outcome if the federal funding allocated to the City is insufficient in replacing the lost revenues.
9. *What are the anticipated financial savings to be realized as a result from furlough vs. layoff?*  
The anticipated financial savings to be realized as a result from any personnel action is under evaluation. As noted, no furlough or layoff decisions have been made.

**Use of Certificate of Indebtedness (COI)**

1. *Based on the request for Council approval of a COI - What is the final proposed amount of the bond issuance? What are the terms of issuance (expected interest rate, annual debt payment, payoff date etc.)?*  
The City, therefore, desires to incur debt and issue not exceeding One Hundred Million Dollars (\$100,000,000) of its Revenue Notes, in one or more series (the "Notes"), for funding operations and expenses in the current and upcoming fiscal years, to mature no later than fifteen (15) years from the date thereof, and to bear interest at a rate or rates not to exceed six per centum (6%) per annum. The Notes shall have such additional terms and provisions as may be approved by this Council, and the proceeds of the Notes may be advanced on an "as needed" basis.
2. *What city collateral is proposed to back the proposed COI (e.g. general fund revenues)? Is the city's current financial shortfall expected to adversely impact the terms of the debt issuance?*  
The Notes shall be secured by and payable from a pledge of the City's ad valorem tax of thirteen and ninety-one hundredths (13.91) mills, to be levied and collected annually in each year in perpetuity, and additionally or all revenues to be received by the City. In contrast, the Notes are outstanding to the extent such revenues are available for the payment of debt service on the Notes.  
The City's ad valorem tax is a stable revenue source as over 95% of taxes are generally collected within the first three months of the year. Therefore, by pledging ad valorem tax to secure and make debt service payments should be looked upon as favorable.
3. *What are the necessary costs that the \$100 million COI will cover? And what methodology is used to figure out this amount? What criteria will be used to decide how regularly and for what reasons the COI will be drawn down on? As the city is paying down the COI, what revenue will be dedicated and/or what expenses will be cut to cover the amortized COI payments?*



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The funds, as a result of the COI, are anticipated to cover the approved cost within the FY2020 budget. However, today's action is only allowing the City to submit our application to the State of Louisiana Bond Commission. It doesn't give the approval for the City to complete a transaction with a lending institution. Besides, the \$100 million represent a "not to exceed" amount in which the actual amount will be determined after necessary budget adjustments.

4. *What is the status of the city's current outstanding debt which is funded via the general fund?*  
The city has three outstanding debts outstanding, Series 2012 issued for \$195,885,000, Series 2018 for \$10,000,000 and Series 2017 for 10,000,000. The series 2012 will mature in FY2030, series 2016 in FY 2026, and series 2017 in FY2027.

**Pension System**

1. *What is the expected impact to the Employees' Pension System as a result of the city's financial challenges resulting from COVID-19? Specifically, what are the expected impacts if furloughs and/or layoffs implemented?*

Any furloughs or layoffs that may occur will not impact actuarial valuation results until the January 1, 2021, actuarial valuation. That calculates the actuarial determined contribution (ADC) for 2022. The City's contribution for 2021 will be calculated in the 2020 valuation (as of January 1, 2020) and will not be impacted by any furloughs or layoffs that may occur after January 1, 2020.

The impact on those valuations due to furloughs or layoffs will depend on how many employees are affected. Taking three factors in consideration:

1. Whether there is a permanent layoff or a furlough
2. The length of the furlough
3. How the service time is handled

If there is a temporary furlough and employees are made whole as was done previously, there should be minimal impact if the employer contributions are made as required in 2020. If there is a longer-term furlough, it will take employees longer to reach retirement eligibility, as well as additional employee contributions will not be made during that period.

2. *Are there varying negatives to fund based on layoffs of certain employees (e.g. less tenured vs. long-tenured employees)?*

In a layoff situation, the shorter-term employees leaving employment will not have a huge impact. The longer-term employees could be more of a drain on cash flow within the pension fund. If they are not retirement eligible, they could choose, depending on their cash needs, to take a refund instead of leaving their contributions on deposit and taking a deferred benefit upon age eligibility. If they are retirement eligible, they may choose to retire and commence payments.

3. *Can the city continue to make its employer contributions to the fund for FY2020?*  
Yes, the city will continue to make contributions to the pension fund for FY2020.

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4. *Is the fund currently in a solid position to meet the current retiree benefits?*  
Yes, the pension fund is in a solid position to meet the current retiree benefits.

**Cybersecurity Attack / Hard Rock Collapse**

1. *What is the current projected cost to the city as a result of the cybersecurity attack? Hard Rock Collapse?*  
The current projected cost to the City as a result of the cybersecurity attack is approximately \$7.5M. The projected costs and lost revenue to the City as a result of the Hard Rock Collapse remains at approximately \$11M.
2. *How much has the cost estimates changed since last reported to Council Budget Committee?*  
The cost estimate for the cybersecurity attack is up about \$300k from prior estimates because the projected cost of replacing NOPD routers came in higher than anticipated. The cost estimate for the Hard Rock Collapse did not change.
3. *Is the city still incurring costs from the cybersecurity issue?*  
Yes. Of the \$7.5M estimated cost, only \$4.4M has currently been encumbered. With the COVID-19 spending freeze, we have delayed moving forward with necessary but non-critical purchases. These costs will still need to be incurred at some point to restore full functionality to city systems. Examples of these purchases include costs associated with restoring our legacy financial systems (Great Plains, BuySpeed) that are not actively used but still need to be accessed for historical data, or the NOPD router purchase which will allow NOPD vehicles to access the full range of applications that they could pre-cyber attack.

**Miscellaneous**

1. *The restricted funds total about \$46 million. The Clean-Up Ordinance will range between \$7-10 million. We've received a little more than half of the Harrah's payment due to the City (\$22.5 million). How has this money been accounted regarding the projected budget hole? What needs to happen for the City to access the \$46 million in restricted funds?*  
The city is evaluating all funds, including the Harrah's payments, to replace the anticipated FY2020 shortfall. A portion of the \$46 million is the rainy-day fund. The action of City Council is required before accessing these funds. The remaining dollars are restricted due to advance payments for HUD and FEMA related costs. To access these funds, the City requires reimbursement from the aforementioned grantor.
2. *The City will see a \$20 million reduction in bond indebtedness in 2022. How is that being factored into budget projections for the next few years?*  
All available funds will be factored into the development of the upcoming year's budgets.

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3. *The City has many pressing needs. What is the overall plan for the five expiring millages? Can we narrowly tailor new millages to a specific period of time, aiding immediate recovery efforts?*
- On December 31, 2021, five millages that the City receives revenue from are set to expire. Due to the COVID-19 emergency, the state of the local economy, and the pressing needs of the City), the Administration intends to work with Council to finalize the plan for the expiring millage. Potential options that will be explored may include:
- Proceeding with the initial plan for a December ballot
  - Tailoring the new millages to a specific period of time to aide immediate COVID-19 recovery efforts
  - Waiting until the 2021 ballot (as the millages expire in December 2021)