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**NEWS
RELEASE**

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City Implements Changes to Address Economic and Financial Impact of Health Crisis Budget Adjustments to Offset Revenue Shortfalls

El Paso, Texas—The City of El Paso is putting in place strategic, short-term and long-term measures to balance the budget in its response to the health crisis crippling the economy.

COVID-19 budget impacts include drastically reducing services, reducing construction projects and pay decreases for all City employees. The City will maintain its priorities, public safety and streets, but all other services will experience service impacts.

The City has developed a local economic recovery plan to include financially helping small businesses, aiding the food bank, supporting homeless shelters, and providing daycare assistance. The community relief includes:

- \$2 million for **El Paso Small Business Emergency Relief Program** (City-County partnership with \$1 million each),
- \$100,000 for **El Pasoans Fighting Hunger** (unbudgeted expenditure will be covered by salary adjustments),
- \$50,000 for daycare utilizing Workforce Solutions (unbudgeted expenditure will be covered by salary adjustments), and
- \$650,000 assistance for the homeless and providing access to two City facilities to help care for this vulnerable population.

On Monday, April 27, the Council approved in a 5 to 3 vote to amend the Fiscal Year 2020 Budget Resolution to implement salary reductions and in an unanimous vote the Council approved the establishment of a furlough system and policy. The actions were approved in an effort to address an estimated decrease of nearly \$33 million in revenues in the current budget. The shortfalls are tied to plunges in sales taxes, franchise fees, licenses and permits and other revenue sources.

“The impact to our national, state and local economy will be historic, causing our recovery to span multiple fiscal years,” City of El Paso Chief Financial Officer Robert Cortinas said. “Now more than ever it is critical that as a high performing organization we continue to practice sound governance, to be fiscally responsible and proactive as the limited economic data available and the global uncertainty of the pandemic will make budget forecasting challenging.”

Prior to the health crisis the City was projecting a \$6.1 million surplus. In early March, in response to the economic and health crisis the City:

- Implemented a hiring freeze for non-essential employees,
- Suspended the implementation of a compensation study for City employees,
- Implemented route adjustments for Sun Metro,
- Suspended the Streetcar service,
- Closed multiple facilities and delayed the opening of new amenities, and
- Started an analysis of slowing down and deferring capital projects.

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Reducing Services, Construction Projects

The City has made additional adjustments to further reduce expenses by deferring capital projects so that no additional funds are borrowed in Fiscal Year 2021. This measure will not increase taxes related to the debt service that funds the capital program. Projects under construction will be completed. Projects under design will proceed to complete the design and then their construction phase will be deferred.

The framework of the City's sound governance is its implementation of the 2015 Strategic Plan that has led to significant investment in community priorities such as streets, public safety and quality of life offers such as parks, libraries, zoo, and cultural venues.

To address the economic challenge, the City will rely on every tool and resource it created over the past five years to include the:

- Fund balance (reserves) built up by \$18 million, or 54 percent;
- Strong management practices;
- Revenues created to fund priorities, such as the annual \$30 million pay-go funding; and
- An ability to be agile and make needed adjustments to service delivery.

Prioritizing the Needs, Salary Reductions

To maintain essential services, such as fire, police, health, sanitation and streets, the City will apply other measures which include but are not limited to: utilizing budget reserves, continued facility closures, and furloughs and layoffs.

"We are reviewing all of our operations in order to decrease expenses. The City is one of the largest employers in the area and personnel costs account for almost 75 percent of the general fund budget. In order to deal with the financial impacts being caused by this health crisis, we are unfortunately forced to implement pay reductions for 12 weeks," Cortinas said. "After carefully exploring all options regarding our valued workforce, we are disappointed to report that we will have to temporary furlough and layoff employees who are unable to perform their work remotely and for those assigned to facilities and programs which have been closed or have ended."

The top executives in the City, including the City Manager and City Attorney will see the largest reductions with a 5 percent decrease to their annual salaries. The rest of the City's top management (employees classified as EX 3, 4, 5 as well as employees on the Legal Pay Scale) will see a 2 percent reduction in annual pay, and all other non-uniformed employees will receive a 1 percent reduction in pay. The temporary pay reduction of 1 percent is the equivalent of a 1 percent pay raise employees received March 1, 2020. The pay reductions will begin May 24.

Furloughed staff members would be placed in an unpaid leave of absence for up to 12 months and would then be eligible to apply for available state and federal assistance, while the City will cover the impacted employees' current healthcare benefits through the end of this fiscal year, which ends August 31.

The City has approximately 6,000 employees. Uniform Police and Fire employee salaries will not be impacted by this measure as their wages are set through union labor agreements and changes require negotiations.

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