



April 27, 2020

Citizens of Chickasha,

This release is submitted in response to a letter circulating from the IAFF Local 2041 related to public safety services. The City would like to assure you that your safety is our priority and that there is currently no danger of a failure to respond to a call for assistance from our Public Safety division.

The City may be facing tough times ahead financially due to the unknown and unanticipated effects of the COVID virus on the City's main revenue stream, municipal sales tax. While it is true that the City has collected over \$10 million in sales tax so far through 10 months of the current fiscal year, those sales taxes must fund all operations of the City not just the operations of the public safety departments.

Our General Fund, which is the fund through which public safety operations are funded, is already under a significant amount of stress. It ended the FY 2019 year in a deficit unassigned fund balance of \$(267,365), caused primarily by \$3.1 million being needed to be used to supplement our FY 2020 estimated revenues so that the City could adhere to the constitutional mandate to have a balanced FY 2020 budget. Those revenue estimates were developed long before the COVID virus made its appearance. Therefore, we are uncertain as to not only how it will affect the remaining two months of sales tax collections for FY 19, but also sales tax collections available for the entire new fiscal year which begins on July 1, 2020.

Sales tax revenue represents a 3.75 cents tax on each dollar of taxable sales. The sales tax is recorded as follows:

- 3 cents are recorded in the General Fund for operations, with 1 cent being transferred to the Chickasha Municipal Authority for assistance with debt service and/or capital improvements, leaving the General Fund a net of 2 cents sales tax to fund city operations; and
- $\frac{3}{4}$  cent is recorded in the CIP-Dedicated Sales Tax Fund and is restricted by voters for the repair, replacement or improvement of streets and drainage and can be used to secure related debt service payments. This amount has been allocated to the CMA to secure debt service payments on the \$9,875,000 2014 Sales Tax Revenue Note.

Although we hope that any cutbacks to our services will be temporary, we must be proactive in addressing any potential revenue deficits going forward to ensure full compliance with the law.

Respectfully,

A handwritten signature in blue ink, appearing to read "John Noblitt", is written over a blue horizontal line.

John Noblitt  
City Manager