



MEMORANDUM

TO: CITY COUNCIL

FROM: MICHAEL STEVENS, ADMINISTRATIVE SERVICES DIRECTOR

SUBJECT: CONSIDERATION OF LETTER TO THE GOVERNOR REGARDING COVID-19 FISCAL IMPACTS TO CALIFORNIA CITIES AND A REQUEST FOR STATE AND FEDERAL ASSISTANCE

DATE: MAY 5, 2020

SUMMARY OF ACTION:

Approval of a letter to Governor Newsom regarding fiscal impacts to California cities and requesting State and Federal assistance as a result of the COVID-19 pandemic.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

There are no direct fiscal impacts related to approval of the letter; however, sending the letter may facilitate the request by California cities for the State and Federal government to establish at least a \$7 billion city revenue stabilization fund for direct aid to all cities to address the general revenue shortfall over the next two fiscal years as a result of the COVID-19 pandemic.

RECOMMENDATION:

It is recommended the City Council approve and authorize the Mayor to send a letter to the Governor on behalf of the City regarding COVID-19 fiscal impacts to California cities.

BACKGROUND:

At its April 28, 2020 meeting, Council Member Barneich requested, and the City Council concurred, to direct staff to place on a future agenda for consideration a letter to the Governor regarding COVID-19 fiscal impacts to California cities.

Cities remain on the front line helping residents stay safe and in their homes, delivering emergency and essential services, and supporting their local businesses and community organizations. As emergency costs continue to grow, City revenues to fund local services are plummeting. COVID-19 is having devastating impacts on city budgets and services statewide.

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California cities are projecting a nearly \$7 billion general revenue shortfall over the next two fiscal years. This shortfall will grow by billions of dollars if stay-at-home orders to protect public health extend into the summer months and beyond.

Ninety percent of cities project that shortfalls will impact core city services, including police, fire, public works projects, emergency management, recreation, and planning and housing, and anticipate lay-offs or furloughs, which will further impact core services for residents.

California cities, in conjunction with the League of California Cities, request that the State:

1. Establish at least a \$7 billion city revenue stabilization fund for direct aid to all cities to address the general revenue shortfall over the next two fiscal years;
2. Allocate a share of the State's \$8.4 billion CARES Act funding for cities with populations under 500,000 to support COVID-19-related expenses; and
3. Create a COVID-19 financing vehicle that all cities can access to support immediate cash flow needs.

ANALYSIS OF ISSUES:

At its April 14, 2020 and April 28, 2020 meetings, the City Council received presentations regarding City revenue impacts as a result of COVID-19 and recommended short-term budget balancing strategies for addressing the projected Fiscal Year 2019-20 \$1.2 million budget shortfall. All California cities, regardless of population, urgently need funding to help continue to fight COVID-19 and protect residents through the summer months and beyond.

It is proposed that the City Council consider approving and authorizing the Mayor to send a formal City letter to the Governor, with a copy to Assembly Member Cunningham and Senator Monning. (Attachment 1)

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Approve and authorize the Mayor to send the letter;
2. Modify and approve the letter;
3. Do not approve the letter; or
4. Provide other direction to staff.

ADVANTAGES:

Approval of the letter will support the efforts of the League of California Cities to obtain financial assistance from the State for local governments, including the City, that are suffering significant negative financial impacts from COVID-19.

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DISADVANTAGES:

No disadvantages have been identified.

ENVIRONMENTAL REVIEW:

Not required.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachment:

1. Letter to Governor Newsom

May 6, 2020

The Honorable Gavin Newsom
Governor of California
1303 10th Street, Suite 1173
Sacramento, CA 95814
VIA E-mail: ExternalAffairs@gov.ca.gov

Dear Governor Newsom:

The City of Arroyo Grande thanks you for your leadership and efforts to protect and support Californians during this unprecedented public health crisis. Cities remain on the front line helping residents stay safe and in their homes, delivering emergency services, and supporting local businesses and community organizations. However, as emergency costs continue to grow, city revenues to fund local services are plummeting. COVID-19 is having devastating impacts on city budgets and services statewide.

Based on the League of California Cities analysis, California cities are projecting a nearly **\$7 billion general revenue shortfall** over the next two fiscal years. This shortfall will grow by billions of dollars if stay-at-home orders to protect public health extend into the summer months and beyond. A majority of cities surveyed anticipate lay-offs or furloughs, which will further impact core city services for residents, as well as city employees.

The City of Arroyo Grande is not immune to the impacts brought on by the COVID-19 pandemic. Located on the Central Coast, tourism is a key element of our once thriving economy. The pandemic and resulting stay at home orders have had devastating impacts on lodging businesses within the City of Arroyo Grande. We are forecasting significant reductions to our City's Transient Occupancy Tax and Sales Tax revenues, in addition to the impact that the pandemic has had on reduced City fee collection for services.

The City of Arroyo Grande projects that these shortfalls will impact our core city services. We have furloughed most of our Recreation Department employees and suspended work on community development and public works projects due to projected budget shortfalls. The City has also instituted a hiring chill, leaving public safety, public works, and community development positions vacant. We have already made difficult decisions that impact our ability to continue providing core services to our community and have adversely affected our workforce.

Since the beginning of the COVID-19 crisis, the City of Arroyo Grande has stepped up to protect and serve our community. We have closed or cancelled our major revenue generating facilities and programs, such as our sports complex and recreation programs. At the same time, we have increased sanitation efforts at our public parks and restrooms

and our public safety organizations have had to make unanticipated expenditures for required personal protective equipment, and other disinfecting supplies and equipment. We have also taken on added enforcement duties as we respond to complaints of violations of the State and local shelter at home orders. In other words, the City of Arroyo Grande has provided our State and County partners with boots on the ground in our collective efforts to reduce the spread of COVID-19, at significant cost to the City.

The necessary measures our City has taken are costly. In order to continue to be a full partner with the State in saving lives, protecting our communities, and ultimately recovering from this crisis, **we need your help.**

The City of Arroyo Grande is calling on you to immediately support the following actions:

- Establish at least a \$7 billion city revenue stabilization fund for direct aid to all cities to address the general revenue shortfall over the next two fiscal years;
- Allocate a share of the State's \$8.4 billion CARES Act funding for cities with populations under 500,000 to support COVID-19-related expenses; and
- Create a COVID-19 financing vehicle that all cities can access to support immediate cash flow needs.

The City of Arroyo Grande appreciates your consideration of our requests and looks forward to further discussing in the coming days how together we can continue to best protect Californians and reopen our economy. Thank you again for your outstanding leadership and partnership during these uncertain times.

Sincerely,

Caren Ray Russom
Mayor
City of Arroyo Grande

c: Senator Bill Monning
Assembly Member Jordan Cunningham
David Mullinax, League Regional Public Affairs Manager, dmullinax@cacities.org
Meg Desmond, League of California Cities, cityletters@cacities.org

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