



# Council Agenda Report

To: Mayor Farrer and the Honorable Members of the City Council

Prepared by: Mary Linden, Executive Assistant

Approved by: Reva Feldman, City Manager

Date prepared: May 13, 2020 Meeting date: May 26, 2020

Subject: Support Local Recovery (Mayor Farrer)

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**RECOMMENDED ACTION:** At the request of Mayor Farrer, 1) Authorize the City of Malibu to join the League of California Cities' Support Local Recovery Coalition to seek State and federal aid to help cities and counties nationwide, regardless of size, respond to and recover from the COVID-19 crisis; and 2) Authorize the Mayor to send a letter to Governor Newsom requesting assistance in securing necessary funding from both the State and federal governments to enable the restoration of local economies.

**FISCAL IMPACT:** There is no fiscal impact associated with the recommended action.

**WORK PLAN:** This item was not included in the Adopted Work Plan for Fiscal Year 2019-2020. This project is part of normal staff operations.

**DISCUSSION:** During the COVID-19 crisis, cities throughout the state and across the country have remained on the front-line helping residents stay safe and in their homes by delivering emergency services, communicating every-changing vital information, and supporting local businesses and community organizations. However, as emergency costs continue to grow, city revenues to fund local services are plummeting.

Based on a recent League of California Cities (League) analysis, California cities are projecting a nearly \$7 billion general revenue shortfall over the next two fiscal years (Attachment 1). This shortfall will grow by billions of dollars if stay-at-home orders to protect public health extend into the summer months and beyond.

City staff projects that these shortfalls will impact our core City services, including emergency management, planning, permitting, and recreation. Every department is surely to suffer the impacts of lost revenues. A majority of the cities surveyed by the

League anticipate lay-offs or furloughs, which will further impact core city services for residents, as well as city employees. It will be necessary for the State to provide assistance to its cities to ensure recovery.

On May 11, 2020, the League announced the launch of the Support Local Recovery campaign with a strong list of initial campaign coalition members that includes representatives from labor, local government, and business (Attachment 2). The campaign is asking for \$7 billion in State aid for California cities and \$500 billion in federal aid over the next two years to help cities and counties nationwide, regardless of size, respond to and recover from the COVID-19 crisis.

Mayor Farrer is requesting Council authorization for the City of Malibu to join the Support Local Recovery coalition. She also requests authorization to send a letter to Governor Newsom requesting assistance in securing this necessary funding from both the State and federal governments to enable the restoration of local economies.

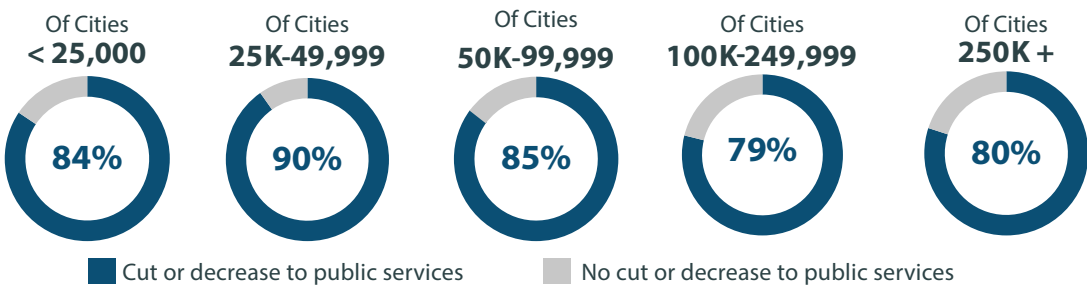
ATTACHMENTS:

1. COVID-19 Fiscal Impact on California Cities
2. Support Local Recovery press release

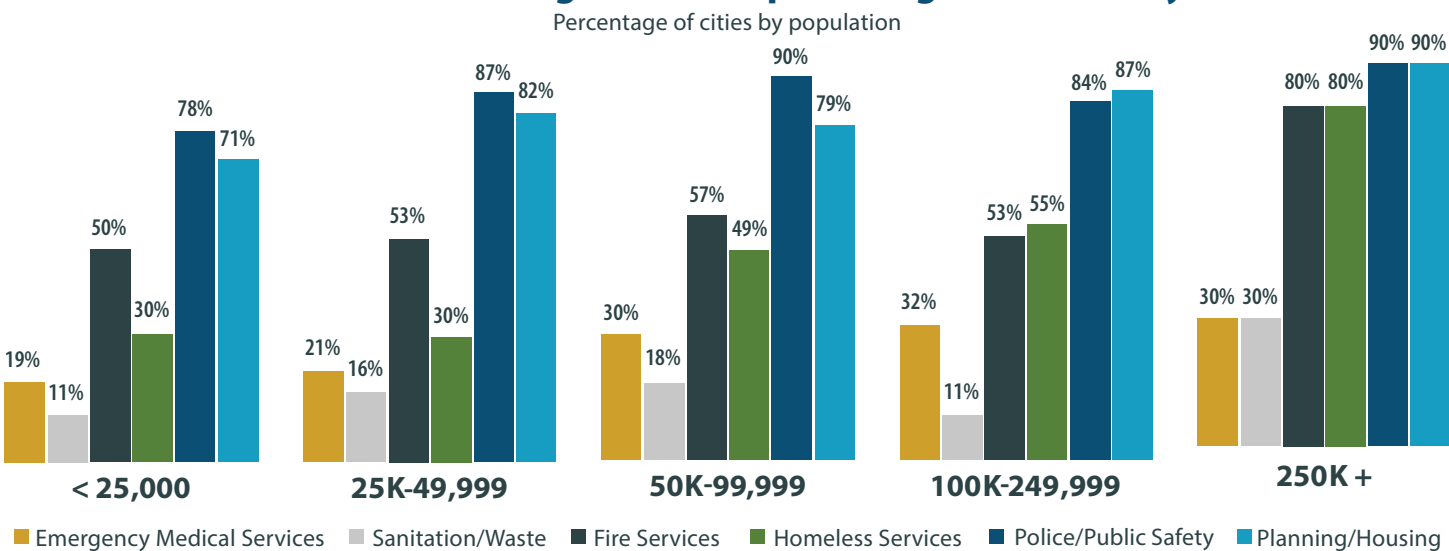
# COVID-19 Fiscal Impact on California Cities

California cities face severe revenue shortfalls due to the impact of the COVID-19 pandemic on their economies and increased emergency costs. As a result, cities will be forced to make significant reductions or cuts to a broad range of core public services and staff, regardless of population size. Given current and projected revenue shortfalls, cities need fiscal assistance to stabilize local government operations to offset the devastating impacts the crisis is having on California's communities. These findings are part of a new data analysis\* by the League of California Cities.

## Public Services Will Be Impacted By Drastic Revenue Loss



## Core Services Face Significant Impacts Regardless of City Size



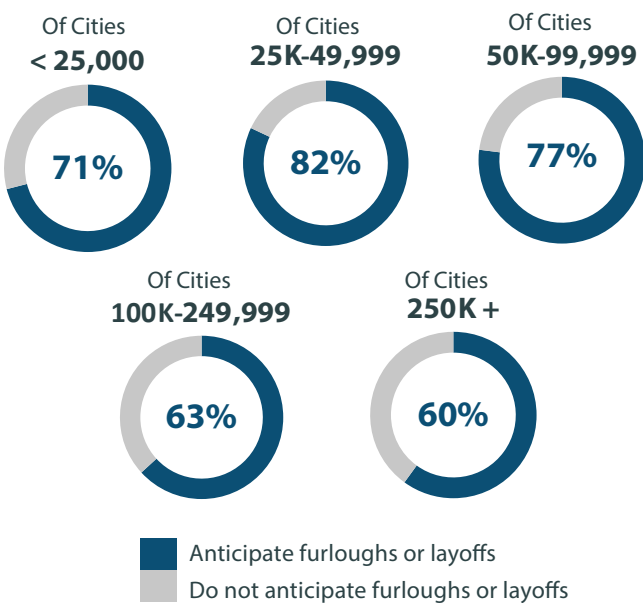
Cities anticipate a nearly **\$7 BILLION GENERAL REVENUE SHORTFALL** over the next two fiscal years. This shortfall will grow by billions of dollars if COVID-19 stay-at-home orders extend into the summer months and beyond.

## City Leaders Report Immediate Impact to Core Revenue Sources

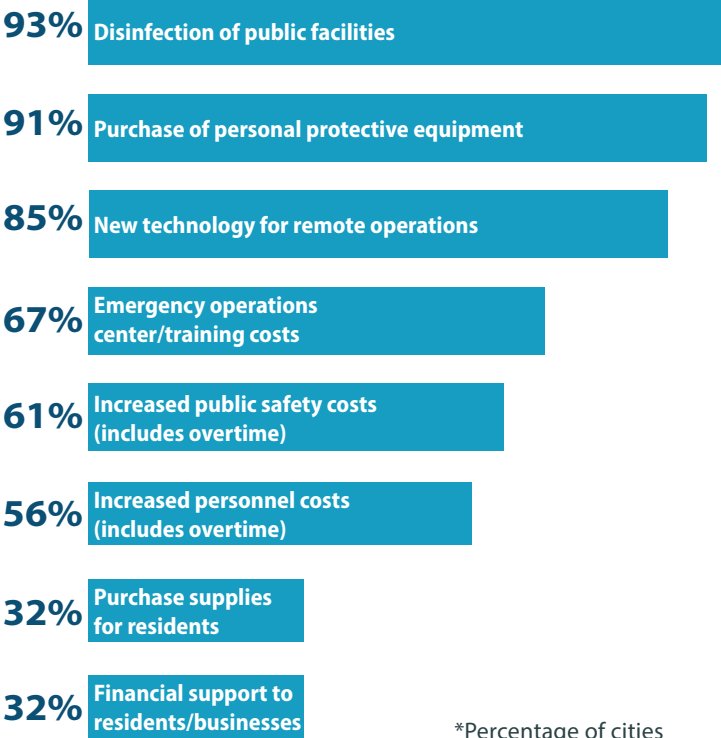
- 100%** Sales Taxes
- 89%** Hotel/Bed Taxes
- 72%** Property Transfer Taxes
- 42%** Utility Taxes
- 15%** Investments, Forfeitures, and Fines
- 4%** Parking and Admissions

**12%** of cities report spending **> \$500k** to help control the COVID-19 pandemic

## COVID-19 Has Staggering Impact on City Workforce



## Unanticipated COVID-19 Expenses



**100%** of California cities, regardless of population size, **face projected revenue loss this year**

Over **90%** of cities are considering **LAYOFFS OR EMPLOYEE FURLOUGHS**, or **CUTTING PUBLIC SERVICES**. **72%** are considering doing **BOTH**.

## Cities Key Revenue Loss by Source through FY 21-22

<b>\$24 million</b> Utility Taxes	<b>\$28 million</b> Property Transfer Taxes
<b>\$65 million</b> Franchises	<b>\$93 million</b> Parking and Admissions
<b>\$175 million</b> Investments, Forfeitures, and Fines	<b>\$402 million</b> Business Tax
<b>\$616 million</b> County Transportation SUT	<b>\$1.37 billion</b> Hotel/Bed Taxes
<b>\$2.26 billion</b> Sales Taxes	<b>\$1.7 billion</b> City/County of San Francisco
<b>Total \$6.7 billion</b>	

For more information email [communications@cacities.org](mailto:communications@cacities.org).

**\*Data and Assumptions:** The current revenue shortfall projections assume the ending of strict stay-at-home orders by the end of May 2020 with a transition to normalcy and a gradual return to taxable activities. The revenue shortfall projections include FY 2021-22, as there will be delayed revenue impacts from multiple sources, including business license taxes (based on prior year receipts). If strict stay-at-home orders remain in place through the summer of 2020, there will be additional significant revenue losses – adding billions to overall city shortfalls. Over 260 cities, encompassing all of California's diverse geographies and city sizes, participated in the League's COVID-19 Fiscal Impact Survey. The survey requested primary source data on projected revenue losses in key, general revenue categories, and local impacts to city services and operations. The survey data reinforces projections produced from an in depth financial model built from annual reports by the State Controller and the California Department of Tax and Fee Administration, survey data, granular analysis by government revenue specialists, industry specific outlooks, and forecasts from respected economists.



May 11, 2020

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## **FOR IMMEDIATE RELEASE**

### **Cities Join Forces with Firefighters and Public Safety Representatives, Labor, and Small Businesses to “Support Local Recovery”**

*Coalition Seeks State and Federal Funding to Address COVID-19 Impacts to Cities*

**Sacramento** – A grassroots coalition of local government, labor, and business is launching a new campaign “Support Local Recovery: Vibrant Cities. Strong Economies.” in an effort to kick start economic recovery in local communities. The coalition is calling on the state to provide \$7 billion in direct and flexible funding to cities to support critical local services, as well as a portion of the state’s CARES Act funding to help cities address COVID-19 related expenditures. The coalition is also calling on the federal government to provide \$500 billion in direct and flexible funding to local governments nationwide to support essential services, including police, fire, public works, permitting, and planning.

According to a League of California Cities analysis, California cities are facing a nearly \$7 billion revenue shortfall over the next two years due to the COVID-19 pandemic. This shortfall grows by billions of dollars as modified stay-at-home orders extend into the summer months and beyond. Cities have also been incurring significant increases in unbudgeted expenses responding to the crisis. COVID-19 has crippled local budgets, forcing cuts in city services and city employees, which will dampen local economic recovery.

"California's 482 cities are the economic engines of our state, and recovery from this unprecedented crisis will only be realized at the local level with the strong support of our state and federal government partners," said Carolyn Coleman, Executive Director, League of California Cities. "Providing funding to local governments is not optional – a safe, equitable, and expedited economic recovery depends on it."

In the face of these budget shortfalls, nine out of 10 cities report they will have to cut staff or decrease city services to residents, and nearly 3 in 4 cities report they may have to take both actions. Police services will be impacted in 84 percent of cities, more than half of cities' fire services will be adversely impacted, and fewer firefighters and police officers will be available to respond to emergency calls.

"With firefighters on the front lines of the COVID-19 response and wildfire season now upon us, cuts to public safety during this critical time will have detrimental impacts on our communities across the state," said Brian K. Rice, President of California Professional Firefighters. "We need every single firefighter on the front lines to beat back this virus and stand ready when disaster strikes. It is imperative that the federal government invest in our cities to preserve public safety."

Shrinking budgets will also lead to reduced garbage pickup frequency, reduced hours for libraries, parks, and senior centers, and fewer employees working on streets and roads. Eighty-two percent of cities predict cuts to public works.

"Drastic budget cuts, furloughs, hiring freezes, and layoffs in state and local government and in schools made the last recession much worse and prolonged Californians' pain," said Bob Schoonover, President of SEIU California and SEIU Local 721. "In fact, because of this approach, many Californians have still not recovered the ground they lost a decade ago. That is why we are calling on the federal government to act swiftly and invest in recovery for our communities as we battle the pandemic and support working families in our time of need."

California's businesses, who are vital to local recovery, will be impacted by these budget shortfalls as well. Fewer city staff will mean delays in inspections necessary for reopening, processing business licenses, permitting, and other essential government services that businesses rely upon.

"From corner store to city supermarket, grocers depend on core city services to run their businesses and feed our communities," said Ron Fong, California Grocers Association President and CEO. "Cities need funding from the state and federal governments so they can continue to deliver these essential services and be the foundation for a strong local economy as California recovers from COVID-19."

Together, we are fighting to support local recovery. Californians are depending on us.

For more information about the coalition and how to join, visit <http://supportlocalrecovery.org>.

**Coalition members as of 1 p.m., May 11, 2020 include:**

Association for Los Angeles Deputy Sheriffs	Hunter J. Dog, LLC dba Blackbook
Ameresco, Inc.	Interwest Consulting
Avenue Insights and Analytics	Kamp Mor Inc
Bearfoot Inn	La Maison Hotel
Bongo Johnny's	Las Casuelas Terraza
Boots In Squares	League of California Cities
California Professional Firefighters	Main Street Hanford
California Grocers Association	Management Association of Palm Springs, Inc.
California Joint Powers Insurance Authority	Martha's Village and Kitchen
California Parks & Recreation Society	Menifee Valley Chamber of Commerce
California Water Service	Mizell Center
City of Hemet	Monterey Bay Chapter of American Public Works Association
Community Leadership Council - Palm Springs	MuniServices/Avenu
Contract Cities Association	Murchison Holdings LLC dba Eagle 501 Bar
Dart Container	NHA Advisors, LLC
Desert AIDS Project	Palm Springs Fire Management Association
Desert Valleys Builders Association	PFLAG Palm Springs/Desert Communities
Desert Winds Freedom Band	Peace Officers Research Association of California
Destination PSP	Prime Timers of the Desert
EIGHT4NINE Restaurant & Lounge	Public Employees Association of Palm Springs
El Mirasol Villas	Re[x]
ENGIE	Resource Recovery Coalition of California
Gay Desert Guide	Schneider Electric
Gay Mart International, Inc.	Service Employees International Union California
Greater Palm Springs Bar and Restaurant Organization	SoCalGas Company
Greater Palm Springs Pride	The Advancement Collective
GRIT Development	

*Established in 1898, the League of California Cities is a nonprofit statewide association that advocates for cities with the state and federal governments and provides education and training services to elected and appointed city officials.*

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