



Council Agenda Report

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

Prepared by: Mary Linden, Executive Assistant

Approved by: Steve McClary, Interim City Manager

Date prepared: June 7, 2021

Meeting date: June 14, 2021

Subject: 2021-2022 State Budget Commitment to Cities (Councilmember Pierson)

RECOMMENDED ACTION: At the request of Councilmember Pierson, authorize the Mayor to send a letter supporting the League of California Cities' request for a budget commitment of at least \$10 billion in the 2021-2022 State Budget to help cities recover from the COVID-19 pandemic, address housing and homelessness, enhance broadband infrastructure, and divert organic waste from landfills.

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

WORK PLAN: This item was included as item 1.a., 1.h., 1.k., and 1.l. in the Adopted Workplan for Fiscal Year 2020-2021 and the proposed Work Plan for Fiscal Year 2021-2022.

DISCUSSION: The State Legislature's proposed budget provides significant resources for cities to address generational crises, but more resources are needed to support recovery from COVID-19 in all cities. The State's budget surplus of at least \$38 billion and the \$26 billion in COVID-19 assistance provides the Legislature and Governor with the resources to invest in cities, to ensure an equitable and comprehensive recovery, and address generational crises that were exacerbated by the pandemic.

Nine out of 10 cities are currently experiencing a revenue shortfall due to the pandemic, and three out of four cities will not, or are unsure if they can, balance their next budget without cutting services and staff. The League of California Cities (Cal Cities) is recommending the State appropriate at least \$10 billion to cities to help recover from the pandemic, bolster investment towards meaningful solutions to homelessness, improve

housing affordability, advance critical infrastructure, and fund the mandates to meet the State's ambitious goals to divert organic waste from landfills, specifically:

- \$2 Billion in Direct and Flexible State Aid – To address local budget gaps left by the American Rescue Plan (ARP) and to prevent sustained cuts to good government jobs and jumpstart core services, including the easing of municipal hiring freezes.
- \$5 Billion for Evidence-Based Homelessness and Housing Solutions – To support cities in their efforts towards ending homelessness and increasing the construction of housing that is affordable to all Californians. These funds would be used to expand programs such as Homekey; Homeless Housing, Assistance and Prevention (HHAP); and Homeless Emergency Aid Program that deliver rapid rehousing, rental subsidies, and subsidies for new and existing housing and emergency shelters.
- At Least \$3 Billion for Broadband Infrastructure – To support expansion and related infrastructure upgrades in unserved and underserved communities to help cities catalyze projects statewide, which will ensure an equitable recovery for Californians in rural, isolated communities, as well as urban and suburban ones.
- \$225 Million to Help Fund the Mandates to Divert Organic Waste From Landfills – To enable cities and the State stay on course to meet ambitious goals to reduce landfill disposal, including providing local governments additional implementation flexibility. At a recent Environmental Sustainability Subcommittee meeting, it was reported that approximately 80 percent of one full-time staff person's time would be spent on implementation of Senate Bill (SB) 1383, the State's most ambitious waste reduction law in the last 30 years. SB 1383 requires cities to reduce organic waste in landfills by providing organic waste collection services to all residents and businesses, developing an enforcement mechanism or ordinance, and establishing an edible food recovery program. The City will also be responsible for monitoring compliance, conducting enforcement, and maintaining accurate compliance records.

While cities are slated to receive federal funding under the ARP, budget shortfalls remain. Local economies, particularly those that rely upon domestic and international tourism, were hit the hardest by the pandemic and continue to face down budget shortfalls not met by recent federal aid, hindering statewide recovery efforts.

The California State Budget must be adopted by midnight on June 15. However, it is likely that additional budget bills, also known as trailer bills, will advance after June 15. Final budget negotiations will take place between the Governor and legislative leadership over the next few weeks.

Councilmember Pierson is requesting Council authorization for the Mayor to submit a letter to members of the State Senate and Assembly Budget Committees, with copies to Senator Stern and Assembly Member Bloom, in support of Cal Cities' request for a State budget commitment to cities of at least \$10 billion. Cal Cities has provided a sample letter, which is attached for reference.

ATTACHMENTS: Sample letter

City of Malibu

Paul Grisanti, Mayor

23825 Stuart Ranch Road · Malibu, California · 90265-4861
Phone (310) 456-2489 · Fax (310) 456-3356 · www.malibucity.org

June 14, 2021

Submitted via email to SBUD.Committee@senate.ca.gov
and AsmBudget@asm.ca.gov

The Honorable Nancy Skinner
Chair, Senate Budget Committee
State Capitol, Room 5019
Sacramento, CA 95814

The Honorable Phillip Ting
Chair, Assembly Budget Committee
State Capitol, Room 6026
Sacramento, CA 95814

The Honorable Anna Caballero
Chair, Senate Budget Subcommittee #4
State Capitol, Room 5019
Sacramento, CA 95814

The Honorable Wendy Carrillo
Chair, Assembly Budget Subcommittee #4
State Capitol, Room 6026
Sacramento, CA 95814

Dear Chairs Skinner, Ting, Caballero, and Carrillo:

The City of Malibu respectfully requests a budget commitment to cities of at least \$10 billion in the 2021-2022 State Budget to help cities recover from the pandemic, bolster investment towards meaningful solutions to homelessness, improve housing affordability, and advance critical infrastructure.

The fiscal consequences of the pandemic have had real world impacts on the city services Californians depend on daily. Nine out of 10 cities are currently experiencing a revenue shortfall due to the pandemic, seven out of 10 cities anticipate that this shortfall will continue into next year, and three out of four cities will not, or are unsure if they can, balance their next budget without cutting services and staff.

While still in the midst of recovery efforts from the devastating Woolsey Fire in November 2018, the economic effects of the COVID-19 pandemic on the City's budget from the shutdowns last summer have negatively impacted many crucial local revenue sources, including sales tax, transient occupancy tax (TOT) for hotels and motels, gas tax, and parking tax. Dining and travel restrictions imposed by the public health orders have had the greatest impacts as restaurants, which have historically been the primary contributor to the City's sales tax revenue. While the local relief included in the American Rescue Plan (ARP) will help cities like Malibu continue to fight the pandemic and begin to rebuild local economies, fiscal gaps still persist for many cities, whose revenue losses and unplanned expenditures far exceed the anticipated relief.

The State's budget surplus presents a historic opportunity to invest in cities, to ensure an equitable and comprehensive recovery, and address generational crises that were exacerbated by the pandemic. The City of Malibu joins with the League of California Cities in urging the State and Legislature to appropriate at least \$10 billion to cities, specifically:

- **\$2 BILLION IN DIRECT AND FLEXIBLE STATE AID.** Direct funding to cities is crucial to address local budget gaps left by the ARP Coronavirus State and Local Fiscal Recovery Fund and to prevent sustained cuts to good government jobs and jumpstart core services including the



easing of municipal hiring freezes. In response to the pandemic, the City of Malibu had to eliminate certain positions and forgo filling vacancies. Additional State aid will not only enable the City to restore but expand staffing levels to provide additional and much needed services to help the local community reopen and recover from the effects of the pandemic.

- **\$5 BILLION FOR EVIDENCE-BASED HOMELESSNESS AND HOUSING SOLUTIONS.** Funding to support cities in their efforts to address homelessness and increase the construction of housing that is affordable to all Californians. According to the annual homeless counts conducted by the Los Angeles Homeless Service Authority (LAHSA), Malibu's homeless population grew by more than 50% between 2018 and 2020. Additional funding would allow the City to continue its efforts to implement its Homelessness Strategic Plan and other initiatives to address homelessness.
- **AT LEAST \$3 BILLION FOR BROADBAND INFRASTRUCTURE.** Additional funding is crucial to support expansion and related infrastructure upgrades in unserved and underserved communities.
- **\$225 MILLION TO HELP FUND THE MANDATES TO DIVERT ORGANIC WASTE FROM LANDFILLS.** All cities in California must work to ensure the State stays on course to meet ambitious goals to reduce landfill disposal. The staffing required to implement and enforce this new program presents a significant hurdle for local compliance with SB 1383 and other related mandates. The City estimates that this program could require one full-time staff person over the next several years. Additional funding would enable the City to hire additional staff or consultants to assist with this endeavor without impacting existing services.

All levels of government have worked together to combat this pandemic. As our work together shifts to recovery for all, let us continue that strong partnership by ensuring that no community is left behind. Thank you for considering our request for assistance to protect local government operations and jobs, and to help the City of Malibu and all communities throughout California emerge from this pandemic stronger than ever.

Sincerely,

Paul Grisanti
Mayor

Cc: Honorable Members of the Malibu City Council
Steve McClary, Interim City Manager
Honorable Henry Stern, California State Senate, 27th District
Honorable Richard Bloom, California State Assembly, 50th District
Jeff Kiernan, Regional Public Affairs Manager, League of California Cities
League of California Cities (cityletters@cacities.org)

