DATE: May 4, 2020

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Peggy Flynn, City Manager

SUBJECT: Consideration of a Letter to Governor Newsom Requesting Local Fiscal Assistance Due to the Economic Impacts from the COVID-19 Crisis

RECOMMENDATION

It is recommended the Council sign a letter to Governor Newsom requesting local fiscal assistance due to the economic impacts from the COVID-19 crisis.

BACKGROUND

Cities remain on the frontline helping residents stay safe and, in their homes, delivering emergency 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.

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, emergency management, and planning and housing, and anticipate lay-offs or furloughs, which will further impact core services for residents.

The City of Petaluma, as a member of the League of California, requests 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 expenses; and

3. Create a COVID-19 financing vehicle that all cities can access to support immediate cash flow needs.
DISCUSSION

The City of Petaluma is one of 482 California cities on the front lines of the COVID-19 pandemic, protecting residents and incurring significant expenses as we work to prevent further transmission and keep our community safe, as well as provide relief to our most vulnerable populations and our ailing businesses.

Through our current fiscal year ending June 30, 2020, the City projects a nearly 5% reduction, or more than $2M loss in revenue. This does not take into consideration the likely, and still significant, effects on revenues in the upcoming budget year beginning July 1. These revenue shortfalls will impact our core city services, including police, fire service, emergency management, planning and housing.

The City has invested $350,000 to bolster our service providers to assist us in caring for our unsheltered population—before, during, and after we emerge from this crisis. We are quickly turning around the CDBG-CV funds of $200,000 to assist our most vulnerable populations with rental assistance and other housing-related needs as to not exacerbate our homelessness situation. These necessary measures our City has taken are costly and exacerbate our existing budget challenges and looming deficit. In order to continue to be a full partner with the state in saving lives, protecting our communities, and ultimately recovering from this crisis, the City is requesting swift legislative action and local fiscal assistance by the State.

As the letter requests State support for the City and the other 482 California cities, it is recommended that the Council sign the letter (Attachment 1).

ATTACHMENT

1. May 4, 2020 Letter to Governor Newsom with Signature Block
April 29, 2020

VIA EMAIL TO: ExternalAffairs@gov.ca.gov

Honorable Gavin Newsom
Governor, State of California
State Capitol
Sacramento, CA 95814

Dear Governor Newsom:

The City of Petaluma 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.

Sales taxes, transient occupancy taxes (“TOT” from hotel stays and residential vacation stays), and other program fees have dropped dramatically in our localities. We depend on these revenues to fund essential city services – services that are critical to protecting the public health and safety of our residents.

Here is what that looks like for some of us – note that this is just through June 30, 2020 and does not take into consideration the likely and still significant effects on revenues in the budget year that begins July 1, 2020:

- Cloverdale – an over 8% reduction in total revenues, which is about $518K;
- Healdsburg – a 14% reduction sales taxes and TOT, which is nearly $2M;
- Petaluma – a 4.5% reduction in sales taxes and TOT, which is $2.1M;
- Rohnert Park – a loss of $2.4M in sales taxes and TOT, which, when added with other program losses adds up to more than a 16% reduction in general fund revenues; and
- Sonoma – a reduction of over 10.8% in sales taxes and TOT, which is about $2.2M.
In addition, our spending on police, emergency response, fire, health care, and other social programs continues to increase as we respond to this pandemic. Simply put, we cannot continue on this path without direct state aid for our loss of revenue. With state and local mandates to have balanced budgets at all times, we may be forced to cut or eliminate essential services in the midst of a global pandemic, at a time when our community needs us the most. If our cities cannot provide basic services to aid in recovery, there will be no statewide or national economic recovery.

Just through our current fiscal year ending June 30, 2020, the City of Petaluma projects a nearly 5% reduction, or more than $2M loss in revenue—which does not take into consideration the likely, and still significant, effects on revenues in the upcoming budget year beginning July 1. These revenue shortfalls will impact all of our core city services, including police, fire service, emergency management, and planning and housing and a majority of the cities surveyed anticipate lay-offs or furloughs, which will further impact core city services for residents, as well as the employees.

Since the beginning of the COVID-19 crisis, the City of Petaluma has stepped up to protect and serve our community. We have invested $350,000 to bolster our service providers to assist us in caring for our unsheltered population—before, during, and after we emerge from this crisis. We are quickly turning around the CDBG-CV funds of $200,000 to assist our most vulnerable populations with rental assistance and other housing-related needs as to not exacerbate our homelessness situation. 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 Petaluma 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 expenses; and
- Create a COVID-19 financing vehicle that all cities can access to support immediate cash flow needs.
The City of Petaluma appreciates your consideration of our requests and look 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 leadership and partnership during these uncertain times.

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Teresa Barrett                D’Lynda Fischer
Mayor                        Vice Mayor

_________________________  ___________________________
Kevin McDonnell              Mike Healy
Councilmember                Councilmember

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Gabe Kearney                 Dave King
Councilmember                Councilmember

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Kathy Miller                 Councilmember

cc:  Senator Bill Dodd
     Senator Mike McGuire
     Assemblymember Marc Levine
     Nancy Hall Bennett, League of California Cities, nbennett@cacities.org
     Meg Desmond, League of California Cities, cityletters@cacities.org