



May 5, 2020

The Honorable Gavin Newsom  
Governor, State of California  
State Capitol Building, 1<sup>st</sup> Floor  
Sacramento, CA 95814  
[Leg.unit@gov.ca.gov](mailto:Leg.unit@gov.ca.gov)

RE: Urgent COVID-19 Related and Economic Impact Funding Needs for Los Angeles County Cities

Governor Newsom:

On behalf of the Los Angeles County Division of the League of California Cities® (Division), representing 86 cities in the county, we thank you for your leadership and swift actions during the COVID-19 pandemic. Our local leaders have also risen to the challenges from this crisis by taking immediate steps to partner with you to stem the virus in our cities by declaring local states of emergencies, adopting eviction moratoriums, closing parks and recreations facilities, increasing first responder capacities, and increasing public health measures through the procurement of PPE and other critical supplies for our residents.

All of these actions have been necessary to serve the immediate public health needs of our residents, but they have not come without exponential costs and revenue losses to our cities, which will negatively impact vital services like public safety, transit, local housing programs, and senior services. A data analysis by the League of California Cities shows that 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. Without direct and flexible state and federal relief to close the fiscal gaps, 90% cities will have to cut or decrease city services to residents or furlough city staff. Nearly 75% of cities report they may be forced to take both actions.

A recent UCLA Anderson Forecast reports that unemployment rates in California will rise to 6.3% by the end of this year and continue to increase into 2021. By the first quarter of 2021, California is expected to lose over 280,000 payroll jobs with over 1/3 of those in leisure and hospitality and transportation and warehousing. Such a sharp contraction of income and taxable sales will cause increased stress for state and local governments that rely on sales tax, transient occupancy taxes and property taxes at a time when the demands for services provided by such revenues are increasing.

This crisis has spurred public health, economic, and fiscal challenges that require local, state, and federal leaders to work in partnership to respond to the urgent needs of all of our communities. Every city in the state has been affected by COVID-19 and we are asking that the state help California local governments close the **\$7 billion shortfall** with direct and flexible aid in the following ways:

**Set Aside State CARES Act Funding for Cities with Populations Under 500,000.** *The state is eligible to receive \$15 billion dollars from the CARES Act. The LAO reports that after the allocations to counties and cities over 500,000 population, the state has access to over \$9.5 billion<sup>1</sup>. The state has discretion to use the funds directly or distribute to other*

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<sup>1</sup> <https://lao.ca.gov/Publications/Report/4217>

*entities. We urge the state to share some of those funds with cities across the state for COVID-19 directly or indirectly related expenses.*

The \$2 trillion CARES Act, passed last month, provides financial assistance to individuals and small businesses on the economic margins, as well as \$150 billion in direct aid to state and local governments (with populations greater than 500,000) to help offset the new costs directly related to the pandemic. Only six cities in the state are eligible for these funds. Moreover, Congress just passed the Paycheck Protection and Health Care Enhancement Program, which excluded funding for local governments. The Division continues to urge Congress to advance a fourth emergency appropriations package with direct aid available to all cities in need, regardless of population.

**Establish a City Revenue Stabilization Fund for Direct Aid to All Cities.** *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.*

Revenue shortfalls are already reducing or eliminating core services because of the pandemic. All California cities, big and small, are feeling the severe financial impacts of this pandemic. With city budgets hit so hard, residents are going to feel that impact in their everyday lives. In fact, the League's data found that 90% of cities will have to cut staff or decrease city services to residents, and nearly 75% of cities report they may have to take both actions. A flexible funding mechanism from the state can help avoid local cuts to core services.

**Create a Financing Vehicle that All Cities Can Access to Support Immediate Cash Flow Needs.** *The Executive Order to allow small businesses to defer payment of sales and use taxes of up to \$50,000 for 12 months creates severe cash flow issues for cities. We request that the State establish a City Revenue Stabilization Fund, supported by any eligible fund sources, to provide direct financial aid to cities of all population sizes to mitigate revenue shortfalls due to the COVID-19 emergency.*

While we understand the need to support our Main Street businesses, these deferrals will have a devastating impact on local budgets. Sales tax is a primary source of funding for local governments, especially in Los Angeles County's "no/low" cities that more heavily rely on local sales tax revenue to support vital public services and programs. Additionally, almost half of the cities in the county have passed local add-on, voter-approved, sales taxes that are also subject to deferral. Services such as public safety, transit, local housing programs, and senior services are becoming difficult to sustain and plan for in the current and next fiscal year without a bridge loan program or backfill from the state. A flexible financing mechanism from the state can help avoid local cuts to core services.

Our cities are on the front lines of this crisis and as elected officials, we must continue to navigate the COVID-19 crisis and ensure that all Californians have access to critical and essential public services. We also have a responsibility to look ahead to recovery of our economy to allow us to serve our residents when they will need our services most. Nevertheless, cities must stabilize before we are able to venture into recovery. We are looking to the state to assist in stabilizing those local governments that need assistance. We thank you for your leadership and continue to ask for your critical partnership at this time.

Sincerely,



Juan Garza  
President  
Los Angeles County Division  
League of California Cities®

cc: Los Angeles County Legislative Delegation