

2019-2020

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April 23, 2020

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

Dear Governor Newsom:

On behalf of the League of California Cities and the 478 cities we represent, thank you for your leadership and tireless efforts to protect and support Californians during this unprecedented public health crisis. We sincerely appreciate the support you have provided to local governments and the extraordinary measures local leaders have taken to protect households and residents from the adverse effects of the COVID-19 pandemic. We look forward to building on this partnership with your Administration in the coming months to ensure that all California cities can continue to protect their communities from this pandemic and be a leader in the local recovery from its devastating economic impact.

Cities remain on the frontline helping residents stay safe and in their homes, delivering emergency services, and supporting their 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's analysis of several data sources, including local government projections and annual reports provided by the State Controller and the California Department of Tax and Fee Administration, 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 COVID-19 stay-at-home orders extend into the summer months and beyond.

Ninety percent of cities project that these shortfalls will impact 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, cities have stepped up to protect and serve their communities and taken actions that have saved lives and served as a model for the country. The necessary measures cities have taken are costly. At the same time California cities are experiencing precipitous revenue shortfalls, they are incurring unbudgeted costs.

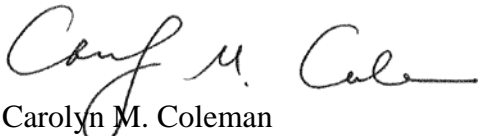
All California cities, regardless of population, urgently need funding to help us continue to fight COVID-19 and protect our residents through the summer months and beyond. We cannot afford for any city to be left behind.

For cities to continue to be a full partner with you in saving lives and protecting our communities, we need your help. The League respectfully requests that the state establish a fund, supported by any eligible funding sources, to help all California cities address the nearly \$7 billion dollar revenue shortfall due to the COVID-19 emergency and the recovery of our local economies.

In addition, the League respectfully requests that the state set aside an allocation of the state's CARES Act funding for cities with populations under 500,000 to help offset the unanticipated expenses related to COVID-19. Under the CARES Act, California is eligible to claim \$15.3 billion for state and local governments with populations over 500,000 to compensate for COVID-19-related expenses. Only six of California's 482 cities meet that threshold and are eligible for this direct assistance. However, all of California's cities, regardless of population, are on the frontlines of this pandemic and incurring unanticipated and extraordinary expenses. By setting aside a portion of the state's share, these cities would be able to preserve as much general fund revenue as possible to fund core services for our residents.

Thank you again for your leadership and partnership during these uncertain times. I appreciate 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. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Carolyn M. Coleman". The signature is written in dark ink and is positioned above the printed name.

Carolyn M. Coleman
Executive Director

Cc: Keely Bosler, Department of Finance