## A LETTER FROM MONTEREY BAY AREA CITIES

Honorable Gavin Newsom Governor, State of California State Capitol Sacramento, CA 95814 VIA E-mail: ExternalAffairs@gov.ca.gov

May 4, 2020

Governor Newsom,

First, we want to express our appreciation for your decisive leadership in the midst of one of the greatest challenges the State of California and the nation has ever faced. Not since the Great Depression, has there been such broad and significant impacts across all economic sectors and people of all socioeconomic backgrounds.

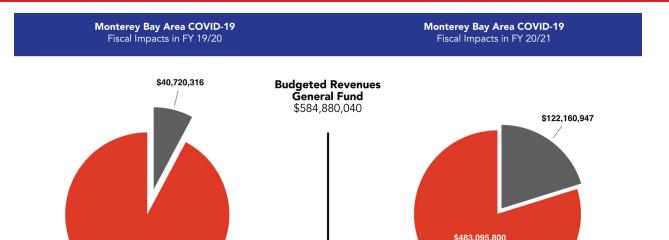
We also acknowledge there is no perfect response to these unprecedented challenges. Your willingness to take swift action in response to a rapidly changing situation, is in large part why California will be successful in flattening the curve and managing this pandemic.

As a former Mayor, we know you hold a deep appreciation for the important role that local governments play in both combating this virus and providing essential services to preserve the health and well-being of our communities. Cities and Counties across the State, including the Monterey Bay region, are now facing a dire financial reality. Many of the critical revenue streams that we depend upon have been significantly impacted by COVID-19, and the measures required to slow the spread of the virus.

We write to you today, asking for your help. The anticipated losses in revenues from sales tax, transient occupancy tax, and service fees and charges, will significantly undermine our ability to provide essential services, including police and fire protection to our communities, and also to continue to do the necessary work on housing and homelessness.

## **COVID-19 Fiscal Impact**

While it is difficult to quantify the financial impact with certainty under the current circumstances, we can provide some examples of the potential impact, based on past performance and local experience. The total sales tax generated cumulatively across all Monterey Bay area Cities is approximately \$96,000,000 annually. The total transient occupancy tax (TOT) generated in our region is approximately \$70,000,000 annually. As the pandemic and shelter in place measures extend, we anticipate a total loss in sales and TOT tax revenues of \$40,000,000 in FY 2019-2020, and a loss of \$122,000,000 in FY 2020-2021.



We 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 anticipate lay-offs or furloughs, which will further impact core city services for residents, as well as the employees. As we all work together to begin the gradual climb back from this unprecedented challenge, now more than ever, it is imperative that Cities and Counties be provided the assistance they will need to help get our communities and the State back on track.

FY 19/20 REDUCTION

As you know, the League of California Cities also recently released a report projecting that California cities will see a nearly \$7 billion general revenue shortfall over the next two fiscal years, and the shortfall will grow by billions of dollars if COVID-19 stay-at-home orders extend into the summer months and beyond.

## We ask for direct State funding to stabilize local government budgets to preserve the essential City services all Californians need. Respectfully, we ask that you:

- 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.

Throughout this emergency, along with the State of California, it has been Cities and Counties that have stepped up to fill the gap in communication with our citizens, maintain essential services, and preserve and protect the health and safety of our communities; even in light of dwindling revenues, heavy use of local reserves and cash flow challenges. We remain committed to doing so, but we need help and support from both the State of California and Congress as subsequent economic relief measures are considered.

Thank you for your consideration.

\$483.095.800

Sincerely,

FY 20/21 REDUCTION



Jamie Goldstein City of Capitola



**Chip Rerig** Carmel-By-The-Sea



Danial "Dino" Pick City of Del Rey Oaks



Rene Mendez City of Gonzales



Paul Wood City of Greenfield













Brett I. Miller City of Hollister



**Steve Adams** City of King City



**Layne Long** City of Marina



Hans Uslar City of Monterey



**Ben Harvey** City of Pacific Grove









Ray Corpuz City of Salinas



**Don Reynolds** City of San Juan Bautista



**Aaron Blair** City of Sand City



**Martin Bernal** City of Santa Cruz



**Tina Friend** City of Scotts Valley



cc:











**Craig Malin** City of Seaside



Michael McHatten City of Soledad



Matt Huffaker City of Watsonville





Assemblymember Mark Stone Assemblymember Robert Rivas Senator Anna Caballero Senator Bill Monning