



CITY COUNCIL AGENDA REPORT

MEETING DATE: March 1, 2021

TO: City Council Members

FROM: Mary Rose Rutikanga, City Administrator

SUBJECT: Support for Federal Relief Package for Cities

RECOMMENDATION

Receive a letter addressed to Congressman Tom McClintock in support of the Federal Relief Package for Cities dated February 22, 2021.

DISCUSSION

The attached letter is addressed to Congressman Tom McClintock seeking support of the \$350 billion COVID-19 relief bill, currently making it way through Congress, that includes \$65 billion for cities. The City also signed as a co-signer in support of a California League of Cities letter to Congress.

California's cities are facing dual crises: billions in expenses addressing the pandemic in their communities, and devastating declines in tax revenues. Since the beginning of the pandemic, cities have lost \$5 billion in revenue, and expect to lose another \$1 billion over the next year. More than half of the shortfall is attributed to the decline in hotel occupancy taxes and has devastated cities dependent on tourism dollars (51% loss in transient occupancy tax (TOT) revenue). Nearly one-third of the shortfall is attributed to the decline in sales tax revenue following the shuttering of businesses and local economies during the pandemic (28% loss in sales tax revenue).

Cities have remained on the front lines for months working to protect public health and deliver essential public services that residents and small businesses depend on, distributing personal protective equipment, ensuring the most vulnerable in our communities have access to food and shelter, and helping small businesses survive with local grant programs. The actions cities have taken to support and protect their communities and workforce during the pandemic have saved lives but also resulted in significant unplanned expenditures that are depleting city budgets. City revenues have been decimated by the shuttering of businesses and local economies during the pandemic, and in order to maintain essential services to residents, protect people from the pandemic, and lead the recovery in our communities, cities need assistance now.

The City of Sonora has seen its revenues significantly decline due to COVID-19 business closure impacts and has had to rely on City reserves to fund the budget deficit. This bill allows for revenue recovery funding to backfill losses incurred due to COVID-19 business closures. Without the passage of this bill, the City will once again be looking to make additional cuts to its general fund expenditures as well as rely on reserves to balance the budget for the upcoming FY 21/22 budget.

FISCAL IMPACT

If passed, this bill will allow for revenue shortfall funds to be received by the City of Sonora due to the COVID-19 pandemic in the amount of around \$900,000.