



**California Special
Districts Association**

Districts Stronger Together

May 20, 2020

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

RE: Special Districts COVID-19 Impacts and Request for Relief

Dear Governor Newsom:

On behalf of over 1,000 independent special districts and affiliates, the California Special Districts Association (CSDA) thanks you for your strong and swift leadership in guiding our state through the COVID-19 health and resulting economic crisis. We appreciate your acknowledgment of the magnitude of impacts confronting COVID-19 has had on local government and your willingness to help source federal relief.

CSDA and our membership are eager to work with your administration, legislative leadership, the federal government, and our local government counterparts to find solutions to the impacts of COVID-19 on special districts throughout the state and the communities we serve.

Special district workers are on the front lines ensuring the delivery of critical local services to California's communities. We provide water, sanitation, electricity, fire and police protection, and access to parks and open space. We deliver healthcare and first response, mosquito abatement and vector control, safe and respectful burials, transportation and commerce, and more. Many districts serve rural and vulnerable populations and operate with limited staff and lean budgets.

SPECIAL DISTRICTS CONFRONTING COVID-19 IMPACTS

A May survey conducted by CSDA found that 24 percent of districts are currently experiencing significant budget or cash flow issues, or will be by June 2020, and 76 percent expect to by June 2021. This means 1,500 local government organizations will likely experience financial duress and will be required to make cuts to staff and/or services.

The good news is most special districts are prepared to meet this challenge in the near term, indicating sufficient reserves for the time being to mitigate the COVID-19 revenue loss and additional expenditures already incurred. However, just as California is calling for federal assistance, our members recognize this unprecedented crisis necessitates partnership from all levels of government to manage impacts over the longer term.

Fortunately, the scale of financial support requested by special districts at this time is small relative to the need in other areas of government. However, these budget challenges are largely proportionate to operating revenues and represent real impacts to families and businesses in communities throughout the state due to necessary cuts to local services and jobs.

The first two months of the pandemic resulted in approximately a \$250 million direct impact to special districts statewide. As of May 5, 2020, special districts expended roughly \$80 million in unbudgeted emergency management costs in their communities and lost an estimated \$167 million in operating revenues due to COVID-19. These impacts span across all district types and services, districts of varying sizes and financial resources, and districts serving communities across California's geographical and socioeconomic spectrum.

Unfortunately, the special districts most at risk are those with the smallest operating revenues, often serving the most vulnerable populations. While sixty-three percent of special districts reported losses under \$150,000 by May 5, it is important to note 64 percent of the special districts experiencing significant budget challenges by June of this year have annual operating revenues of less than five million and 80 percent have operating revenues of ten million or less.

Access to fiscal assistance and financial tools – even at a moderate funding level – would provide a significant return on investment through the continued availability of community services and would support local jobs and economies.

Additionally, COVID-19 response has further exposed the need for closing the digital divide in California. This health crisis has revealed our institutions can remain active and responsive by governing and holding public hearings remotely and adapting workplaces to protect workers' health and safety while continuing to provide critical services. However, not all communities have equal ability to do so. Some special districts, and the communities they serve, have limited access to remote work capabilities. Should technology enhancement funding become available, special districts desire to be eligible partners in providing resources to the communities they serve.

DIRECT COMMUNITY IMPACTS

The special districts who have experienced the most significant and immediate challenges from COVID-19 impacts primarily provide critical services and infrastructure to small communities, largely in rural areas with vulnerable populations, and have indicated they will be forced to cut services essential to the public's health and safety by June 2020:

- **40 percent are located within rural counties;**
- **51 percent serve a population of 25,000 or less;**
- **79 percent serve a population under 150,000;**
- **53 percent service populations within city boundaries while 47 percent service unincorporated areas.**

The districts primarily experiencing financial duress are those providing some of the most critical public services (attachment enclosed):

- **Water treatment and delivery;**
- **Sanitation and wastewater services;**
- **Fire protection;**
- **First response and emergency services or healthcare;**
- **Parks and recreation or open space.**

These special districts are facing cuts to general operations, closure of facilities, staff cuts, and reduced ability for public outreach. In addition, these districts have indicated they will also have to cut service levels to their local communities in this budget year. Forty percent will cut services critical to public health and safety, such as fire protection-related services, sanitation and wastewater services, utility-related services (water and electrical utility), or first response and healthcare services (including ambulance, emergency services, non-emergency medical transport, and hospital services).

REQUEST FOR RELIEF AND GUIDING PRINCIPLES

CSDA respectfully requests the following principles be considered before you make final determinations on local government investments and legislative proposals that impact municipalities:

1. **First, do no harm.** We acknowledge that, all throughout the state and nation, families, businesses, and local governments are experiencing similar fiscal challenges and a bleak economic outlook. With special districts and other local governments striving to maintain operations and prepare for the next disaster, one of the most

impactful measures that can be taken is to hold off on any new legislation and regulations that would create additional financial burdens on local entities. While many such proposals may have merit, we ask for a pause on these discussions until local government can begin to rebound from the current crisis. New mandates, duties, compliance with new regulations, costs or reductions in revenue only impede recovery and efficient delivery of service.

2. **Provide special districts access to grants, credits, and financial tools.** Where resources are considered and extended to other forms of local government, we ask that special districts also be expressly included in these determinations and discussions. Additionally, we ask that special districts be included when state leaders advocate to Congress on behalf of local government. CSDA is actively advocating for access to federal financial tools but, to date, special districts have been largely excluded from the federal measures that have been passed.
3. **Equitably include special districts in access to local government funding relief.** Like our partners at cities and counties, special districts are delivering essential services to our communities. However, unlike cities and counties, special districts have not been included in state or federal stimulus funding or received access to the same financial tools. Where special districts are providing the services prioritized by your administration, we ask that the special districts providing these services to local communities be equitably included, in the appropriate scope and scale, in local government investments.
4. **Jumpstart technological infrastructure investments in small, rural, and disadvantaged communities.** We applaud your administration's pursuit of broadband for all in California and note that special districts are one form of local government authorized to deliver broadband services in our state. Whether it is through passage of a statewide bond or establishment of a grant program, a relatively small technology infrastructure development program would provide significant return on investment in building resiliency in our communities.

Overall, special districts are stable, resilient, and fiscally prudent in our delivery of critical services. We are standing strong in the midst of this global crisis, continuing to provide reliable services to millions of Californians. We seek your partnership, and that of state and federal leaders, as we work to rebound from the steep economic impacts of COVID-19 response. We respectfully ask for your support in accessing fiscal assistance and financial tools to allow us to continue to serve our communities.

Sincerely,



Neil McCormick
Chief Executive Officer

CC: The Honorable Toni Atkins, President pro Tempore, California State Senate
The Honorable Anthony Rendon, Speaker, California State Assembly
The Honorable Shannon Grove, Senate Republican Leader
The Honorable Marie Waldron, Assembly Republican Leader
The Honorable Holly Mitchell, Chair, Senate Budget Committee
The Honorable Phil Ting, Chair, Assembly Budget Committee
The Honorable Anthony Portantino, Chair, Senate Appropriations Committee
The Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee
The Honorable Mike McGuire, Chair, Senate Governance and Finance Committee
The Honorable Cecilia Aguiar-Curry, Chair, Assembly Local Government Committee
The Honorable Fiona Ma, California State Treasurer
Keely Bosler, Director of the California Department of Finance
Mark Ghilarducci, Director of the Governor's Office of Emergency Services



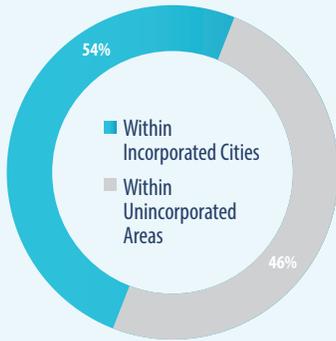
California Special Districts Association
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SPECIAL DISTRICTS COVID19 IMPACTS

Special Districts Provide Essential Services to Millions + Employ Tens of Thousands Public Servants

Throughout the unprecedented public health and economic crisis resulting from COVID19, California's 2,000+ independent special districts continue to provide core local services to communities.

SPECIAL DISTRICTS SERVE COMMUNITIES STATEWIDE

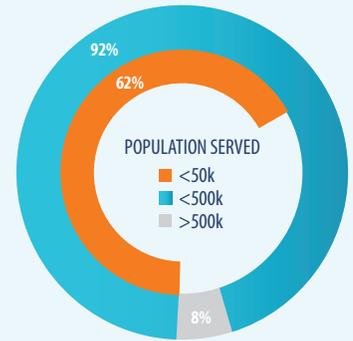


OPERATING CRITICAL FACILITIES AND INFRASTRUCTURE

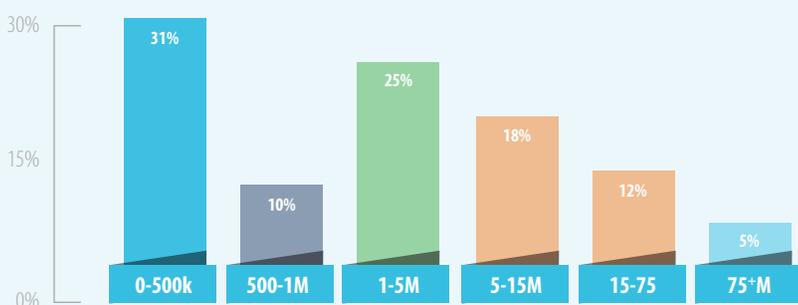


Airport, Harbor/Port, Reclamation/Levee, Healthcare, Fire Protection, Sanitation, Utility/Energy, Water, Transit
As designated by the US Department of Homeland Security

SPECIAL DISTRICTS SERVE COMMUNITIES LARGE AND SMALL



VARYING OPERATING REVENUES



ADAPTING SERVICES TO LOCAL COMMUNITIES FOR COVID19 RESPONSE

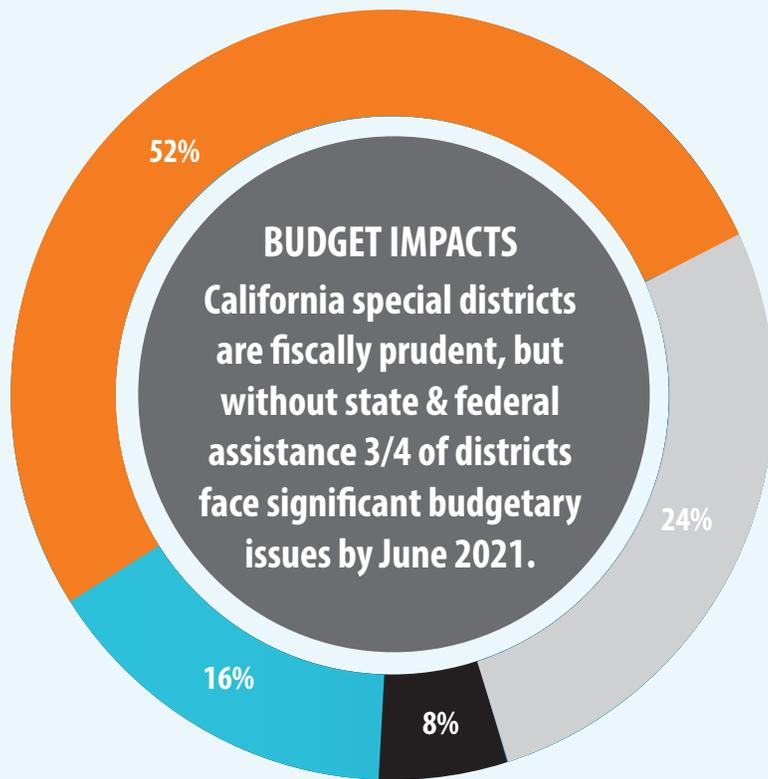
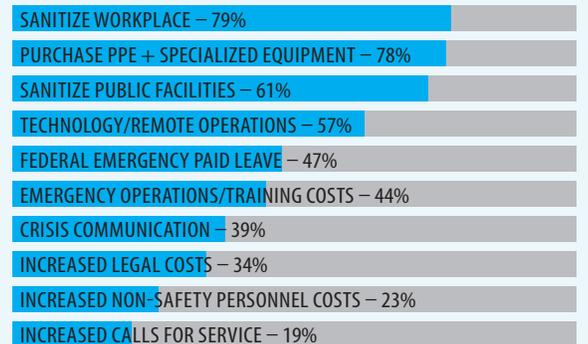


ACTIONS TAKEN TO SUSTAIN + MAINTAIN SERVICES

ADDITIONAL UNBUDGETED EXPENDITURES & DIRECT REVENUE LOSS

As of May 5, 2020

% OF DISTRICTS WITH INCREASED EXPENDITURES IN THESE AREAS



BUDGET IMPACTS
California special districts are fiscally prudent, but without state & federal assistance 3/4 of districts face significant budgetary issues by June 2021.

■ Significant issues as of May 2020 ■ Significant issues by June 2021
■ Significant issues by June 2020 ■ No impact as of May 2020

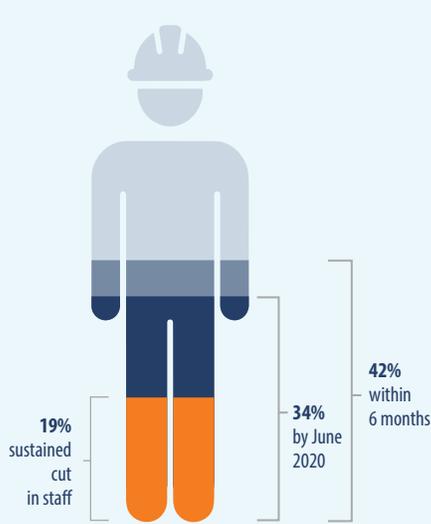
DRAWING DOWN RESERVES



CUTTING/DECREASING SERVICES



CUTTING OR DECREASING STAFF



\$80M

Estimated total additional COVID19 related expenditures for all special districts

\$167M

Estimated total COVID19 related revenue loss for all special districts

Special Districts seek federal and state partnership to access the fiscal assistance and financial tools necessary to maintain critical local services and infrastructure California communities rely upon and to stand ready against the next disaster.

*Data and assumptions: The California Special District Association (CSDA) COVID19 Fiscal Impact Survey was open to 100 independent special districts across California regardless of membership status with CSDA. The data captured represents 423 individual respondents as of May 5, 2020 and captures local impacts to all district types and services of varying operating revenue and service populations, encompassing diverse geographic and socioeconomic areas throughout the State. Projected total expenditures and revenue loss to all special districts directly attributable to COVID19 are estimated losses incurred from data cited by the representative survey sample as of May 2020.