

April 2, 2020

TO: Mayor Julie Moore Wolfe & Decatur City Council Members

FROM: Scot Wrighton, City Manager

RE: Financial Relief Measures Related to Coronavirus Disruption

States and localities across the country are trying to evaluate the short and long-term financial impacts on their citizens, and their own government budgets, from the COVID-19 pandemic. As the Decatur City Council tries to evaluate what the local impacts could be, here are some of the parameters and context for immediate and eventual policy decisions:

- All of Decatur's largest manufacturing and industrial production employers remain open and in operation. Some have experienced only limited employment disruption as staff members juggle childcare because of school and daycare closings, elder care disruptions managed by employees, and/or take more sick leave as a precaution against COVID-19 infections; but most employees in these businesses have not been idled.
- Most local governments, healthcare providers, social and senior service agencies and several private businesses remain in operation (even if access to the public is limited) either because they are considered essential service entities, or because they have been able to move most of their employees to off-site/home-based work arrangements; so, most employees in these organizations have not been idled.
- Hospitality, specialty retail, bars, entertainment, dine-in restaurants, lodging, personal services, recreation/fitness and related businesses that involve (by the very nature of the business) having groups of people together for extended periods of time where it is difficult or impossible to practice social distancing—are the hardest hit businesses, and they have seen most of the local employment layoffs, furloughs and business shut-downs. It is still too early to know exactly how many local residents have had their employment idled, eliminated or reduced by the stay-at-home and business closure orders. While many restaurants have switched to pick-up/delivery/curbside sales, some dine-in establishments have simply closed. Cooks and owners at restaurants may be working, but their waiters/waitresses have all been idled, and the impact on businesses that support/supply restaurants and hospitality businesses cannot be calculated yet.
- All in-person educational institutions are closed, kindergarten through higher education, and this has idled education support workers and many teachers; those faculty members still working have had to immediately adapt to delivery of online instruction.
- The combined effects of reduced dine-in food and beverage sales, hoard-buying, increased online purchases, and stay-at-home impacts on water consumption and utility taxes, cannot be accurately assessed until mid-May when the city starts to receive actual data from the Illinois Department of Revenue. Some may be up; most will be down. But the hard data will give insight into the new tax and spending picture painted by these new developments.

- Income tax revenues will almost certainly be down significantly due to a postponement in the State income tax filing date, and the idling of employment in the hospitality, specialty retail, restaurant, lodging and related businesses that have closed.
- While the economic disruptions and dislocations in Decatur will not impact everyone in the same way or to the same degree—the economic effects will fall, and are falling, disproportionately on persons with lower income levels, many of whom work in service industries. As of today, nationwide unemployment claims exceed 6.6 million; a disproportionate number of these are likely in the service sector, though there is a growing number of white collar jobs included in this number.
- Several State and Federal Emergency Relief programs (already approved or likely to be approved in the near future) will provide direct or indirect financial assistance to small businesses (generally with assets of less than \$1 million). These programs will help sustain many small businesses; but some businesses will likely close forever anyway. So far, none of the announced State and Federal relief programs fund the almost certain revenue shortfalls that will be experienced by local government (except cities with populations over 500,000).
- The aggregate cost of healthcare in the United States will increase due to the expenses of treating an unknown number of COVID-19 sufferers, with initial estimates for hospitalizations ranging from \$10K - \$30K per patient.
- Delivery businesses may be surging, but their costs may increase to cover expenses required to protect workers and customers from COVID-19, as well as many increasing wages to keep employees working.

As more information becomes available, the City Council and staff can take additional decisions to mitigate negative impacts in Decatur. It is recommended that the City Council deal with decisions related to how the Decatur 2020 budget will need to be adjusted *later in the Spring, beginning in May or June*, when more reliable data is available about revenue and expenditure patterns. In the meantime, senior staff are already holding back on non-essential spending, capital purchases, and new hires.

What I believe is most imperative now, however, is to decide on the most appropriate and useful economic relief measures the city can reasonably offer to help those citizens, families and small businesses most effected by the economic disruptions caused by COVID-19, and the stay-at-home and closure orders issued by the State of Illinois.

In addition to the measures listed on the attached sheet, it may eventually be necessary to create a new fund to help pay the utility and other bills of those who have lost their jobs. The local existing resources traditionally supplied by charities, churches and social service agencies to help the less fortunate when they cannot pay all of their household bills will be insufficient to meet the increased local demand created by this crisis. It may be that the additional CDBG funds recently announced by Congressman Davis, or other private, State and/or Federal relief programs, could be used to provide the extra capital to fund such a short-term relief program. Staff is still researching how these one-time funds can be used to result in the greatest positive impact in Decatur. Until the capitalization of such a relief fund can be arranged, however, it is recommended that the measures on the attached sheet be approved, in whole or in part.

Proposed Utility, License, Permit and other fee adjustments – April 2020

Utility Bills

- Temporary suspension of water shutoffs for failure to pay utility bill effective March 13, 2020 until April 30, 2020 or later(already implemented)
- Waiver and suspension of late fees and penalties for bills with due date March 13, 2020 until April 30, 2020, or later. Account balances remain, and customers should pay their fees and charges if they are able to do so, to avoid accumulating a large outstanding balance; but customers who are unable to pay due to local economic disruptions will not incur fees and penalties during this time period. (already implemented)
- Implement new ordinance providing limited relief to landlords in the form of revised deposit rules (staff and the landlord's association has been working on this for months). It provides more relief for landlords than it does for tenants, however, so council may want to delay implementation depending on whether tenants or landlords are considered more vulnerable during the current emergency.

Licensing

- Sign hanger licenses expiring April 30, 2020 will be extended to June 30, 2020, upon which license renewals will be effective July 1, 2020 to April 30, 2021, with license fee payment for this period to be the same as the normal full year license fee payment.
- Push back future deadlines for garbage hauler permit fees for those contractors who are cooperating with the city's solid waste related COVID-19 strategies.
- Hotel/motel licenses expiring April 30, 2020 will be extended to June 30, 2020, upon which license renewals will be effective July 1, 2020 to April 30, 2021, with license fee payment for this period to be same as the normal full year license fee payment.
- Vehicle for hire licenses expiring April 30, 2020 will be extended to June 30, 2020, upon which license renewals will be effective July 1, 2020 to April 30, 2021, with license fee payment for this period to be same as the normal full year license fee payment.
- Vehicle for hire drivers licenses expiring April 30, 2020 will be extended to June 30, 2020, upon which license renewals will be effective July 1, 2020 to April 30, 2021, with license fee payment for this period to be same as the normal full year license fee payment.
- Revise taxi ordinance to simplify the certification requirements, and apply the new rules to Uber, Lyft and similar transportation sharing services uniformly (proposed during the City Council's June 2019 strategic planning retreat).
- Pet registrations will continue to be processed upon receipt. City will suspend issuance of citations and penalties for failure to obtain pet registrations until after May 1, 2020, or later (already implemented).

Local Tax Return Filing and Payment (food & beverage tax, local motor fuel tax, hotel/motel use tax)

- Tax returns and payments for these taxes are due March 20. Those businesses able to pay them should do so. However, failure to file and pay on March 20 will not be subject to penalties and interest, and the new deadline for filing and payment will be extended to

April 20, or later (already implemented). Tax returns and tax payments will be due April 20 as normal, or as otherwise extended by the Council.

- Postpone collection of local video gaming license fees until the State of Illinois allows use of the machines again.

Actions by Other Entities

- Decisions by Macon County to delay property tax payments, or by the State of Illinois to delay sales tax or motor fuel tax payments to the Department of Revenue are outside the control of the city of Decatur, but will result in revenue receipt delays for the city.
- Drawn out utility payments will, for a limited period of time, result in remitting less to the Sanitary District of Decatur. We will discuss this with SDD officials.
- We have suspended collection of fares from the fixed route transit system in order to better protect our drivers from becoming infected by riders through allowing them to board through back doors of buses.