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April 3, 2020

The Honorable Tim Moore
The Honorable John Bell
The Honorable David Lewis
The Honorable Darren Jackson
NC House of Representatives

Dear Speaker Moore and Representatives Bell, Lewis and Jackson,

We would like to thank you again for allowing NCLM to address the House Select Committee on COVID-19 regarding the needs of cities and towns as state and local governments work together to meet all of the challenges caused by this crisis. We greatly appreciate your dedication and thoughtfulness as we consider how to move forward.

Cities and towns have, in the most recent fiscal years, taken in between \$1.2 billion and \$1.3 billion in sales tax revenue. For the median municipality in the state, that represents 28 percent of their general fund budget. A 20 percent drop over a single quarter will represent a loss of nearly \$90 million. Meanwhile, 31 percent of municipal general fund expenses, on average, go toward public safety, which is critical in addressing this crisis. Cities also receive \$50 million in hotel occupancy taxes annually, which are being severely impacted. Finally, any deferral of sales tax payments and water and sewer utility payments will affect cash flows.

Based on your request on Tuesday, the following represent the immediate needs and challenges of cities and towns:

- Appropriate \$60 million each month to municipalities for April, May, and June, as a way to offset anticipated lost sales tax revenues as a result of mandatory business closings and social distancing measures. These funds will allow municipalities to maintain service levels to their citizens and businesses and help prevent budget cuts that could become necessary in core services such as public safety and transportation. Appropriated funds could be distributed to municipalities based on a variety of formulas, though the existing sales tax distribution system may be the most efficient vehicle for reaching all cities and towns.

- Make available \$50 million in interest-free loans to municipalities to aid with cash flow challenges created by the deferment of sales tax payments, with loans repayable later this calendar year as deferred sales tax revenues are received.
- Make available \$100 million in new grant funds to help local government water and wastewater utilities meet cash flow needs due to the mandates of Executive Order 124, reduced commercial usage, and other potential losses of revenue due to the ongoing pandemic. Even before the Governor issued his most recent executive order protecting customers from being disconnected for nonpayment of services, dozens of cities and towns had already committed to that step. Distressed customers, though, will mean distressed systems, as these systems have fixed cost and staff that must be paid. Rural systems, meanwhile, were already financially struggling.
- As vehicle registrations are deferred and delayed, continue to allow property taxes on those vehicles to be collected on schedule.
- Clarify the state Public Meetings Law so that councils can meet remotely, protecting the health of the public and meeting requirements of stay-at-home orders. The current law does not provide clarity in how to move forward with remote council meetings while addressing the competing goals of providing public access and protecting public health.
- Approve and incorporate the NC FIBER Act into any relief package. More than ever, residents working from home and school children doing work from home demonstrate the need for better internet in many of our communities. Allowing the use of local government dark fiber and other existing resources in public-private partnerships would help to alleviate this need.

Thank you for your consideration of these needs. Obviously, the crisis and the strains that it is creating across society are changing daily, and it is difficult to predict how the challenges of cities and towns will change. We look forward, though, to working with you to best address the needs of our residents, understanding that their well-being is paramount.

Sincerely,

A handwritten signature in black ink, reading "Rose Vaughn Williams". The signature is written in a cursive, flowing style.

Rose Vaughn Williams
Associate Executive Director of Public & Government Affairs
N.C. League of Municipalities