



**City of Commerce
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For Immediate Release:

City of Commerce Confronts Devastating Financial Condition

Dear Residents, Employees, and Businesses,

As we have all experienced in one form or another, the economic impact from the coronavirus pandemic has caused severe financial damage and created an unexpected, immediate, and far deeper recession than the City has ever seen. As everyone now knows, the pandemic and local efforts to fight it forced the temporary closure of the Commerce Casino, the Citadel, hotels, and other businesses causing tax revenues to plummet. This has also resulted in businesses temporarily or permanently closing their doors and mass layoffs throughout the City of Commerce as well as our nation. As such, the City of Commerce declared an economic emergency on March 25 and has subsequently utilized \$12.4 million dollars from its reserves or rainy-day fund, which is almost half of what the City had in reserves in March. This was done out of consideration for our employees and in order to remain as close to fully operational as possible, but this approach is not sustainable.

The City of Commerce now faces the extremely difficult and lengthy challenge of providing services despite severe financial hardship and social distancing mandates. Rest assured that Commerce will not be cutting vital services at a time when our community needs them most. Instead, it will reorganize in such a way that will be as efficient and effective as possible in light of the pandemic and its effects on society.

Commerce will continue to provide nourishing meals, public safety, recreation, library services, street services, and more, all at the outstanding level our residents expect and deserve. At the same time, Commerce is proactively budgeting for potential surges of coronavirus cases this summer and fall, as county officials proceed with the phased reopening of our communities.

"We want to thank our AFSCME partners for helping us shoulder this burden for the last three months, however with the devastating loss of revenues suffered as a result of the closure of key economic generators, we are going to be reeling for some time unless we make difficult adjustments now. We're going to need to continue to enhance our working

relationship with AFSCME to ensure that the City remains viable," said Commerce City Manager Edgar Cisneros.

Unfortunately, the City must make difficult cuts in areas where we are unable to provide services for the foreseeable future. It is a painful decision but an inevitable one to ensure the City remains viable for the future while it continues to lay the groundwork for more prosperous times ahead.

Like many other cities across California, the City of Commerce faces a massive budget shortfall as a direct consequence of the Casino's three-month closure, as well as the Citadel's closure and severe drop in sales taxes, business taxes, hotel visitors taxes and other precious revenue streams for the last three months. These resulted in a \$13.5 million loss in revenues to the City during that same period. The City now must face a \$15 million projected budget deficit.

In short, the City will be unable to meet its financial obligations and maintain services at the current level, which means a reduction in services and a reduction in personnel must take place. As a result, the Mayor and City Council are working closely with City staff to achieve a structurally balanced budget that supports financial sustainability for multiple years into the future. Presently, these are the actions the City is considering to offset the financial impact from COVID-19 on the municipal budget:

- 1. Set Department Targets** - City departments are cutting 25% on average except for immediately vital functions such as transportation and public safety.
- 2. Restructure debt** - Since the cost of borrowing is low, the City has an opportunity to reduce interest payments by restructuring our debt.
- 3. Improve process efficiencies** - Evaluating and redeploying existing underused tools to help provide services at lower overall cost.
- 4. Reduce discretionary spending** - The City is reevaluating all costs, focusing solely on essential services.
- 5. Reprioritize projects** - For projects that have not reached the contracting phase yet, the City will consider holding off until the economy picks up again.
- 6. Resize the workforce** - City will be examining management-to-staff ratios and departmental reporting dynamics to identify staffing efficiencies as well as hiring freezes.
- 7. Working with County and State partners** - The City is working with our state and county partners to identify grants and funding to help balance the budget. Although the federal government pledged assistance through the CARES Act, these funds are population-based. The funds will not be enough to fill the expected void projected to last for years.

Many of the City's programs are canceled, and municipal facilities closed to comply with State and County guidelines, precluding many city employees from carrying out their functions. This, coupled with the City's inability to pay them, created an imperfect storm of events, which we will overcome together. While some of these decisions may be hard to grapple with, City officials are entrusted with a fiduciary responsibility to protect the community and maintain its fiscal integrity.

The City of Commerce faces daunting challenges ahead; we will undoubtedly meet these challenges with compassion and practicality, always keeping our responsibility to the taxpayers in mind.