



City of Fort Bragg

416 N Franklin Street
Fort Bragg, CA 95437
Phone: (707) 961-2823
Fax: (707) 961-2802

Meeting Agenda Special City Council

**THE FORT BRAGG CITY COUNCIL MEETS CONCURRENTLY AS
THE FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT NO. 1
AND THE FORT BRAGG REDEVELOPMENT SUCCESSOR
AGENCY**

Tuesday, March 24, 2020

6:00 PM

Town Hall, 363 N Main Street

Special Meeting

CALL TO ORDER

ROLL CALL

PLEASE TAKE NOTICE

DUE TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20 WHICH SUSPEND CERTAIN REQUIREMENTS OF THE BROWN ACT, AND THE ORDER OF THE HEALTH OFFICER OF THE COUNTY OF MENDOCINO TO SHELTER IN PLACE TO MINIMIZE THE SPREAD OF COVID-19, THE CITY COUNCILMEMBERS WILL BE PARTICIPATING BY TELECONFERENCE IN THE SPECIAL CITY COUNCIL MEETING OF MARCH 24, 2020.

The Public will be allowed to participate in the meeting electronically. Public Comment regarding matters on the special agenda are restricted to electronic communications. Comments should be emailed to City Clerk June Lemos, jlomos@fortbragg.com, at any time prior to the meeting and in real-time while the item is being considered by the Council. The Clerk will read the comments aloud; any comment exceeding three minutes will be included in the public record as part of the agenda packet the day after the meeting.

We appreciate your patience and willingness to protect the health and wellness of our community. If you have any questions regarding the meeting, please contact the City Clerk at (707) 961-1694, jlomos@fortbragg.com.

1. MAYOR'S RECOGNITIONS AND ANNOUNCEMENTS

2. PUBLIC COMMENTS ON CONSENT CALENDAR ITEMS

[20-674](#) Public Comment on Non-Agenda Items

Attachments: [Public Comment Non Agenda Items](#)

3. CONSENT CALENDAR

All items under the Consent Calendar will be acted upon in one motion unless a Councilmember requests that an individual item be taken up under Conduct of Business.

- 3A. [20-669](#) Adopt Joint City Council/Municipal Improvement District Resolution Amending the FY 2019/2020 Budget for Mid-Year Budget Adjustments

Attachments: [RESO Mid-Year Budget Adjustments](#)
[Mid-Year Adjustment Requests FY20 Exhibit A](#)

- 3B. [20-656](#) Approve Minutes of Joint City Council/Mendocino Coast Recreation and Park District Special Meeting of March 5, 2020

Attachments: [CCM2020-03-05_Special_MCRPD](#)

- 3C. [20-657](#) Approve Minutes of Special Meeting of March 5, 2020

Attachments: [CCM2020-03-05_Special_Mid-year_Budget](#)

- 3D. [20-665](#) Approve Minutes of March 9, 2020

Attachments: [CCM2020-03-09](#)

4. CONDUCT OF BUSINESS

- 4A. [20-672](#) Receive Report and Consider Adoption of City Council Resolution Ratifying City Manager's Proclamation No. CM-2020-01 Declaring the Existence of a Local Emergency

Attachments: [Att. 1 - Ratifying Emergency Declaration](#)
[Att. 2 - Proclamation of Local Emergency by City Manager](#)
[Resources](#)

- 4B. [20-671](#) Receive Report and Consider Adoption of Urgency Ordinance No. 960-2020 Adding a Temporary Moratorium on Evictions Due to COVID-19

Attachments: [03242020 Moratorium on Evictions](#)
[Att. 1 - ORD 960 Evictions Moratorium Ordinance](#)
[Att. 2 - 3.16.20-Executive-Order](#)
[Public Comment 4B](#)

ADJOURNMENT

STATE OF CALIFORNIA)
)ss.
 COUNTY OF MENDOCINO)

I declare, under penalty of perjury, that I am employed by the City of Fort Bragg and that I caused this agenda to be posted in the City Hall notice case on March 23, 2020.

 June Lemos, CMC, City Clerk



City of Fort Bragg

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Text File

File Number: 20-674

Agenda Date: 3/24/2020

Version: 1

Status: Mayor's Office

In Control: City Council

File Type: Report

Public Comment on Non-Agenda Items

From: Amy@WCPlan.com
To: [Lemos, June](#)
Cc: [Miller, Tabatha](#)
Subject: Beachcomber is accepting only travelers supporting essential business
Date: Tuesday, March 24, 2020 6:39:01 PM
Attachments: [Signature Screen Shot 2018-05-02 at 3.59.11 PM.png](#)

I don't have the language of the Order correct, but I've been told by the General Manager of the Beachcomber Hotels is actively turning away all travelers who do not have essential business in our community.

They are not accepting other travelers.

Best,
Amy

Amy Wynn, Principal Planner
Wynn Coastal Planning & Biology
703 North Main Street
Fort Bragg, CA 95437
ph: 707-964-2537
fax: 707-964-2622
www.WCPlan.com and on [FaceBook](#)



Disclaimer

The information contained in this message and any attachments may be privileged, confidential and protected from disclosure. If you are not the intended recipient, you are hereby notified that any use, dissemination, distribution or copying of this communication is strictly prohibited. If you have received this email in error, please notify us immediately then permanently delete the email. Thank you.

3/24/2020, 2:35 PM, via telephone; 3/24/2020, 5:45 PM, in person

Jeffrey Wright

1. My concern is lack of hand sanitizers at the Noyo Headlands Coastal Trail restrooms.
2. I suggest you place a biohazard container for diapers, dog waste bags and masks at all the places in the city and in the parks where there are trash and recycling cans.
3. Where can you shelter in place when you have no shelter?
4. There are not any kind of pay phones, and they are important. Having access to the podium is super important and I don't agree with the interpretation by the City. This is a first amendment issue and I swore to uphold the constitution against all enemies foreign and domestic. Maybe COVID-19 is the enemy, maybe it is the politicians, but our first amendment rights and the podium are not accessible. Governor Newsom says there has to be a location for people to come and speak. I have spoken to folks about the homeless shelter. How can you shelter in place if you have no place to shelter? The hostility house allows these folks only 15 minutes a day to take care of all of their business, even in the cold. They make unreasonable requests of people's personal, medical and mental situations in order to benefit them into programs so that they can make money. If you don't fit in enough programs, you don't get in the door. Martin v. Boise decided by the Ninth Circuit Judicial District maintains that if there is no shelter available, that people cannot be kicked out if they are on people's property.

Lemos, June

From: Gabriel Maroney <gabrielquinn@sbcglobal.net>
Sent: Tuesday, March 24, 2020 3:51 PM
To: Lemos, June
Subject: Fw: Understanding Covid-19 and Natural Medicine.
Attachments: Constitutional Quarantine .pdf

I meant to please include my comments at the special meeting tomorrow.

Attached document "Constitutional Quarantine."

Thanks

----- Forwarded Message -----

From: Gabriel Maroney <gabrielquinn@sbcglobal.net>
To: Lemos, June <jlemos@fortbragg.com>
Sent: Tuesday, March 24, 2020, 3:16:21 PM PDT
Subject: Re: Understanding Covid-19 and Natural Medicine.

Thank you,

also if sent in time could you please also include this attached document (Constitutional Quarantine) to be read and in the packet for tonight's special meeting?

And include link entitled, "DOJ Wants to Suspend Certain Constitutional Rights During Coronavirus Emergency"

I really appreciate it.

<https://www.rollingstone.com/politics/politics-news/doj-suspend-constitutional-rights-coronavirus-970935/>

On Tuesday, March 24, 2020, 2:12:58 PM PDT, Lemos, June <jlemos@fortbragg.com> wrote:

Will do. Thank you.

June Lemos, CMC

City Clerk

City of Fort Bragg

416 N Franklin St

Fort Bragg CA 95437

707.961.2823 ext. 104

From: Gabriel Maroney <gabrielquinn@sbcglobal.net>
Sent: Tuesday, March 24, 2020 2:09 PM
To: Lemos, June <Jlemos@fortbragg.com>
Subject: Re: Understanding Covid-19 and Natural Medicine.

Hello!

thank you for getting back to me and sorry for the confusion. Originally I had just sent it FYI, yet I think it would be a good thing to be included in the special meeting.

Please also include a link to this article because I am personally very concerned about Constitutional rights being infringed during this time of unprecedented events:

[Uncharted territory: Legal experts weigh in on the COVID-19 outbreak - Harvard Law Today](#)



Uncharted territory: Legal experts weigh in on the COVID-19 outbreak - H...

HLS scholars and legal experts consider the important legal and policy concerns and challenges that have emerged...

On Tuesday, March 24, 2020, 9:12:34 AM PDT, Lemos, June <jlemos@fortbragg.com> wrote:

Hello Gabriel:

I am not sure whether or not your email below is intended to be a comment for tonight's special City Council meeting, which I am reading aloud into the record. If so, I can just indicate you have sent the Council a link to a recording and members of the public can click on it when your email is uploaded to the agenda packet tomorrow. If this was just intended as information for the Council, please advise. If this is for tonight's agenda, I'd like to confirm that it's for Item 4A.

Please let me know. Thank you,

June Lemos, CMC

City Clerk

City of Fort Bragg

416 N Franklin St

Fort Bragg CA 95437

707.961.2823 ext. 104

From: Gabriel Maroney <gabrielquinn@sbcglobal.net>

Sent: Tuesday, March 24, 2020 12:32 AM

To: Morsell-Haye, Jessica <Jmorsellhayefortbragg.com>; Norvell, Bernie <Bnorvell2@fortbragg.com>; Lee, Will <Wlee@fortbragg.com>; Peters, Lindy <LPeters2@fortbragg.com>; Miller, Tabatha <TMiller@fortbragg.com>; Lemos, June <Jlemos@fortbragg.com>; Albin-Smith, Tess <Talbinsmith@fortbragg.com>; McCormick, Sarah <SMcCormick@fortbragg.com>; Dave Turner

<dturner@fortbragg.com>; Perkins, Scott <SPerkins@fortbragg.com>

Subject: Understanding Covid-19 and Natural Medicine.

https://www.naturalmedicinejournal.com/sites/default/files/media/nmj_covid_update_zwickey.mp3

Email correspondence with the City of Fort Bragg (and attachments, if any) may be subject to the California Public Records Act, and as such may therefore be subject to public disclosure unless otherwise exempt under the Act.

Email correspondence with the City of Fort Bragg (and attachments, if any) may be subject to the California Public Records Act, and as such may therefore be subject to public disclosure unless otherwise exempt under the Act.

Dear Fort Bragg City Council, Mayor, Vice Mayor, and Staff.

I thank you for your diligent work during these challenging and uncertain time.

I wanted to express my deep concern regarding potential infringement of liberties and apparent suspension of the Bill of Rights.

South Korea proclaimed that they would not mandate a shelter in place because they are a Constitutional Republic. Other regions that did not follow this mandate move out of Communist China include India, Japan, Twain, Mexico, and Brazil as examples. Our right to due process has been suspended as the court rooms no longer function. The right of assembly (including religious practices) is obviously infringed in mass and without clear explanation of when it might end or what constitutes the threshold for suspension of these right. Many other aspects of our great Republic are under threat.

One of the key aspect related to wellbeing I learned about while at University for my Master of Science in Global Health, was the stress cycle and how it can be very dead. Economic stress and other stressor can kill. While the government is arbitrarily declaring what sectors are considered essential, it takes away the livelihood of others with almost no warning; choosing who will win and who will loose while some corporations are getting waivers. The economy is failing, the media continues to blast fear over the screens, and it seems that this all amounts to institutional “yelling fire in a crowded theater.”

Certainly I do support aggressive efforts along with perhaps, sheltering in place, yet it has not been made clear to the public by what right, threshold, or mechanism has our constitution been suspended over? A shelter in place guideline is best done by motivating the public, not mandating it by threats. Does it make sense to let people of jails for not following the rules, while others will be fined and left liable for doing what was lawful just days ago? If a person moved towards petition to

issue a write of Habeas Corpus to be released by such and order, there is no judge to hear that petition.

Please also with these aggressive actions taking place to deal with Corvid-19, also consider pushing back on, questioning, and seriously reflecting on anything that does not support or guard the Constitution (State and Federal). We must ALL go above and beyond to both fight this virus AND maintain Liberty which so many have died to protect!

Thank you as always for your service.

Gabriel Quinn Maroney, MS (Global Health)

Lemos, June

From: Rex Gressett <rex.gressett@aol.com>
Sent: Tuesday, March 24, 2020 3:39 PM
To: Lemos, June
Subject: ava

1. How many test kits re there in fort bragg
2. how many people have been tested \
3. have the employees at Safeway been tested
4. are there any plants to do so.

Lemos, June

From: Brittnei Cook <cook_brittnei@yahoo.com>
Sent: Tuesday, March 24, 2020 4:23 PM
To: Lemos, June
Subject: 4 QUESTIONS/SUGGESTIONS FOR MEETING TONIGHT

Hi my name is Britney cook I live at 177 Florence street Fort Bragg and I would like to ask a couple questions or suggest a couple things:

#1 HOW is TAKE-OUT CONSIDERED ESSENTIAL especially all of the sit down restaurants finding loop holes to covert to take out when there is NO FACT THAT that its being prepared by virus free employees as well as you food prepared properly IN A CORONAVIRUS FREE safe ENVIRONMENT???????????

#2 EASILY STOP NON RESIDENTIAL CITIZENS BY HAVING CHECK POINTS at the 3 main and only entrances into our amazing coastal community's. 1st ✓ point the Navarro bridge, 2nd ✓ point highway 20, 3rd ✓ point BEFORE BRASCOMB RD!!!!!! Citizens with address (DRIVERS LICENCE, HOUSE BILL SHOWING ADDRESS) in the bubble let in, IF YOU CANT VERIFY THEN TURN AROUND

CONS: YES MIGHT FIGHT AND SAY I LIVE HERE BLAHHHHHH WELL GUESS WHAT SHOULDNT HAVE LEFT OR OBVIOUSLY SOME EXEPTIONS AS TO CALL VERIFY CSN EASILY BE DONE BOOM problem solved on unwanted tourists

#3 lockdown at 10pm anyone caught driving BOOM FINE THEM SO WITH NO INCOME + FINE = CKMPLY OR have a damn good reason for being out!!!! I PERSONALLY KNOW citizens in our community being robbed. AS OF LAST NIGHT...now that's SCARY!! ESPECIALLY ALONE LIKE MYSELF

#4 BIG ONE HERE HONESTLY NEED TO FINE BEACHCOMBER HOTEL AND SHUT THEM COMPLETELY DOWN I MEAN COME ON THERE STILL TAKING RESERVATIONS I KNOW FOR FACT!!!!!!

THIS IS WHAT I HAVE SO FAR...MORE TO COME

THANK YOU
BRITTNI COOK

I apologize about the grammar errors a spelling

[Sent from Yahoo Mail on Android](#)

[Sent from Yahoo Mail on Android](#)

From: [Brittni Cook](#)
To: [Lemos, June](#)
Subject: RE: 4 QUESTIONS/SUGGESTIONS FOR MEETING TONIGHT
Date: Tuesday, March 24, 2020 4:54:15 PM

Social distancing has gotten extremely poor everywhere last day or so for example in line and person goes to caught and turns head around hands full well guess what person behind gets caught on for being shoved closer to that person I SAW IT HAPPEN OMGOSH I FELT SO BAD FOR THE LADY

*Change SOCIAL DISTANCING FROM 6FT TO 10FT AND HAVE EVERY BUSINESS OPEN PUT STRIP OF NEON TAPE EVERY 10FT TO HELP ALSO SO BUSINESSES DONT GET IN TROUBLE

[Sent from Yahoo Mail on Android](#)

From: [Brittni Cook](#)
To: [Lemos, June](#)
Subject: Current photo of Fort Bragg..
Date: Tuesday, March 24, 2020 5:02:38 PM

Photo from my



roof right now and try to keep it this way BEAUTIFUL

[Sent from Yahoo Mail on Android](#)

3/24/2020, 4:42 PM via telephone

Catherine Alleyas

Hello Judy Lemos I'm Catherine Alleyas (?) and I'm just calling to thank you for all the work that you are doing and I'm sure you're really busy. I'm calling for the people who don't have a voice right now or a means of connecting with you via television or computer or phone but who now can't access the meeting with their own physical bodies because apparently things are happening behind closed doors. My request is that there be a means for people who are not merging with all the technology but who still have a voice and eyes and perspectives that need to be heard and for them to be able to have a way to show up at the meeting and be heard. Like maybe perhaps a mic with options for them to come and speak and keep those lines of communication open and be careful not to just focus on the people who have abundance in certain ways. And again, thank you for all you are doing and I hope that there is some way for people to come and be a part of this meeting. Also my thought is that because it is behind closed doors, and even though you can go to CVS or somewhere else and get what you need, like people aren't having access to this important meeting and things are being decided like budget and maybe things that are important can be put off until everyone has a better chance to be able to participate and just to avoid any lack of vision that might be present because not enough people are able to share their perspectives. Alright. Thank you, Judy, blessings on all you're doing and I hope you stay safe. Aloha.



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Text File

File Number: 20-669

Agenda Date: 3/24/2020

Version: 1

Status: Passed

In Control: Special City Council

File Type: Resolution

Agenda Number: 3A.

Adopt Joint City Council/Municipal Improvement District Resolution Amending the FY 2019/2020 Budget for Mid-Year Budget Adjustments

The budget amendments presented here for adoption were discussed in detail at the City Council/District Board mid-year budget review workshop held on March 5, 2020. Council directed staff to bring forward the budget adjustment requests under "Consent Calendar" at a later Council meeting.

RESOLUTION NO. ____-2020

RESOLUTION OF THE FORT BRAGG CITY COUNCIL

and

RESOLUTION NO. ID ____-2020

RESOLUTION OF THE FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT BOARD

AMENDING FY 2019/20 BUDGET FOR MID-YEAR BUDGET ADJUSTMENTS

WHEREAS, on June 10, 2019, the Fort Bragg City Council and the Fort Bragg Municipal Improvement District No. 1 District Board adopted the Fiscal Year (FY) 2019/20 Budget; and

WHEREAS, on March 5, 2020, the City Council/District Board conducted a Mid-Year Budget Review Workshop; and

WHEREAS, as a result of the Mid-Year Budget Review process, it was determined that certain adjustments to the FY 2019/20 Adopted Budget are necessary; and

WHEREAS, the adjustments are identified in Exhibit A attached hereto; and

WHEREAS, there is sufficient revenue and adequate fund balance to fund the allocations; and

WHEREAS, based on all the evidence presented, the City Council/District Board finds as follows:

1. Certain mid-year adjustments to the FY 2019/20 Budget are necessary as shown in Exhibit A.
2. There are sufficient funds to fund the allocations.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Fort Bragg/District Board of the Fort Bragg Municipal Improvement District No. 1 does hereby amend the previously adopted FY 2019/20 Budget to incorporate the changes enumerated in Exhibit A.

The above and foregoing Resolution was introduced by Council/Board Member _____, seconded by Council/Board Member _____, and passed and adopted at a special meeting of the City Council of the City of Fort Bragg/District Board of the Fort Bragg Municipal Improvement District No. 1 held on the 24th day of March, 2020, by the following vote:

- AYES:**
- NOES:**
- ABSENT:**
- ABSTAIN:**
- RECUSED:**

WILLIAM V. LEE,
Mayor

ATTEST:

June Lemos, CMC
City/District Clerk

FY 2019/20 Mid-Year Budget Adjustments							
<u>Account Number</u>	<u>Account Description</u>	<u>Department</u>	<u>Current Budget</u>	<u>Increase/ (decrease)</u>	<u>Adjusted Budget</u>	<u>Justification</u>	<u>Funding Source</u>
110-4200-0101	Salaries & Wages	Police Department	\$ 1,653,173	\$ 52,000	\$ 1,705,173	To account for overlap of outgoing Chief and interim Chief	Operating appropriation
110-4200-0366	Training/Travel Reimbursement	Police Department	35,000	3,000	38,000	Mandated training for new employees	Operating appropriation
110-4200-0367	Recruitment	Police Department	-	15,000	15,000	Send CSO to Academy	Operating appropriation
110-4392-0353	Park Maintenance	Public Works - Parks	4,000	4,000	8,000	Trail maintenance exceeding budget	Operating appropriation
110-4130-0319	Professional Services	Administration Department	5,000	27,500	32,500	Sales Tax ballot measure consultant	Operating appropriation
General Fund; Total Budget Amendments				\$ 101,500			
610-4611-0375	General Supplies	Water	29,250	12,000	41,250	Customer meter installations with revenue offset	Customer fees
Water Enterprise; Total Budget Amendments				\$ 12,000			
710-4711-0375	General Supplies	Wastewater	6,250	6,250	12,500	Customer system connections with revenue offset	Customer fees
Wastewater Enterprise; Total Requested Budget Amendments				\$ 6,250			
Total Budget Amendments				\$ 119,750			

EXHIBIT A



City of Fort Bragg

416 N Franklin Street
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Text File

File Number: 20-656

Agenda Date: 3/24/2020

Version: 1

Status: Filed

In Control: Special City Council

File Type: Minutes

Agenda Number: 3B.

Approve Minutes of Joint City Council/Mendocino Coast Recreation and Park District Special Meeting of March 5, 2020



City of Fort Bragg

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Meeting Minutes Special City Council

*THE FORT BRAGG CITY COUNCIL MEETS CONCURRENTLY AS
THE FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT NO. 1
AND THE FORT BRAGG REDEVELOPMENT SUCCESSOR
AGENCY*

Thursday, March 5, 2020

1:30 PM

Town Hall, 363 N Main Street

Special Joint City Council/MCRPD Meeting - CV Starr Mid-Year Budget Review

CALL TO ORDER

Mayor Lee called the meeting to order at 1:27 PM.

ROLL CALL

Mendocino Coast Recreation and Park District Board Members:

Present: 3 - Board Member Bob Bushansky, Chair John Huff, Board Secretary Kirk Marshall

Absent: 2 - Board Member Leslie Bates and Vice Chair Barbara Burkey

Fort Bragg City Councilmembers:

Present: 5 - Mayor Will Lee, Vice Mayor Bernie Norvell, Councilmember Lindy Peters, Councilmember Jessica Morsell-Haye and Councilmember Tess Albin-Smith

1. CONDUCT OF BUSINESS

- 1A. [20-647](#) Conduct Joint City Council/Mendocino Coast Recreation & Park District Board Work Session for C.V. Starr Community Center FY 2019/20 Mid-Year Budget Review

MCRPD District Administrator Keyes introduced the mid-year budget report for the CV Starr Community Center (CVSCC) for FY 2019/20. Business Manager Wooden recapped the components of the budget. The Board/Council discussed:

- More efficient heating to keep utility costs down
- CVSCC outreach program
- New flyers and information guides are being produced in-house now
- IT problems and paper costs
- Capital Improvement Projects
- Marketing strategies
- Coronavirus measures
- Asset management plans
- Generator for the CVSCC during power outages

Public Comment: None.

This Staff Report was received and filed.

ADJOURNMENT

Mayor Lee adjourned the meeting at 2:12 PM.

WILLIAM V. LEE, MAYOR

June Lemos, CMC, City Clerk

IMAGED (_____)



City of Fort Bragg

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Text File

File Number: 20-657

Agenda Date: 3/24/2020

Version: 1

Status: Filed

In Control: Special City Council

File Type: Minutes

Agenda Number: 3C.

Approve Minutes of Special Meeting of March 5, 2020



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Meeting Minutes Special City Council

*THE FORT BRAGG CITY COUNCIL MEETS CONCURRENTLY AS
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AND THE FORT BRAGG REDEVELOPMENT SUCCESSOR
AGENCY*

Thursday, March 5, 2020

9:00 AM

Town Hall, 363 N Main Street

Special Meeting - City Mid-Year Budget Review

CALL TO ORDER

Mayor Lee called the meeting to order at 9:00 AM.

ROLL CALL

Present: 5 - Mayor Will Lee, Vice Mayor Bernie Norvell, Councilmember Lindy Peters, Councilmember Jessica Morsell-Haye and Councilmember Tess Albin-Smith

1. CONDUCT OF BUSINESS

1A. [20-646](#) FY 2019/20 Mid-Year Budget Review - City Council Work Session

1. Introduction & Overview

City Manager Miller gave a brief introduction and overview, providing an economic view on a local, national, and worldwide basis. She summarized the City Manager's mid-term budget recommendations.

2. Public Comments

- Rebecca Walker, Fort Bragg Unified School District Superintendent, urged the Council to retain the Transient Occupancy Tax (TOT) allocation for school district athletic fields. She presented a proposal from Fort Bragg Electric for providing more water storage for the schools to help with field irrigation.
- Gabriel Quinn Maroney spoke about historic, educational, and healthcare resources.
- Rex Gressett said the Council should consider adding more parks in town and forming a citizen support group rather than hiring a sales tax measure consultant.
- Jenny Shattuck suggested lowering the amount Visit Fort Bragg receives from the TOT allocation to help balance the budget.

3. Brief Departmental/Project Progress Reports

- City Manager - This report was combined with item 3.b.
- Administrative Services Department - City Manager Miller reported a savings in staff costs in the Administrative Assistant position in addition to cost savings due to streamlined and automated processes.
- Finance and Non-Departmental - Government Accountant Whippy reported that the banking services transition from Wells Fargo to US Bank resulted in cost savings on banking fees. Finance Director Damiani briefly reported on non-departmental costs.
- Police - Chief Naulty noted that the salary increase for officers will serve to draw more

police officers to the City. One officer's salary is now being paid for by a grant.

e. Community Development - Temporary Community Development Director Varga said costs are being saved by not replacing the Community Development Director position. He gave a brief update on projects and developments in the department.

f. Public Works - Public Works Director Varga said there were cost savings on the project analyst position and the new fire alarm system. Assistant Director of Public Works Smith noted that the Coastal Trail maintenance is the greatest load on the budget. He gave a brief update on projects in progress. Repair of the Guest House town clock was discussed. Staff was directed to contact Jeff at Chernoff's regarding cost of repair.

g. Water - Assistant Director of Public Works Smith recapped maintenance and repair work and the water meter installation project.

h. Wastewater - Smith reported on repairs throughout the system and new sewer installs. He stated that a ribbon cutting ceremony for the new Wastewater Treatment Plant will be scheduled for June of this year.

i. Capital Improvement Projects - Public Works Director Varga summarized eight or nine significant projects this year.

Public Comment was received from Rex Gressett and Jenny Shattuck.

Mayor Lee recessed the meeting at 10:20 AM; the meeting reconvened at 10:30 AM.

4. FY 2019/20 Mid-Year Performance Report

a. Damiani and Whippy gave the mid-year report in detail. Public Comment was received from Dave Turner, Rex Gressett, David Jensen, Sheila Semans, Jenny Shattuck, and Gabriel Quinn Maroney.

b. In addition to the budget adjustments requested, Assistant Director of Public Works Smith made an additional request for \$32,000 for replacement of approximately 600 oval water meter boxes which constitute a tripping hazard, to be replaced with square boxes with a lid that is flush with the concrete. The Council discussed the Fort Bragg Electric proposal brought forward by Superintendent Rebecca Walker. This item does not need a budget amendment as it would be paid for through TOT funds. Council approved the base bid but not additive option #1. Assistant Director of Public Works Smith mentioned two large water tanks that the City is not currently using which might be given to the school to assist with water storage. Discussion was held regarding pursuing a sales tax measure for the November 3, 2020 ballot by hiring a consultant to do polling and assisting the City with the measure. A majority of the Council approved of hiring a consultant. After discussing the requested budget amendments, Councilmembers unanimously approved all of the adjustments, including the additional \$32,000 for water meter box replacements.

c. Finance Director Damiani recapped the long term financial planning and budget planning issues. Public Comment was received from Dave Turner, Jenny Shattuck, Rex Gressett, David Jensen and Gabriel Quinn Maroney.

Mayor Lee recessed the meeting at 12:10 PM; the meeting reconvened at 12:40 PM.

5. Council Priority Areas and Goals

The Council unanimously approved the existing set of prioritized financial goals as outlined on page 21 of the FY 2019/20 Mid-Year Financial Report. City Manager Miller requested that the Council narrow the list of City Council Priority Areas and Goals to the top two. Council consensus was as follows:

(1) Priority Area 1, Jobs/Industry; Goals 1, 2 and 3; and

(2) Priority Area 3, Housing; Goals 1, 2 and 3.

Public Comment was received from Rex Gressett.

The City Council directed staff to amend the agenda for March 9, 2020 to add a Council discussion item regarding what it means to be business friendly.

Finance Director Damiani recapped the schedule for next fiscal year's budget preparation.

6. Wrap-up

In summary, Council decided not to cut expenses or reallocate revenues for the current FY 2019/20 budget. Council supports placing a sales tax measure on the November 3, 2020 election and approves of spending funds on a ballot measure consultant.

This Staff Report was referred to staff for actions as directed above.

ADJOURNMENT

Mayor Lee adjourned the meeting at 1:14 PM.

WILLIAM V. LEE, MAYOR

June Lemos, CMC, City Clerk

IMAGED (_____)



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Text File

File Number: 20-665

Agenda Date: 3/24/2020

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File Type: Minutes

Agenda Number: 3D.

Approve Minutes of March 9, 2020



City of Fort Bragg

416 N Franklin Street
Fort Bragg, CA 95437
Phone: (707) 961-2823
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Meeting Minutes City Council

*THE FORT BRAGG CITY COUNCIL MEETS CONCURRENTLY AS
THE FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT NO. 1
AND THE FORT BRAGG REDEVELOPMENT SUCCESSOR
AGENCY*

Monday, March 9, 2020

6:00 PM

Town Hall, 363 N. Main Street

AMENDED

CALL TO ORDER

Mayor Lee called the meeting to order at 6:00 PM.

PLEDGE OF ALLEGIANCE

ROLL CALL

Present: 5 - Mayor Will Lee, Vice Mayor Bernie Norvell, Councilmember Tess Albin-Smith, Councilmember Jessica Morsell-Haye and Councilmember Lindy Peters

AGENDA REVIEW

1. MAYOR'S RECOGNITIONS AND ANNOUNCEMENTS

Mayor Lee directed that the Broadband Ad Hoc Committee's termination date be extended six months to September 9, 2020 and the Visit Fort Bragg Committee's termination date be reviewed in one year, on or before March 9, 2021.

2. PUBLIC COMMENTS ON: (1) NON-AGENDA, (2) CONSENT CALENDAR & (3) CLOSED SESSION ITEMS

(1) Non-Agenda Items:

- Robin Epley, new editor of the Fort Bragg Advocate News and Mendocino Beacon, introduced herself to the Council.
- George Reinhardt spoke about the cutting of trees in the forested area known as the Starbucks Forest.
- David Gurney commented on the Coronavirus and the need for more critical care and emergency plans, beds and ventilators.
- Gabriel Quinn Maroney said that there should be conversation about how historical sites can be protected.
- John Gallo suggested an ad hoc committee be formed to address Coronavirus protection.
- Jenny Shattuck noted that the City and Caltrans should restripe the lanes north of the Noyo Bridge because they cannot be seen at night.
- Ann Rennacker commented on homeless and mental health issues.
- Shar Flum spoke about how plastic impacts the health of seabirds and sea creatures.

(2) Consent Calendar Items:

- None.
- (3) Closed Session Items:
- None.

3. STAFF COMMENTS

City Manager Miller gave an update on the COVID-19 virus, noted that Restaurant Week starts today, and recapped the mid-year budget review meeting. City Clerk Lemos gave election updates. Chief Naulty spoke about officer training and the School Resource Officer. City Manager Miller also provided an update on the Wastewater Treatment Plant Upgrade Project, the Guest House clock repair, and letters sent to 41 local businesses potentially impacted by the SB 205 storm drain permit requirements.

4. MATTERS FROM COUNCILMEMBERS

Councilmember Albin-Smith spoke about a Symphony of the Redwoods children's concert, the need for more poll workers in Mendocino County, and an upcoming Climate Action Advisory Committee meeting. She requested that staff bring forward an ordinance banning the use of plastic straws. Council agreed to assign this issue to the Community Development Committee. Councilmember Peters announced that he had a conflict with sitting on both the Bee Garden committee and the Visit Fort Bragg committee, as they meet on the same date and time. Mayor Lee appointed Councilmember Albin-Smith to replace Councilmember Peters on the Visit Fort Bragg Committee. Mayor Lee gave an update on the response to the coronavirus from the Coast Hospital and reported on the affiliation of the hospital with Adventist Health. Councilmember Morsell-Haye proposed establishing an ad hoc committee to start work on Council Goal #2 (Partner with educational institutions) of Priority Area #1 (Jobs/Industry). Mayor Lee appointed Councilmember Morsell-Haye and himself to this committee for a six-month timeframe.

5. CONSENT CALENDAR

Approval of the Consent Calendar

A motion was made by Councilmember Peters, seconded by Vice Mayor Norvell, to approve the Consent Calendar. The motion carried by the following vote:

Aye: 5 - Mayor Lee, Vice Mayor Norvell, Councilmember Albin-Smith, Councilmember Morsell-Haye and Councilmember Peters

- 5A. [20-643](#)** Adopt City Council Resolution Adopting a List of Projects for Fiscal Year 2020-21 Funded by SB-1, the Road Repair and Accountability Act of 2017

This Resolution was adopted on the Consent Calendar.

Enactment No: RES 4238-2020

- 5B. [20-644](#)** Adopt City Council Resolution Modifying the City's Compensation Plan and Confirming the Pay/Rates/Ranges for All City of Fort Bragg Established Classifications - Assistant City Engineer and Part-time Police Services Transporter

This Resolution was adopted on the Consent Calendar.

Enactment No: RES 4239-2020

- 5C.** [20-648](#) Adopt City Council Resolution Accepting the Public Storm Drain and Public Sewer Easements from George A. Pyeatt and Lyndia J. Pyeatt, as Required by Use Permit UP 4-19, and Authorize City Manager to Execute the Certificate of Acceptance

This Resolution was adopted on the Consent Calendar.

Enactment No: RES 4240-2020

- 5D.** [20-649](#) Accept Certificate of Completion for 2019 Streets Rehabilitation Project, City Project No. PWP-00111, and Direct City Clerk to File Notice of Completion

This Certificate of Completion was accepted on the Consent Calendar.

- 5E.** [20-636](#) Readopt Master Traffic Resolution

This Resolution was adopted on the Consent Calendar.

Enactment No: RES 1271-2020/A

- 5F.** [20-651](#) Approve Minutes of February 24, 2020

These Minutes were approved on the Consent Calendar.

6. DISCLOSURE OF EX PARTE COMMUNICATIONS ON AGENDA ITEMS

Vice Mayor Norvell disclosed that he has had conversations regarding CDBG grants with some members of City staff and the Fire Protection District board.

7. PUBLIC HEARING

- 7A.** [20-645](#) Receive Report, Conduct Public Hearing and Provide Direction to Staff Regarding 2020 Community Development Block Grant (CDBG) Program Competitive Applications

Mayor Lee opened the public hearing at 6:56 PM.

Special Projects Assistant McLaughlin presented the staff report on this agenda item and asked for direction from Council on which five projects to apply for.

Public Comment was received from:

- Ann Rennacker made comments on grants for the housing project located near the hospital.
- George Reinhardt stressed the importance of community engagement.
- Jenny Shattuck said Mill Site planning should be a top priority because housing development is critical.
- Gabriel Quinn Maroney spoke in favor of Mill Site planning.
- Steve Orsi, Fire Chief, addressed the need for Fire Department seismic refit and replacement of the roof.

Mayor Lee closed the public hearing at 7:30 PM.

Discussion: After much discussion, the Council chose the following five activities to apply for CDBG grant funding: (1) Business Assistance Loan Program; (2) Fire Station Roof Rehabilitation Planning Grant, Alternative 2; (3) Mill Site Planning; (4) Bainbridge Park Rehabilitation Planning Grant; and (5) Code Enforcement Program.

Mayor Lee recessed the meeting at 8:04 PM; the meeting reconvened at 8:14 PM.

This Staff Report was referred to staff for preparation of the five CDBG grant applications as noted above.

8. CONDUCT OF BUSINESS**8A. [20-650](#)** Receive Report from Mill Site Land Use Map Ad Hoc Committee on Draft Mill Site Land Use Map

Councilmember Morsell-Haye and Planning Commission Chair Logan presented the Mill Site Land Use Map ad hoc committee's report on this agenda item.

Public Comment was received from:

- Mayor Lee read a comment from David Jensen in support of the land use map.
- Scott Deitz said rezoning the area encompassing Stewart Street is confusing since it is not part of the Mill Site and should not be included in this map.
- Gabriel Quinn Maroney spoke about the coastal industrial zone and storage issues.
- George Reinhardt supports aggressive pursuit of creek daylighting.
- Jacob Patterson said this is not a zoning map, it is a land use designation map.

Discussion: The Council consensus was to move forward with Area A (northern portion of the Mill Site) at this time and approved of the map as presented except the non-Mill Site parcels should not be included with the Mill Site rezoning. Mayor Lee directed that this ad hoc committee continue until November 1, 2020 to work on land use tables, zoning map and development code.

This Report was accepted and the ad hoc committee was directed to continue work on land use tables and the map until November 1, 2020.

8B. [20-653](#) City Council Discussion on Being a Business Friendly City

Mayor Lee called for a special session of the City Council to brainstorm ideas on how to be a business friendly community. He suggested having a Council workday session with a facilitator, using City Council's goal setting funds.

Public Comment was received from: Jenny Shattuck, Ann Rennacker, Megan Caron, Gabriel Quinn Maroney and Scott Deitz.

Mayor Lee directed staff to set up a special City Council work session with a facilitator to discuss streamlining the process for new businesses to come to Fort Bragg.

ADJOURNMENT

Mayor Lee adjourned the meeting at 9:32 PM.

WILLIAM V. LEE, MAYOR

June Lemos, CMC, City Clerk

IMAGED (_____)



City of Fort Bragg

416 N Franklin Street
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Text File

File Number: 20-672

Agenda Date: 3/24/2020

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Status: Passed

In Control: Special City Council

File Type: Resolution

Agenda Number: 4A.

Receive Report and Consider Adoption of City Council Resolution Ratifying City Manager's Proclamation No. CM-2020-01 Declaring the Existence of a Local Emergency

RESOLUTION NO. ____-2020

**RESOLUTION OF THE FORT BRAGG CITY COUNCIL RATIFYING
THE CITY MANAGER'S PROCLAMATION NO. CM-2020-01
DECLARING THE EXISTENCE OF A LOCAL EMERGENCY**

WHEREAS, Fort Bragg Municipal Code Section 2.24.040(B) empowers the City Manager, as the Director of Emergency Services for the City of Fort Bragg, to declare the existence or threatened existence of a local emergency when the City is affected or likely to be affected by a public calamity; and

WHEREAS, Government Code Section 8550, et seq., including Section 8558(c), authorize the City Council to proclaim a local emergency when the City is threatened by conditions of disaster or extreme peril to the safety of persons and property within the City that are likely to be beyond the control of the services, personnel, equipment, and facilities of the City; and

WHEREAS, a novel coronavirus, COVID-19, causes infectious disease and was first detected in Wuhan City, Hubei Province, China in December 2019. Symptoms of COVID-19 include fever, cough, and shortness of breath; outcomes have ranged from mild to severe illness, and, in some cases, death. The Center for Disease Control and Prevention (CDC) has indicated the virus is a tremendous public health threat; and

WHEREAS, Chinese health officials have reported tens of thousands of cases of COVID-19 in China, with the virus reportedly spreading from person-to-person. COVID-19 illnesses, most of them associated with travel from Wuhan, are also being reported in 117 countries, with over 44,000 cases, including the United States; and

WHEREAS, on January 30, 2020, the World Health Organization (WHO) declared the outbreak a "public health emergency of international concern" and on March 11, 2020, the WHO has elevated the public health emergency to the status of a pandemic. On January 31, 2020, United States Health and Human Services Secretary Alex M. Azar II declared a public health emergency for the United States to aid the nation's healthcare community in responding to COVID-19. On March 4, 2020 the County of Mendocino declared a local emergency and a local health emergency. On March 4, 2020, California Governor Gavin Newsom declared a State of Emergency in California; and

WHEREAS, on February 2, 2020, the federal government initiated the suspension of entry of foreign nationals who were in China during the 14-day period preceding their entry or attempted entry into the United States. United States citizens, residents, and their immediate family members who were in China during the 14-day period preceding their entry into the United States are permitted entry, but are redirected to one of 11 airports where the CDC has quarantine stations to undergo health screening. Depending on their health and travel history, they will have some level of restrictions on their movements for 14 days from the time they left China. On February 29, 2020, the President expanded restrictions to include all aliens who were

physically present within the Islamic Republic of Iran during the 14-day period preceding their entry or attempted entry into the United States, with additional travel restrictions being imposed on travel from Europe on March 11, 2020; and

WHEREAS, as of March 12, 2020, the WHO reported that, to date, there are 125,048 confirmed cases of COVID-19, 4,613 of which resulted in death, across 117 countries; and

WHEREAS, in declaring a State of Emergency, the Governor indicated that, as of March 4, 2020, there were 129 confirmed cases of COVID-19 in the United States, including 53 in California, and more than 9,400 Californians across 49 counties in home monitoring based on possible travel-based exposure to the virus, with officials expecting the number of cases in California, the United States, and worldwide to increase; and

WHEREAS, the Governor and the California Department of Public Health on March 11, 2020 issued a statement entitled “California Public Health Experts: Mass Gatherings Should be Postponed or Canceled Statewide to Slow the Spread of COVID-19,” determining that gatherings should be postponed or canceled across the state until at least the end of March. Non-essential gatherings must be limited to no more than 250 people, while smaller events can proceed only if the organizers can implement social distancing of 6 feet per person. Gatherings of individuals who are at higher risk for severe illness from COVID-19 should be limited to no more than 10 people, while also following social distancing guidelines. Furthermore, essential gatherings should only be conducted if the essential activity could not be postponed or achieved without gathering, meaning that some other means of communication could not be used to conduct the essential function; and

WHEREAS, the Governor on March 12, 2020 issued Executive Order N-25-20, ordering, *inter alia*, that all residents are to heed the orders and guidance of state and local public health officials; and

WHEREAS, on March 13, 2020, the President of the United States issued a proclamation declaring the COVID-19 outbreak in the United States as a national emergency, beginning March 1, 2020; and

WHEREAS, the City of Fort Bragg has the power to impose measures to promote social distancing including but not limited to limitations on public events within the City of Fort Bragg; and

WHEREAS, state and local public health officials may, as they deem necessary in the interest of public health, issue orders limiting attendance at public assemblies, conferences, or other mass events, which will cause the cancellation of such gatherings through no fault or responsibility of the parties involved, thereby constituting a force majeure; and

WHEREAS, conditions of extreme peril to the safety of persons and property have arisen due to the potential introduction of COVID-19 to Fort Bragg and Mendocino County; and

WHEREAS, such conditions are beyond the control of the services, personnel, equipment, and facilities of the City and require the combined forces of other political subdivisions to combat; and

WHEREAS, it is imperative to prepare for and respond to suspected or confirmed COVID-19 cases, to implement measures to mitigate the spread of COVID-19, and to prepare to respond to an increasing number of individuals requiring medical care and hospitalization; and

WHEREAS, if COVID-19 spreads in California at a rate comparable to the rate of spread in other countries, the number of persons requiring medical care may exceed locally available resources, and controlling outbreaks minimizes the risk to the public, maintains the health and safety of the community, and limits the spread of infection in the community and within the healthcare delivery system; and

WHEREAS, the mobilization of local resources, ability to coordinate interagency response, accelerate procurement of vital supplies, use mutual aid, and allow for future reimbursement by the state and federal governments will be critical to successfully responding to COVID-19; and

WHEREAS, on March 16, 2020 the City Manager, as the City's Director of Emergency Services, declared a local emergency as authorized by Government Code section 8630 and Fort Bragg Municipal Code section 2.52.060(a)(1). A true and correct copy of Proclamation No. CM-2020-01 is attached hereto and incorporated herein by this reference.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Fort Bragg as follows:

- A. The City Manager's Proclamation of Local Emergency No. CM-2020-01 dated March 16, 2020, and orders contained therein, is hereby ratified.
- B. As contemplated in the Emergency Services Act contained in Government Code Section 8550, et seq., including Section 8558(c), and Chapter 2.24 of the Fort Bragg Municipal Code, a local emergency exists based on the existence of conditions of disaster or of extreme peril to the safety of persons and property caused by an epidemic, as detailed in the recitals set forth above.
- C. The area of the City which is endangered/imperiled is the entire City.
- D. During the existence of this local emergency, the powers, functions, and duties of the emergency organization of this City shall be those prescribed

by state law and by ordinances, resolutions, and orders of this City, including but not limited to the City of Fort Bragg emergency operations plan.

- E. This local emergency shall continue to exist until the City Council proclaims the termination of this local emergency.
- F. That a copy of this resolution and the emergency proclamation be forwarded to the Director of California Governor’s Office of Emergency Services requesting that the Director find it acceptable in accordance with State Law; that the Governor of California, pursuant to the Emergency Services Act, issue a proclamation declaring an emergency in the City of Fort Bragg; that the Governor waive regulations that may hinder response and recovery efforts; that recovery assistance be made available under the California Disaster Assistance Act; and that the State expedite access to State and Federal resources and any other appropriate federal disaster relief programs.

The above and foregoing Resolution was introduced by Councilmember _____, seconded by Councilmember _____, and passed and adopted at a special meeting of the City Council of the City of Fort Bragg held on the 24th day of March, 2020, by the following vote:

- AYES:**
- NOES:**
- ABSENT:**
- ABSTAIN:**
- RECUSED:**

WILLIAM V. LEE
Mayor

ATTEST:

June Lemos, CMC
City Clerk

PROCLAMATION NO. CM-2020-01

**A PROCLAMATION BY THE CITY MANAGER OF THE CITY OF FORT BRAGG,
CALIFORNIA, ACTING AS THE DIRECTOR OF EMERGENCY SERVICES,
DECLARING THE EXISTENCE OF A LOCAL EMERGENCY**

WHEREAS, Fort Bragg Municipal Code Section 2.24.040(B) empowers the City Manager as Director of Emergency Services for the City of Fort Bragg, to declare the existence or threatened existence of a local emergency when the City is affected or likely to be affected by a public calamity; and

WHEREAS, Government Code Section 8550 et seq., including Section 8558(c), authorize the City Manager to proclaim a local emergency when the City is threatened by conditions of disaster or extreme peril to the safety of persons and property within the City that are likely to be beyond the control of the services, personnel, equipment, and facilities of the City; and

WHEREAS, a novel coronavirus, COVID-19, causes infectious disease and was first detected in Wuhan City, Hubei Province, China in December 2019. Symptoms of COVID-19 include fever, cough, and shortness of breath; outcomes have ranged from mild to severe illness, and, in some cases, death. The Center for Disease Control and Prevention (CDC) has indicated the virus is a tremendous public health threat; and

WHEREAS, Chinese health officials have reported tens of thousands of cases of COVID-19 in China, with the virus reportedly spreading from person-to-person. COVID-19 illnesses, most of them associated with travel from Wuhan, are also being reported in 117 countries, with over 44,000 cases, including the United States; and

WHEREAS, on January 30, 2020, the World Health Organization (WHO) declared the outbreak a “public health emergency of international concern” and on March 11, 2020, the WHO elevated the public health emergency to the status of a pandemic. On January 31, 2020, United States Health and Human Services Secretary Alex M. Azar II declared a public health emergency for the United States to aid the nation’s healthcare community in responding to COVID-19. On March 4, 2020 the County of Mendocino declared a local emergency and a local health emergency. On March 4, 2020, California Governor Gavin Newsom declared a State of Emergency in California; and

WHEREAS, on February 2, 2020, the federal government initiated the suspension of entry of foreign nationals who were in China during the 14-day period preceding their entry or attempted entry into the United States. United States citizens, residents, and their immediate family members who were in China during the 14-day period preceding their entry into the United States are permitted entry, but are redirected to one of 11 airports where the CDC has quarantine stations to undergo health screening. Depending on their health and travel history, they will have some level of restrictions on their movements for 14 days from the time they left China. On February 29, 2020, the President expanded restrictions to include all aliens who were physically present within the Islamic Republic of Iran during the 14-day period preceding their entry or attempted entry into the United States, with additional restrictions being imposed on travel from Europe as of March 11, 2020; and

WHEREAS, as of March 12, 2020, the WHO reported that, to date, there have been 125,048 confirmed cases of COVID-19, 4,613 of which resulted in death, across 117 countries; and

WHEREAS, in declaring a State of Emergency, the Governor indicated that, as of March 4, 2020, there were 129 confirmed cases of COVID-19 in the United States, including 53 in California, and more than 9,400 Californians across 49 counties in home monitoring based on possible travel-based exposure to the virus, with officials expecting the number of cases in California, the United States, and worldwide to increase; and

WHEREAS, the Governor and the California Department of Health on March 11, 2020 issued a statement entitled "California Public Health Experts: Mass Gatherings Should be Postponed or Canceled Statewide to Slow the Spread of COVID-19," determining that gatherings should be postponed or canceled across the state until at least the end of March. Non-essential gatherings must be limited to no more than 250 people, while smaller events can proceed only if the organizers can implement social distancing of 6 feet per person. Gatherings of individuals who are at higher risk for severe illness from COVID-19 should be limited to no more than 10 people, while also following social distancing guidelines. Furthermore, essential gatherings should only be conducted if the essential activity could not be postponed or achieved without gathering, meaning

that some other means of communication could not be used to conduct the essential function; and

WHEREAS, the Governor on March 12, 2020 issued Executive Order N-25-20, ordering, inter alia, that all residents are to heed the orders and guidance of state and local public health officials; and

WHEREAS; on March 13, 2020, the President of the United States issued a proclamation declaring the COVID-19 outbreak in the United States as a national emergency, beginning March 1, 2020; and

WHEREAS; on March 16, 2020, the Health Officer of the County of Mendocino imposed a moratorium on gatherings of more than 50 persons and a conditional countywide moratorium on gatherings between 10 and 50 people and recommending shelter in place; and

WHEREAS, the City of Fort Bragg has the power to impose measures to promote social distancing including but not limited to limitations on public events; and

WHEREAS, conditions of extreme peril to the safety of persons and property have arisen due to the potential introduction of COVID-19 to Fort Bragg and Mendocino County; and

WHEREAS, such conditions are beyond the control of the services, personnel, equipment, and facilities of the City and require the combined forces of other political subdivisions to combat; and

WHEREAS, it is imperative to prepare for and respond to suspected or confirmed COVID-19 cases, to implement measures to mitigate the spread of COVID-19, and to prepare to respond to an increasing number of individuals requiring medical care and hospitalization; and

WHEREAS, if COVID-19 spreads in California at a rate comparable to the rate of spread in other countries, the number of persons requiring medical care may exceed locally available resources, and controlling outbreaks minimizes the risk to the public, maintains the health and safety of the community, and limits the spread of infection in the community and within the healthcare delivery system; and

WHEREAS, the mobilization of local resources, ability to coordinate interagency response, accelerate procurement of vital supplies, use mutual aid, and allow for future

reimbursement by the state and federal governments will be critical to successfully responding to COVID-19; and

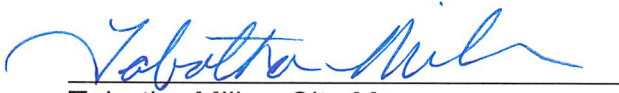
WHEREAS, the City Manager, as the City's Director of Emergency Services, has the power to declare a local emergency as authorized by Government Code section 8630 and Fort Bragg Municipal Code section 2.24.040(B).

NOW, THEREFORE, IT IS PROCLAIMED AND ORDERED by the City Manager, the Director of Emergency Services for the City of Fort Bragg, as follows:

- A. As contemplated in the Emergency Services Act contained in Government Code Section 8550 et seq., including Section 8558(c), and Chapter 2.24 of the Fort Bragg Municipal Code, a local emergency exists based on the existence of conditions of disaster or of extreme peril to the safety of persons and property caused by an epidemic, as detailed in the recitals set forth above.
- B. The area of the City which is endangered/imperiled is the entire City.
- C. During the existence of this local emergency, the powers, functions, and duties of the emergency organization of this City shall be those prescribed by state law and by ordinances, resolutions, and orders of this City, including but not limited to the City of Fort Bragg emergency operations plan and Chapter 2.24 of the Fort Bragg Municipal Code.
- D. The City Council shall review and ratify this proclamation within 7 days as required by state law, and if ratified, shall continue to exist until the City Council proclaims the termination of this local emergency. The City Council shall review the need for continuing the local emergency as required by state law until it terminates the local emergency, and shall terminate the local emergency at the earliest possible date that conditions warrant.
- E. The City of Fort Bragg orders that, within the boundaries of the City of Fort Bragg, the Public Health Experts' recommendations shall be deemed mandatory.
- F. A copy of this proclamation be forwarded to the Director of California Governor's Office of Emergency Services requesting that the Director find it acceptable in accordance with State Law; that the Governor of California,

pursuant to the Emergency Services Act, issue a proclamation declaring an emergency in the City of Fort Bragg; that the Governor waive regulations that may hinder response and recovery efforts; that recovery assistance be made available under the California Disaster Assistance Act; and that the State expedite access to State and Federal resources and any other appropriate federal disaster relief programs.

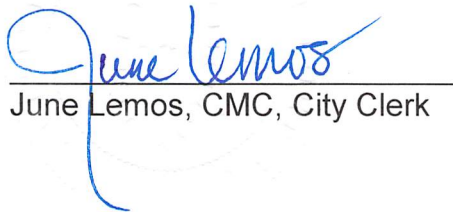
PROCLAIMED this 17th day of March, 2020.



Tabatha Miller, City Manager
Director of Emergency Services,
City of Fort Bragg

see attached signature
Keith Collins, City Attorney

ATTEST:



June Lemos, CMC, City Clerk

pursuant to the Emergency Services Act, issue a proclamation declaring an emergency in the City of Fort Bragg; that the Governor waive regulations that may hinder response and recovery efforts; that recovery assistance be made available under the California Disaster Assistance Act; and that the State expedite access to State and Federal resources and any other appropriate federal disaster relief programs.

PROCLAIMED this 17th day of March, 2020.

Tabatha Miller, City Manager
Director of Emergency Services,
City of Fort Bragg


Keith Collins, City Attorney

ATTEST:

June Lemos, CMC, City Clerk

COVID-19 Resources



- City of Fort Bragg
 - <https://city.fortbragg.com/722/8853/Coronavirus>
- Mendocino County Health Department
 - <https://www.mendocinocounty.org/community/novel-coronavirus>
 - (707) 234-6052 / callcenter@mendocinocounty.org
- California Department of Public Health
 - <https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/Immunization/nCoV2019.aspx>
- Center for Disease Control
 - <https://www.cdc.gov/coronavirus/2019-ncov/index.html>
- Governor Newsom's Resource Page
 - <https://covid19.ca.gov/>



City of Fort Bragg

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Text File

File Number: 20-671

Agenda Date: 3/24/2020

Version: 1

Status: Business

In Control: Special City Council

File Type: Ordinance

Agenda Number: 4B.

Receive Report and Consider Adoption of Urgency Ordinance No. 960-2020 Adding a Temporary Moratorium on Evictions Due to COVID-19



AGENCY: City Council
MEETING DATE: March 24, 2020
DEPARTMENT: Administration
PRESENTED BY: T. Miller
EMAIL ADDRESS: tmiller@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Adoption of Urgency Ordinance No. 960-2020 Adding a Temporary Moratorium on Evictions Due to COVID-19

ISSUE:

Due to the State of Emergency resulting from COVID-19, the Governor has authorized cities to enact moratoriums on residential and commercial evictions due to lost income stemming from COVID-19. The proposed Urgency Ordinance would suspend these evictions for the duration of the emergency and must be passed by a four-fifths vote of the entire City Council.

ANALYSIS:

As the global COVID-19 emergency persists, the economic impacts of the federal, state and local orders to prevent the spread of the virus such as social distancing, school closures, restaurant and bar closures, and Shelter-in-Place orders have left many Fort Bragg businesses and individuals unable to pay their rent.

On March 16, 2020, the Governor issued Executive Order N-28-20. The order suspends any state law that would preempt or otherwise restrict the city's exercise of its police power to impose substantive limitations on evictions based on nonpayment of rent resulting from the impacts of COVID-19.

Under the proposed Urgency Ordinance, both commercial and residential tenants who notify their landlords before their rent is due, and provide documentation to their landlord within thirty (30) days of their rent due date that they are unable to pay all or a portion of their rent due to substantial financial hardships resulting from COVID-19, may not be evicted during the pendency of the Governor's Order N-28-20 or an extension thereof.

Urgency Ordinances

Urgency Ordinances that are necessary for the immediate preservation of the public peace, health or safety, must contain a declaration of the facts constituting the urgency, and must be passed by a four-fifths vote of the City Council per Government Code Section 36937. Urgency Ordinances go into effect immediately upon adoption per California Government Code Section 36934. The proposed Ordinance contains the required findings.

Moratorium on Evictions and Deferral of Rent Payments

The proposed Urgency Ordinance would apply to both commercial and residential tenants who are unable to pay rent during the term of the Ordinance due to financial impacts of COVID-19. To be protected from eviction by the Ordinance, tenants would need to notify their landlords and provide documentation evidencing their inability to pay all or a portion of

their rent during the effective dates of the Ordinance due to COVID-19 impacts. Tenants would also be required to pay whatever part of the rent they were able to pay.

Landlords would not be permitted to begin eviction proceedings against tenants who qualify during the term of the Ordinance, nor would landlords be able to charge late fees to eligible tenants. However, tenants will still be legally responsible for paying all rent due within six months after the expiration of the Ordinance.

RECOMMENDED ACTION:

Waive the reading of the ordinance and adopt by title only an Urgency Ordinance of the City of Fort Bragg relating to a temporary moratorium on evicting tenants and declaring the Ordinance to be an emergency measure to take effect immediately upon adoption.

ALTERNATIVE ACTION(S):

The City Council may choose to decline to adopt the Urgency Ordinance and provide other direction to staff.

FISCAL IMPACT:

There will likely be fiscal impacts to both renters and landlords. The Ordinance protects tenants from eviction but it does not relieve or forgive a tenant of the liability for unpaid rent.

GREENHOUSE GAS EMISSIONS IMPACT:

There may be a small positive reduction in greenhouse gas emissions if tenants are not forced to relocate or transfer belongings by vehicle to another location.

CONSISTENCY:

The proposed urgency ordinance is consistent with all state laws, city ordinances, and emergency orders currently in effect.

IMPLEMENTATION/TIMEFRAMES:

If adopted by a four-fifths vote of the entire membership of the City Council, the proposed Urgency Ordinance will become effective immediately.

ATTACHMENTS:

1. Urgency Ordinance 960-2020
2. Governor's Order N-28-20

NOTIFICATION:

1. Affordable Housing, Notify Me subscriber list
2. Homeless, Notify Me subscriber list
3. Economic Development Planning, Notify Me subscriber list

BEFORE THE CITY COUNCIL OF THE CITY OF FORT BRAGG

AN URGENCY ORDINANCE OF THE CITY OF FORT BRAGG RELATING TO A TEMPORARY MORATORIUM ON EVICTING TENANTS AND DECLARING THE ORDINANCE TO BE AN EMERGENCY MEASURE TO TAKE EFFECT IMMEDIATELY UPON ADOPTION

**URGENCY ORDINANCE
NO. 960-2020**

WHEREAS, on March 4, 2020, the Governor declared a State of Emergency in California due to the threat of Coronavirus Disease 2019 (“COVID-19”). On March 4, 2020, the Mendocino County Board of Supervisors and Department of Public Health declared a public health emergency in Mendocino County due to COVID-19. On March 17, 2020, the Fort Bragg City Manager, acting as the Director of Emergency Services, declared a local emergency due to COVID-19, which was ratified by the City Council at its March 24, 2020 City Council meeting. On March 18, 2020, the Mendocino County Health Official issued a Shelter-in-Place Order effective at 10:00pm the same day through April 7, 2020. On March 19, 2020, the Governor issued Executive Order N-33-20 which orders California Residents to stay at home except for certain critical activities. Due to directives from federal, state, and local health officials, residents have been advised to avoid public gatherings and stay at home to prevent the spread of this disease.

WHEREAS, on March 16, 2020, the Governor issued Executive Order N-28-20. The order suspends any state law that would preempt or otherwise restrict the City’s exercise of its police power to impose substantive limitations on evictions based on nonpayment of rent resulting from the impacts of COVID-19.

WHEREAS, the City has been impacted by the health crisis of this global pandemic. Essentially all upcoming social gatherings and events have been cancelled. Mendocino School Districts have issued closures which may extend beyond April 14, 2020. Employees have been advised to work at home. As a result, restaurant and retail business has significantly declined and workers have been impacted by lost wages and layoffs. Parents have had to miss work to care for home-bound school-age children. As the virus spreads, workers may have to stay home for extended periods.

WHEREAS, many tenants have experienced sudden income loss, and further income impacts are anticipated. The loss of wages caused by the effects of COVID-19 may impact tenants’ ability to pay rent when due, leaving tenants vulnerable to eviction.

WHEREAS, providing tenants with a short-term protection from eviction due to the inability to pay rent will help avoid increasing the homeless population and stabilize the rental housing market by reducing displacement.

WHEREAS, during this state of emergency, and in the interests of protecting the public health and preventing transmission of the coronavirus, it is essential to avoid unnecessary displacement of tenants. Prohibiting evictions on a temporary basis is needed until the spread of the virus can be minimized and the emergency restrictions lifted.

WHEREAS, nothing in this Ordinance waives a tenant’s obligations to pay back rent owed once this Ordinance is no longer effective.

WHEREAS, the City Council has the authority to adopt this Ordinance under Government Code Section 8630, and also its authority under California Constitution Art XI, section 7, and pursuant to the Governor’s Order N-28-20.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF FORT BRAGG DOES ORDAIN AS FOLLOWS:

SECTION 1. Moratorium on evictions due to nonpayment of rent during the COVID-19 emergency.

- A. This Section 1 remains in effect until the expiration of the Governor’s Executive Order N-28-20, including any extensions.
- B. This Ordinance applies to all residential and commercial tenants within the City of Fort Bragg.
- C. No landlord shall endeavor to evict a tenant for nonpayment of rent if the tenant, in accordance with this Section 1, demonstrates that the inability to pay rent is due to the Coronavirus Disease 2019 (COVID-19), the state of emergency regarding COVID-19, or following government-recommended COVID-19 precautions.
- D. As used in this Section 1, “covered reason for delayed payment” means a tenant’s loss of income due to any of the following: (a) tenant was sick with COVID-19 or caring for a household or family member who is sick with COVID-19; (b) tenant experienced a lay-off, loss of hours, substantial decrease in business income caused by a reduction in the opening hours or consumer demand, or other income reduction resulting from COVID-19 or the state of emergency; (c) tenant’s compliance with a recommendation from a government agency to stay home, self-quarantine, or avoid congregating with others during the state of emergency; (d) tenant’s need to miss work to care for a home-bound school-age child; and (e) tenant’s extraordinary medical cost resulting from COVID-19 related medical expenses.
- E. To take advantage of the protections afforded under this Ordinance, a tenant must do all the following:
 - a. Notify the landlord in writing on or before the day rent is due that the tenant has a covered reason for delayed payment;

- b. Provide the landlord with verifiable documentation to support the assertion of a covered reason for delayed payment within thirty (30) days of the day the rent is due; and
 - c. Pay the full amount of rent otherwise due, less the amount of the change in funds available due to a covered reason for delayed payment.
- F. If a tenant complies with the requirements of this Ordinance, a landlord shall not serve a notice pursuant to California Code of Civil Procedure sections 1161 or 1162, file or prosecute an unlawful detainer action based on a three-day pay or quit notice, or otherwise endeavor to evict the tenant for nonpayment of rent, and this Ordinance shall be an affirmative defense to any such eviction action.
- G. Nothing in this Ordinance relieves the tenant of liability for the unpaid rent after expiration of this Ordinance.

SECTION 2. 180-Day Repayment Period.

Tenants who were afforded eviction protection under Section 1 of this Ordinance shall have up to 180 days after the expiration of the Governor’s Executive Order N-28-20, including any extensions, to pay their landlord all unpaid rent accrued during the term covered by this Ordinance. During that 180-day period, the protections against eviction found in Section 1 of this Ordinance apply for such tenants, and provided the tenant pays all rent due by this deadline, shall not be liable for payment of any late fees or penalties for the delay in payment.

SECTION 3. Emergency Declaration/Effective Date.

The City Council declares this Ordinance to be an emergency measure, to take effect immediately upon adoption pursuant to California Government Code section 36934.

The facts constituting the emergency are as follows: The directives from health officials to contain the spread of COVID-19 has resulted in loss of business, furloughs, loss of wages, and lack of work for employees. To protect the public health, safety, and welfare, the City must act to prevent eviction of tenants who are unable to pay rent due to wage losses caused by the effects of COVID-19. An emergency measure is necessary to protect tenants from eviction for a temporary period.

SECTION 4. Severability. If any portion of this Ordinance is found to be unenforceable, each such provision shall be severed, and all remaining portions of this Ordinance shall be enforced to the maximum extent legally permissible.

SECTION 5. Certification. The City Clerk shall certify to the passage and adoption of this Ordinance as required by law.

The foregoing Urgency Ordinance was introduced by Councilmember _____ and adopted at a special meeting of the City Council of the City of Fort Bragg held on March 24, 2020 by the following vote:

**AYES:
NOES:
ABSENT:
ABSTAIN:
RECUSED:**

**William V. Lee,
Mayor**

ATTEST:

**June Lemos, CMC
City Clerk**

**PUBLISH: April 2, 2020 (by summary).
EFFECTIVE DATE: March 24, 2020.**

EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA

EXECUTIVE ORDER N-28-20

WHEREAS on March 4, 2020, I proclaimed a State of Emergency to exist in California as a result of the threat of COVID-19; and

WHEREAS despite sustained efforts, the virus remains a threat, and further efforts to control the spread of the virus to reduce and minimize the risk of infection and otherwise mitigate the effects of COVID-19 are needed; and

WHEREAS the economic impacts of COVID-19 have been significant, and could threaten to undermine Californians' housing security and the stability of California businesses; and

WHEREAS many Californians are experiencing substantial losses of income as a result of business closures, the loss of hours or wages, or layoffs related to COVID-19, hindering their ability to keep up with their rents, mortgages, and utility bills; and

WHEREAS Californians who are most vulnerable to COVID-19, those 65 years and older, and those with underlying health issues, are advised to self-quarantine, self-isolate, or otherwise remain in their homes to reduce the transmission of COVID-19; and

WHEREAS because homelessness can exacerbate vulnerability to COVID-19, California must take measures to preserve and increase housing security for Californians to protect public health; and

WHEREAS local jurisdictions, based on their particular needs, may therefore determine that additional measures to promote housing security and stability are necessary to protect public health or to mitigate the economic impacts of COVID-19; and

WHEREAS local jurisdictions may also determine, based on their particular needs, that promoting stability amongst commercial tenancies is also conducive to public health, such as by allowing commercial establishments to decide whether and how to remain open based on public health concerns rather than economic pressures, or to mitigate the economic impacts of COVID-19; and

WHEREAS in addition to these public health benefits, state and local policies to promote social distancing, self-quarantine, and self-isolation require that people be able to access basic utilities—including water, gas, electricity, and telecommunications—at their homes, so that Californians can work from home, receive public health information, and otherwise adhere to policies of social distancing, self-quarantine, and self-isolation, if needed; and

WHEREAS many utility providers, public and private, covering electricity, gas, water, and sewer, have voluntarily announced moratoriums on service disconnections and late fees for non-payment in response to COVID-19; and

WHEREAS many telecommunication companies, including internet and cell phone providers, have voluntarily announced moratoriums on service disconnections and late fees for non-payment in response to COVID-19;

NOW, THEREFORE, I, GAVIN NEWSOM, Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes of the State of California, and in particular, Government Code sections 8567 and 8571, do hereby issue the following order to become effective immediately:

IT IS HEREBY ORDERED THAT:

- 1) The time limitation set forth in Penal Code section 396, subdivision (f), concerning protections against residential eviction, is hereby waived. Those protections shall be in effect through May 31, 2020.
- 2) Any provision of state law that would preempt or otherwise restrict a local government's exercise of its police power to impose substantive limitations on residential or commercial evictions as described in subparagraphs (i) and (ii) below—including, but not limited to, any such provision of Civil Code sections 1940 et seq. or 1954.25 et seq.—is hereby suspended to the extent that it would preempt or otherwise restrict such exercise. This paragraph 2 shall only apply to the imposition of limitations on evictions when:
 - (i) The basis for the eviction is nonpayment of rent, or a foreclosure, arising out of a substantial decrease in household or business income (including, but not limited to, a substantial decrease in household income caused by layoffs or a reduction in the number of compensable hours of work, or a substantial decrease in business income caused by a reduction in opening hours or consumer demand), or substantial out-of-pocket medical expenses; and
 - (ii) The decrease in household or business income or the out-of-pocket medical expenses described in subparagraph (i) was caused by the COVID-19 pandemic, or by any local, state, or federal government response to COVID-19, and is documented.

The statutory cause of action for judicial foreclosure, Code of Civil Procedure section 725a et seq.; the statutory cause of action for unlawful detainer, Code of Civil Procedure section 1161 et seq., and any other statutory cause of action that could be used to evict or otherwise eject a residential or commercial tenant or occupant of residential real property after foreclosure is suspended only as applied to any tenancy, or residential real property and any

occupation thereof, to which a local government has imposed a limitation on eviction pursuant to this paragraph 2, and only to the extent of the limitation imposed by the local government.

Nothing in this Order shall relieve a tenant of the obligation to pay rent, nor restrict a landlord's ability to recover rent due.

The protections in this paragraph 2 shall be in effect through May 31, 2020, unless extended.

- 3) All public housing authorities are requested to extend deadlines for housing assistance recipients or applicants to deliver records or documents related to their eligibility for programs, to the extent that those deadlines are within the discretion of the housing authority.
- 4) The Department of Business Oversight, in consultation with the Business, Consumer Services, and Housing Agency, shall engage with financial institutions to identify tools to be used to afford Californians relief from the threat of residential foreclosure and displacement, and to otherwise promote housing security and stability during this state of emergency, in furtherance of the objectives of this Order.
- 5) Financial institutions holding home or commercial mortgages, including banks, credit unions, government-sponsored enterprises, and institutional investors, are requested to implement an immediate moratorium on foreclosures and related evictions when the foreclosure or foreclosure-related eviction arises out of a substantial decrease in household or business income, or substantial out-of-pocket medical expenses, which were caused by the COVID-19 pandemic, or by any local, state, or federal government response to COVID-19.
- 6) The California Public Utilities Commission is requested to monitor measures undertaken by public and private utility providers to implement customer service protections for critical utilities, including but not limited to electric, gas, water, internet, landline telephone, and cell phone service, in response to COVID-19, and on a weekly basis publicly report these measures.

Nothing in this Order shall be construed to invalidate any limitation on eviction enacted by a local jurisdiction between March 4, 2020 and this date.

Nothing in this Order shall in any way restrict state or local authority to order any quarantine, isolation, or other public health measure that may compel an individual to remain physically present in a particular residential real property.

This Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

I FURTHER DIRECT that as soon as hereafter possible, this proclamation be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 16th day of March 2020.



GAVIN NEWSOM
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State

Lemos, June

From: Jamie Peters <jamielp13@hotmail.com>
Sent: Monday, March 23, 2020 2:26 PM
To: Lemos, June
Subject: Letter for Special City Council Meeting

Hi June,

Please add to the letters for City Council Members. Thank you!

Dear City of Fort Bragg Councilmembers:

I respectfully request that you pass the urgency ordinance # 960-2020 for a temporary moratorium on evicting tenants and declare an emergency measure to take effect immediately upon adoption of said ordinance.

With the shelter in place order, only a few essential businesses open, and no tourism (for obvious reasons), businesses are temporarily shutting down and untold numbers of people have been laid off. I only hope this is not a permanent condition for our community.

This proposed emergency ordinance would provide a much needed respite from the overwhelming stress impacting everyone worried about how to pay their bills, and make ends meet.

I would ask that you specify that the ordinance covers both *commercial* and *residential* rents. This will add ultimate clarity for all landlords and tenants.

Thank you for keeping the welfare of the community top of mind. We all need to know we have a community to come back to when this awful pandemic is over.

Respectfully,

Jamie Peters

Sent from [Mail](#) for Windows 10

Lemos, June

From: Ona Rynearson <ona_rynearson@hotmail.com>
Sent: Tuesday, March 24, 2020 8:26 AM
To: Albin-Smith, Tess; Lemos, June; Lpeters2@fortbragg.com; Lee, Will; Norvell, Bernie; Morsell-Haye, Jessica
Subject: adopt the proposed ordinance 960-2020
Attachments: jpmc-institute-small-business-report.pdf

To the Fort Bragg City Council,

I am writing to encourage you to adopt the proposed ordinance 960-2020 enacting a moratorium on evictions due to COVID-19, as it is written. According to our most recent census data (<https://www.census.gov/quickfacts/fortbraggcitycalifornia>) more than 60% of our population are renters, the median monthly costs for homeowners with mortgages is more that \$1700/month, and approximately 20% of our population lives at or below poverty level, making our community incredibly vulnerable to fluctuations in income. With the shelter in place order and the closure of all non-essential businesses, those income streams are rapidly disappearing. Small business owners who are sole-proprietors are particularly vulnerable because they cannot collect unemployment benefits and half of all small businesses have a cash buffer of less than one month (see attached study by JP Morgan Chase Institute from 2016). Restaurants, retailers and personal service providers have even less at 16, 19 and 21 days respectively, and are dependent on constant, daily inflows of cash to stay in business. The health and safety of our residents as well as the future of our local businesses and our entire local economy depend on every level of government proactively taking any and all possible actions to mitigate the short and long term effects of this crisis. This is a good start.

Thank you for your consideration.
Ona Rynearson
Fort Bragg, CA

Lemos, June

From: Hilary White <hilarbee@gmail.com>
Sent: Monday, March 23, 2020 1:48 PM
To: Lee, Will; Norvell, Bernie; Morsell-Haye, Jessica; Albin-Smith, Tess; Peters, Lindy
Cc: Lemos, June
Subject: Proposed ordinance 960-2020
Attachments: jpmc-institute-small-business-report.pdf

To the Fort Bragg City Council,

I am writing to encourage you to adopt the proposed ordinance 960-2020 enacting a moratorium on evictions due to COVID-19, as it is written. According to our most recent census data <https://www.census.gov/quickfacts/fortbraggcitycalifornia>, more than 60% of our population are renters, the median monthly costs for homeowners with mortgages is more than \$1700/month, and approximately 20% of our population lives at or below poverty level, making our community incredibly vulnerable to fluctuations in income. With the shelter in place order and the closure of all non-essential businesses, those income streams are rapidly disappearing. Small business owners who are sole-proprietors are particularly vulnerable because they cannot collect unemployment benefits and half of all small businesses have a cash buffer of less than one month (see attached study byJP Morgan Chase Institute from 2016). Restaurants, retailers and personal service providers have even less at 16, 19 and 21 days respectively, and are dependent on constant, daily inflows of cash to stay in business. The health and safety of our residents as well as the future of our local businesses and our entire local economy depend on every level of government proactively taking any and all possible actions to mitigate the short and long term effects of this crisis. This is a good start.

Thank you for your consideration.

Hilary White
Fort Bragg, CA



Cash is King: Flows, Balances, and Buffer Days

Evidence from 600,000
Small Businesses



About the Institute

The global economy has never been more complex, more interconnected, or faster moving. Yet economists, businesses, nonprofit leaders, and policymakers have lacked access to real-time data and the analytic tools to provide a comprehensive perspective. The results—made painfully clear by the Global Financial Crisis and its aftermath—have been unrealized potential, inequitable growth, and preventable market failures.

The JPMorgan Chase Institute is harnessing the scale and scope of one of the world's leading firms to explain the global economy as it truly exists. Its mission is to help decision-makers—policymakers, businesses, and nonprofit leaders—appreciate the scale, granularity, diversity, and interconnectedness of the global economic system and use better facts, timely data, and thoughtful analysis to make smarter decisions to advance global prosperity. Drawing on JPMorgan Chase's unique proprietary data, expertise, and market access, the Institute develops analyses and insights on the inner workings of the global economy, frames critical problems, and convenes stakeholders and leading thinkers.

The JPMorgan Chase Institute is a global think tank dedicated to delivering data-rich analyses and expert insights for the public good.

Acknowledgments

We thank our research team, including Derek Bekebrede and Andreas Weber, for their hard work and contribution to this report.

We would like to acknowledge Jamie Dimon, CEO of JPMorgan Chase & Co., for his vision and leadership in establishing the Institute and enabling the ongoing research agenda. Along with support from across the Firm—notably from Peter Scher, Len Laufer, Max Neukirchen, Joyce Chang, Matt Zames, Judy Miller, and Alexis Bataillon—the Institute has had the resources and support to pioneer a new approach to contribute to global economic analysis and insight.

We would also like to acknowledge the contribution of our other researchers, specifically Kanav Bhagat, Fiona Greig, Rachel Pacheco, David Wasser, and Chen Zhao. We especially want to thank Jenn Piepszak and the Chase Business Banking team for their support, and other experts within JPMorgan Chase, including Bori Cox, Sally Durdan, Brian Haney, Anmol Karnad, Adam Nelson, Brent Reinhard, Mary Jane Rogers, Sam Saperstein, and David Spyra. This effort would not have been possible without the critical support of the JPMorgan Chase Intelligent Solutions team of data experts, including Joe Bimmerle, Steve Farrell, Jay Galloway, Shannon Kim, Stella Ng, Michael Solovay, and Tony Wimmer, and JPMorgan Chase Institute team members Kelly Benoit, Kevin Feltes, Kathryn Kulp, and Natalie Holmes.

Finally, we would like to acknowledge with gratitude the invaluable input of small business experts who provided thoughtful commentary, including John Haltiwanger, Brian Headd, Ron Jarmin, Raymond Keating, Kausar Hamdani, Nick Maduros, Claire Kramer Mills, Karen Mills, Jonathan Parker, Arthur Plews, and Scott Shane. For their generosity of time, insight, and support, we are deeply grateful.

Cash is King: Flows, Balances, and Buffer Days

Evidence from 600,000
Small Businesses

Diana Farrell
Chris Wheat

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Executive Summary

For most small business, cash reserves are a critical tool for meeting liquidity needs. Cash reserves provide a readily available means to pay employees and suppliers in normal times and are an important buffer to draw upon during adverse times. This is particularly true for small businesses with limited access to credit and other sources of liquidity. In other words, cash reserves are a key measure of the vitality and security of a small business.

In this inaugural report on the small business sector, the JPMorgan Chase Institute explores the financial lives of small business through the lens of cash inflows, outflows and account balances. We find that, despite the importance of cash reserves, most small businesses hold a level of cash reserves that would provide an insufficient cushion in the face of a significant economic downturn or other disruption. Using a new data asset constructed from over 470 million transactions conducted by 597,000 small businesses from February to October 2015, our analysis shows that half of all small businesses hold a cash buffer large enough to support 27 days of their typical outflows.

This report also explores key industry characteristics that help explain the drivers of cash buffers. Additionally, it offers a new synthesis of publicly available data to begin to draw together a comprehensive view of the small business sector.




These findings are relevant to policy makers who seek to assist small businesses; to nonprofit organizations that coach small business owners; to financial services firms that help small businesses manage their liquidity; and to owners of small businesses who seek benchmarks for guidance in managing their own liquidity.

We hope this report draws attention to cash balances as an important issue, helps people better understand differences among small businesses, and helps in the development of smarter programs, products, and policies that enable small businesses to flourish.

Data



We constructed a sample of 597,000 businesses who hold Chase Business Banking deposit accounts and meet our criteria for small, core metropolitan operating businesses. We then used 470 million anonymized transactions from these businesses to produce a daily view of cash inflows, cash outflows, and end-of-day balances over the nine non-holiday months from February 2015 to October 2015.

597,000 SMALL BUSINESSES

-  Hold Chase Business Banking accounts
-  End-of-day combined balances do not exceed \$20 million each day
-  Do not identify with more than a single address and/or a single industry



CORE METROPOLITAN OPERATING BUSINESSES

We study businesses that have financial activity that indicates they are not seasonal.

-  For at least five of nine months, at least \$500 in outflows and 10 combined inflows and outflows
- 1+** At least one inflow and outflow in each month
-  Are located in one of 367 Metropolitan Areas where Chase has a representative footprint

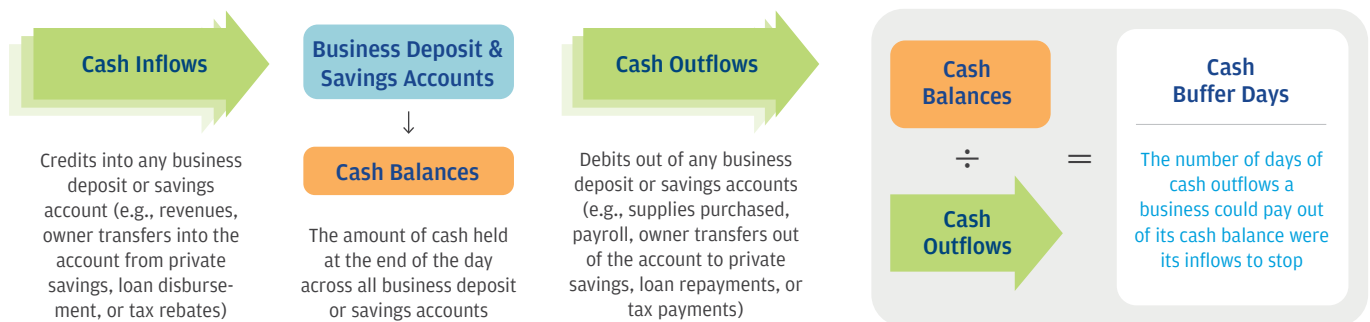
SELECTED KEY INDUSTRIES

We focus on small businesses in 12 representative industries that capture most small business employees

- | | |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
|  Construction |  Personal Services |
|  Health Care Services |  Real Estate |
|  High-Tech Manufacturing |  Repair & Maintenance |
|  High-Tech Services |  Restaurants |
|  Metal & Machinery |  Retail |
|  Other Professional Services |  Wholesalers |

Together, these 12 industries capture 73 percent of for-profit employer small firms and 65 percent of for-profit small business employment

Measuring cash inflows, outflows, balances, and buffer days

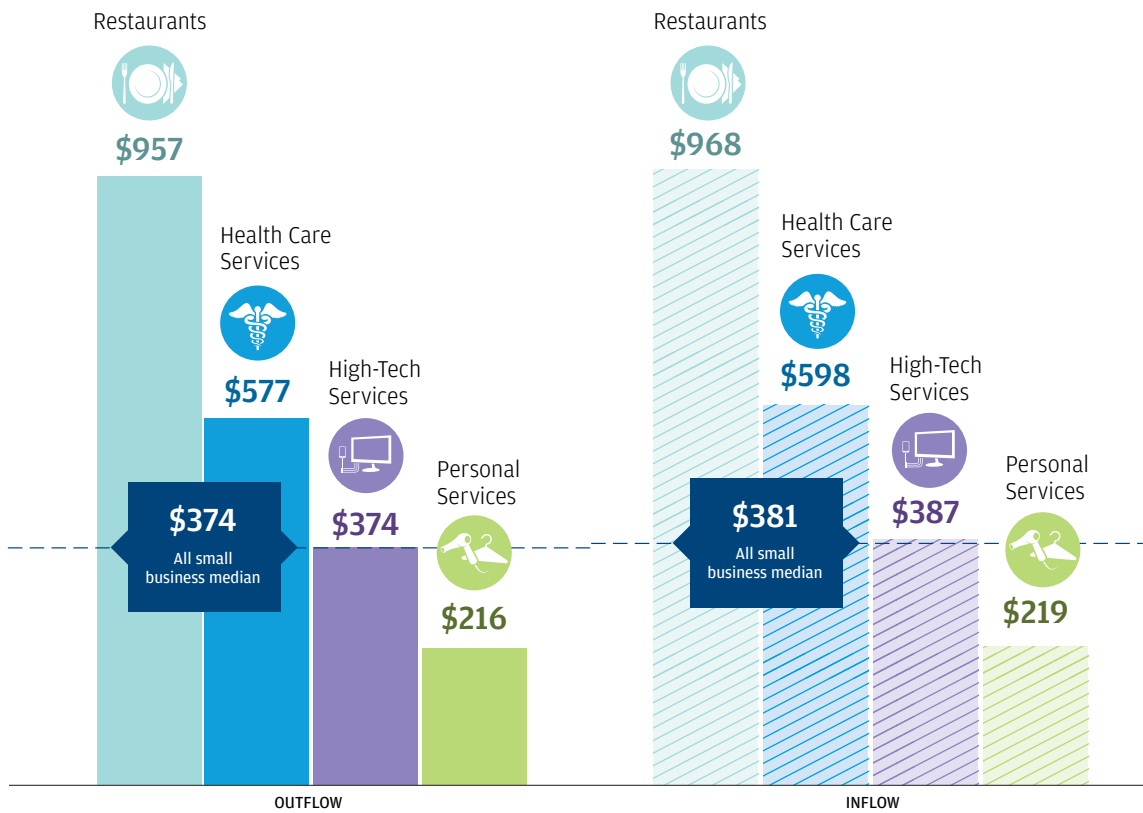


Finding One

The median small business has average daily cash outflows of \$374 and average daily cash inflows of \$381, with wide variation across and within industries.

Outflows refer to debit transactions paid out of any business deposit or savings accounts, such as the purchase of material and payroll, owner transfers out of the account to private savings, loan repayments, or tax payments

Inflows refer to credit transactions into any business deposit or savings account, such as revenues, owner transfers into the account from private savings, loan funding, or tax rebates



Individual small business average daily inflows and outflows are highly correlated.

Average daily cash inflows and outflows vary widely by industry:

- In the Personal Services industry, daily cash outflows and inflows were the lowest at \$216 and \$219, respectively.
- In the Restaurant industry, daily cash outflows and inflows were the highest at \$957 and \$968, respectively.

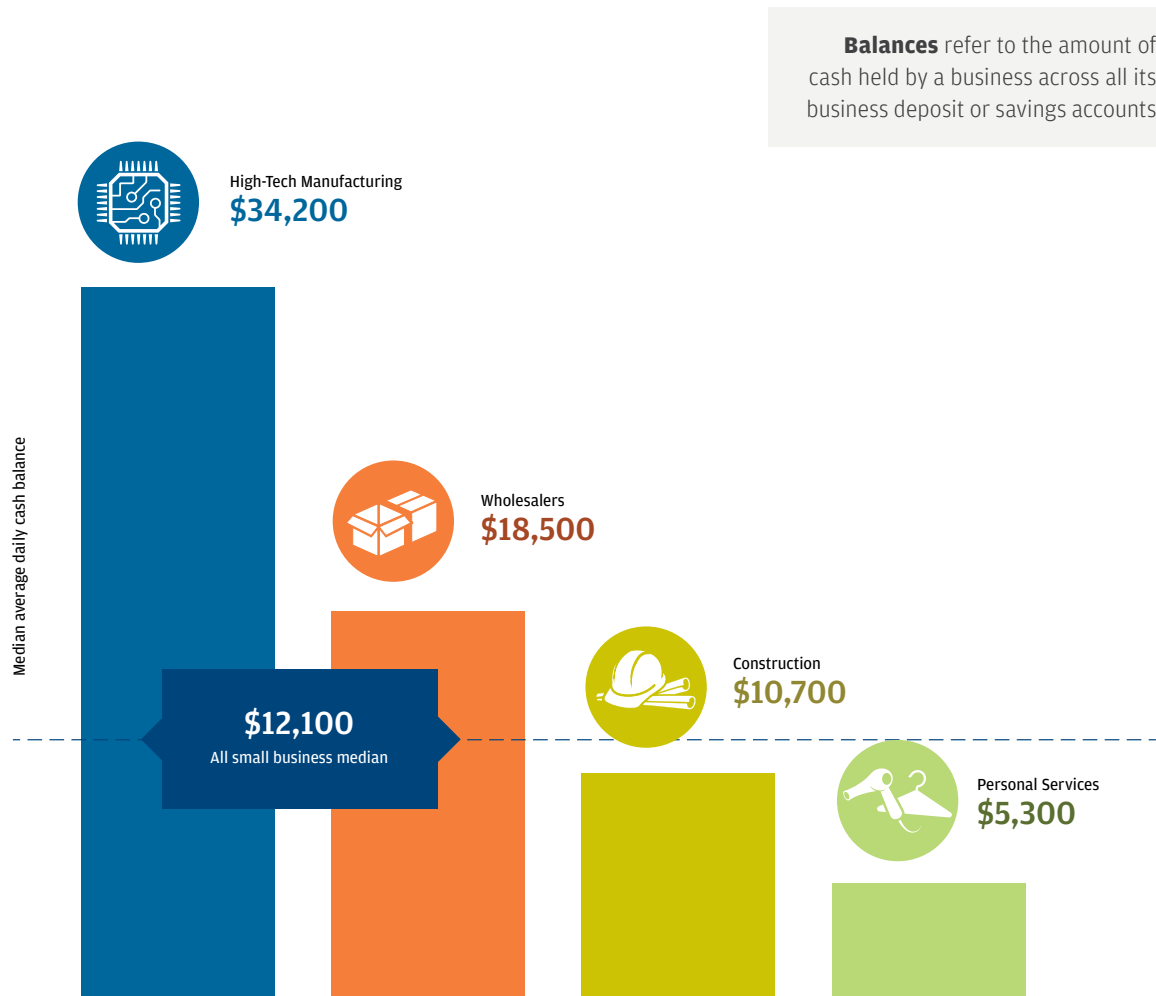
Average daily cash outflows vary substantially within industries as well:

- Outflows varied the most among small businesses within the Wholesale, Metal & Machinery Manufacturing, and High-Tech Manufacturing industries—in these industries small business at the 75th percentile had outflows four times higher than the median.

Cash inflows and outflows were computed by first computing the average daily cash inflow/outflow for individual small businesses, and then computing a median average daily cash inflow/outflow for an industry or our whole sample.

Finding Two

The median small business holds an average daily cash balance of **\$12,100**, with wide variation across and within industries.



Cash balances vary widely by industry:

- In the Personal Services industry, the median small business held a cash balance of \$5,300.
- In the High-Tech Manufacturing industry, the median small business held a cash balance of \$34,200.

Cash balances vary substantially within industries as well:

- In most industries, small businesses at the 75th percentile carried balances 3 to 4 times the median level.

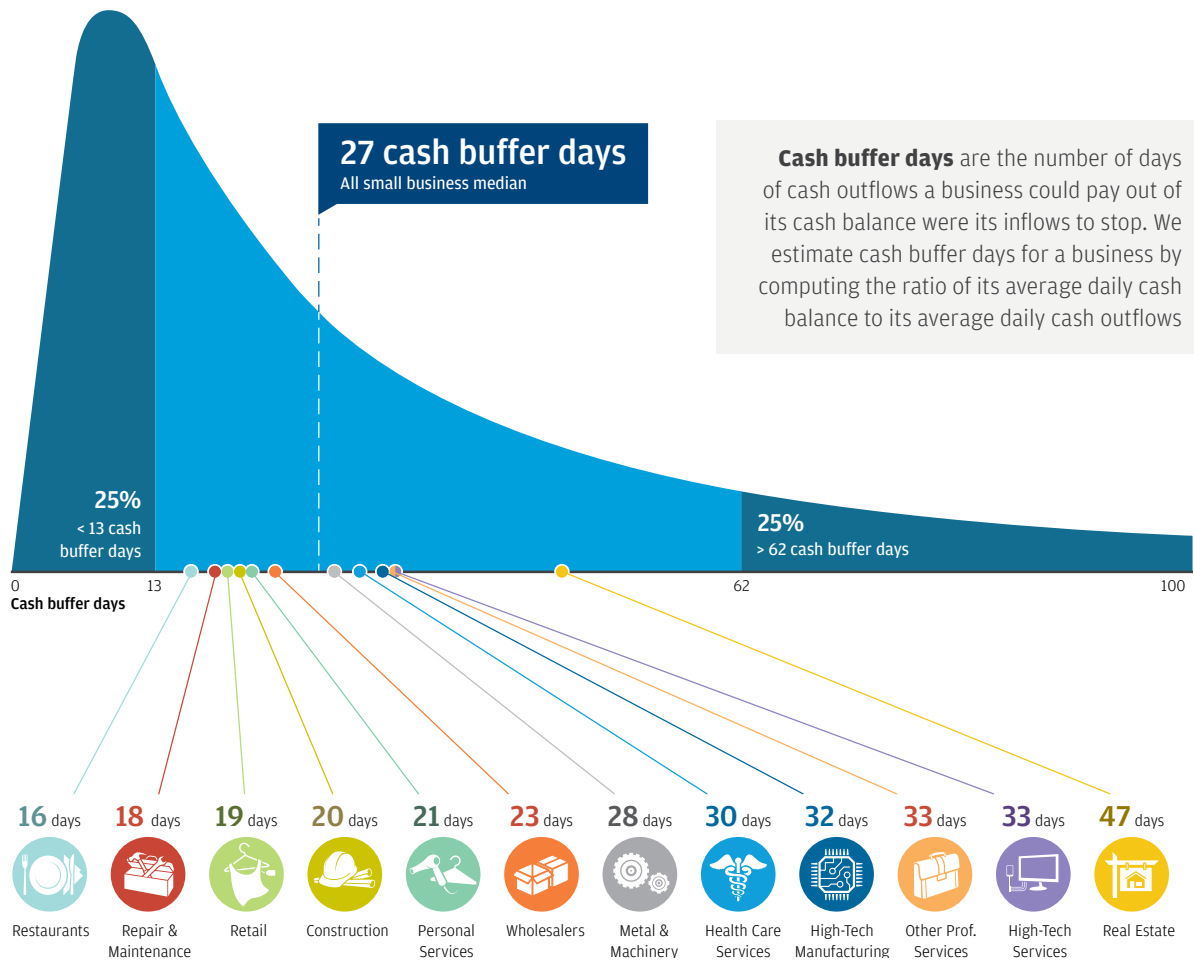
Cash balances were computed by first computing the average daily end-of-day cash balances for individual small businesses, and then computing a median average daily cash balance for an industry or our whole sample.

Finding Three

The median small business holds 27 cash buffer days in reserve.

Half of all small businesses hold a cash buffer of less than one month.

- Moreover, 25 percent of small businesses hold fewer than 13 cash buffer days in reserve.
- In contrast, 25 percent of small businesses hold over 62 cash buffer days in reserve.

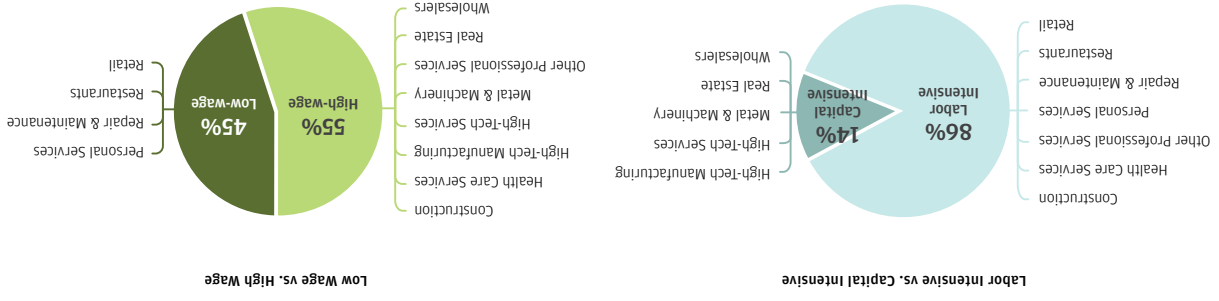


Median cash buffer days vary substantially across industries.

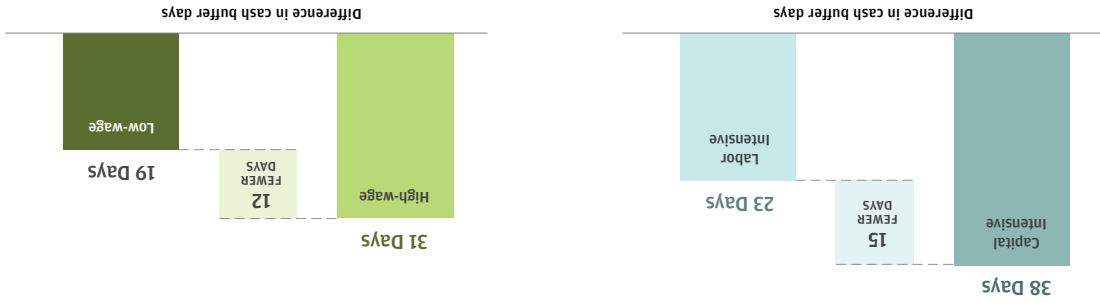
- The median small restaurant holds 16 cash buffer days in reserve.
- The median small business in the real estate industry holds 47 cash buffer days in reserve.

Finding Four

Small businesses in labor-intensive or low-wage industries hold fewer cash buffer days than those in capital-intensive or high-wage industries.



Share of Total US Small Business Employment within Each Segment



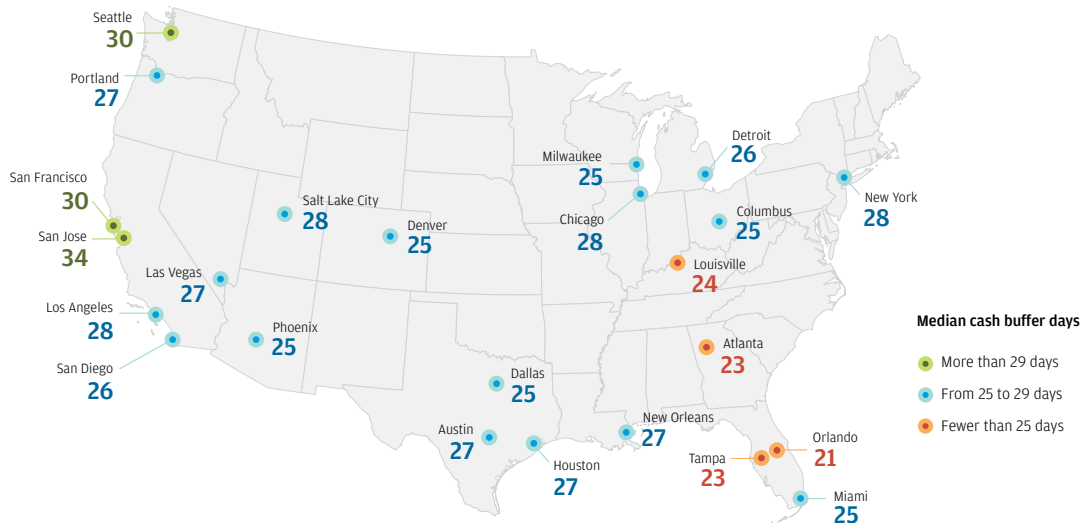
Small businesses in industries with a high amount of information technology or intellectual property (IT/IP) do not hold cash buffer days that are very different from low IT/IP industry businesses. Similarly, small businesses in business-to-business (B2B) industries do not hold cash buffer days that are very different from business-to-consumer (B2C) industry businesses.

We define an industry as labor-intensive if labor costs comprise over 71 percent of its combined labor and capital payments, and capital-intensive otherwise. We define an industry as high-wage if its average labor costs are greater than \$30 per hour, and low-wage otherwise. We define an industry as having a high IT/IP capital allocation if intellectual property and information technology make up more than 12 percent of all capital inputs, and as having a low IT/IP capital allocation otherwise. We define an industry as B2B if over 65 percent of its domestic output was purchased by businesses, as B2C if over 65 percent of its domestic output was purchased by households, and as Mixed otherwise. We performed all calculations at the industry level—these classifications reflect the characteristics of all employer businesses within the industry, not just small businesses within the industry.

Finding Five

Small business cash buffer days vary across metropolitan areas, but no clear pattern emerges from this variance.

Median cash buffer days in our 24 selected cities vary from 21 days in Orlando to 34 days in San Jose, a spread of 60 percent. Differences in industry mix and population between metropolitan areas do not explain this variation.



Cash buffer days are the number of days of cash outflows a business could pay out of its cash balance were its inflows to stop. We estimate cash buffer days for a business by computing the ratio of its average daily cash balance to its average daily cash outflows.

Conclusion

This study leverages a new JPMorgan Chase Institute small business data asset to highlight cash buffer days as a key financial vitality indicator for small businesses. Our research shows substantial variation in cash buffer days for small businesses across and within industries and by region. Many small businesses may not have enough cash to continue operations in the face of a month-long loss of cash inflows due to an economic downturn or other negative shock.

Interventions that help small business owners better understand and manage cash could support the financial health of a sector that provides the economic base for a large portion of the US population. Specifically, our new industry segmentation draws attention to an opportunity to develop new policies that target large numbers of especially financially fragile small businesses in labor-intensive or low-wage industries, in contrast to policies that target small businesses in high-technology, capital intensive, high-wage, or business-serving industries.

Finally, cash buffer days can focus the attention of policymakers, advocates, and private-sector partners on liquidity as an important feature of the credit landscape. New educational programs and diversified credit offerings can help small business owners better understand and manage their liquidity, and substantially improve the financial resilience of the small business sector.

Introduction

The small business sector is a critical driver of production, employment, and economic growth. Small businesses (usually defined by the Small Business Administration as those with fewer than 500 employees) account for 99 percent of all business establishments in the United States, employ 48 percent of all US workers, are responsible for over 41 percent of net job creation, account for 45 percent of GDP, and produce 34 percent of all US exports. As such, this sector is a key focus for many policymakers, economists, and government officials. Concern among these stakeholders has increased recently as the shares of GDP and employment in this sector have fallen in recent years. Yet, despite its importance to our economy, publicly available data offer at best an incomplete view of the small business sector.

Public statistics indicate that there are 28.7 million small businesses and that most—23 million—have no paid employees. Of the remaining 5.7 million, 2.3 million businesses have fewer than 20 employees. Small businesses are young on average and many have a short lifespan: the median small business is between six and 10 years old. Nearly half of small businesses exit within their first five years, and over 30 percent exit within their first two years. We highlight these statistics and more in our new JPMorgan Chase Institute Small Business Data Dashboard, a compendium to this report (see p. 33).

While the Small Business Data Dashboard provides useful metrics about the small business sector, it is based on data that often have long lags or are reported infrequently. Moreover, aggregation in these data often masks important differences across the sector. The small business sector is highly fragmented, heterogeneous, and constantly evolving, which understandably raises the difficulty and cost of information gathering and renders the sector hard to monitor and understand.

To help fill this information gap, the JPMorgan Chase Institute has launched a broad-based research agenda to shed light on the economic and financial attributes of small businesses and their contribution to the economy. To conduct our analyses, we constructed a new data asset incorporating over 470 million anonymized transactions and account balances from 597,000 small businesses across 367 metropolitan areas, as described in our Data Asset section.

In our inaugural report on the small business sector, we focus on cash inflows, outflows and account balances. We find that median levels of flows and balances are relatively low, with wide variation across and within industries. Furthermore, despite the importance of having of cash buffer to weather adverse shocks, half of all small businesses hold only a cash buffer large enough to finance 27 days of their typical outflows.

We focus on small businesses in 12 representative industries that capture most small businesses employees, as described in the Methodology section. Moreover, we identify four key industry characteristics that provide a framework we use to assess the drivers of small business cash flows. When combined with our proprietary data asset, this framework helps us begin to draw together a comprehensive view of the small business sector.

Findings

In our initial JPMorgan Chase Institute small business report, we focus on cash. As the popular saying “cash is king” suggests, managing cash and liquidity is critical to the survival and growth of small businesses. While small businesses manage liquidity by using credit cards, borrowing from lenders, selling equity to investors, or managing terms with suppliers and customers, cash is the least expensive and most readily available source of liquidity for the majority of small businesses. Moreover, existing empirical evidence suggests that a lack of access to external capital limits the growth of small firms, and that many firms rely on cash produced by net positive operating cash flows for financing.¹ However, despite its importance, very little data is available to directly inform how small businesses use cash—particularly the very small firms that comprise the bulk of the small business sector.

We offer an unprecedented view of the financial inflows, outflows, and liquidity profile of small businesses to answer a set of critical questions about small businesses: What size are the typical cash flows in and out of a small business? What level of cash balances do small businesses hold? How many cash buffer days do small businesses hold in reserve? Do the answers to these questions vary across industries and cities?

Finding One

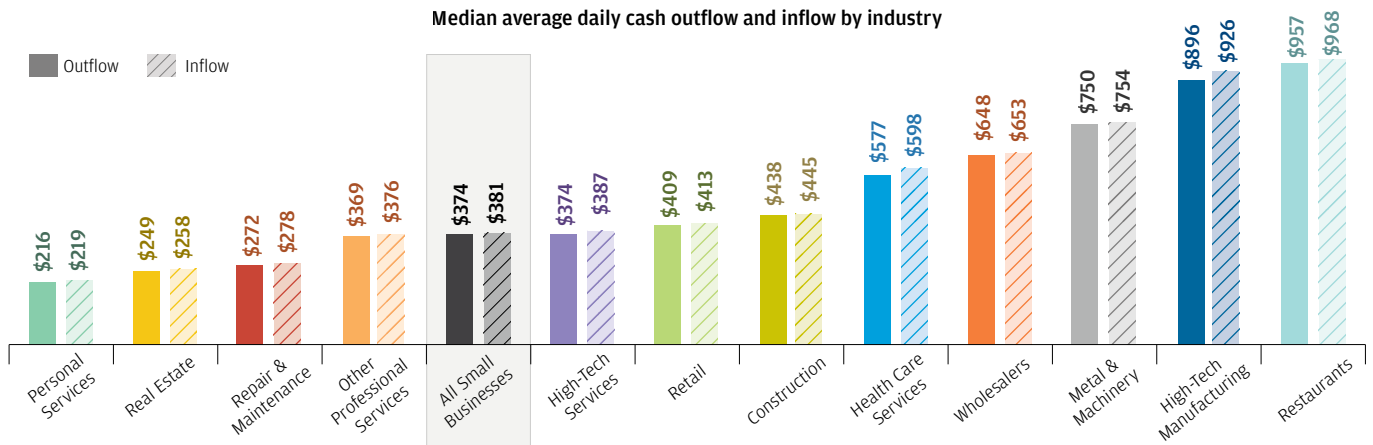
The median small business has average daily cash outflows of \$374 and average daily cash inflows of \$381, with wide variation across and within industries.

Average daily cash outflows and inflows vary substantially across small businesses. Small businesses spend cash to pay employees, purchase supplies, acquire assets, make payments to lenders and owners, or meet other payment obligations. Small businesses receive cash from the sale of goods and services, when owners and lenders provide funds, or if the business sells off assets. In general, a small business with larger payments (or outflows) must generate greater revenues or other inflows to sustain a positive cash balance. Conversely, larger inflows help small businesses meet payment obligations and sustain a positive cash balance, particularly to the extent that these inflows are regular and predictable.

We calculated the average daily outflow and inflow for each business in our sample. Figure 1 shows the median of these average daily outflows and inflows for small businesses in each of the 12 industries and for our sample as a whole. The median small business has average daily outflows of \$374 and average daily inflows of \$381. In our sample, average daily outflows are highly correlated with average daily inflows—the correlation coefficient for individual small businesses was 0.99.

Most small businesses have nearly equal daily inflows and outflows.

Figure 1: Average Daily Cash Flow Levels Vary Widely by Industry



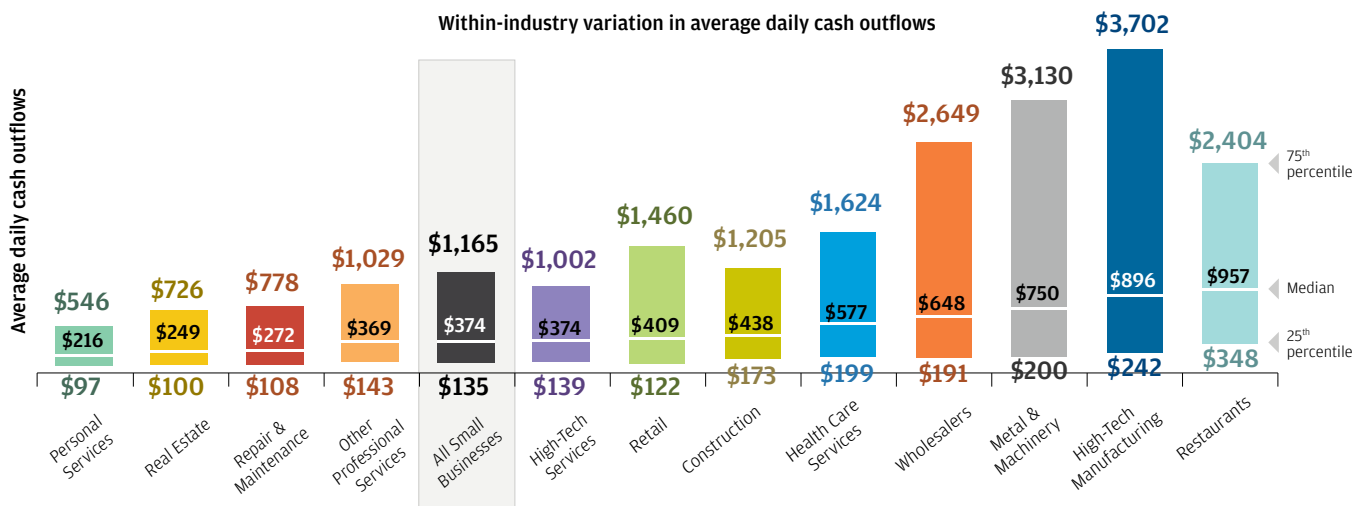
Note: Outflows refer to debit transactions paid out of any business deposit or savings accounts, such as the purchase of material and payroll, owner transfers out of the account to private savings, loan repayments, or tax payments. Inflows refer to credit transactions into any business deposit or savings account, such as revenues, owner transfers into the account from private savings, loan funding, or tax rebates.

Source: JPMorgan Chase Institute

Median average daily outflows and inflows varied substantially across industries. For example, the median small business in the Personal Services industry had average daily outflows of \$216, while the median small business in the Restaurant² industry had average daily outflows of \$957. At the industry level, inflows also tracked outflows closely. Median average daily inflows exceeded median average daily outflows by a very small amount, ranging from \$3 for Personal Services to \$30 for High-Tech Manufacturing.

Finally, we explored variation in average daily outflows within industries. For each industry, Figure 2 displays the average daily outflow for the small business at the median, 25th, and 75th percentiles of the distribution. The range of average daily outflows within industries is substantial. Notably, while small businesses in the Restaurant industry had the highest median daily average outflows, three other industries—Wholesale, Metal and Machinery Manufacturing, and High-Tech Manufacturing, had higher average daily outflows at the 75th percentile. In each of these three industries, over 25 percent of small businesses had average daily outflows of \$2,500 or more.

Figure 2: Average Daily Cash Outflows Vary Substantially Within Industries



Note: Outflows refer to debit transactions paid out of any business deposit or savings accounts, such as the purchase of material and payroll, owner transfers out of the account to private savings, loan repayments, or tax payments.

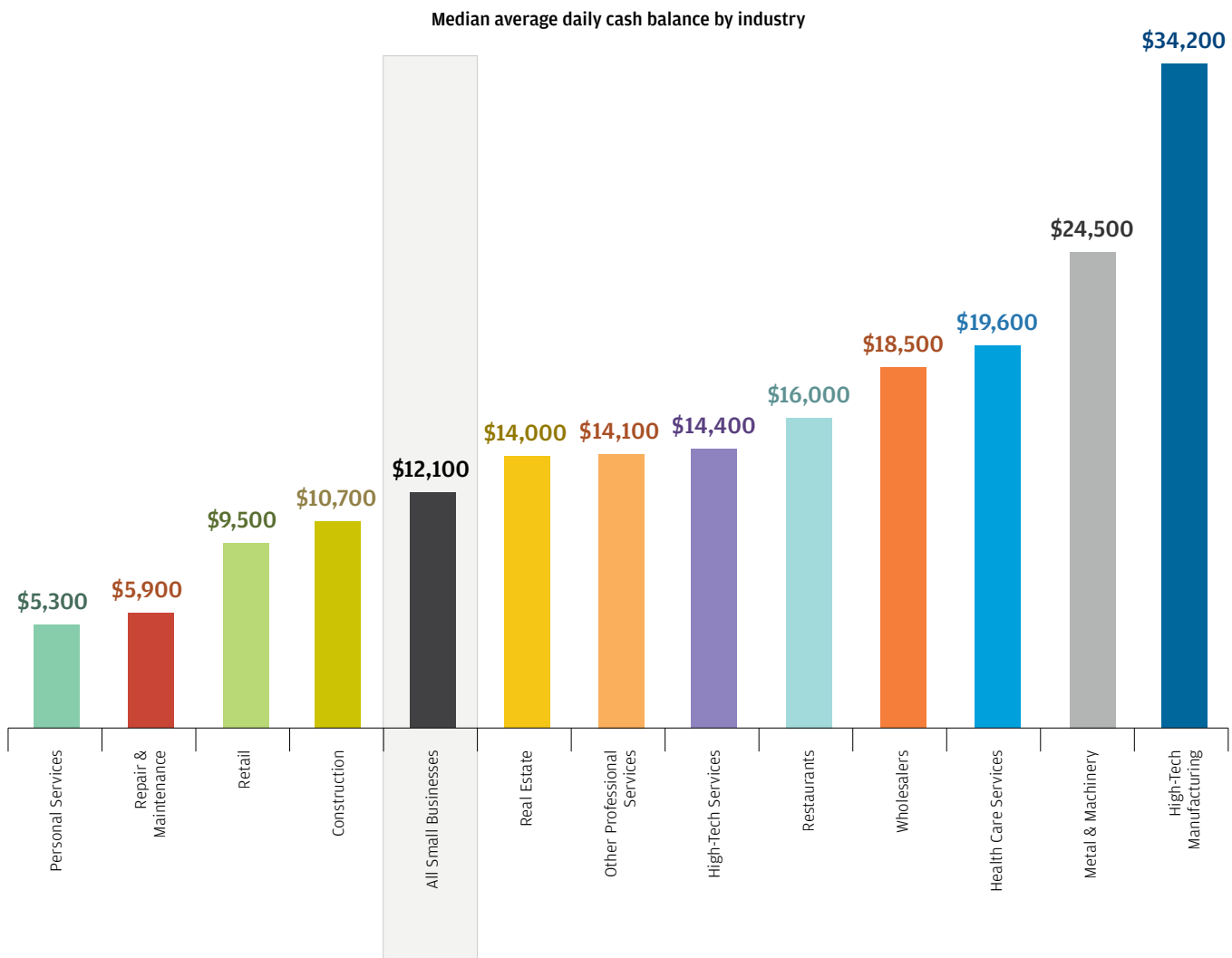
Source: JPMorgan Chase Institute

Finding Two

The median small business holds an average daily cash balance of \$12,100, with wide variation across and within industries.

Next, we determined the average daily cash balance in our sample. Figure 3 presents the median level of this average daily balance for our entire sample as well as each of our 12 industries. The median business in our sample held an average daily balance of \$12,100. As with cash flows, we also found wide variation in average daily balances across industries. At the lower extreme, small businesses in the Personal Services industry had a median average daily balance of \$5,300. In contrast, the High-Tech Manufacturing industry had a median average daily balance of \$34,200.

Figure 3: Average Daily Cash Balances Vary Widely by Industry

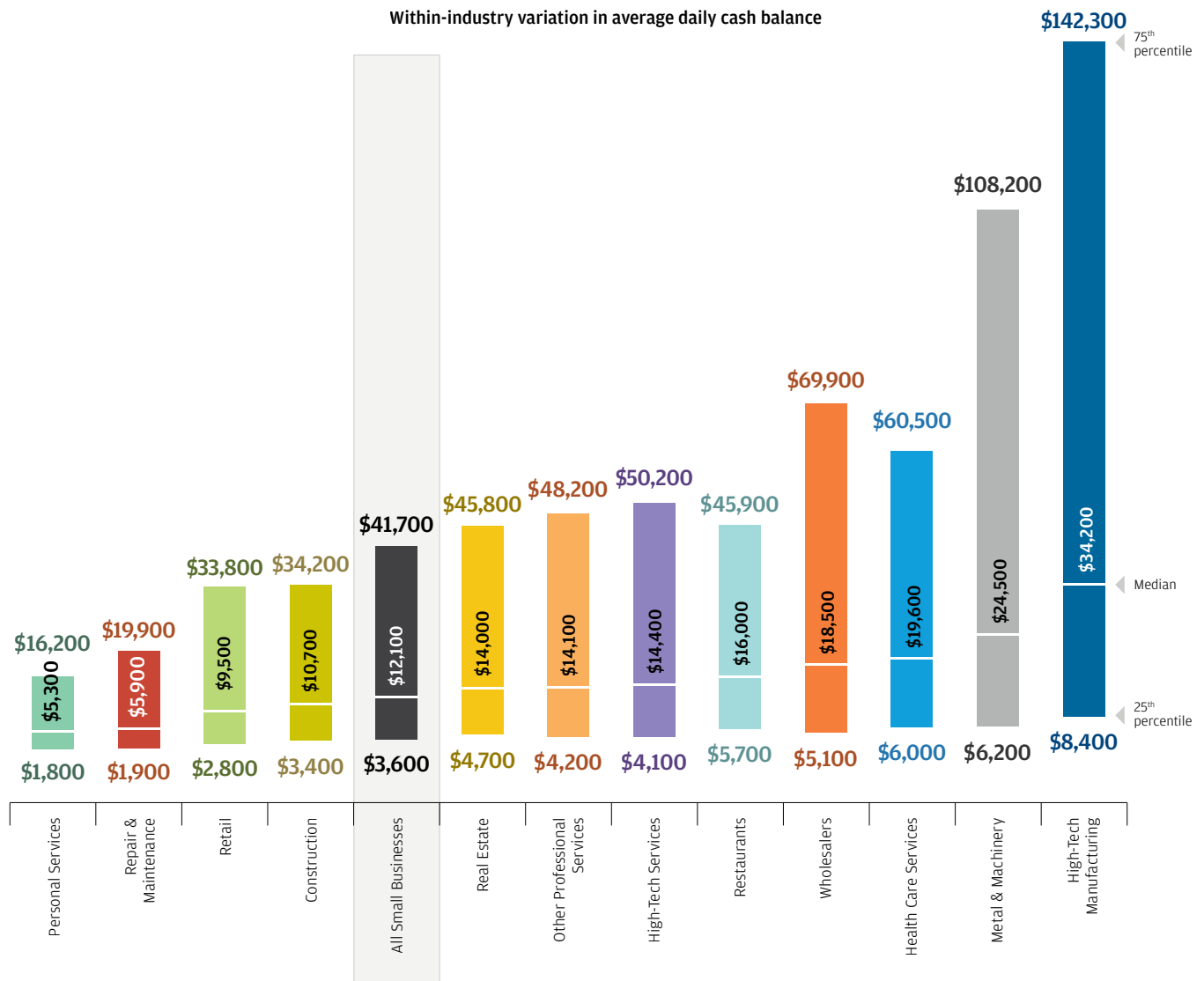


Note: Balances refer to the amount of cash held by a business across all of its business deposit or savings accounts.

Source: JPMorgan Chase Institute

Figure 4 displays the average daily balances in each industry for the median, 25th, and 75th percentiles of the distribution. As was the case with average daily outflows, the range of average daily balances within industries is also sizeable. In two industries—Metal and Machinery Manufacturing and High-Tech Manufacturing—small businesses at the 75th percentile hold relatively large average daily balances, in each case over \$100,000. In contrast, in seven of 12 industries—Personal Services, Repair & Maintenance, Retail, Construction, Real Estate, Other Professional Services, and High-Tech Services—small businesses at the 25th percentile hold average daily balances of \$5,000 or less.

Figure 4: Average Daily Cash Balances Vary Substantially Within Industries



Note: Balances refer to the amount of cash held by a business across all its business deposit or savings accounts.

Source: JPMorgan Chase Institute

Unlike what we observed for average daily outflows, the median average daily balance does offer an informative summary of the overall distribution of balances within the industry. In most industries, the small business at the 75th percentile of the average daily balance distribution has three to four times the average daily balance of the median small business in the industry. This stands in contrast to average daily outflows, where the industry with the largest median average daily outflow did not have the largest average daily outflow at the 75th percentile.

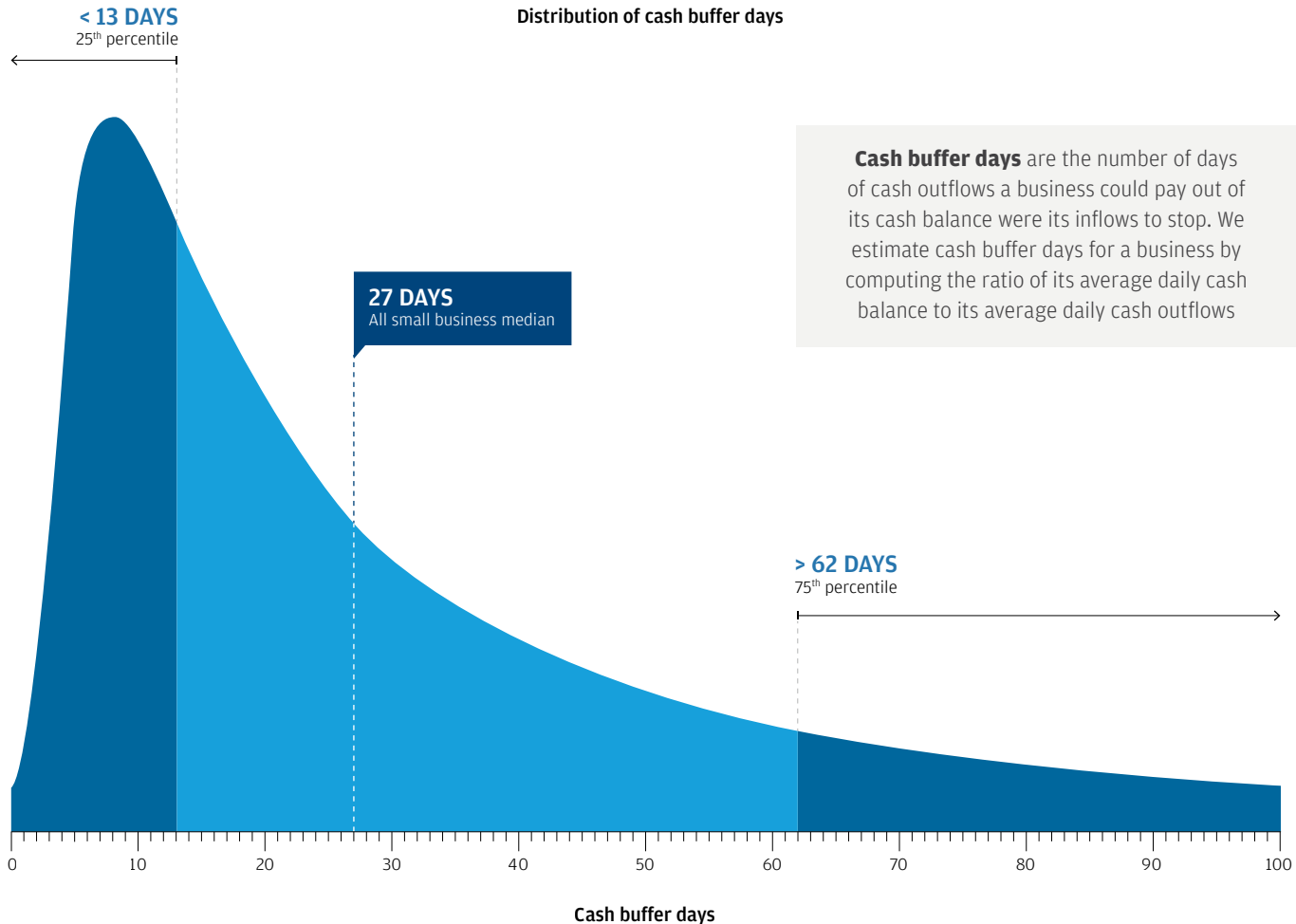
Finding Three

The median small business holds 27 cash buffer days in reserve.

Cash balances held by a business provide a buffer to absorb unexpected shortfalls in revenues or increases in expenses. Access to credit or other resources can provide some protection, but most small businesses have limited access to financing.³ However, cash balances without context or scale have limited value as a measure of resilience.

We provide an enhanced view of financial resilience by introducing a new concept: cash buffer days. Cash buffer days are the number of days of cash outflows a business could pay out of its cash balance were its inflows to stop.⁴ We estimate cash buffer days for a business by computing the ratio of its average daily cash balance to its average daily cash outflows. Figure 5 illustrates the overall distribution of cash buffer days across our sample.

Figure 5: The Median Small Business Holds 27 Cash Buffer Days in Reserve

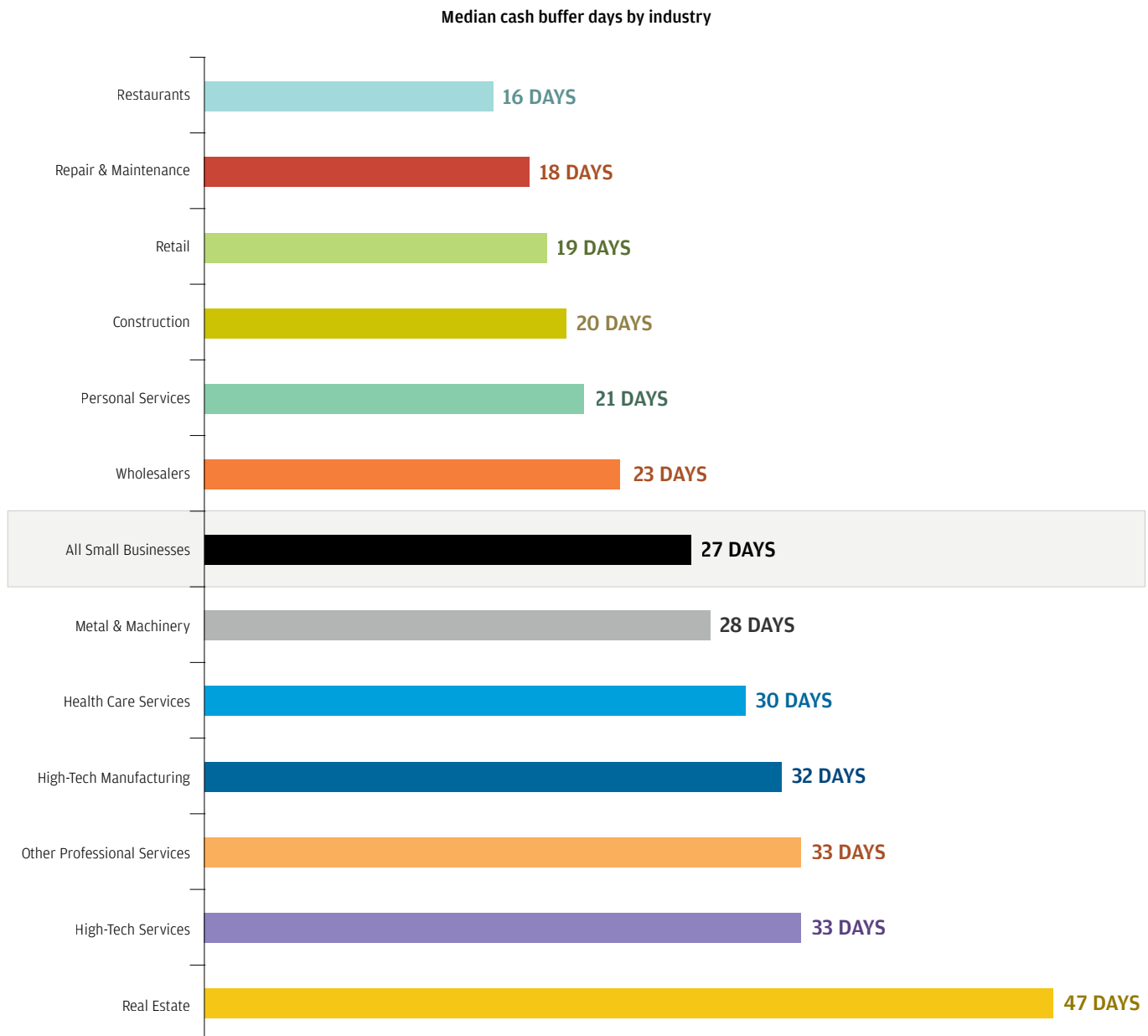


Source: JPMorgan Chase Institute

Most small businesses are operating with a cash buffer of under one month. Specifically, half of all small businesses hold an average daily cash balance level of 27 cash buffer days or fewer. Moreover, 25 percent of small businesses seem especially vulnerable, in that they hold a reserve of 13 cash buffer days or fewer. In contrast, the top 25 percent of businesses appear substantially more resilient, in that they hold a reserve of 62 cash buffer days or more.

Cash buffer days vary dramatically by industry, as illustrated in Figure 6. Restaurant owners hold particularly low balances compared to their typical outflows—the median restaurant holds 16 cash buffer days in reserve. In contrast, the median small business in the Real Estate industry holds 47 cash buffer days in reserve.⁵

Figure 6: Cash Buffer Days Vary Substantially Across Industries

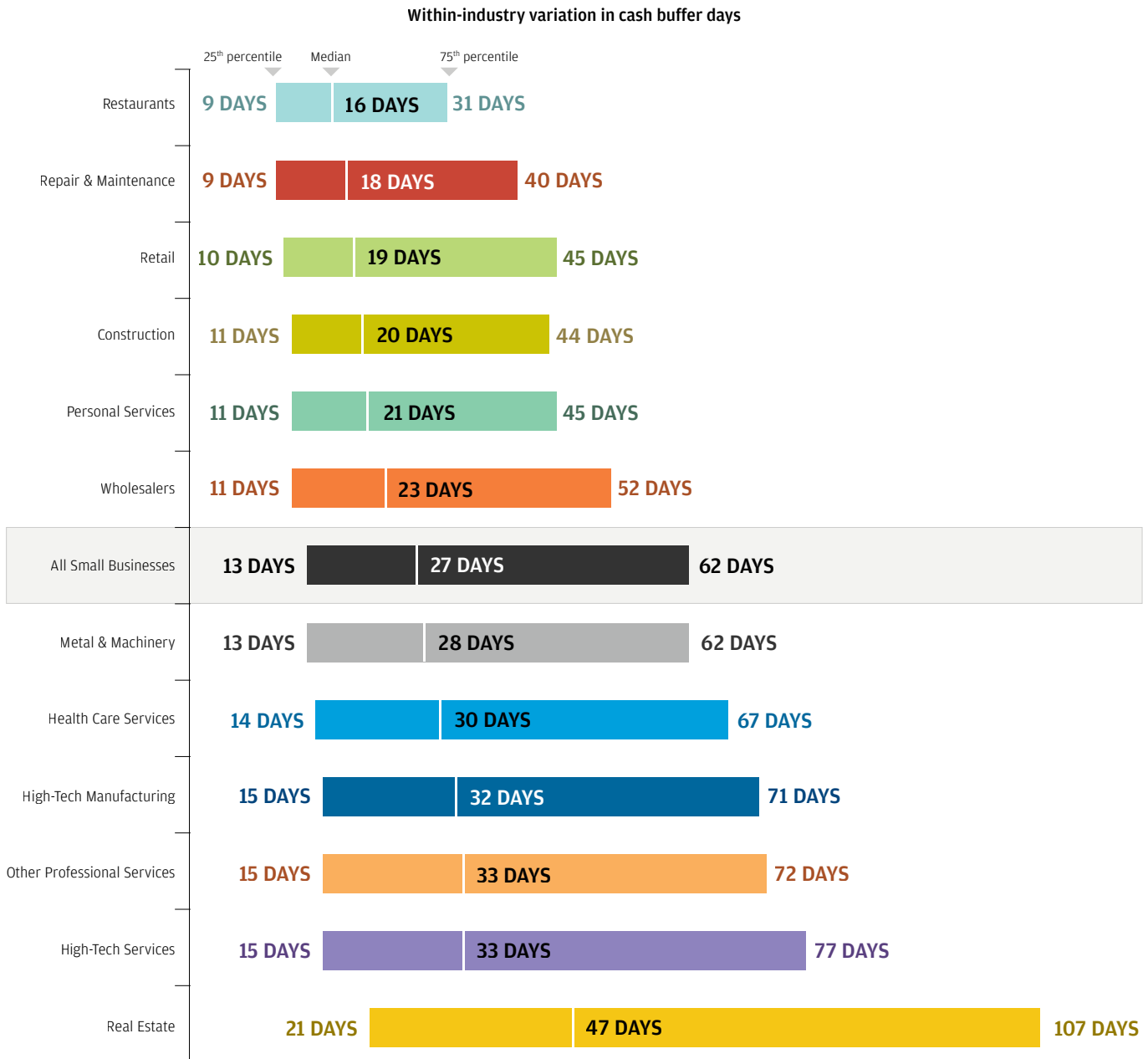


Note: Cash buffer days are the number of days of cash outflows a business could pay out of its cash balance were its inflows to stop. We estimate cash buffer days for a business by computing the ratio of its average daily cash balance to its average daily cash outflows.

Source: JPMorgan Chase Institute

Figure 7 presents cash buffer days for each small business industry for the median, 25th, and 75th percentiles of the cash buffer day distribution. The range of cash buffer days within industries is more constrained than the range of average daily outflows or average daily balances by industry. In most industries, the small business at the 75th percentile holds approximately twice as many cash buffer days than the median small business. In contrast, the small business at the 75th percentile of the average daily balance distribution in an industry holds a balance three to four times the median average daily balance of its industry. Still, the substantial within-industry variation in cash buffer days showcases the extent of heterogeneity in the small business sector.

Figure 7: Cash Buffer Days Vary Substantially Within Industries



Note: Cash buffer days are the number of days of cash outflows a business could pay out of its cash balance were its inflows to stop. We estimate cash buffer days for a business by computing the ratio of its average daily cash balance to its average daily cash outflows.

Source: JPMorgan Chase Institute

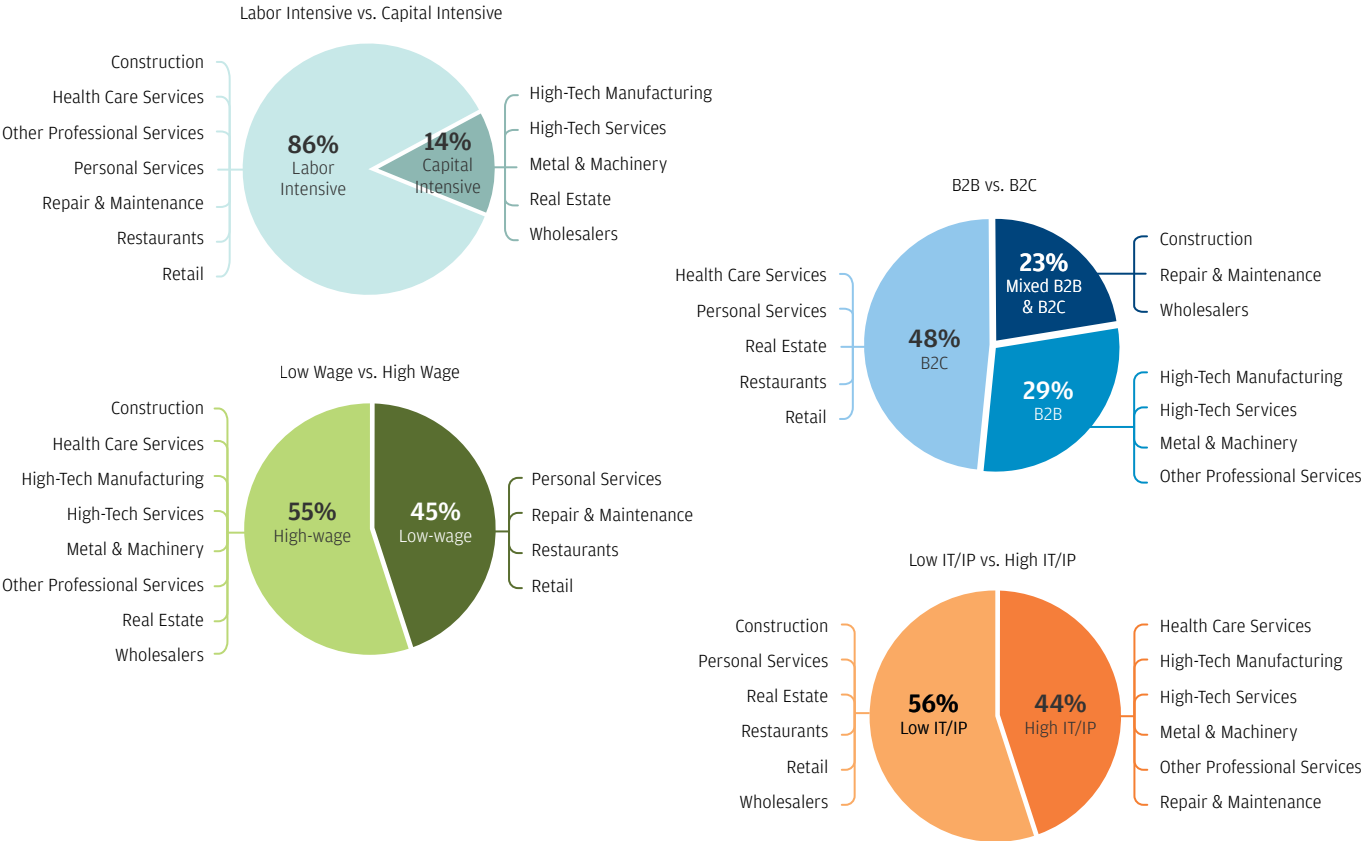
Finding Four

Small businesses in labor-intensive or low-wage industries hold fewer cash buffer days than those in capital-intensive or high-wage industries.

To better understand the cross-industry variability we observed in cash buffer days, balances, and outflows, we identified four industry-level characteristics that could potentially provide insight into these differences: labor vs. capital intensity, wage level, capital allocated to Information Technology/Intellectual Property (IT/IP), and value chain position (B2B vs. B2C). Figure 8 summarizes our characterization of the 12 identified industries.

Figure 8: Industries by Labor/Capital Intensity, Wages, Value Chain Position, and Share of IT/IP Capital

Share of total US small business employment within each segment



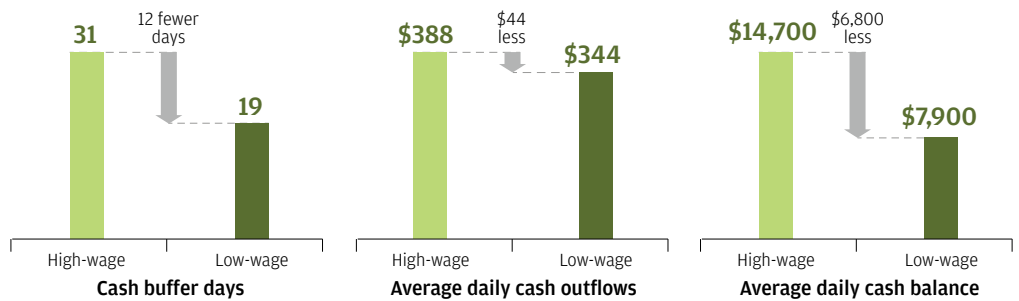
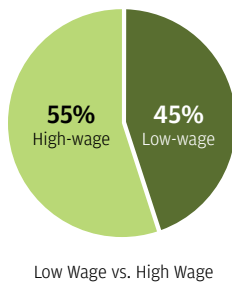
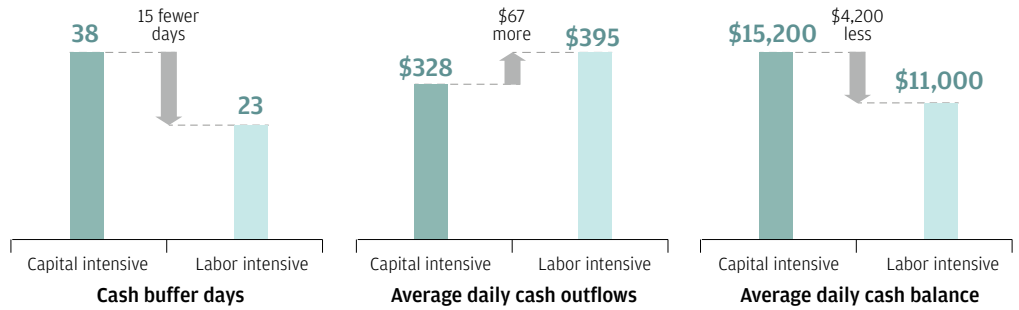
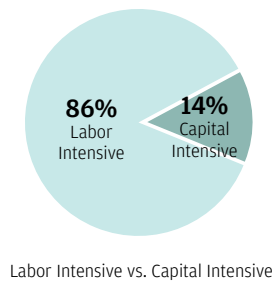
Note: We define an industry as labor-intensive if labor costs comprise over 71 percent of its combined labor and capital payments, and capital-intensive otherwise. We define an industry as high-wage if its average labor costs are greater than \$30 per hour, and low-wage otherwise. We define an industry as having a high IT/IP capital allocation if intellectual property and information technology make up more than 12 percent of all capital inputs, and as having a low IT/IP capital allocation otherwise. We define an industry as B2B if over 65 percent of its domestic output was purchased by businesses, as B2C if over 65 percent of its domestic output was purchased by households, and as Mixed otherwise. We performed all calculations at the industry level—these classifications reflect the characteristics of all employer businesses within the industry, not just small businesses within the industry.

Sources: US Bureau of Labor Statistics; US Department of Commerce, Bureau of Economic Analysis

First we consider the two industry characteristics that capture the labor characteristics of industries. Figure 9 presents differences in cash buffer days by labor vs. capital intensity and wage level.

Figure 9: Labor vs. Capital Intensity and Wage Levels Explain Substantial Differences in Cash Buffer Days

Share of total US small business employment within each segment



Note: Cash buffer days are the number of days of cash outflows a business could pay out of its cash balance were its inflows to stop. We estimate cash buffer days for a business by computing the ratio of its average daily cash balance to its average daily cash outflows. Outflows refer to debit transactions paid out of any business deposit or savings accounts, such as the purchase of material and payroll, owner transfers out of the account to private savings, loan repayments, or tax payments. Balances refer to the amount of cash held by a business across all its business deposit or savings accounts. The "Mixed" category in the B2B vs B2C comparison refers to small businesses in industries for which neither businesses nor households used 65 percent of domestic output.

Source: JPMorgan Chase Institute

We found that small businesses in labor-intensive or low-wage industries hold the fewest cash buffer days. As Figure 9 illustrates, the median business in a labor-intensive industry like Personal Services or Repair & Maintenance carries 15 fewer cash buffer days than the median business in a capital-intensive industry like High-Tech Manufacturing or Real Estate. Likewise, the median small business in a low-wage industry like Restaurants or Retail holds 12 fewer cash buffer days than the median small business in a high-wage industry like Other Professional Services or High-Tech Services.

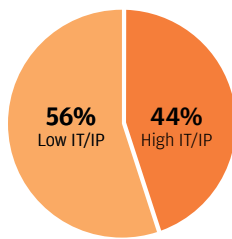
The smaller number of cash buffer days held by the median labor-intensive small business as compared to the median capital-intensive small business follows from the interaction of higher outflows with lower balances. The median labor-intensive small business has average daily cash outflows \$67 higher than the median capital-intensive small business. Labor-intensive small businesses draw these higher outflows against smaller balances. The median labor-intensive small business has an average daily balance \$4,200 lower than the median capital-intensive small business. Higher outflows and lower balances combine to produce 15 fewer cash buffer days for the median labor-intensive small business as compared to the median capital-intensive business.

In contrast, the smaller number of cash buffer days held by the median low-wage small business as compared to the median high-wage small business largely follows from lower balances. The median low-wage small business has average daily cash outflows \$44 lower than the median high-wage small business. However, these smaller outflows are more than offset by substantially lower balances. The median low-wage small business holds a balance \$6,800 lower than the median high-wage small business. Even with smaller outflows, these lower balances produce 12 fewer cash buffer days for the median low-wage business as compared to the median high-wage business.

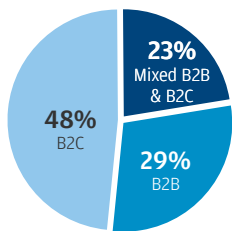
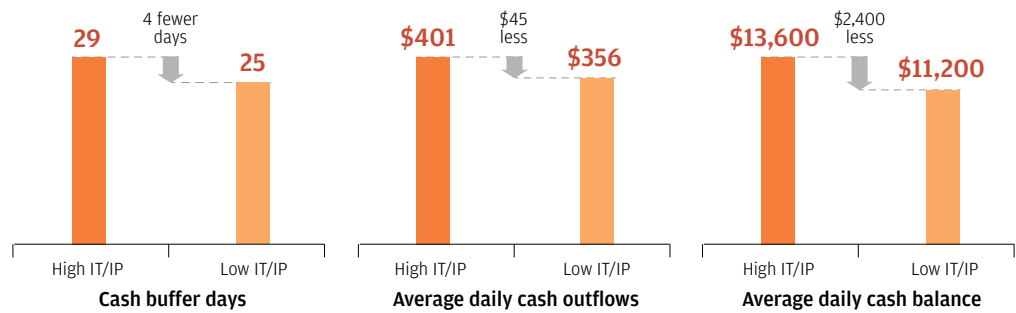
We next consider the quality of capital as measured by an industry’s IT/IP intensity and its position in the value chain. Figure 10 presents differences in cash buffer days by share of IT/IP capital intensity and value chain position. Neither of these industry characteristics seems to have a meaningful association with cash buffer days.

Figure 10: IT/IP Capital Intensity and Value Chain Position Explain Smaller Differences in Cash Buffer Days

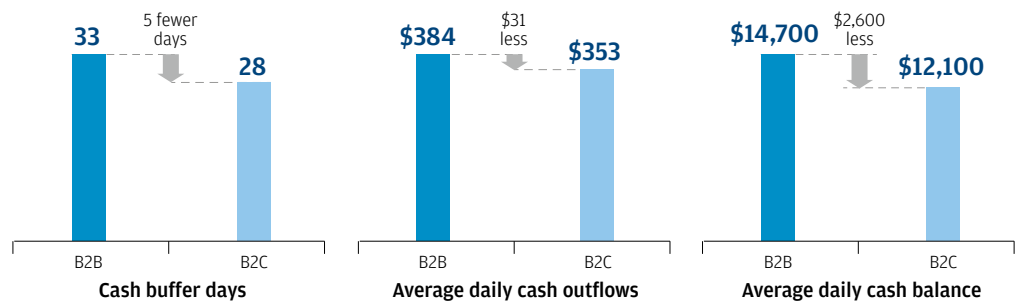
Share of total US small business employment within each segment



Low IT/IP vs. High IT/IP



B2B vs. B2C



Note: Cash buffer days are the number of days of cash outflows a business could pay out of its cash balance were its inflows to stop. We estimate cash buffer days for a business by computing the ratio of its average daily cash balance to its average daily cash outflows. Outflows refer to debit transactions paid out of any business deposit or savings accounts, such as the purchase of material and payroll, owner transfers out of the account to private savings, loan repayments, or tax payments. Balances refer to the amount of cash held by a business across all its business deposit or savings accounts. The "Mixed B2B & B2C" category in the B2B vs. B2C comparison refers to small businesses in industries for which neither businesses nor households used 65 percent or more of domestic output.

Source: JPMorgan Chase Institute

We found that small businesses in industries with a low share of IT/IP capital hold four fewer cash buffer days in reserve, have average daily outflows that are \$45 lower, and hold average daily balances that are \$2,400 lower than small businesses in industries with a high share of IT/IP capital. We also found that small businesses in consumer-facing industries hold five fewer cash buffer days in reserve, have average daily outflows that are \$31 lower, and hold average daily balances that are \$2,600 lower as compared to small businesses in business-facing industries. While technology intensity and value chain position may predict many important small business outcomes, they do not strongly correspond to financial resilience as measured by cash buffer days.

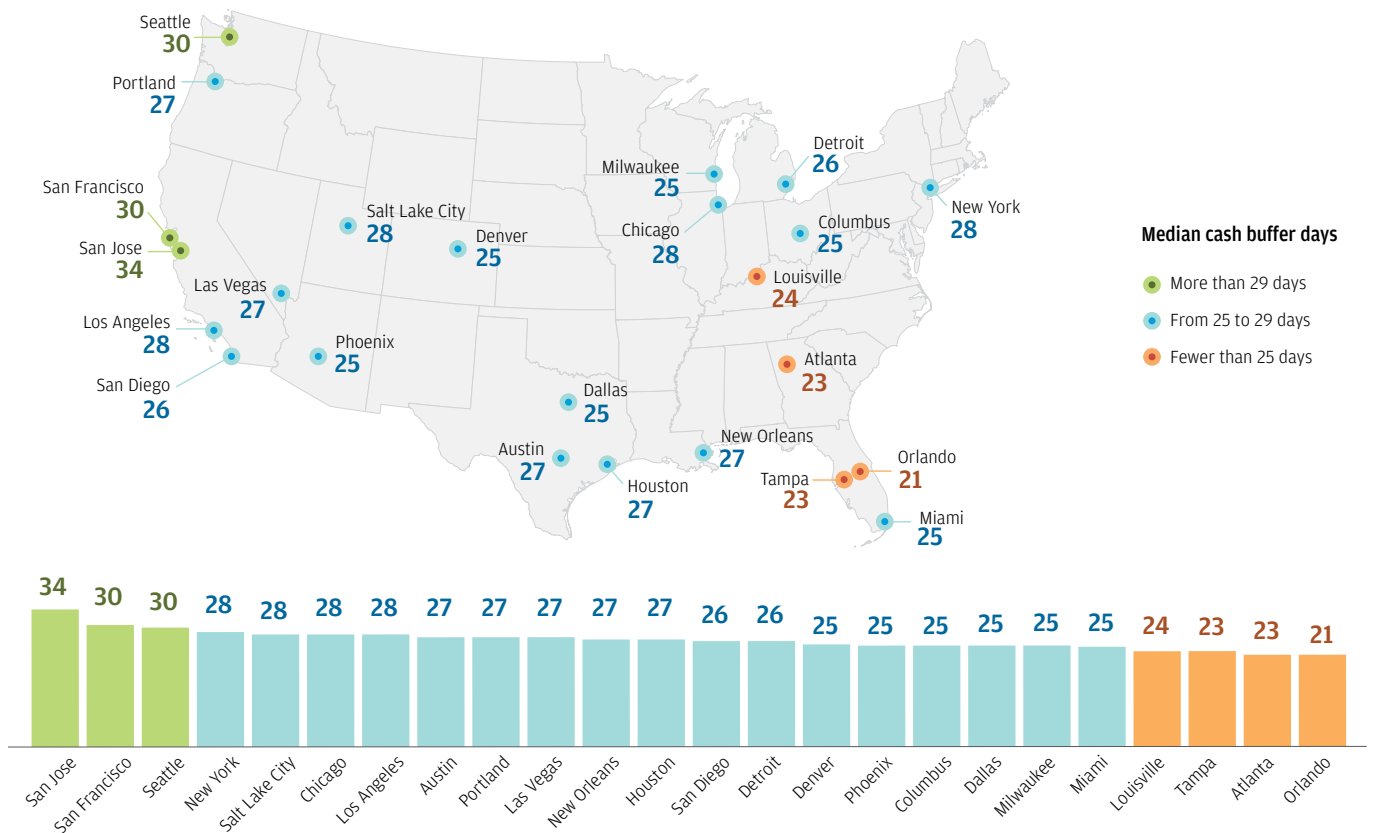
Finding Five

Small business cash buffer days vary across metropolitan areas, but no clear pattern emerges from this variance.

Small business cash flows vary substantially across local economies. In part, these differences are driven by the differences in industry mix across these locales. Metropolitan areas like those surrounding San Francisco, San Jose, Seattle, and Austin are known for their concentration of high technology businesses. Los Angeles is known for its focus on the entertainment industry, while travel and hospitality-related businesses might play an outsized role in Orlando and Las Vegas. These industry mix differences notwithstanding, metropolitan area economies also differ fundamentally in their costs of doing business. Our unique data asset allows us to directly observe differences in cash outflows by metropolitan area.

We found substantial differences in median cash buffer days for small businesses across 24 metropolitan areas, as displayed in Figure 11. The 34 cash buffer days held in reserve by the median small business in San Jose are nearly 60 percent higher than the 21 cash buffer days held in reserve by the median small business in Orlando.

Figure 11: Cash Buffer Days Vary Widely Across Metropolitan Areas



Note: Cash buffer days are the number of days of cash outflows a business could pay out of its cash balance were its inflows to stop. We estimate cash buffer days for a business by computing the ratio of its average daily cash balance to its average daily cash outflows.

Source: JPMorgan Chase Institute

Neither population nor industry mix explained variation in cash buffer days across the 24 metropolitan areas we explored. Figure 12 presents the correlation between the median number of cash buffer days in a metropolitan area, its population, and its share of restaurants and real estate businesses. The correlation between population and cash buffer days was very weak at 0.15. Industry composition also explained very little of the variation in cash buffer days across these metropolitan areas. Both the restaurant and real estate industries contain substantial shares of small businesses, and each industry is at one extreme of the cash buffer days distribution. As a result, the median small business in a metropolitan area with especially large numbers of small restaurants might have relatively few cash buffer days, while the median small business in a metropolitan area with especially large numbers of real estate small businesses might have relatively more cash buffer days. However, our data do not bear this pattern out. We found very weak correlations of 0.14 between median cash buffer days and both of these industry composition measures.

Small businesses in San Jose have the most cash buffer days with a median of 34; those in Orlando have the least with a median of only 21.

Figure 12: Neither Population Nor Industry Mix Correlate Strongly with Cash Buffer Days

Metropolitan area measure	Correlation with median cash buffer days
Population	0.15
Share of small businesses in restaurant industry	0.14
Share of small businesses in real estate industry	0.14

Note: We measure population using Census CBSA 2010 population estimates.

Sources: JPMorgan Chase Institute, Bureau of Economic Analysis, Moody's, US Census Bureau

We found a complex relationship between living costs and the cost of doing business in a metropolitan area and the cash buffer days held by its median small business. On the surface, this relationship is straightforward. There is a moderately strong relationship between the median number of cash buffer days in a metropolitan area and both its cost of living and its cost of doing business⁶. The correlation coefficients between these two measures and median cash buffer days were 0.68 and 0.60, respectively. However, these correlations imply that small businesses in area with higher costs carry cash balances levels that more than offset the higher costs they face. Small businesses facing higher costs might reasonably be expected to have larger average daily cash outflows, and as a result hold higher average daily cash balances⁷. It is less clear why average balances would grow with higher costs at a faster rate than average daily outflows, as these strong correlations imply. The weak relationship between population, industry mix and cash buffer days and this complex relationship between costs and cash buffer days together suggest that a rich set of mechanisms link the unique features of local economies to the cash liquidity of their small businesses.

Implications and Conclusion

This report, based on a new data set of small business cash flows, balances, and buffer days, provides new and important insights into the small business sector on the critical topic of managing cash and liquidity. We summarize the key conclusions and implications below.

- **Most US small business cash flows are lower than is conventionally believed.** With median inflows and outflows of approximately \$380 per day (approximately \$140,000 per year) and median daily balances of only \$12,100, the typical small business can provide few full-time incomes after covering other expenses. Without strong and continuous cash flow management, even small changes in cash inflows or outflows—especially if unexpected—can have large impacts on the financial health of these businesses.
- **Cash buffer days offer a useful benchmark for individual small businesses.** While it is clear that the small business sector is heterogeneous and that each business will have its own challenges, cash flows, balances, and cash buffer days help to illustrate the liquidity and financial resilience of small businesses. The data in this report provide initial benchmarks by industry and metropolitan area that can serve as a starting point for businesses to better understand their own financial situation.
- **A large share of small businesses in the US has limited liquidity (as seen through their deposit accounts), potentially making them vulnerable to shocks.** With a median of only 27 cash buffer days—and far fewer in industries such as restaurants and repair and maintenance—the typical small business has a low margin of error in the face of economic headwinds and shocks. In an environment with readily available high-return, low-risk and high-liquidity investments, small business owners might invest excess cash in these opportunities, rather than holding cash in a deposit account. Active management of cash along these lines would keep balances relatively low, and minimize cash buffer days as a result. However, the interest rate environment in 2015 provided few such opportunities for the typical small business owner. Moreover, given that cash flow management and costs have been the top two concerns of small business owners⁸, and given the costs and uncertainty associated with short-term credit options, we posit that most small business owners use cash held in deposit accounts as a primary financial buffer.

Twenty-seven cash buffer days can seem particularly fragile when considering the impact of recent local economic shocks on small businesses. For instance, during the harsh Northeast winter in 2015, small businesses in Massachusetts reported an average fall in sales of 24 percent from January 26 to February 22, 2015. Restaurants and retailers were hit particularly hard, losing half of their sales during the month-long period.⁹ With a median of only 16 cash buffer days and only 50 percent of expected sales during the month, many of these restaurants likely faced a liquidity crunch.

Moreover, beyond regional or market-wide economic shocks, many small businesses also face unexpected expenses, late or unpaid payments from customers, or other idiosyncratic shocks. Given that the median small business averages only \$381 in inflows each day, these shocks need not be large to be impactful. And while some small businesses will be fortunate enough to obtain access to credit, it may be too little too late. Small businesses spend between 24 and 33 hours simply applying for traditional loan products¹⁰ and can expect to wait 60-90 days to close these loans after submitting their application.¹¹ As a result, most small businesses must rely on their cash buffer days to survive during liquidity crunches, and 27 cash buffer days leaves the typical small business with limited margin for error.

- **Both small business owners and employees in labor-intensive and low-wage industries are especially vulnerable.** Small businesses in industries that are labor-intensive or pay low wages hold significantly fewer cash buffer days than small businesses in industries that are capital-intensive or pay high wages. Moreover, small businesses in labor-intensive industries provide jobs for a substantial fraction of all US employees. As a result, any financial vulnerability that affects these businesses and their owners may pose financial risks to their employees as well. It therefore becomes particularly important that these small business owners understand all the components of their labor costs—including the costs for salaries, benefits, training, and turnover—and ensure that they have enough cash buffer days to fulfill their obligations to employees if faced with sudden economic shocks or idiosyncratic challenges.

Managing Liquidity and Improving Financial Resilience

Small business policymakers, advocates, and private-sector partners should increase their focus on helping small business owners manage liquidity and improve their financial resilience. These stakeholders can take two approaches to help small businesses address their liquidity challenges. First, increasing access to credit can provide a lifeline to small businesses in the face of economic and/or idiosyncratic shocks. Second, helping small business owners better manage their cash flows and build up their cash buffer days to weather challenging times without relying on (often expensive) sources of credit.

As a first approach, stakeholders should diversify the set of available credit offerings to better match the needs of the smallest and most financially fragile small businesses. Many current credit offerings target small businesses that seek to grow through capital investment. While these offerings play an important role in supporting the growth of some small businesses, many others have qualitatively different credit needs. Specifically, small businesses that lack financial resilience could benefit significantly from access to lines of credit that could be drawn on to manage short-term liquidity. The four types of loans the SBA already offers through its CAPLine program are designed to specifically address these kinds of short-term and cyclical working capital needs. These loans can help small businesses cope with seasonal fluctuations and serve as a general line of credit during challenging times.

As a second approach, educational programs offered to small business owners should use cash buffer days to concretely illustrate the consequences of effective cash flow management. Local programs offered by cities like NYC Small Business Services, federal programs offered and coordinated by the SBA, and other programs offered by public, private and non-profit organizations provide small business owners with the opportunity to learn about the fundamentals of running a business. By helping small business owners understand typical levels of cash buffer days for their industry and region, providing information about typical causes of unexpected cash shortfalls, and providing concrete information about the timing and cost of credit options, these programs could help small business owners make better-informed decisions about the levels of cash balances they should seek to hold.

Finally, tax policy is also frequently mentioned as a potential tool to help small business owners. First and foremost, however, policy makers and advocates must help small business owners meet a more fundamental need: managing their records. This can help small business owners improve their cash flow management, reduce the cost of filing taxes, and take better advantage of incentives offered through tax programs.

In conclusion, the vulnerability of small businesses to liquidity crunches is a serious concern regarding the health and resilience of this important sector. Substantial numbers of small businesses in the United States face liquidity challenges in ways not fully measured by the existing data or addressed well by current policy discourse. The extent of this liquidity challenge—as measured by cash buffer days—maps against the industry and geographic heterogeneity of the small business sector as a whole. This variation provides an opportunity for targeted policies and other tools to address the liquidity needs of small businesses in specific industries and local economies.

Data Asset and Methodological Appendix

Data Asset

In this report, the JPMorgan Chase Institute seeks to inform the public debate on the financial lives of small businesses in the US. To draw conclusions about cash flow outcomes, we adapted the firm's internal data on US small business accounts into a secure groundbreaking data asset. As the first financial institution to channel this wealth of information for the benefit of the public good, JPMorgan Chase put strong guardrails and strict privacy policy protocols in place to protect personal information throughout the creation and analysis of this data asset.

Data Privacy

The JPMorgan Chase Institute has adopted rigorous security protocols and checks and balances to ensure all customer data are kept confidential and secure. Our strict protocols are informed by statistical standards employed by government agencies and our work with technology, data privacy, and security experts who are helping us maintain industry-leading standards.

There are several key steps the Institute takes to ensure customer data are safe, secure and anonymous:

- Before the Institute receives the data, all unique identifiable information—including names, account numbers, addresses, dates of birth, Social Security numbers, and Employer Identification Numbers (EIN)—is removed.
- The Institute has put in place privacy protocols for its researchers, including requiring them to undergo rigorous background checks and enter into strict confidentiality agreements. Researchers are contractually obligated to use the data solely for approved research, and are contractually obligated not to re-identify any individual represented in the data.
- The Institute does not allow the publication of any information about an individual consumer or business. Any data point included in any publication based on the Institute's data may only reflect aggregate information.
- The data are stored on a secure server and can be accessed only under strict security procedures. The data cannot be exported outside of JPMorgan Chase's systems. The data are stored on systems that prevent them from being exported to other drives or sent to outside email addresses. These systems comply with all JPMorgan Chase Information Technology Risk Management requirements for the monitoring and security of data.

The Institute provides valuable insights to policymakers, businesses, and nonprofit leaders. But these insights cannot come at the expense of customer privacy. We take precautions to ensure the confidence and security of our account holders' private information.

Constructing our samples

Cash Flows and Cash Balances in 2015 Non-Holiday Months: In this first small business report, we chose to focus exclusively on transaction and balance data from the calendar year 2015. This allowed us to compare the cash flow characteristics of a set of small businesses that faced a largely stable macroeconomic environment.

Moreover, many small businesses experience substantial changes in their patterns of cash inflows, outflows and balance levels during the holiday season and at the change of a calendar year. While these fluctuations are part of the financial lives of small businesses, in this first report we chose to focus on months likely to exclude these effects. Specifically, our analyses are limited to cash inflows, outflows and balance levels measured from February up to and including October 2015. To the extent that small businesses experience a greater need for liquidity in the holiday and change-of-year months of November, December, and January, the findings we report here likely reflect a conservative view of the challenges these small businesses face.

Identifying Operating Small Businesses: From the universe of business customers that had active deposit accounts in 2015 in our 12 identified industries, we selected a sample of 597,000 customers for whom we observe a set of accounts that likely reflects the operating activity of the business. Specifically, we applied five additional screening criteria:

1. Each business must be associated with a single geographic location in a metro area¹² and a single industry for each observed month.
2. Each business must have both a cash inflow and outflow for each month from February through October 2015.
3. For at least five of these nine months, the business must have at least \$500 in outflows and 10 combined inflows and outflows.
4. The business must never exceed a combined balance of \$20 million across all of its accounts.
5. The business must have continuously identifiable daily balances for each posting day from February through October 2015

In combination, these criteria allow us to observe cash inflows, outflows, and balance levels that provide a window into the cash operations of small businesses that flow through their Chase Business Banking accounts. In particular, these criteria are intended to screen out larger businesses that might have deposit accounts across multiple banks. While some businesses may engage in cash transactions that do not flow through their bank accounts, our sample criteria identify a set of businesses that are likely to substantially transact through their accounts.

Representativeness of our Sample

Industry Mix: Figure 13 compares the share of our small businesses in each industry to two benchmarks for our 12 identified industries. We first compare to the share of total small businesses in the US—both employer businesses with fewer than 500 employees and nonemployer businesses. Our sample contains both employer and nonemployer businesses, though likely not the smallest and least well-established of the nonemployer businesses. To offer a second perspective, we also compare to shares of only employer small business with fewer than 500 employees. With some exceptions, our sample approximates these industry shares closely. Notably, real estate businesses comprise 18 percent of our data asset but only 13 percent of small businesses in the US. In contrast, personal services only comprise 8 percent of our data asset, but 14 percent of small businesses in the US.

Figure 13: Industry Composition of JPMCI Small Business Data Asset

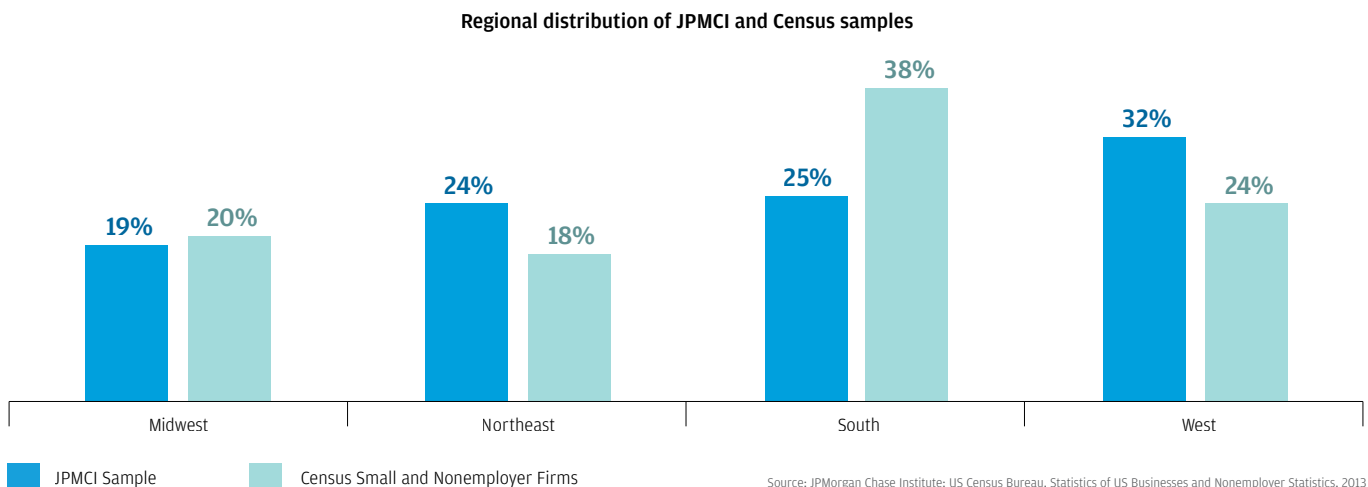
Industry	JPMCI Small Business Sample Share	US Total Small Business Share	US Employer Small Business Share
Construction	11%	15%	15%
Health Care Services	11%	8%	12%
High-Tech Manufacturing ¹³	0%	0%	0%
High-Tech Services	4%	3%	3%
Metal & Machinery	1%	1%	2%
Other Professional Services	17%	13%	14%
Personal Services	8%	14%	4%
Real Estate	18%	13%	6%
Repair & Maintenance	7%	12%	9%
Restaurants	4%	4%	11%
Retail	11%	13%	16%
Wholesalers	6%	4%	7%

Source: JPMorgan Chase Institute; US Census Bureau, Statistics of US Businesses and Nonemployer Statistics, 2013

Regional Distribution: Guided by the Chase footprint, we focus on small businesses in Metropolitan Statistical Areas (MSAs). MSAs consist of core urban areas with a population of 50,000 or more as well as any adjacent counties that have a high degree of social and economic integration with the urban core, as measured by work commuting. While some of these adjacent counties may be rural in nature, our focus on MSAs implies a focus on mostly non-rural areas.

Figure 14 compares the share of our small businesses to the share of all small businesses in the US by region. The figure identifies regions in which we observe significantly larger or smaller shares of small businesses than are observed in the combined numbers of small employer firms and nonemployer firms. The regional differences we observe largely reflect the Chase branch footprint across the US. Our sample offers large numbers of small businesses across all four regions, with stronger coverage in the Northeast and West, and less strong coverage in the South.

Figure 14: JPMCI Small Businesses Well-Represented Across US Regions



Methodology

Industry Characteristics

We use public data sources to identify four key characteristics of each of our 12 industries that might shed light on critical differences and help determine the economic outcomes of their constituent small businesses.

First, we determined whether an industry was labor-intensive or capital-intensive. Small businesses in labor-intensive industries contribute to GDP growth primarily through employment, while small businesses in capital-intensive industries contribute to GDP growth primarily through capital investment. To do this, we used the US Bureau of Labor Statistics 2013 Nonmanufacturing and Manufacturing Multifactor Productivity data to estimate the total dollars of Capital Payments, Cost of Labor and Value of Production for each covered industry. The small business sector is overwhelmingly labor-intensive—86 percent of employees in our 12 selected industries work in industries with an above average share of labor costs. With this in mind, we identified a benchmark for labor-intensity based on capital and labor payments within our 12 selected industries. We first identified the share of labor payments as a fraction of labor and capital payments for each industry. The mean of these labor cost shares was 71 percent. We then characterized an industry as labor-intensive if labor costs comprise over 71 percent of its combined labor and capital payments, and capital-intensive otherwise.

To estimate the relative productivity of labor, we determined whether an industry was high-wage or low-wage. Higher quality jobs with higher wages can attract employees with greater human capital, and the small businesses that pay these higher wages contribute proportionally more to GDP. We used data series from the US Bureau of Labor Statistics Labor and Productivity Costs website to identify the number of hours worked in each industry. We first divided aggregate labor costs by aggregate hours worked to estimate an aggregate hourly wage across the US economy. We estimate this average wage at \$30/hour. We then divided labor costs by hours worked by industry to estimate an hourly wage for the 10 industries covered by the data. We characterized an industry as high-wage if its estimated hourly wage is over \$30/hour, and as low-wage otherwise. Notably, the data were not complete for two of our industries—Personal Services and Construction. We assigned wages for these two industries qualitatively.

In order to evaluate the relative productivity of capital, we then determined whether an industry invested a high or low share of its capital in Information Technology (IT) and Intellectual Property (IP). The relative productivity of capital is difficult to measure or conceptualize precisely. However, to the extent that multifactor productivity reflects technological progress, firms that utilize a greater share of technology-intensive capital should be more productive than those that utilize less technology-intensive capital (Zelenyuk, 2014). When computing total IP capital, we excluded capital invested in Artistic Originals as these assets seem weakly related to technological investment that increases capital productivity. To establish a benchmark, we computed the aggregate share of IT/IP capital as a fraction of productive capital across all industries. We found this aggregate ratio to be 12 percent. We then divided IT/IP capital for each industry by its productive capital. We characterize an industry as having a high IT/IP share capital if over 12 percent of its productive capital is IT/IP capital, and as having a low IT/IP share of capital otherwise.

To assess the position of an industry in the value chain, we used data from the 2007 Bureau of Economic Analysis Input-Output Accounts Use Table. For commodities associated with each industry we summed the total domestic business, household and government consumption, investment and final use. From these we computed shares of expenditure for each industry by business, consumers, and government for each of our 12 industries. We characterized an industry as B2C if 65 percent or more of its domestic use was by households. We characterized an industry as B2B if 65 percent or more of its domestic use was by businesses. We characterized an industry as Mixed if neither households nor businesses captured 65 percent or more of the use of its commodities. Figure 15 summarizes the results of these calculations and assignments for all 12 of our industries.

Figure 15: Share of Small Business Employment by Industry and Industry Attributes

Industry	Share of Small Business Employment	Labor / Capital Intensity (% Labor Costs)	Wages (Hourly Wage)	IT/IP Share of Capital (% IT/IP Capital)	B2B vs B2C
Construction	8%	Labor (86%)	High (-)	Low (3%)	Mixed
Health Care Services	10%	Labor (84%)	High (\$40)	High (42%)	B2C
High-Tech Manufacturing	2%	Capital (51%)	High (\$59)	High (47%)	B2B
High-Tech Services	12%	Capital (69%)	High (\$66)	High (50%)	B2B
Metal & Machinery	1%	Capital (64%)	High (\$33)	High (18%)	B2B
Other Professional Services	4%	Labor (81%)	High (\$58)	High (50%)	B2B
Personal Services	2%	Labor (92%)	Low (-)	Low (7%)	B2C
Real Estate	3%	Capital (22%)	High (\$42)	Low (0%)	B2C
Repair & Maintenance	2%	Labor (85%)	Low (\$26)	High (35%)	Mixed
Restaurants	6%	Labor (80%)	Low (\$14)	Low (2%)	B2C
Retail	6%	Labor (72%)	Low (\$12)	Low (4%)	B2C
Wholesalers	9%	Capital (61%)	High (\$45)	Low (10%)	Mixed
Excluded Industries	35%	--	--	--	--

Note: US Bureau of Labor Statistics Labor and Productivity Costs data do not provide hours worked for Construction and Personal Services industries.

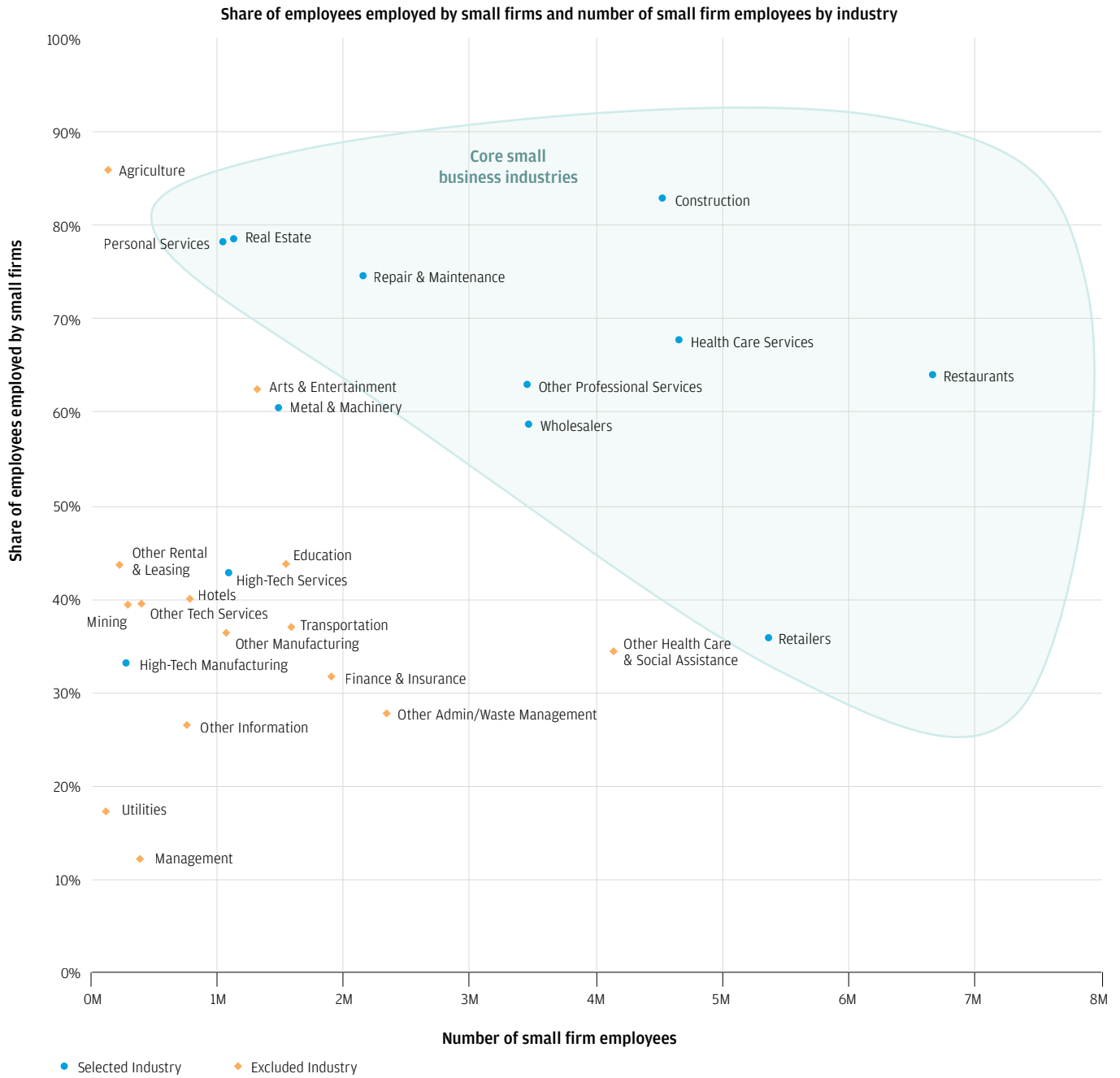
Sources: US Department of Commerce Bureau of Economic Analysis, US Bureau of Labor Statistics, US Census Bureau Statistics of US Businesses

Selecting Key Industries

The analyses in this report are based on a selection of 12 key industries that either represent a large fraction of the small business sector, or are relevant to broader policy discussions about small businesses and the growth of the US economy.

Figure 16 maps small businesses across 27 industries that capture all for-profit¹⁴ employer businesses in the US economy. The figure highlights nine core small business industries that strongly represent the sector: Personal Services, Real Estate, Wholesalers, Repair & Maintenance, Restaurants, Health Care Services, Other Professional Services, Construction, and Retailers. Each of these industries has large numbers of small business employees and large shares of employees working for small firms.

Figure 16: Share of Employees Employed by Small Firms and Number of Small Firm Employees by Industry



We draw attention to three additional industries: Metal & Machinery Manufacturing, High-Tech Services, and High-Tech Manufacturing. The small firms in these three industries have captured the attention of policy makers interested in scalable entrepreneurial growth (Audretsch, 2007). Much of what is known about innovation in small businesses derives from empirical observation of technology intensive firms (Shane, 2000; Hsu, Roberts and Eesly, 2007). Moreover, small manufacturers, technology-intensive or otherwise, have been noted as a key source of economic growth (Haltiwanger, Hathaway and Miranda, 2014; Mills, 2012).

Glossary

Capital-intensive industry	An industry where labor payments are below 40 percent of its combined labor and capital payments (see Methodology section for details).
Cash balance level	The amount of cash held by a business across all its business deposit or savings accounts.
Cash buffer days	The number of days of cash outflows a business could pay out of its cash balance were its inflows to stop. We estimate cash buffer days for a business by computing the ratio of its average daily cash balance to its average daily cash outflows.
Cash flow	Inflow, outflow, sum of inflows, sum of outflows, or sum of inflows and outflows.
Employer business	A business with paid employees (see Nonemployer business).
High-wage industry	An industry where the estimated hourly wage is over \$30/hour (see Methodology section for details).
High-IT/IP capital industry	An industry where over 12 percent of its productive capital is IT/IP capital (see Methodology section for details).
Inflow	Credit transactions into any business deposit or savings account, such as revenues, owner transfers into the account from private savings, loan funding, or tax rebate.
IT/IP capital	Capital invested in Information Technology and Intellectual Property, excluding capital invested in Artistic Originals
Labor-intensive industry	An industry where labor payments exceed 60 percent of its combined labor and capital payments (see methodology section for details).
Low-wage industry	An industry where the estimated hourly wage is below \$30/hour (see Methodology section for details).
Low-IT/IP capital industry	An industry where less than 12 percent of its productive capital is IT/IP capital (see methodology section for details).
Metropolitan Statistical Area	A core urban area with a population of 50,000 or more as well as any adjacent counties that have a high degree of social and economic integration (measured by commuting to work) with the urban core.
Micropolitan Statistical Area	A core urban area with a population of more than 10,000 but less than 50,000 as well as any adjacent counties that have a high degree of social and economic integration (measured by commuting to work) with the urban core.
Nonemployer business	A business subject to federal taxes with no paid employees and receipts over \$1,000. Construction businesses subject to federal taxes that have no paid employees are classified as nonemployers if they have more than \$1 in receipts.
Outflows	Debit transactions paid out of any business deposit or savings accounts, such as the purchase of material and payroll, owner transfers out of the account to private savings, loan repayments, or tax payments.
Percentile	N percent of a sample has values below the N-th percentile value.
SBA	Small Business Administration.
Sole proprietorship	Unincorporated business owned by a natural person.

Endnotes

- 1 See Bottazzi, Secchi and Tamagni (2014) for an overview of financial constraints of businesses of all size classes, including small businesses in particular; see Hall (2010) for an overview of financial constraints of innovative small businesses. Finally, see Campello (2015) as well as Carpenter and Petersen (2002) for an overview discussion of cash as an internal source of finance in the presence of financing frictions.
- 2 Our data asset may underrepresent restaurant franchisees. As a result, any findings about small businesses in the restaurant industry likely reflect independent restaurants.
- 3 Financing data on the large universe of non-employer businesses is hard to obtain, though these small businesses are the least likely to receive financing. Among the smaller world of employer small business, only 37 percent received financing in 2015. Specifically, 47 percent applied for financing, and 79 percent of those received some financing. Moreover, of those that received financing, 50 percent received less than they applied for—only 19 percent of employer small businesses applied for financing and received the level of financing they applied for (Federal Reserve Bank of New York, 2016).
- 4 Cash buffer days are similar to the accounting ratio “days of cash on hand.” Cash buffer days differ from days of cash on hand in that the former measure the ability of a firm to support all cash outflows, while the latter only measure the ability of a firm to support operating outflows.
- 5 We also find preliminary evidence that cash buffer days correspond to small business exit rates. Three of our industries map to the 2013 Census Business Dynamics Statistics sector-level data series on business exit rates—Construction, Retail, and Wholesale. Our Real Estate industry also may map to the smaller firms in the Finance, Insurance, and Real Estate sector. Across these four sectors, exit rates for small firms with 1-4 or 5-9 employees are lowest in Finance, Insurance, and Real Estate—which maps to Real Estate, the industry with highest number of cash buffer days. Median cash buffer days decrease from the Wholesale industry to Construction and then Retail, while exit rates increase across these sectors correspondingly.
- 6 We measured cost-of-living using the Bureau of Economic Analysis Regional Price Parities measure. We measured the cost of doing business using Moody's Cost of Doing Business Index, 2010.
- 7 The cost of living in a metropolitan area correlates with its median average daily cash outflows at 0.28 and with its median average daily cash balance at 0.56. The cost of doing business in a metropolitan area correlates with its median average daily cash outflows at 0.61 and its median average daily cash balance at 0.73.
- 8 <https://www.newyorkfed.org/medialibrary/media/smallbusiness/2015/Report-SBCS-2015.pdf>
- 9 <https://www.bostonglobe.com/business/2015/03/05/winter-storms-battered-sales-small-businesses-survey-shows/RAH81B5w6MWvV4dkS8xOFL/story.html>
- 10 Federal Reserve Bank of New York, 2013, 2015.
- 11 Balle, 2016.
- 12 We identify a business as being in a metropolitan area if its zip code overlaps with a Census Metropolitan Statistical Area (rather than a Micropolitan Statistical Area).
- 13 Zero values due to rounding.
- 14 We exclude (NAICS 813: Religious, grant-making, civic, professional, and similar organizations) from Figure 1 and from our selected set of industries. Notably, 43.7 percent of employees in this sector work for firms with less than 500 employees, and over 298,000 of these firms had fewer than 500 employees.

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Small Business Data Dashboard

Topics Covered

- Economic Activity
- Regional Employment
- Diverse Ownership
- Innovation
- Business Dynamism
- Longevity

Small businesses are an economically important component of the US economy and a key driver of production, employment, and growth. As such, comprehending the evolving role of small businesses is crucial for many policymakers, economists, and state and local officials. To complement and frame the research we conduct using JPMorgan Chase's unique data on small businesses, we have assembled data from other sources that help provide a broad picture of the state of the small business sector.

Small businesses with fewer than 500 employees account for 99 percent of all business establishments in the US and are pervasive across the entire country. These businesses accounted for 45 percent of GDP in 2010, although this share is lower than earlier in the decade. Notably, business startup rates and exit rates have also fallen significantly over the past decade. Small businesses account for 34 percent of exports and 21 percent of patents granted in the US.

Small businesses employ nearly half of all US employees (48 percent) and contribute over 45 percent to net job creation. However, of the total 28.7 million small businesses, most—23 million—are non-employer businesses. In addition, most employer businesses have relatively few employees—a full 88 percent of all employer businesses have fewer than 20 employees. Moreover, small businesses are very young. Over half are less than 10 years old and nearly half of small businesses exit within the first five years.

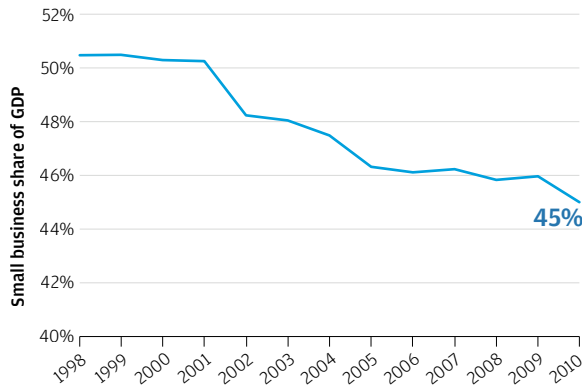
Finally, the smallest businesses have relatively diverse ownership. The smaller the business, the more likely it is to be owned by a woman or a member of a racial or ethnic minority (although women and minorities still constitute a minority of all small business owners).

This dashboard offers additional details about the state of the small business sector in the US. We will update it periodically as new data become available.

Economic Activity

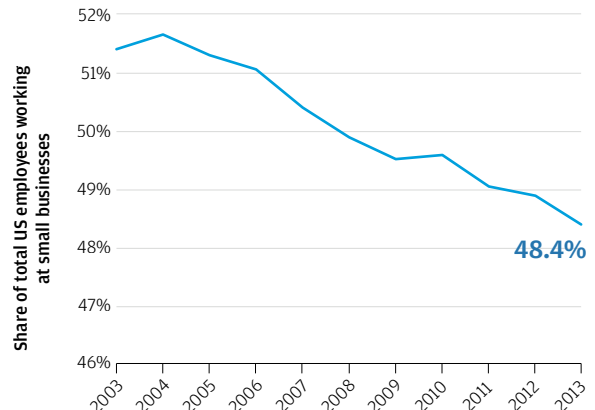
Small businesses are an anchor of the US economy.

Small businesses accounted for 45 percent of GDP in 2010, down from 50 percent in the late 1990s.



Source: SBA - Small Business GDP: Update 2002-2010, by Kathryn Kobe, Economic Consulting Services, LLC, UC Berkeley Washington, DC 20036. Published January 2012 https://www.sba.gov/sites/default/files/rs390tot_0.pdf

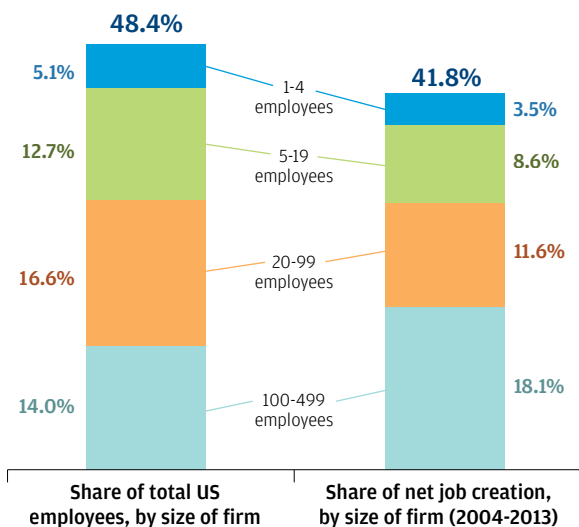
48 percent of all US employees work for small businesses, down from 52 percent in the early 2000s.



Source: Business Dynamics Statistics, 2013

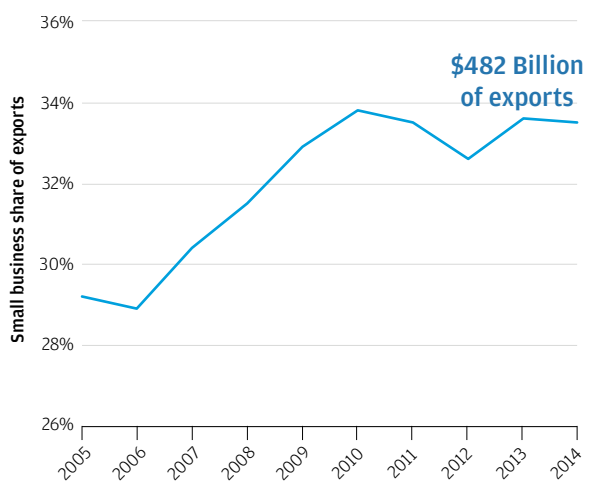
18 percent of all US employees work for businesses with fewer than 20 employees.

Small businesses account for over 41 percent of net job creation.



Source: Business Dynamics Statistics, 2013

Small businesses produced 34 percent of US exports in 2014, up significantly since 2006.

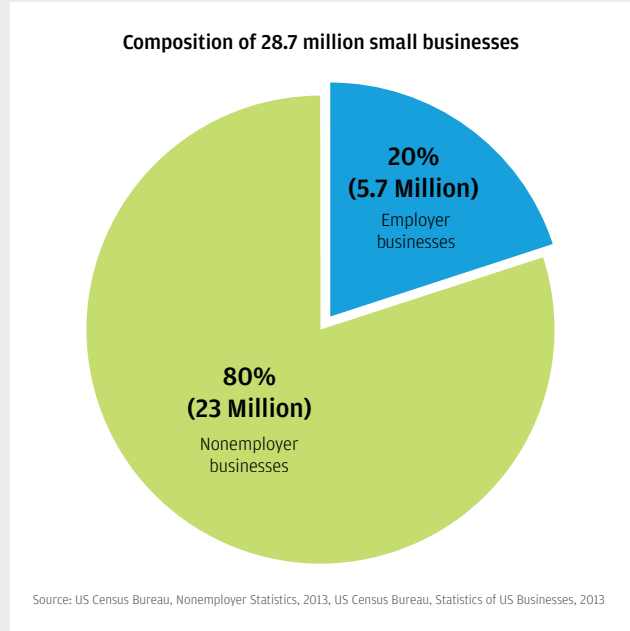
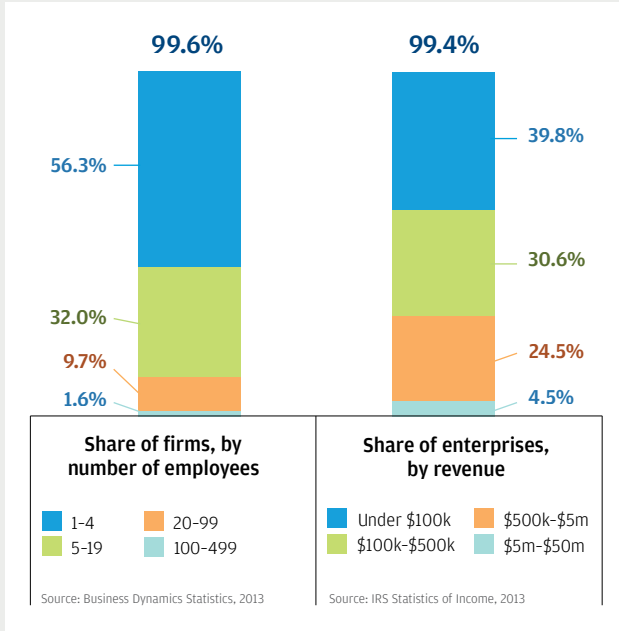


Note that a small business in this table is defined as a business with fewer than 500 employees.

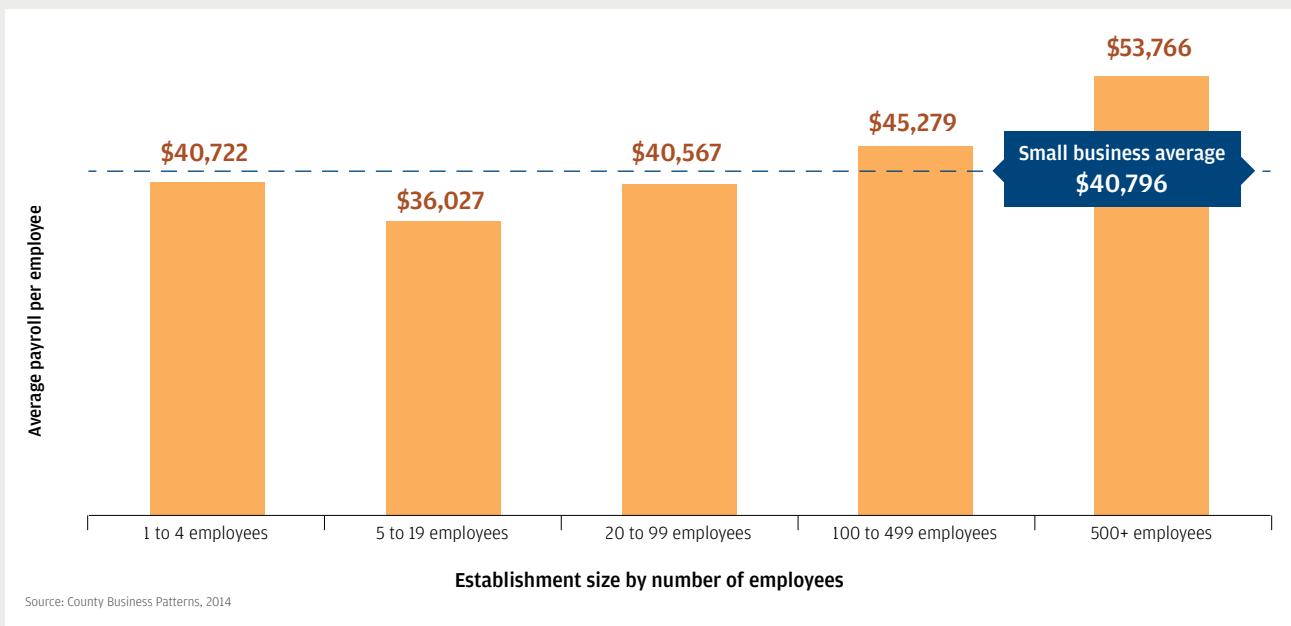
Source: US Census Bureau, A Profile of US Importing and Exporting Companies

Over 99 percent of America's 28.7 million firms are small businesses. The vast majority (88 percent) of employer firms have fewer than 20 employees, and nearly 40 percent of all enterprises have under \$100k in revenue.

20 percent of small businesses are employer businesses and 80 percent are nonemployer businesses.

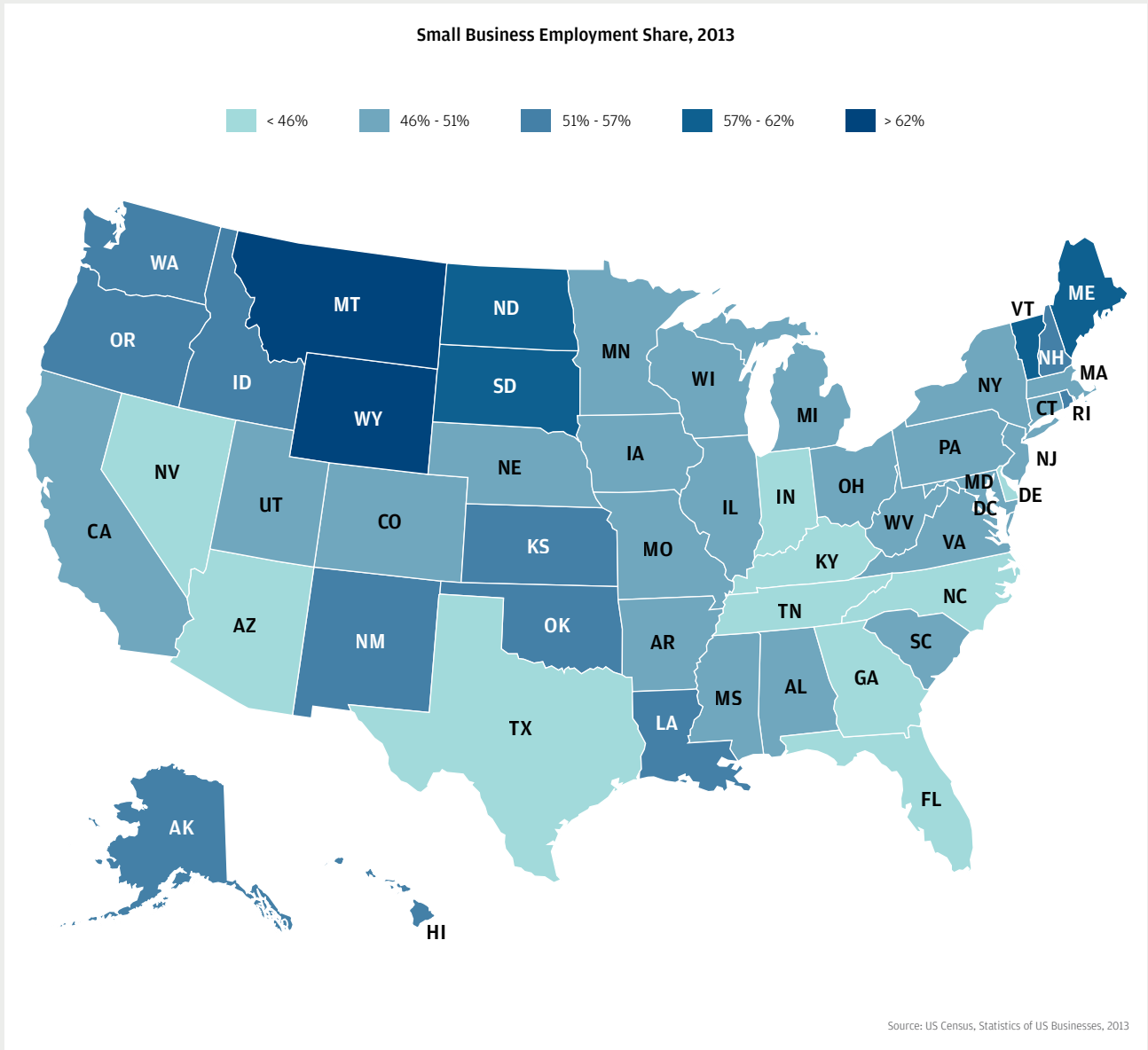


The average small business employee earned \$40,796 in 2014. In general, the larger the business, the higher the average employee pay. The smallest businesses (those with 1-4 employees) are an exception.



Regional Employment

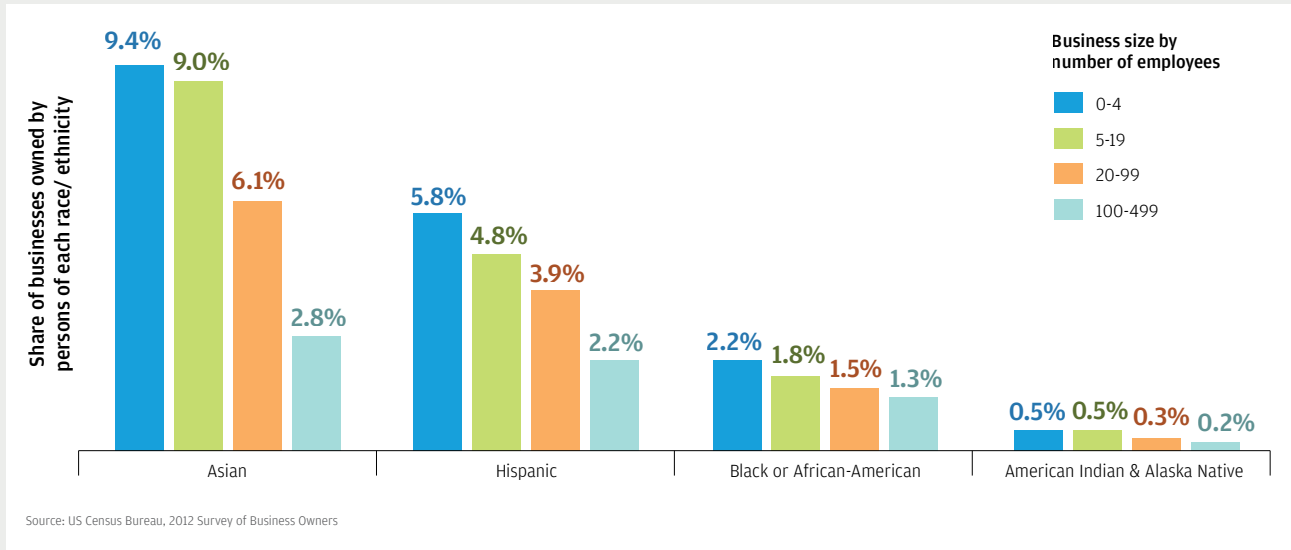
Small businesses are prevalent across all states



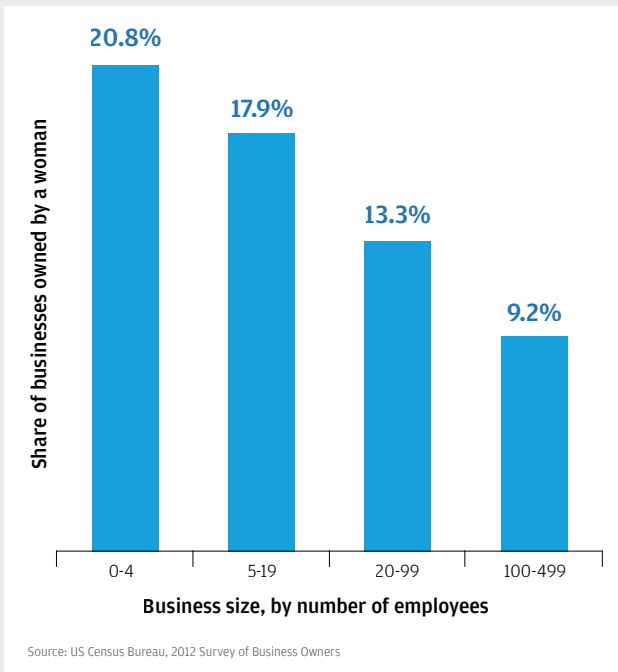
Diverse Ownership

Smaller businesses are more likely to be owned by women and minorities.

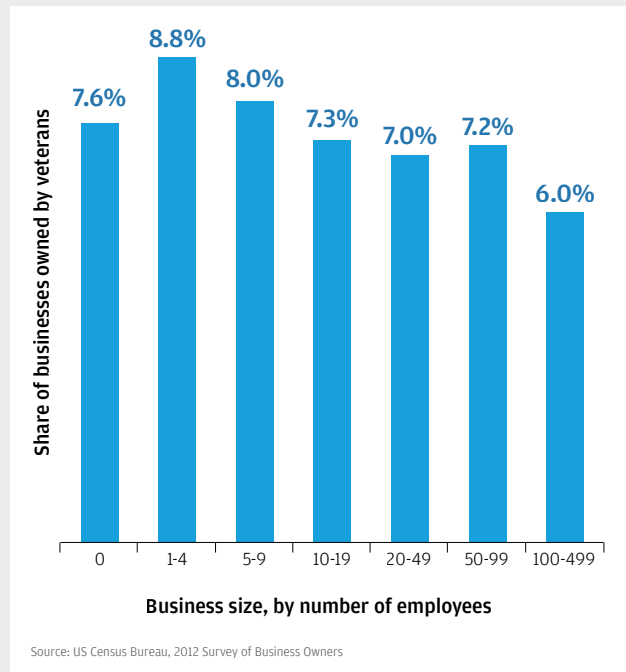
The smaller the business, the more likely it is to have minority ownership.



The smaller the business, the more likely it is to be owned by a woman.

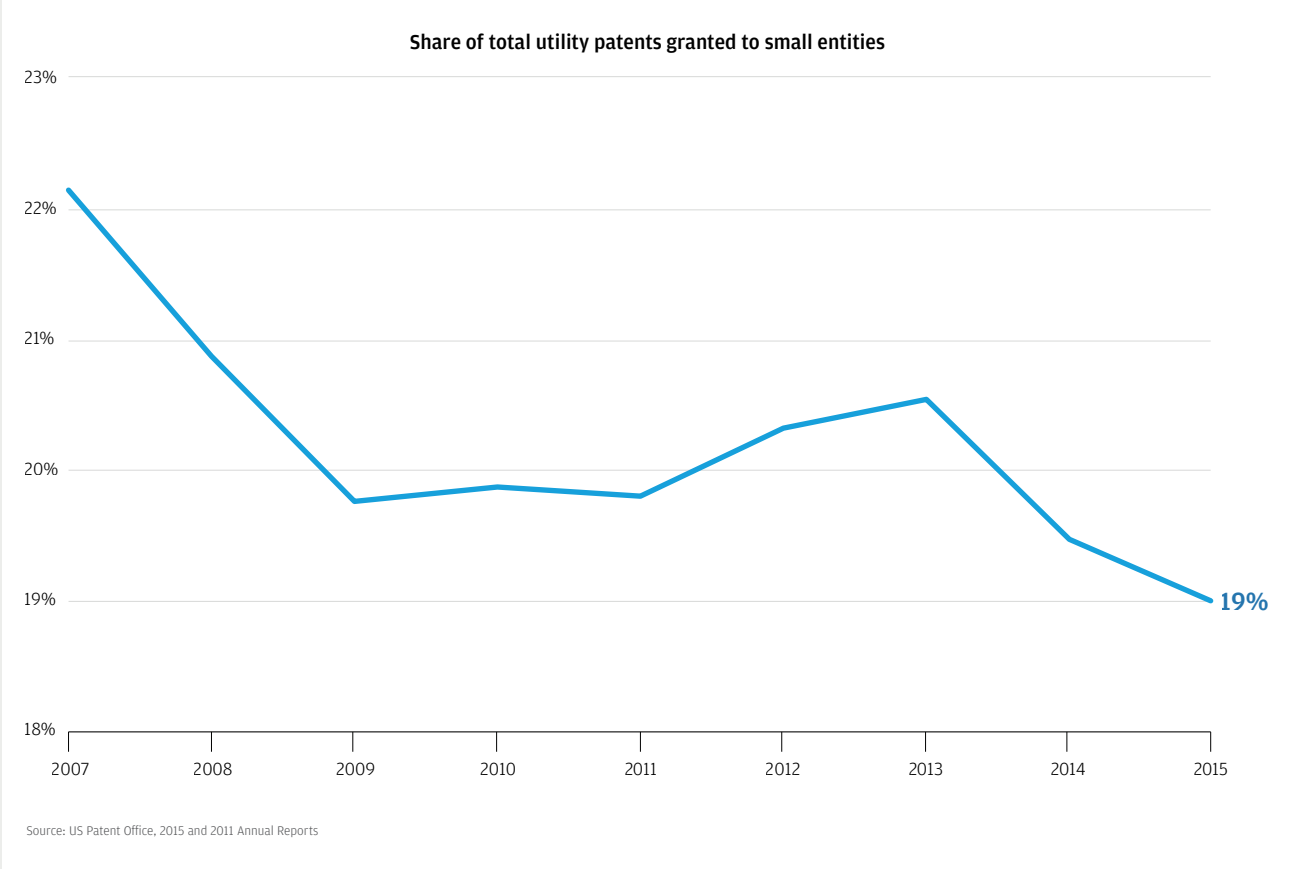


Roughly 8 percent of small businesses are owned by veterans.



Innovation

Small businesses generated 19 percent of patents in the United States in 2015



Business Dynamism

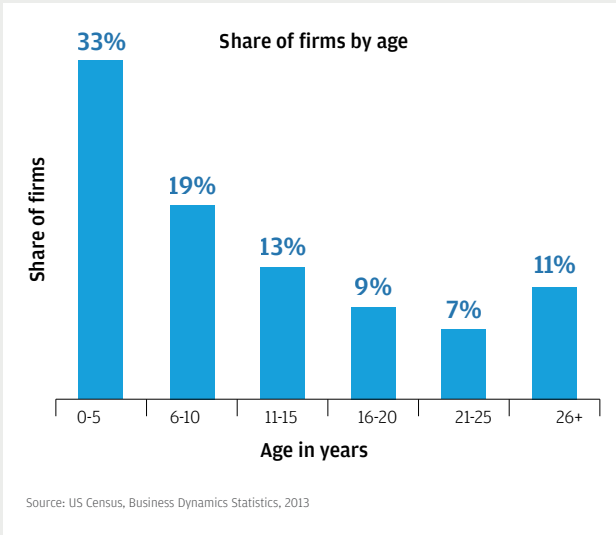
Business startup rates have decreased significantly over the last thirty years, as have business exit rates.



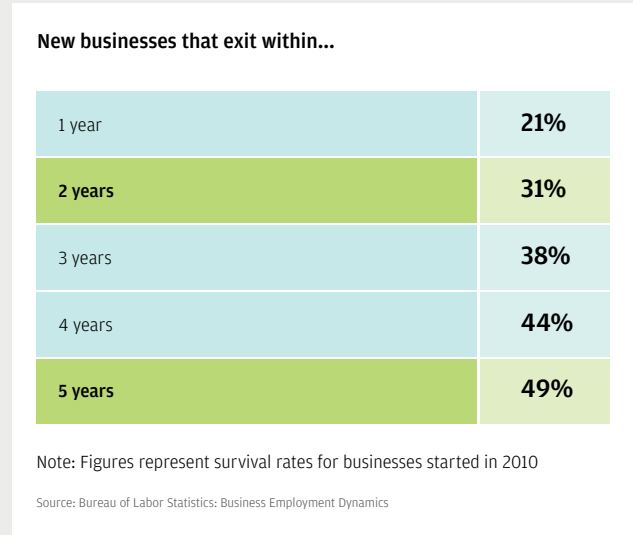
Longevity

A large share of small businesses are young businesses.

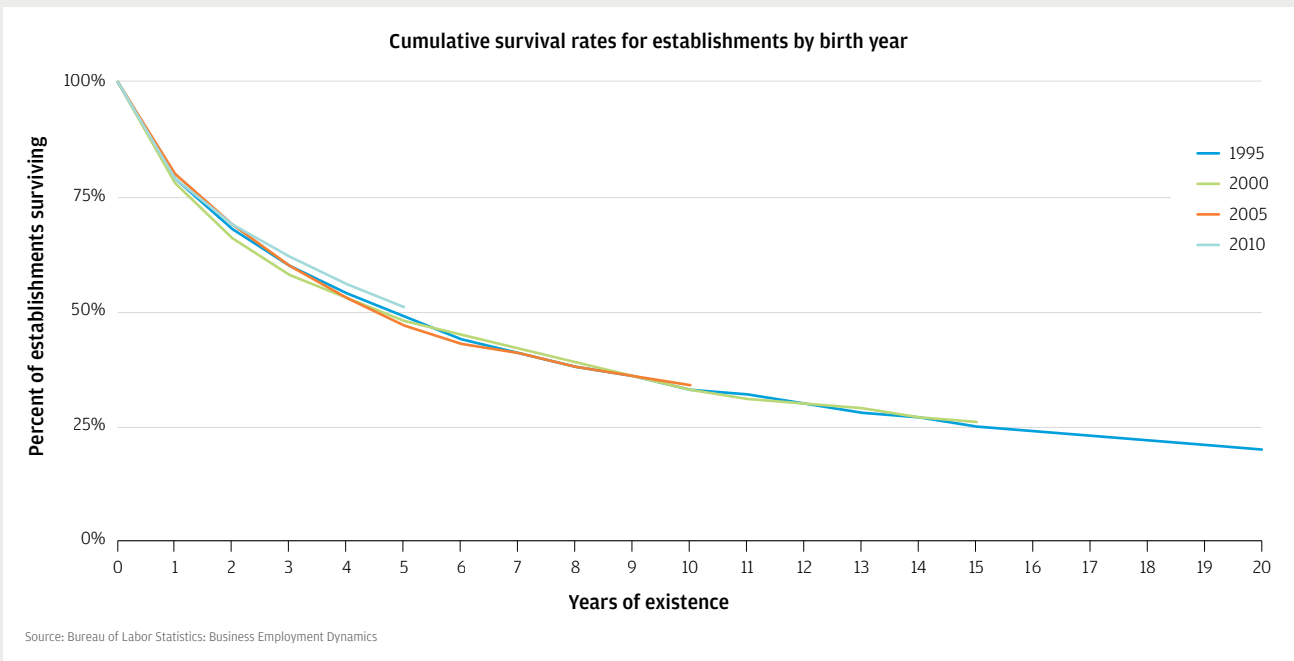
52 percent of small businesses are 10 years old or less, and 33 percent of small businesses are 5 years old or less.



Roughly a third of new businesses exit within their first two years, and half exit within their first five years.



The survival rate of new businesses has been remarkably consistent over time.



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Lemos, June

From: Paul Clark <pclark@fortbraggrealty.co>
Sent: Monday, March 23, 2020 10:29 AM
To: Paul Clark; Lemos, June
Cc: C21 List
Subject: City Council RE: 03/24/2020 Special Council Meeting
Attachments: Eviction Photos.docx

City Council RE: 03/24/2020 Special Council Meeting

Council member:

As owner of Mendocino Coast Property Management, I would like to comment on your emergency action to put holds on foreclosures and evictions in the City of Fort Bragg.

The State of California recently enacted rent control statewide and restrictions on evictions, requiring cause that did not exist before.

Foreclosures don't happen overnight. A property owner IF Significantly delinquent may be foreclosed on with proper notices. This process takes a minimum of 90 days plus 21 days if anyone wants to know the process. It is expensive and the property owner must be notified by certified mail they are in default and a foreclosure may take place if the payments and fees are not brought up to date. The process affords the owner many opportunities, often loan help is possible, and many laws have been passed to help anyone in this difficult time. Mostly homeowners in this case. There are other foreclosures, most of which are because the lender is not being paid the agreed payments. No local title companies do these foreclosures any longer due to the risks involved. A few companies do them but will not foreclose if there is not a serious delinquency.

Evictions are a totally different process. A tenant would not be in an eviction process due to this current situation if they had not paid their rent. Most owners would work with a tenant if they communicate with the owner or manager of the property. We do not do evictions but hire an attorney to do so due to the complex process. It is expensive and tenant is responsible for all the costs involved. They get a three-day notice to pay or leave the property. If they do nothing then they can be served with an eviction process that gives the opportunity if the wish to speak to a judge who can allow the eviction to proceed if the tenant does not appear, or modify the process if the judge wishes. Most often the tenant will not appear, as they usually have no intention of paying the rent. Some do and some get help. All of this can often be avoided by contact BEFORE the rent is due with the owner or manager to work out a payment plan. Much help is out there, legal aid will help, free by the way. California is a tenant state, meaning the laws are much in favor of the tenant not landlord. Many states are just the opposite.

The City of Fort Bragg is once again making the situation worse by acting on these type missions.

There is no substantial problem, and with these actions folks that should be evicted will not be, thereby making the landlord losing even more money.

As said, we manage many properties, mostly residential units. We rarely have evictions, and when we do, they are more than warranted. Often sadly the property is trashed. I will send photos of one that just took place where the Sheriff had to come and ensure the tenant was gone and turn the property back to the owner. We did not manage this one but aided the out of town owner who must have someone on site to take possession from the Sheriff dept. rekey and secure the property.

In this case there will be many thousands of dollars spent to clean up the mess and either sell or re rent. Most likely sell as the motivation to rent to another person has been pretty much destroyed.

Long way to say the tenants in CA do not need this action. There will be support from many levels on this disaster. Don't do another thing to discourage rental of properties. We need rentals and with disincentives at every level, there won't be many built by private investors, rather subsidized housing which we all pay for and is a huge disincentive to get someone off the public dollar. Why work when you can get the government (us) to pay your rent. No not all folks on rent or other subsidies are milking the system, but sadly many are. Rent paid and they work under the table.

Attached are photos of the most recent eviction on Sherwood road a total mess for the owner to clean up.

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