

City of Lafayette Staff Report

Date: December 8, 2008
For: City Council
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Subject: 2008/09 Final Municipal Budget and Workplan

Introduction

This Final Budget is a refinement of the Proposed Budget adopted by the Lafayette City Council in June. The City remains in very good financial health with a projected total cash position of \$12.8M at the end of the fiscal year, June 30, 2009. Even after reducing this balance to account for RDA debt owed to the General Fund (\$4.9M), cash balances still equal \$7.3M, or 62% of the FY2008/09 General Fund operating expenditure budget, including ongoing transfers. This is \$1.4M over the City Council's target reserve of 50% of General Fund expenditures.

This result was achieved due to the City's long-practiced conservative fiscal policies. For FY2007/08, expenditures were \$918K less than budgeted, while revenues were \$330K more than expected. There were several revenue sources that came in higher than expected:

- \$230K in Vehicle License Fees due primarily to the effects of the "triple flip" realignment of State revenues.
- \$97K in General Taxes such as Property Transient Occupancy Tax (\$65K) and Franchise Fees (\$32K).
- \$54K from reimbursements for emergency response expenses.
- \$495K in Investment Income from interest paid to the General Fund by the Redevelopment Agency and realized gains on investments that reached maturity.

These increases, however, were offset by revenue sources that did not meet budget expectations:

- -\$130K in Sales Tax
- -\$284K in Property Tax (including Property Transfer Taxes)
- -\$55K in Planning Fees

All of the lower revenues can be explained by the current economic downturn. In the particular case of Property Taxes, while the "base" assessed values increased by 7.1% from 2006/07, the amount of supplemental property taxes (collected for assessment districts and other miscellaneous purposes) decreased by \$200K. Total property taxes collected thus remained flat. Going forward, staff expects that property turnover and new construction will continue to remain sluggish. When older homes with low assessed values sell, however, the new higher values will be registered on the tax rolls and the increased tax receipts should swamp any decreases caused by the sluggish economy. Therefore, for the current budget, staff believes that a 4% increase in property taxes is realistic and achievable.

Saved expenses compared to budget occurred in almost every General Fund program. The largest was \$287K in Emergency Response projects that are being carried forward to FY2008-09. Police Services expenses also came in at \$100K less than expected. General

Looking forward, fund expenses for this final budget are slightly lower (\$98K) than the proposed budget due primarily to the changes detailed below.

Goals

For the fiscal year 2008-2009, the Lafayette City Council has established the following goals:

Finance and Administration

- Identify the City's priorities and develop a long-term strategy to fund them.
- Investigate the efficacy of a business license tax for Lafayette.

Develop a plan for the utilization of the old Lafayette Library. Perform analysis to determine costs v. benefits of moving city offices to old library.

Parks and Recreation

- Complete the Lafayette Parks Master Plan.
- Evaluate Community Center maintenance issues and funding; consider sustainable development practices.

Planning and Community Development

- Pursue affordable housing programs. Work cooperatively with Eden Housing to develop affordable senior housing.
- Complete the approved 2008 Planning Department work plan.
- Complete the Downtown Strategy and develop an implementation plan for its findings.

- Work to acquire and provide public parking in the downtown area.
- Complete construction of the Lafayette Library and Learning Center.
- Develop a green building program.

Engineering

- Develop a plan to boost spending on 2008/9 road reconstruction programs.
- Develop options for increasing staff capacity to complete more road reconstruction projects.

Previously Approved Changes to the Budget

At its meeting in June, the Council modified the budget as follows:

- Postpone budgeting for the repair of the roof for the Community Center and instead allocate \$13,000 to hire a consultant to develop options, thus decreasing the budget of Fund 11-350 by \$102,000. The funds, however, are retained in the Community Center sinking fund for future use.
- Increase staffing for Senior Services (Fund 11-141) to 50 hours per week for a total increase in personnel expenses of \$7,045.

Personnel Changes

Promoted Accounting Clerk (.75 FTE) to Accounting Assistant for a net increase of \$1,296.

Capital Improvement Programs

The 2009 construction year Capital Improvement Program projects adopted by the Council in June remain unchanged, except to include re-budgets of projects that were not completed in the last fiscal year and details on the 2009 road repair projects:

- Mt. Diablo Blvd - 1st Street to Dolores Drive Resurfacing
- Happy Valley Road Pathway
- Estates Drive / Canyon Road Resurfacing
- Stanley Blvd - Warner Ct. Intersection
- Stanley Blvd - Sidewalk
- 2009 PMP - Surface Seals
- 2009 Road & Drains A
- 2009 Road & Drains B
- Mt. Diablo Pathway - Risa Road to Lafayette Reservoir

Revenue sources for these capital programs include funds allocated from prior year General Fund surpluses (\$1.6M).

The project list for Fund 12 – Parks Facilities has been updated as well:

- Community Park Playground Equipment
- Community Park North End & Calaveras Connector - Design
- Bike Park Design
- Manzanita Building Design
- Community Center Tot Play Area

Revenues

Revenues for the General Fund remain unchanged from the proposed budget. In addition, at the time the Proposed Budget was approved, it was unclear as to whether the City would continue to receive the state COPS grant of \$100,000. In order to be conservative, staff did not include it in revenue estimates. However, the City did receive the grant. Therefore, the Final Budget reflects that the General Fund will now transfer \$100K less to Supplemental Law Enforcement Expenses (Fund 73).

Loans

In addition to bonds sold to finance construction of the Library and Veterans Memorial Building, the City has made a number of loans to the Redevelopment Agency and developers. In addition, the Redevelopment Agency received a \$9M loan from the Lafayette Library Foundation. All the outstanding loans balances are summarized as follows:

• Parking Fund to Vets Memorial	\$563,783
• General Fund to Vets Memorial	\$1,276,491
• General Fund to RDA	\$1,722,352
• General Fund to Library	\$1,916,874
• Community Foundation to Library	\$9,635,331
• City Offices Fund to Town Center	\$563,783

While these loans are accounted for in the fund balances as either assets or liabilities, they are not explicitly denoted in the budget. Since the purpose of the budget is to serve as a “cash flow” document, it is important that these loans be described separately so the Council and the citizens have a clearer picture of the cash position of the City.

Towards that end, several changes have been made to the Summary and Reserve Standard pages to reflect the status of the loans and their effect on the cash position of each fund:

- On the Summary of Fund Balances and Changes, two columns have been added. The first column lists the assets and liabilities associated with each fund. Assets are designated with a negative balance and represent amounts owed to the fund (e.g. amounts that have been lent to other funds/sources and are not available as cash). Liabilities are designated with a

positive and represent amounts that have been loaned from other fund/sources. The cash position -- shown in the second new column -- is then calculated by subtracting/adding the assets/liabilities.

- On the Reserve Standard page, the assets representing loans from the General Fund to Redevelopment have already been subtracted from the fund balances to calculate the cash position for core operating funds. However, starting with the FY2008-09 Final Budget, the assets and liabilities have been included for Project Fund balances in order to calculate the cash position of those funds.

Library

The Redevelopment Agency sold series 2008 bonds in November netting \$8.3M in proceeds to be used for the construction of the Lafayette Library and Learning Center. Using the original cost estimate of \$43M for construction and taking into account the loans made from the General Fund, it is expected that library will end up with a cash shortage of just over \$1M. This will necessitate that the Library project secure additional funding, likely in the form of a loan from another fund or organization.

Reserve Standard

For FY2008/09, staff projects that at year end, the City will maintain cash balances of \$7.3 million, which is \$1.4 million in excess of the Council target of 50% of General Fund expenditures, including transfers, after accounting for the \$4.9 million outstanding in debt from the RDA.

Recommendation

Receive the Final FY 2007/08 Municipal Budget and Workplan and adopt Resolutions 2008-55 and R2008-05.