

City of Lafayette Staff Report

Date: December 14, 2009
For: City Council
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Subject: 2009/10 Final Municipal Budget and Workplan

Introduction

This Final Budget is a refinement of the Proposed Budget adopted by the Lafayette City Council in June. While the economic environment continues to be bleak, the City remains in very good financial health with a projected General Fund balance of \$13.5M at the end of the fiscal year, June 30, 2010. Even after reducing this balance to account for RDA debt owed to the General Fund (\$5.2M), cash balances still equal \$8.1M, or 73% of the FY2009/10 General Fund operating expenditure budget, including ongoing transfers. This is \$2.6M over the City Council's target reserve of 50% of General Fund expenditures and almost \$700K over the proposed budget's projected position.

This result was achieved due to the City's long-practiced conservative fiscal policies. For FY2008/09, expenditures were \$1.2M less than budgeted, while revenues were basically on target. There were several revenue sources that came in higher than expected:

- \$136K in Vehicle License Fees due primarily to the effects of the "triple flip" realignment of State revenues.
- \$135K in Waste Management Franchise Fees from the new impact fees that were implemented last Spring.
- \$200K 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:

- -\$209K in Sales Tax
- -\$165K in Property Tax (including Property Transfer Taxes)
- -\$140K in Planning Fees

All of the lower revenues can be explained by the current economic downturn. Going forward, staff has opted to continue an aggressively conservative approach to the budget projections. Therefore, General Fund revenue projections are \$243K less than the proposed budget and over \$500K lower than the previous year actuals.

- Sales Tax is projected to decline by another \$96K -- a decrease of 4% from the prior fiscal year.
- Property Tax is now projected to stay flat. While the proposed budget showed increases of 3%, concerns about the County Assessor levying across the board cuts similar to those in West County led staff to adopt a more conservative estimate.
- The Lafayette Park Hotel is the City's only source of Transient Occupancy Tax and has reported an ongoing struggle to maintain rates and occupancy. Therefore, we have reduced the estimates of TOT by another \$40K.
- Vehicle License Fees increased by \$37K by calculating a 2% increase on the actual VLF received in the prior year.
- In the proposed budget, the state take-away of property taxes was estimated to be \$540K. The new amount is only \$481K, thus increasing the bottom line revenue by \$59K.
- Planning fees increased by \$25K to match prior year revenue and reflect current application volume.

Saved expenses compared to budget occurred in almost every General Fund program. The largest was \$318K in Police Services due to conservative budgeting (all deputies were presumed to be at top step), followed by savings in Emergency Response and Road & Drain maintenance for projects that were moved forward to this fiscal year.

Looking forward, fund expenses for this final budget are \$220K lower than the proposed budget due primarily to the changes detailed below.

Previously Approved Changes to the Budget

At its meeting in June, the Council directed staff to make a number of changes in order to reduce costs. The changes totaled \$387K detailed as follows:

- Renegotiated public works maintenance contracts - \$87.7K:

--Road & Drain Maintenance (Fund 310)	\$40,090
--Traffic Maintenance (Fund 320)	\$8,180
--Core Area Maintenance (Fund 52)	\$20,928
--Stormwater Pollution (Fund 53)	\$19,206
- Cut prior year savings by half - \$110K.

- Eliminated the Impact Fee study from the Planning budget (Fund 410) - \$50K.
- Instituted 4 furlough days for staff - \$40K.
- Did not contribute additional \$100K to the sinking fund for the Regional Communication System Upgrade - \$100K.

Capital Improvement Programs

The 2010 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:

- Happy Valley Road Pathway
- Stanley Blvd - Warner Ct
- Stanley Blvd Sidewalk
- 2009 PMP Surface Seal
- 2009 Road & Drains
- Mt. Diablo Pathway Risa to Rez
- Pavement Rehab Deer Hill & St. Mary's
- Stanley Blvd. Traffic Calming
- 2010 Roads & Drains
- Michael Lane Roads & Drains
- 2010 Pavement Overlay
- Downtown Street Improvements Block 1 South Side
- Bike Plan Phase 1 - Priority Signage

Redevelopment and Library

In order to balance its budget, the State instituted an takeaway that will withhold \$1.1M from the Lafayette RDA for FY09/10, which is reflected in this budget. Note that the legality of this move is being challenged by the California Redevelopment Association.

Additional funds were necessary to complete construction of the Lafayette Library. The LLLC Foundation therefore loaned the RDA an additional \$2.5M at a rate of 8%. The interest rate on the first loan of \$9M was also increased to 6.5% from 6.25% for the length of time the second loan remains outstanding. However, the RDA will need to fund an additional \$2.7M to complete the project. This budget projects a cash balance of \$2.6M in the Redevelopment fund by the end of FY09/10. Therefore while the RDA has sufficient funds to cover the expenses, the Council/Board should be aware that RDA activities will be curtailed for at least one fiscal year.

Five Year Forecast

This budget incorporates audited FY08/09 revenues and expenses into the five year forecast. Going forward, revenue and expense projections for Years 2, 3, and 4 are unchanged: relatively flat revenues and sharply increasing expenses due primarily to police costs. In contrast to the proposed budget, the forecast now suggests that the City will maintain a 50% for the next three years, instead of two years. The budget continues to look bleak in the “out years,” due primarily to a deadly combination of flat revenues and dramatically rising police costs.

Reserve Standard

For FY2008/09, staff projects that at year end, the City will maintain cash balances of \$8.1M million, which is \$2.6 million in excess of the Council target of 50% of General Fund expenditures, including transfers, after accounting for the \$5.2 million outstanding in debt from the RDA.

Recommendation

Receive the Final FY 2009/10 Municipal Budget and Workplan and adopt Resolutions 2009-058 and R2009-08.