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Orinda's Council Talks Revenues and Investments

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Orinda stands to lose just over \$400,000 in property tax revenue during this fiscal year if the State "borrows" the full eight percent of the Proposition 1A tax grab outlined in the recently passed budget. Orinda's Finance Advisory Committee will be recommending to the Council that it use reserves to cover the shortfall when they weigh in on this at the mid-year budget review, which should occur in January, according to Administrative and Financial Services Director Beverli Marshall.

The State is required to pay back the cities and counties within three years, however the specific terms of the repayment and the interest rate to be paid are unknown at this point. Orinda maintains a minimum of \$5 million in reserves.

The State's attempt to take the Highway Users Tax, or gas tax, was not included in the final budget. The gas tax represents \$265,000 a year to the City and is designated for infrastructure projects. Although tax revenue will decline through the State's "borrowing," property tax growth in Orinda looks to be better than expected. The City's current budget conservatively includes a property tax growth rate of 1.6%. According to the County Assessor's report to the Board of Supervisors, the assessed value in Orinda has increased by 5.39%. At the most recent City Council meeting, Marshall recommended to the Council that a larger, but still conservative, factor of 3% growth be incorporated at the mid-year budget review.

At this same meeting, the City Council members also discussed the City's investment policies citing some concern over the fact that the City has two investments with the fledgling CIT Group, which represent \$750,000 combined. Mayor Sue Severson and Council Member Steve Glazer both expressed the need to revise the City's investment policies to ensure greater diversification, noting their surprise that the City had recently made a second investment in General Electric.

Bob Thompson, a member of the Finance Advisory Committee, was on hand at the meeting and advised the Council to take a wait and see approach to the CIT Group situation. He also explained that the Finance Committee was in the process of reviewing the investment approach and that a revised policy would be coming to the Council for review in the fall.

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