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## City Council Hears Finance Report

*By Moya Stone*

The September 15th Orinda City Council meeting happened to coincide with Back to School Night at Miramonte High School, making for a sparse audience as well as Council. Nevertheless the agenda was full and among the items was the presentation of the Annual Report from the Finance Advisory Committee (FAC). Originally called the Budget Committee, the FAC is a group of people in the financial industry who have volunteered to work with the Orinda budget for the past two cycles. This year the committee's charge was expanded to include an advisory role on financial issues. FAC member Carol Penskar presented the Council with the committee's findings and recommendations. Penskar congratulated Orinda on their exemplary job of managing City finances by keeping staff and City employee benefits in check and initiating non-police staff furloughs. Additionally, Orinda does not have a defined benefit pension plan, which is what's "crippling the finances of many California cities, counties, safety agencies, and even the state itself," said Penskar. However, according to FAC's findings there are two factors that will challenge Orinda's finances in the years to come - a slowing of revenue growth and the "relentless rise in the cost of the Police Services contract." Prior to 2008 Orinda enjoyed steadily rising tax revenues, in particular property tax revenues, which rose approximately seven percent a year. But projected property tax revenues for FY 2009 will rise by just three percent and a mere 1.6 percent in FY 2010 and 2011. This flattening of revenues will make it a burden to pay the rising costs of the County-negotiated police contract, which in FY 2007 was 27 percent of Orinda's operating budget. By 2011 the costs are expected to rise to 30 percent of the operating budget. Also by 2011, the cost of police benefits will exceed that of police salaries. Police pension costs are scheduled to rise by an average of six percent a year beginning FY 2011. This will add over \$500,000 in additional expenses by the fifth year. "As police costs rise faster than Orinda revenue, each succeeding year will have a larger hole that will weigh heavily on all remaining city services including road maintenance," states the written report. The FAC recommends that Council adopt certain policies this year to ensure continued prudent fiscal management, including a balanced budget requirement and minimum unrestricted reserves. Additionally the committee recommends the following: The Council fully analyze the Police Services Study. Evaluate the impacts of actual property tax revenues on the budget mid-year. Evaluate best course of action for Prop 1A borrowing. Continue to work on alternative revenue sources.

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