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No imminent crises in Lafayette financial condition, but ...

By Nick Marnell

The city of Lafayette projects a fairly solid financial picture for fiscal year 2019-20 as well as five years forward, but problem areas include high maintenance costs, mounting legal expenses and a shrinking general fund reserve.

General fund revenue for 2019-20 is forecast at $16.59 million, and after a reclassification adjustment, comes in at $428,000 more than the estimated final figure for 2018-19. With expenses forecast at $16.55 million, the city projects a surplus of $39,000 for the next fiscal year, with a general fund reserve of $9.85 million, equaling 63% of general fund expenditures.

Lafayette has no defined benefit retirement plan for its employees so it avoids any unfunded pension liability, the scourge of many California municipalities and special districts. The city's financial albatross is its expense for legal fees, which have risen from $290,000 in 2012 to $869,000 in 2018-19, primarily due to land use lawsuits. According to a city staff report, the city budgeted for $665,000 in legal costs for next year but warned that the number may be optimistic due to the "contentiousness of the current environment surrounding development projects."

The city also struggles with maintenance costs. In order to maintain a Pavement Condition Index of 76 - considered "good" by the Metropolitan Transportation Commission - the city projects a $1.8 million annual expense, far more than the $1 million that has been budgeted, due to rising construction costs. "Based on current market trends, $1 million a year toward street maintenance will not keep Lafayette streets in their current condition; their condition would become worse," said Tracy Robinson, administrative service director.

A similar problem exists with maintenance of the downtown core. Lafayette runs a $265,000 annual deficit in core maintenance funding, as costs have increased over the last 23 years whereas the assessments have not. Any assessment increase must be approved by property owners, and since the city has been unsuccessful in increasing the assessments the general fund plugs the gap.

Though Lafayette forecasts a balanced budget not only for this coming year, but for the next five, the pressure put on the general fund by rising expenses - like the ones listed above - will see the general fund reserve shrink from 64% of expenditures in 2019 to 54% in 2024, less than the 60% figure targeted by the city.

And while a $9.85 million reserve is a reasonably healthy figure, the city remains concerned that an economic downturn or a major disaster, like the 2017 Northern California wildfires, could significantly eat into that figure.

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