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Staff shortages, timing issue affect fiscal year-end budget

By Lou Fancher

The city staff report on the final municipal budget for fiscal year 2022-23 (FY22-23) stated that looming inflation and a potential recession during the current and projected economic environments have the city continuing to practice "a conservative approach to budgeting as always." Included in the updated report were the final audited budget figures, corrections, and changes adopted by the council since their previous review of the proposed budget in June. New recommendations from department directors that take into consideration the current economic conditions were added in the updated budget draft.

Administrative Services Director Tracy Robinson said the budget item would return to the council on Jan. 9 at which time the final review will occur. Staff will then implement any changes requested by council and adoption of the final draft is scheduled for the city council meeting on Jan. 23.

Highlights in what Robinson said was a "sneak preview" of the final budget included the city in the prior fiscal year (FY21-22) spending \$2.4 million less than budgeted, largely due to timing issues, staff vacancies, police budget savings attributed to the use of overtime, and deferred maintenance and projects. Revenue was \$1.6 million more than expected, a data point Robinson said was because the city's recovery from the pandemic was faster than had been projected. The General Fund balance at the end of the 2022 fiscal year on June 30 was \$16.3 million. Robinson reiterated that those savings came largely from deferred projects that will be reimplemented or be evident in the coming fiscal year's budget.

As a result, for FY22-23 the fund is projected to spend \$3.6 million more than expected revenue. The fiscal fund reserves at the end of the FY22-23 year is therefore projected to be \$13 million, representing 69% of the expenses and well over (by \$1.7 million) the reserve target set by the city. Projections for sales tax revenue over the next five years have been adjusted down from previous levels in the final budget. The purchase by the city of two properties resulted in borrowing \$5.2 million from the City Offices Fund as a loan, and \$1.7 million from the General Fund towards the purchase. The council will be discussing the uses of those properties over the next few months. As a part of those conversations, repayment of the borrowed funds will be determined.

The American Rescue Plan (ARPA) money from the first tranche, roughly \$180,000 that was put into a sinking fund is beginning to be used for downtown core maintenance. Separately, a six-month extension of the economic development manager position will add \$80,000 to the budget and was a correction from a previous figure cited for the staffing (\$180,000). Finally, a new work plan to establish downtown objective design standards - an item Council Member Susan Candell inquired about - will be amended at a future meeting and will incorporate the planning commission and council's updated standards after adoption of the Housing Element is completed.

There were no public comments on the budget. The additional \$80,000 and plan to apply ARPA money out of the second tranche to fund the economic development manager position was approved. A motion to move the budget item to the next phase for final review on Jan. 9 was voted upon and approved by all council members.

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