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Lafayette council receives staff update on proposed municipal budget

By Lou Fancher

The Lafayette City Council on June 12 received a report and recommendations from staff for the proposed FY2022?23 municipal budget. Administrative Services Director Tracy Robinson and City Manager Niroop Srivatsa highlighted and explained the background for changes and the most recent updates to the plan. The council was tasked with adopting Resolution 2023-35, a next-step process involving appropriating specific revenue and expenses; confirming the city's investment policy; determining the appropriation limits for FY2023-24; determining fees for city services, and authorizing transfers and expenditures related to the 2023 Capital Improvement Program (CIP).

Robinson directed the council members' attention to key points, including unfunded special projects requests, sinking fund items that should be funded annually to avoid large "surprise" expenditures in the future, and a \$1 million annual shortfall in CIP funds that, if left unaddressed, would sharply curtail investments in road repair and parking lot pavement conditioning beginning in FY2025?26.

Notably, two capital programs slated for FY2023-24, the Buckeye Patio and Community Center Play Area projects, require new and additional funding to reach completion. Because parking at city-owned lots has not been raised since 2006 and stands at \$1 per hour - while private parking lots in the downtown are charging \$2 per hour - the parking fund that has not recovered from COVID continues to be a net loss and a significant drain on the city's overall budget revenue. In FY2018?19, the last full "pre-pandemic" year, net parking revenue was \$158,000. In the last 3 years, net parking revenue has been negative - ranging from a loss of \$182,000 in FY2020?21 to a projected \$115,000 loss in FY2023?24.

Srivatsa's summary memo stated Lafayette's ending reserve for FY2022?23 is estimated at \$14.5M or 81% of General Fund expenses. For FY2023?24, the ending reserve is proposed to be \$14M, or 72%.

The council remains committed to four ambitious goals related to wildfire prevention; improving pedestrian and traffic safety and multimodal mobility, tasks along the Mt. Diablo corridor and downtown, and developing a fiscally sustainable plan for meeting the city's short-term and long-term needs. Because the current 5-year model shows the deficit starting to increase in FY2026?27 and the reserve likely dipping below 60% in FY2028-29, the staff report included mitigation strategies such as balancing the budget for the next five years and funding current requests by applying the remaining second tranche ARPA funds. Following Robinson's presentation of the proposed budget and work plan, Council Member Wei-Tai Kwok asked about the parking fund deficit and about real estate acquisitions that had been approved by council but did not appear on the proposed budget. Robinson encouraged the council to consider raising city lot parking fees and on Kwok's second point, said money set aside in the last fiscal year in anticipation of buying two properties was not needed when only one property was purchased. The unused money designated for the second property was transferred back into the General Fund and therefore not included in property acquisitions.

Council Member Susan Candell inquired about unfunded items on the proposed budget and next steps. Robinson said the council can adopt or add any items and submit them to staff for presentation at the next meeting. She advised council to keep in mind that anything added to the budget would require finding additional sources of revenue or paring back the budget to avoid overruns. "Ongoing deficits are not customary for Lafayette," she noted.

An extended discussion was had with Planning Director Greg Wolff about unfunded requests related to affordable housing. The city's Housing Element states that "The City has an existing Housing Trust Fund with limited funds and needs to find ongoing sources of revenue to provide meaningful financial support towards the production of affordable housing to meet its RHNA goals and affirmatively further fair housing through increased access to housing and high resource areas." Wolff said the state of California has identified housing as a crisis and imposed more restrictions in high resource areas like Lafayette. Although the city is meeting all the programs required for affordable housing, state cuts to certain types of tax revenue and how they can be used has created a "new environment" that since 2012 means funding sources for housing are reduced. "If tax increment financing were to be allowed in the future, it would cover the costs, but without it, cities and towns are tasked with being responsible for raising their own/additional re-development funds allocated to affordable housing," he said.

Public comments were largely addressed at funding for school crossing guards, financial support for Chamber of Commerce expenses involving police presence, lighting and other expenses during the annual Art and Wine Festival and Reservoir Run.

Returning to the council, budgeting for park facilities, capital improvement projects, recreation programs, and parking programs received rapid approval.

Unfunded expenses were discussed, with staff directed to update the budget plan with an additional \$40,000 for crossing guards (Council had previously committed to paying half of the cost up to a maximum of \$100,000); resurfacing of the city parking lots over next three years (\$500,000); using \$60,000 of ARPA funds to extend the contract for the Economic Development Manager for six months at 20 hours per week; among other items. Mayor Carl Anduri requested more information on how the housing appropriation would impact the budget moving forward. Council members directed staff to look into tax revenue sources and the processes required to approve any changes to policy, along with the details of applying ARPA funds to bridge any gaps before new sources of revenue are defined.

Robinson said she and staff will apply all the changes, explore council suggestions, "run the numbers," and

bring the item back to council for continued public hearing on June 26.

A detailed staff report, memo from Srivatsa, and the complete budget along with graphics of the plan can be found at the city's website: (https://lafayette.granicus.com/MetaViewer.php?view_id=&event_id=1209&meta_id=169155)

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