

City of Lafayette Staff Report

Date: December 8, 2014
For: City Council
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Subject: FY2014/15 Final Municipal Budget and Workplan

Introduction

This Final Budget is a refinement of the Proposed Budget adopted by the Lafayette City Council in June. The City remains in very good financial health with a projected General Fund balance of \$7M at the end of the fiscal year, June 30, 2015, which is equal to a reserve of 56%. Note that this balance is net of the \$1.9M used to purchase the old Library property. The reserve with the additional \$1.9M would be 71%, well above the Council standard of 60%.

FY13/14 actual expenses were \$1.1M less than budgeted while revenues were \$800K more. The primary differences from the budgeted amounts are detailed in the tables below:

Expenses Below Budget FY13-14	
Police	300,000
999 Unspent	200,000
Emergency Services Analysis	50,000
Emergency Response	50,000
Legal	140,000
Road & Drain / Traffic Maintenance	165,000
Housing Analysis	60,000
Parks Maintenance	30,000
TOTAL	995,000

Revenue Above Budget FY13-14	
Sales Tax	72,960
Property Tax	138,310
Transient Occupancy Tax	55,575
Motor Vehicle In Lieu	106,084
Engineering Fees	271,802
Planning Fees	115,321
TOTAL	760,052

The economy has continued to improve, and with it, the City's revenue has increased. Property taxes increased 5% over the prior year and sales taxes increased 3.4%. In addition, increased development from projects like Merrill Gardens and Signature Town Homes pushed Engineering and Planning fees above their budgeted amounts as well.

Expenses for police services came in \$300K below budget due primarily to vacant positions being filled by overtime. Therefore, while this practice may continue intermittently, this current budget reflects the full staffing of 17 officers. The variance in the legal services was due to a budget increase for FY13/14 of \$250K in anticipation of potential litigation that did not materialize last year. Finally, the budgeted expenses for two projects – Emergency Services Analysis and Housing Analysis – were rolled over into this fiscal year (FY14/15).

Revenue

Given the higher actual revenue figures for FY13/14, projections for FY14/15 have been revised. While the percentage increase year over year remains the same, adding those increases to a higher base has effectively increased General Fund revenue by \$135,000.

Five-Year Forecast

As a result of higher projected revenue, there is an estimated surplus of \$100K for FY14/15. Starting in FY15/16, the City will begin to collect approximately \$400K per year in additional revenue from the solid waste vehicle impact fees. Therefore, over the next five years the budget is projected to remain balanced even with an additional \$400K allocated to residential road repair starting in FY15/16. Note that while the current five-year forecast shows the reserve balance falling to 51% by year 5, this is due primarily to the purchase of the old library. The City expects to recoup this money in the next three years either by selling the property to the Lafayette School District, or by using money accumulated in the City Offices Development Fund. In that case, the reserve target is projected to be 64% in the 5th year.

Significant Fund Changes

- In FY13/14 Council established the Stormwater Pollution Sinking Fund. They directed that \$50K be put into that fund the first year and an amount increasing by \$10K each year for 10 years be similarly set aside. Therefore, in FY14/15 the set aside was supposed to be \$60K, however, because of shortfalls projected in the Proposed Budget, the Council opted decrease that amount to \$40K in order to balance the budget. Given higher than expected revenue, however, this Final Budget sets aside the full \$60K.
- Since the Library opened five years ago, the City has set aside \$50K per year for capital maintenance. However, in the FY14/15 Proposed Budget, this amount was pared to \$20K as a means to balance the proposed budget. This Final Budget restores the set aside to the full \$50K for this fiscal year.
- Added \$14.6K to Parks, Trails & Recreation Commission budget (11-140) for the Leigh Creekside Master Plan.
- Added \$12.5K to Parks and Trails Maintenance budget (11-340) to cover fallen trees on three trails (Jakovina, Hidden Oaks and Moraga Rd to Reservoir).
- Decreased City Council budget (11-110) by \$45K because we did not hold an election this year.
- Added \$30K for server upgrades to enhance disaster recovery capability (11-560).
- Added \$75K for consultants and temporary staff for the Circulation Commission (11-120). The Council directed staff to make recommendations regarding how to best accommodate both the ongoing workload and a number of special projects that are on the near-term horizon. Although Council has not yet considered those recommendations, this figure is meant to be a placeholder in the budget.

Capital Improvement Programs

The 2015 construction year Capital Improvement projects adopted by the Council in June remain unchanged, except to include re-budgets of projects that were not completed in the last fiscal year.

Note that the proposed budget anticipated using \$1.1M from the General Fund reserve that was set aside specifically for road repair. However, this budget uses only \$452K of the reserve, leaving \$681K for future projects without sacrificing any of the planned residential road repair. We are able to accomplish this by using \$452K from the Lamorinda Fee & Finance Authority in place of a drawdown from the CIP reserve. Projects for the 2015 construction year include:

- Completing 2014 Road & Drain Improvements
- 2015 Surface Seal Program
- 2015 Road Rehabilitation
- Mt. Diablo West End Pavement Preservation Project
- Olympic/Reliez Station Road Corridor Study
- Downtown Gateway Monument Signs
- Happy Valley Rd. Safe Routes to School Walkway
- Quandt Road Walkway

Unfunded Projects

The City has periodically discussed with the Library Foundation the addition of automated doors for the library to enhance ADA accessibility. Cost estimates range from \$15,000 to automate one outside door to the Community Hall, or as much as \$100,000 to automate all six of the Community Hall doors (outside and gallery) plus the ones in the garage. There is currently a balance of \$34K in the Library Operations Fund (Fund 37) that could be used for this purpose if the Foundation agrees to do so. Alternatively, the Council could use some of the sinking funds set aside for library capital improvements for this purpose. There is currently \$250K in that fund. This project is currently unfunded in this budget.

Reserve Standard

The Council updated the target reserve to 60% as of fiscal year FY13/14. The final budget estimates that the City will have cash balances of \$7M at the end of the fiscal year, which equates to 56% of General Fund expenditures, including regular annual transfers.

Recommendation

Receive the Final FY2014-15 Municipal Budget and Workplan and adopt Resolution 2014-60.