



LAFAYETTE VISTAS

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BUDGET 101:

Demystifying the Convoluted World of City Finances

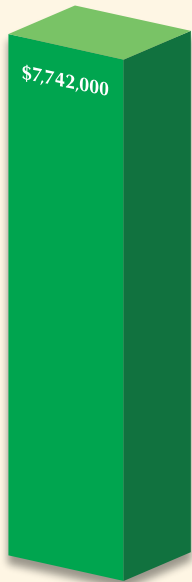
Have you ever wondered why some special projects and programs are funded but others, seemingly more deserving, go wanting? For local governments, the problem is that the City Council doesn't have the ability to spend its revenue however it chooses. In fact, Lafayette's City Council only has discretion on just 50% of the City's total budget. This is because in California, municipalities operate using "fund accounting," a technical term meaning that City revenues go into and come out of individual funds, or what we like to call "buckets." And some funds have strings attached and can only be spent on specific programs. The main purpose of this issue of *Vistas* is to explain in simple terms the basics of municipal finance and keep you informed about the City's

current financial situation. We recognize that your hard-earned money is a valuable resource, and it is important that you know how your tax dollars are being spent. It's especially crucial now, because increased pressures from residents for additional services, unfunded mandates from the State and higher than normal inflation have combined into a perfect storm to create budget deficits that will need to be addressed in the upcoming years. To fully understand where Lafayette's money goes, we must first understand where it comes from and what buckets (funds) are available. Read on to find more details on public finance, as well as links where you can take an even deeper dive into Lafayette's budget.

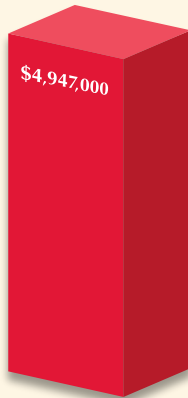
GENERAL FUND BUDGET 2023-2024

Rounded as of July 1, 2023

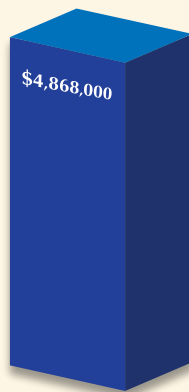
POLICE SERVICES
Police Services, Traffic Enforcement, Emergency Prep, Crossing Guards, Crime Prevention



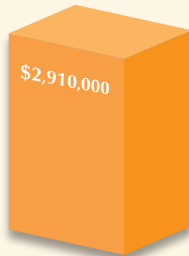
PUBLIC WORKS & ENGINEERING
Roads, Drains & Traffic Maintenance, Code Enforcement, Public Facilities Maintenance, Downtown Landscaping, Stormwater Pollution Control, Transportation & Circulation, Library Maintenance, Capital Improvement Projects



ADMINISTRATION
City Council, City Manager, Public Art, Legal Services, Finance & Personnel, Communications, Technology, Risk Management, City Clerk, Additional Library Hours



PLANNING
Planning, Design Review, General Plan, Environmental Task Force, Planning Services



PARKS, TRAILS & RECREATION
PTR Commission, Senior & Youth Services, Senior Transportation, Parks Maintenance, Community Center Maintenance



\$21,800,000
GENERAL FUND BUDGET

\$7,200,000
PROPERTY TAX REVENUE

\$3,500,000
SALES TAX REVENUE

25,004
RESIDENTS

10,124
HOUSING UNITS

51 EMPLOYEES

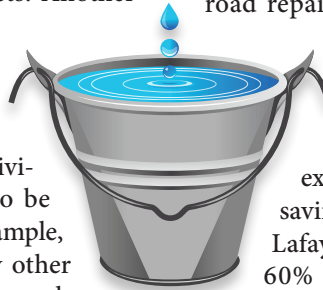
FOR MORE INFO GO TO lovelafayette.org/opengov

Lafayette's Mission Statement: Lafayette's vision is to be a welcoming, inclusive, safe, family-friendly city for residents and visitors alike, with excellent schools and a commitment to lifelong learning that respects and preserves its magnificent natural setting. We pursue this vision by engaging residents, community groups and business and property owners to work together with our city government to make Lafayette a highly desirable small-town community with a semi-rural ambiance.

TYPES OF FUNDS IN THE CITY BUDGET

Here are the “four buckets” that represent the different types of funds that make up the City’s budget.

- **Special Revenue Funds:** These funds include money that has specific legal restrictions on their use. For example, Lafayette receives gas taxes, but these funds can only be spent on streets and road-related programs, such as paving projects. Another source of restricted revenue are Development fees, which are paid on new construction; for example, the Parkland Dedication fee can only be used for parks and recreation purposes.
- **Enterprise Funds:** These funds track money for activities that are supported by user fees and meant to be “self-sufficient”. Lafayette’s recreation classes, for example, are entirely self-supporting and not subsidized by other funding sources. Parking Funds are another example. Money generated from city-owned parking meters and citations is used only to pay for city-wide enforcement costs and acquiring additional parking for the Downtown. The City does not receive any revenue from private lots.



- **The General Fund:** This is the bucket the City Council has complete discretion over. It is the chief operating fund and is used for all financial transactions that are not accounted for in some other fund. This year, Lafayette’s General Fund revenues are expected to total about \$19M. Of this amount, over half (58%) is spent on police services and public works, including road repair and maintenance. The remainder is allocated to planning, legal costs, administration, and other smaller programs.

- **Reserves:** Nestled within the General Fund is Lafayette’s Rainy Day Bucket. Most financial experts suggest that, in case of an emergency, you need savings equal to three to six months worth of expenses. Lafayette’s longstanding policy has been to keep at least 60% of annual expenses in its reserve account (about \$12M). Not only does this reserve act as a source of funds for an emergency, such as a wildfire or earthquake, it also serves to help us weather a short economic downturn without significantly cutting services.

SHOW ME THE (GENERAL FUND) MONEY

Since the General Fund is the only “bucket” the City Council has complete discretion over, let’s look a bit deeper into where that revenue comes from:

The largest source of revenue to the General Fund comes from property taxes. However, you may be surprised to learn that the City only receives a very small portion of every property tax dollar you pay. The rest goes to the County, the schools and community college districts, BART, the sewer district, East Bay Regional Parks District, etc. By far the largest amount of the bill is for the 1% Countywide Tax and is based on the assessed value (not the market value) of your home. What you probably don’t know is that the City gets only 6% of that amount. So, as an illustration, for a single-family house in Lafayette assessed at \$1M, the property owner will pay \$10,000 for the countywide tax, and the City will only receive \$600 of that amount.



The City only receives 6% of the 1% Countywide Property Tax.

Sales Tax is another significant source of revenue for the City. This is why we continue to remind residents that shopping locally benefits the community – the more you spend at Lafayette-based businesses, the more sales tax revenue the City receives! In Lafayette, the sales tax rate is 8.75%. However, just like your property tax dollars, only a portion of what you pay in sales tax is remitted back to the City of Lafayette. As an illustration, say you purchase merchandise in Lafayette that cost \$100. You would pay an additional \$8.75 and almost half of it goes to the State, some is remitted to the County, some goes for transportation measures like BART, but only \$1 is directly returned to Lafayette.



The City only directly receives 1 penny in sales tax for every taxable dollar spent in town.

The other significant source of revenue is a payment from the State that is often referred to as the “Vehicle Tax”; the complex distribution formula involves vehicle license fees and property taxes (and we would need a much longer publication if we were to delve deeper into this trickle down revenue from the state).

The City also receives revenue from franchise fees from utilities such as PG&E, Comcast, AT&T, and waste management for use of the City’s right-of-way. The remaining revenue comes from fees we collect on certain services like planning, permits, engineering and recreation, as well as transient occupancy taxes collected for hotel stays, and miscellaneous revenue such as investment returns, rental of property and vehicle code fines.



CELEBRATING 175+ YEARS: POST-GOLD RUSH GROWTH THROUGH INCORPORATION

Throughout this year we have been celebrating more than 175 years of Lafayette's history through presentations and events offered in partnership with the Lafayette Historical Society. In the past issues of *Vistas*, you read about the Bay Miwok people, the Spanish Missionary period, followed by the Mexican Rancho Period, which ended with the California Gold Rush around 1849. Fast forward to 1911: Lafayette was a village with a hotel, saloons, a blacksmith shop, a general store, a church, and a school. A small group of residents gathered together to form a club known as the Lafayette Improvement Club, (later "Lafayette Improvement Association or "LIA"). The organization was formed to address issues affecting the community in the absence of a formal city government, and their efforts have shaped the community we have today. Some examples include:

- LIA fundraised to construct a building to hold meetings and social gatherings. The building opened in 1914, and is still standing in downtown Lafayette today – it's the home of Town Hall Theatre.
- The drought in the 1920s caused many wells to dry out and by 1925, the lack of water was a barrier to continued development, so LIA's priority became the formation of a water district. They were successful in establishing the district, and in 1930, LIA lobbied to have it become part of the East Bay Municipal Utility District.
- In 1926, the LIA advocated for a low level tunnel since the route to Oakland was problematic and an obstacle to growth. Their advocacy helped create the Caldecott Tunnel, which opened in 1937.
- In 1939, the LIA began fundraising to build a new library (which to this point was in a combined space with the Post Office).



Town Hall

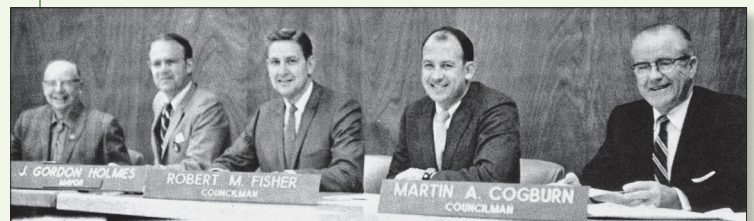
■ By the late 1930s through the 1940s, a major problem was traffic on Mt. Diablo Boulevard. It was still the main road from Oakland to Martinez. Businesses were confined to the south side because it was very unsafe for pedestrians to cross. While a stop light was installed at Moraga Road in 1947 and in 1949 the boulevard was made into 4 lanes, it remained a busy and dangerous road.

■ In 1957, a 2-mile bypass was built (where Hwy 24 is now) to take through traffic off the main downtown street. The next year, plans for BART began; BART wanted to use the old Sacramento Northern right-of-way which today is the Lafayette Moraga Trail.

The LIA responded with an adamant "no." They believed BART should use the median of the freeway. Finally, in 1964 BART agreed to the downtown station and the State built a freeway ramp to the downtown.

The LIA had always advocated for local control instead of having to petition the County Supervisors for action. In 1958, they helped get the issue of incorporation placed on the ballot, however, this first attempt failed. Finally, on July 9, 1968, the issue was up again, and this time voters approved incorporation. Many LIA directors were appointed to new City commissions.

Want to learn more? Visit the Lafayette Historical Society website at www.lafayettehistory.org or visit our "Celebrating 175+ Years" webpage at www.lovelafayette.org/175plus



Lafayette's first City Council members in 1968. L to R: Jack Marchant, Mayor Donn Black, Dr. J. Gordon Holmes, Robert M. Fisher and Martin Cogburn.

KEEP UP TO DATE ON CITY NEWS

One easy way to keep informed about what's going on with the City is to sign up to receive our news products via the e-Notification system. It's simple and free to sign up. The main news items we publish are:

- **Almost Daily Briefing** – a nearly everyday email with links to news articles on issues facing our community

- **General News** – press releases
- **Weekly Roundup** – a weekly summary of City and local news and events to keep you informed about what's happening around Lafayette (original content)
- **Lafayette Vistas** – a PDF copy of this periodic newsletter delivered electronically

You can also sign-up for other emails based on your areas of interest such as City Council and other public meetings, etc. Go to www.lovelafayette.org/e-notification and fill out the form to register; then, look for a verification email in your inbox to activate your subscription.



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FIVE-YEAR FORECAST SHOWS A DEFICIT

Why are we sharing the budget primer with you now? In addition to providing a good foundation about how local government finances work, we want you to have a good understanding of our expenses and revenues because unfortunately, our budget forecasts show us “in the red” in the coming years.

Lafayette was incorporated in 1968 as a limited-service City and we are very proud to have been able to keep expenses down and consistently balance our budgets. However, as prices on everything from materials to labor continue to increase and the state continues to impose myriad unfunded mandates, we are faced with the prospect that we will soon have ongoing structural deficits every year. Our Five-Year Model shows a deficit of approximately 10% starting next fiscal year. This equates to about \$2M annually in ongoing expenses.

It is also important to note that the forecast is based only on the current level of services; it does not provide for additional projects that are necessary to plan for increased housing and traffic, new amenities such as downtown parks, or any programs to reduce the risk of wildfire faced by our community. Furthermore, the five-year budget does not include funds that are needed to repair and upgrade the City’s aging facilities such as the Community Center and other under-funded and un-funded projects that have been discussed by the City Council and requested by residents.

If you manage a household budget or run a business, you know that it’s not sustainable to have expenses exceed your revenue. Faced with this situation, you either must reduce expenses, increase revenue, or some combination of both.

So, in the coming months, we want to engage with you through upcoming discussions about our current financial situation, possible service reductions that the community may be willing to tolerate, as well as possible ways to increase revenues. You can sign up to be kept informed about this topic by going to www.lovelafayette.org/e-notification; fill out your contact information and then select “Fiscal Sustainability” in the “News” section. To complete the sign-up, look for a confirmation email.

FINANCIAL DATA

The City’s fiscal year runs from July 1 through June 30 and includes multiple public meetings where the public can hear updates and provide their feedback. To learn more about the budget process, visit our website www.lovelafayette.org/budget.

The webpage includes a link to our online interactive portal hosted by Open Gov, where you can get detailed, customized information about Lafayette’s budget and finances over multiple years via a simple graphical user interface. Also on our website are recent Annual Comprehensive Fiscal Reports that detail what was actually spent and received each fiscal year.



CITY DIRECTORY

Council Members

Gina Dawson	Mayor
Wei-Tai Kwok	Vice Mayor
Carl Anduri	Councilmember
Susan Candell	Councilmember
Teresa Gerringer	Councilmember

For Council Members call: 925-284-1968

Messages to all Council Members:

cityhall@lovelafayette.org

City Departments

Main Offices 3675 Mt. Diablo Blvd. #210
City Manager – Niroop K. Srivatsa
General Reception 925-284-1968

Administration 925-284-1968
Admin. Services Director – Tracy Robinson
City Clerk – Joanne Robbins

Engineering Services & Public Works

Director & City Engineer – Mike Moran
Engineering Dept. 925-284-1951
Code Enforcement 925-299-3280
Maintenance/Corp. Yard 925-934-3908
Submit Public Works maintenance requests online at:

lovelafayette.org/maintenance-request

Report illegal dumping into waterways and accidental spills to Contra Costa Hazardous Materials Division 925-646-2286

Parks, Trails, Recreation

500 St. Mary’s Rd
Director – Jonathan Katayanagi
Youth/Adult Recreation,
Parks & Trails 925-284-2232
Senior Services 925-284-5050
Lafayette Spirit Van 925-283-3534
lovelafayette.org/rec

Planning & Building

925-284-1976
Director – Greg Wolff
Building Department 925-655-2704
lovelafayette.org/Planning

Police Services

3471 Mt. Diablo Blvd.
Police Chief – Ben Alldritt
Emergency (24 Hours): 911
Non-emergency Dispatch (24 Hours): 925-284-5010
Administrative Office: 925-283-3680

Sign up for emergency alerts:
lovelafayette.org/ready

City Website: www.lovelafayette.org

Connect with us on social media
and sign-up for agenda notices:
 lovelafayette.org/connect