



LAFAYETTE VISTAS

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CITY FACES TOUGH DECISIONS REGARDING \$2M DEFICIT

In the January issue of *Vistas*, we told you that the city has a problem – an approaching deficit totaling close to \$2M annually, beginning the next fiscal year. In case you missed it, or you want a refresher, you can access that issue online at www.lovelafayette.org/vistas. After hearing about the deficit, the question most often asked is “Why?” Keep reading this issue to learn about the myriad interrelated reasons that are impacting the city’s financial situation.

Unfortunately, we simply can no longer delay dealing with this fiscal challenge. Without new revenue, we will not be able to continue to offer the current level of services and the City Council will have to make difficult decisions about which programs and services to reduce or cut, altogether. We know the Lafayette community is comprised of thoughtful people who care about our community’s future and maintaining our enviable quality of life. Everyone is encouraged to visit www.lovelafayette.org/FiscalSustainability to read more about the city’s budget, learn about future meetings, and how to share your input with city officials.

Please take a moment to sign up to be kept informed about this topic by going to www.lovelafayette.org/e-notification; fill out your contact information, then select “Fiscal Sustainability” in the “News” section. To complete the sign-up, look for a confirmation email. If you do not have an email address, or require assistance to fill out the form, please contact us at 925-284-1968.

COUNCIL SETS GOALS FOR 2024

Annually, the City Council meets to set its goals for the upcoming year. These are the items that, in addition to the basic services Lafayette provides its constituents, the City will concentrate on in 2024. With the budget forecasts showing a deficit starting in fiscal year 2024-25, City Council focused on belt-tightening and did not add any new projects for Staff to undertake. The Council re-affirmed its commitment to:



Fiscal Sustainability

This is recognized as the top priority and key to the City’s ability to maintain ongoing operations and to deliver on the Council’s other priorities.



Wildfire Prevention, Preparedness/ Responsiveness and Utility Safety

Continue to focus on education, partner with other agencies to reduce risks, and work with legislators to ensure wildfire risk is considered by the State when determining the new Regional Housing Needs Allocation (RHNA).



Develop a Downtown Enhancement Plan

Including steps to prepare for new residential development along the Mt. Diablo Corridor.

WHY IS LAFAYETTE

The reasons for the City's looming deficit of close



1 PAVEMENT MANAGEMENT

The cost to maintain our 92 miles of public roads has increased by \$1M a year. This is due to various factors — the main one being a 33% increase in the cost of contracted labor and materials for road paving in the past 5 years compared to only a 23% increase of revenue over the same period. In addition, the cost of ancillary infrastructure — such as curbs, ramps, sidewalks, pathways, flashing beacons, and storm water retention facilities — have redirected money away from pure paving projects, while adding infrastructure inventory that will require ongoing maintenance.

2 INSURANCE

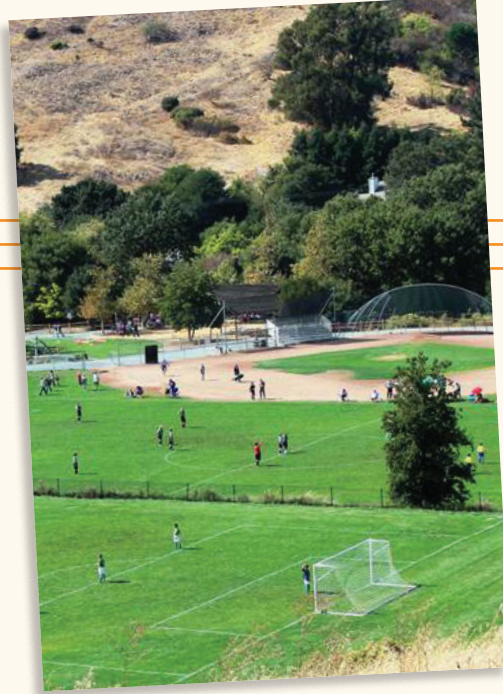
The cost of insurance such as general liability, property, and employment insurance has gone up 144% over the last five years. The increase is due to a variety of factors including: (i) a nationwide increase in catastrophic losses due to weather events and (ii) increasing incidents of wildfire, and (iii) an escalating propensity of people to sue, coupled with large increases in the size of jury awards with courts and juries most often favoring plaintiffs. While Lafayette hasn't had any disaster-related losses or large awards, these factors are driving the insurance industry as a whole towards higher premiums.

3 UNFUNDED MANDATES

The State continues to mandate programs and policies onto cities, but without providing additional revenue. A good example of this is Stormwater Pollution. The water board consistently increases the requirements for compliance with clean water regulations without giving the cities any ability to increase the revenue necessary to complete the tasks. Over the last 10 years, costs related to these services have increased by 78% and as a result, the current gap is about \$300K per year, which will continue to grow due to inflation and additional mandates. Another recent example is the staff, time, and resources needed to implement affordable housing requirements. In addition to the \$215K annually set aside to assist with affordable housing projects, 60 programs were submitted to HCD that the City must implement. That alone will require 1 full-time employee for the next few years.

FACING A DEFICIT NOW?

to \$2M boils down to these six main things:



4 INFLATION

Anyone who has been to the grocery store or filled up their gas tank recently knows that everything is more expensive than it used to be. The problem is that our revenues are not increasing at the same rate as our expenses. Even if it starts off relatively small, the gap widens over time. A good example is the Downtown Core Area Landscape & Lighting District. The cost to maintain this area has risen 23% over the last 10 years, but the taxes have remained flat; thus, the City is now facing an annual gap of approximately \$250K.

5 MAINTENANCE

For many years it has been the City's practice to set aside money in a "sinking fund" to accrue money for large capital expenses that we know we will incur in the future – such as ballfield rehabilitation, city vehicle replacements, Community Center roof repair, playground equipment, library building capital maintenance and improvements, etc. However, as the City has grown and acquired assets, and as inflation has taken its toll, these amounts are simply insufficient for the future needs. While we did recently add \$110K annually to these funds, even that amount is not nearly enough. For example, a recent estimate to replace the roof and HVAC at the Community Center is \$4.2M.

6 COMMUNITY STANDARDS

In a recent survey, 93% of residents polled indicated that they were satisfied with their quality of life in Lafayette. Lafayette residents have high standards; thus, we want the downtown to be vibrant and welcoming. We want to be informed about, and have a say in, State legislation. We want safe streets for pedestrians, bicyclists, and drivers. We want the City's infrastructure well-maintained and attractive. And, we want a safe, healthy, beautiful, and sustainable environment. While all these projects and programs are worthwhile they come at a cost. And that cost is going up every year.



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WHY IS A SALES TAX MEASURE BEING DISCUSSED?

To say it plainly, there are only a few options for solving the budget shortfall – raise revenue, cut services, or a combination of the two.

As explained in the last issue, the General Fund is the only “bucket” of funds the City Council has complete discretion over, and the largest source of revenue to the General Fund comes from property taxes. Unfortunately, the City receives a very small portion of every property tax dollar you pay. To solve the shortfall with a property tax, the owner of each parcel of property would need to pay approximately \$200 per year more per year.

Sales Tax is the other significant source of General Fund revenue for the City. Just like your property tax dollars, only a portion of what you pay in sales tax is remitted back to the City of Lafayette.

Currently, the sales tax rate in Lafayette is 8.75% – the city gets 1% and the other 7.75% goes to the State, the County, and towards local and regional transportation projects. A half percent (1/2%) local increase - *half a penny on every dollar* - will generate approximately \$2.4 million annually; enough to maintain status quo (meaning the current level of services and programs presently being provided to local residents by and/or through the City), thus eliminating the need to cut back or eliminate the services and programs presently being provided to Lafayette residents. Alternatively, an increase of one cent (1%), would raise approximately \$4.7 million each year; enough to fill the budget gap AND tackle additional projects like wildfire preparedness, traffic safety, protecting more open space, and building more public parks. Another option is to cut back, or even eliminate, some services and programs currently being provided by or through the City. However, a recent survey of Lafayette residents showed that 86% of the respondents are satisfied with the current level of City services.



If Lafayette voters were to approve a local sales tax increase, 100% of the revenue generated through the increase would remain in Lafayette and used to benefit Lafayette residents. Further, visitors to our city, who enjoy and benefit from our amenities, would also contribute, so the entire burden will not fall exclusively upon our residents. Finally, nearby communities (Moraga, Orinda, and Walnut Creek to name a few) have already authorized increases to their respective sales taxes, which help those cities provide local services to their constituents.

We are still in the discussion phase and the City Council will need to consider the matter and decide whether to place a measure on the November 2024 ballot by early August. Any sales tax increase would need to be approved by Lafayette voters.

Please see the box on the front page to learn how to sign up to receive notices about this important topic.

CITY DIRECTORY

Council Members

Gina Dawson	Mayor
Wei-Tai Kwok	Vice Mayor
Carl Anduri	Councilmember
Susan Candell	Councilmember
John McCormick	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

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lovelafayette.org/ready

City Website: www.lovelafayette.org

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