



City Council

Gina Dawson, Mayor
Wei-Tai Kwok, Vice Mayor
Carl Anduri, Council Member
Susan Candell, Council Member
John McCormick, Council Member

June 2024

Dear Lafayette Community Members,

I am writing to you today because the City of Lafayette is facing a major set of fiscal challenges beginning in FY2024-25. Since Lafayette was incorporated in 1968 as a limited-service City, we have been very proud to have been able to keep expenses down and consistently balance our budgets. However, due to recent cost increases on everything from materials to labor and more unfunded mandates being imposed by the State, we are now faced with the prospect that Lafayette will soon have ongoing structural deficits each year.

Specifically, the City's Five-Year Model shows a deficit of approximately 10% starting next fiscal year (FY 2024-25). This equates to more than \$2M annually in ongoing expenses. Furthermore, the five-year budget does not include funds to repair and upgrade the City's 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 Lafayette residents. It is also important to note that the forecast is based only on the current level of services; it does not factor in additional projects that are necessary to plan for increased housing and traffic, new amenities such as downtown parks, or any programs to reduce wildfire risk.

We can no longer delay addressing this fiscal challenge, so the City Council is currently considering placing a funding measure on the November 2024 ballot, asking Lafayette voters to authorize a local sales tax increase of up to 1% (one penny *on every dollar spent locally*) to address this challenge facing the City.

We are still in the discussion phase and the City Council will need to decide by early August whether or not to place a funding measure on the November 2024 ballot. If placed on the ballot, a sales tax increase would need to be approved by Lafayette voters.

Below are several additional points relevant to the City's finances:

- An increase of 1% to the local sales tax rate (*one penny on every dollar spent locally*) would raise approximately \$4.7 million each year; enough to fill the budget gap and fund additional projects like wildfire preparedness, traffic safety, adding more open space, and building more public parks.
- A half percent (1/2%) increase - *half a penny on every dollar spent locally* - will generate approximately \$2.4 million annually; enough to maintain the current level of services and programs presently being provided to local residents, thus eliminating the need to cut back or eliminate the services and programs presently being provided to Lafayette residents.

- Lafayette's current sales tax rate is 8.75%; however, the majority of this revenue goes to other agencies such as the state, the county and BART.
- If authorized by local voters, a 1% increase would increase the Sales Tax from 8.75 to 9.75%, which is the same rate as Moraga and Orinda.
- A voter-approved sales tax would provide local funding that cannot be seized by the State; thus, 100% of the revenue will remain in the City to benefit Lafayette residents.
- A sales tax is paid by non-City residents who dine and shop in Lafayette, as well as by local residents; thus, funds are brought into the community from people who reside outside the community. For example, commuters who frequent local restaurants, purchase gas locally, and shop in Lafayette will be paying this sales tax.
- Most groceries and medicines (prescription drugs) are exempt from being charged sales tax.
- Without additional revenue, the City Council will have to consider whether to cut back, or even eliminate, some services and programs currently being provided by or through the City.

We know the Lafayette community is comprised of thoughtful people who care about our community's future and maintaining City services, and are reaching out to invite everyone in the community to read more about the City's financial situation and participate in upcoming discussions about this important topic.

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. Be sure to read the [Winter 2024 issue of Vistas](#) (about municipal finance) and the [Spring 2024 issue](#) (about why Lafayette is approaching a deficit). You can also watch the recent presentation made to the City Council on June 10 about this issue on our [YouTube channel](#).

Everyone is also encouraged to sign up to receive the City's Weekly Roundup, a free newsletter emailed on most Fridays that includes information about topics important to our community. Sign up at www.lovelafayette.org/e-notification or call us at 925-284-1968 for assistance.

Please share this information with your network. There is a Speakers' Bureau available to any organization or community group that would like a presentation regarding the Initiative under consideration. To request a presentation, please contact Suzanne Iarla, Communications Analyst, via email at siarla@lovelafayette.org

If you have questions about the deficit or the possible funding measure, please email lafayettelists@lovelafayette.org.

Thank you,

Niroop Srivatsa, City Manager
925-284-1968