



# MEASURE H FACT SHEET

## *City of Lafayette Sales Tax Measure*

Posted 10/30/24 v2

### **What is this issue all about?**

It is the City of Lafayette's responsibility to provide public services and facilities that maintain our community's quality of life. City employees continue to work hard every day to provide the services that residents tell us they value most, such as public street, pathway and storm drain maintenance, pothole repair, wildfire preparedness, police services, traffic safety, and senior and youth programs.

Our goal is to keep pace with these service requirements while also being fiscally responsible. The City's General Fund Budget provides funding for City services and facilities. Recent assessments have shown that Lafayette's budget has an ongoing deficit of more than \$2M annually. Without additional revenue, the Council will have to make difficult decisions about which programs and services to reduce or eliminate. The Council considered several funding options to address this deficit and decided to put a ½ cent sales tax measure on the November 5, 2024 ballot.

### **When will voters decide on this measure?**

Measure H will appear on the November 5, 2024 ballot for Lafayette voters. It will require a 50% +1 vote to pass. The ballot question language reads as follows:

CITY OF LAFAYETTE SALES TAX MEASURE.

To provide funding to maintain City services, including public streets, storm drains, pothole repairs, wildfire preparedness, number of police officers, traffic safety, senior and youth programs, and other general city services, shall the measure enacting a 1/2¢ sales tax for 7 years generating approximately \$2,400,000 annually with yearly financial audits, public review of expenditures by a citizen oversight committee, and all funds benefitting Lafayette be adopted?

### **How could funds raised by Measure H be used?**

These funds would go directly into the City's General Fund and be used to fund City services. The General Fund provides funding for City services and facilities including:

- Maintaining public streets and storm drains and providing timely pothole repair.
- Funding wildfire preparedness activities.
- Maintaining the number of sworn police officers at the current level.
- Maintaining the current level of services for seniors.
- Cleaning and maintaining city parks, open spaces, paths, and playfields.
- Improving traffic safety on our streets and roads for all users.
- Continuing financial support for our community partners like the Chamber of Commerce and the School District.

### Why was a sales tax chosen?

City leaders evaluated several possible funding options for generating additional revenues that would have the least impact on Lafayette residents. A sales tax measure applies to visitors who dine and shop in Lafayette as well as residents and would help fund our City’s amenities while not impacting certain purchases like rent, mortgage payments, utilities, groceries, or prescription medication. The option ultimately chosen by the City Council is a half-cent sales tax increase, which is calculated to be enough to fill the budget gap and avoid reducing current services. The tax would add 50 cents to a \$100 purchase made in Lafayette and requires local voter support of 50% + 1 to pass.

### How much additional funding would a ½ cent sales tax generate for the City?

A ½ cent sales tax would raise about \$2.4 million per year for City services, depending on the economy. All funds generated by the local sales tax would be locally controlled and stay in Lafayette to provide important city services. By law, the State cannot take this funding away, and the City is not required to share it with any other entity. 100% of the revenue would remain in the City to benefit Lafayette residents.

### How does Lafayette compare with nearby cities in terms of sales tax rates?

Lafayette’s current sales tax rate is 8.75%. If voters approve a ½ cent sales tax measure, Lafayette’s rate will be equal to Pleasant Hill and Walnut Creek with a 9.25% sales tax rate. Even with this new tax, Lafayette’s overall sales tax rate would be lower than those of Orinda, Moraga, and Concord.

Neighboring Cities	Current Sales Tax Rate
Concord	9.75%
Moraga	9.75%
Orinda	9.75%
Pleasant Hill	9.25%
Walnut Creek	9.25%
Lafayette (today)	8.75%

### How much revenue does the “add-on” sales tax generate for the state?

None. By law, 100% of the revenue generated by the proposed sales tax increase must stay in Lafayette to fund general city services. None of these funds can be taken by the State or diverted to other communities or jurisdictions. By comparison, the City of Lafayette receives only 1% of the existing 8.75% sales tax.

### What would a sales tax apply to? What’s taxed and what isn’t?

A ½ cent sales tax equals half a penny for every taxable dollar spent. A local sales tax would apply to the same goods and services as the existing sales tax. For example, furniture, cars, giftware, toys, antiques, clothing, gasoline or dining at a restaurant would be subject to the tax. Items exempt from sales tax include certain food products for human consumption (groceries), items paid for with food stamps, prescription medicine, specific medical devices, rent, mortgage payments, and utilities.

### If Measure H is approved, when would the sales tax go into effect?

A: If voters approve the measure and the election results are certified by December 12, 2024, retailers in Lafayette will start to collect the ½% starting on April 1, 2025. The increase sunsets (ends) in seven years on March 31, 2032.

### What is the City doing to manage its finances?

For many years, the City has been able to balance its budget, build a health emergency reserve, and operate frugally. In fact, the City operates slightly differently from most other cities to save costs. For example, we contract for our police services from Contra Costa County. This saves money on ancillary expenses such as insurance, dispatch services, and personnel admin costs related to recruiting, discipline, workers' compensation, disability, liability, and other fees. And, when possible, we look for cost savings. For instance, we leverage in-house expertise over more expensive contract work when appropriate and by doing our own survey and design work for capital projects with existing staff instead of contractors, we estimate that we have saved \$2.9M over the last five years. In addition, Lafayette has a 401-style defined contribution pension program as opposed to the PERS defined-benefit pension that most California cities have, almost zero debt, and councilmembers and commissioners that are all-volunteer.

### Why is Lafayette facing a deficit now?

- **PAVEMENT MANAGEMENT:** The cost to maintain our 92 miles of public roads in their current condition has increased by \$1M a year. The cost of contracted labor and materials has increased 33% over the past five years, compared to a 23% increase in available revenue over the same period.
- **INSURANCE:** The cost of general liability, property, and employment insurance has increased 144% over the last five years. Lafayette has not had any disaster-related losses or large jury awards, but several factors have caused the national insurance industry to raise premiums.  
**UNFUNDED MANDATES:** The State continues to mandate programs and policies onto cities, but without providing additional revenue. Although it is only a small percentage of the total \$2M+ deficit, unfunded mandates are an on-going, and growing expense that the City is obligated to fulfill.
- For example, our costs for Stormwater Pollution compliance have increased 78% over the last 10 years while revenue has remained flat. Another recent example is the staff, time, and resources required to implement the 60 programs required by the Department of Housing as part of the most recent Housing Element submission. See more details below.
- **INFLATION:** Due to inflation, everything is more expensive than it used to be, and revenues are not keeping pace with expenses. Even if inflation moderates in the coming years, the deficit will remain without additional revenue or service cuts.
- **DEFERRED MAINTENANCE:** For many years, the City has been prudent about accruing money in “sinking funds” for large capital expenses and maintenance for our infrastructure – the library and police station, the community center, ballfields, parks, playground equipment, etc. However, as the City has grown and acquired assets -- and as inflation has also increased -- these amounts are insufficient for future needs.

### More About Unfunded Mandates

With respect to Storm Water Pollution – which our largest unfunded mandate – the City and other storm water agencies throughout California have been pursuing recovery for unfunded mandates for at least two decades. These collective efforts have resulted in a favorable California Supreme Court case involving the LA permit and two favorable Court of Appeal cases involving the San Diego permit. These cases demonstrate that certain parts of the storm water program are unfunded state mandates, and at least in LA and San Diego there may be some ability to recover for some of those costs. However, it has taken cities in LA about 20 years to get

any money back, and San Diego is still waiting for reimbursement after 17 years. In the end, funding of the storm water program is very complicated and there is no easy answer to how to meet the City's obligations.

The State argues that municipalities could adopt a fee to be paid by property owners to cover the expenses, therefore it is not the State's obligation to reimburse cities. However, cities (along with the Howard Jarvis Taxpayers Association) disagree about the legal authority to levy such a fee at the Council level without preapproval by the voters. As a small city, spending our limited resources – both staff time and money -- fighting the state on this issue is not fiscally prudent. We will however continue to join with our fellow cities on any efforts they put forth that may eventually come to fruition with respect to these reimbursements. However, however we do not anticipate this happening in the near future, nor do we anticipate even successful claims being paid timely.

While the Storm Water Pollution unfunded mandates account for only about \$300K (15%) of the projected \$2M+ deficit, Lafayette has current programs that need to be funded now.

Other examples include planning-related mandates that require staff, time, and resources to implement. Some examples include:

- Housing Element Update: Cities are required to update their Housing Elements every 8 years. State has provided some one-time grants toward certain tasks associated with preparing the most recent (2023-2031) Housing Element, however, the State provides no direct funding to jurisdictions like Lafayette for preparing the Housing Element.
- Beyond the expense to undertake the update of the Housing Element, we included 60 new programs in our Housing Element in order to meet the State's housing requirement; Those new programs must be implemented, requiring the equivalent of at least one full-time employee for the next several years. Currently, the Planning Department has one FTE position frozen because of the deficit.
- The State requires jurisdictions to track data and prepare various reports (sometimes as frequently as each year) on housing applications and housing production. The requirements of this report expand each year as more legislation is passed.
- New State housing laws often require cities to update their codes to keep up with new legislation (like SB 330, SB 9 and 10, AB 2923, AB 2911, ADU bills etc.)
- Another small but recent example is AB2022 which required the term "squaw" to be removed as a place name. We estimate it cost us thousands of dollars in staff time to research and prepared documentation for the State regarding if any places or geographic features in Lafayette used the term "squaw" in its name.

And, here are some examples of other unfunded administrative/recordkeeping expenses:

- The City is obligated to prepare numerous reports/records, ensure that both regular employees and elected officials receive regular training on ethics and sexual harassment, and update our local codes to keep up to date with ever-changing State laws; the staff time to perform this work is not reimbursed by the State.
- Brown Act specifications for Agenda Posting
- FPPC Filing Requirements, Maddy Act Appointment List, State Controller's Office (SCO) Annual Reporting, etc.

- Yet another small but recent example is SB 1383 Organics - Starting in 2023, Cities are now required to spend time reporting/recording compliance with the state's new mandate to purchase bio-recycled products, such as compost, renewable gas and recycled-content paper.

The City has applied for reimbursement for unfunded mandates where appropriate and applicable. For example, in the past, we used to file annually to be reimbursed for the cost of implementing the Brown Act and never received anything from the State. That being said, of course, we are happy to absorb the cost of posting agendas and providing employee training to promote transparency, but what it indicates is that even what amounted to a nominal reimbursement never actually materialized from the state.

### **Can the City cut more expenses?**

For the past two years, the Council has focused on its short-term and long-term fiscal sustainability as one of its highest priorities and discussed options at several public meetings. A year ago, at their June 26, 2023 meeting, the Council asked City staff to review all City services, projects, and programs to identify which services could be cut to match expected revenues.

City staff underwent an extensive budget analysis to identify a 10% cut in expenses -- equal to the \$2M deficit. The Council's Fiscal Sustainability Subcommittee reviewed a list of potential reductions that would fill the budget gap and determined that making those cuts could negatively impact Lafayette residents. The report noted, "There is little fat; we need to cut muscle."

More recently, a scientific survey found that 93% of residents were satisfied with the services and programs offered by the City, and 83% were concerned that a deficit would negatively affect them. Rather than making immediate cuts that would impact services such as the number of police officers, street and drain maintenance, support for senior services, the Chamber of Commerce and other community partners, the Council decided to:

- freeze hiring for four approved staff positions,
- utilize remaining one-time American Rescue Plan Act (ARPA) funds to bridge the deficit through FY24-25
- forego adding any new tasks or projects to the current workload

### **How did the City spend American Rescue Plan (ARPA) funds?**

During the pandemic, the federal government proscribed very specific uses for which the American Rescue Plan A funds could be used. Of the \$6,372,376 in ARPA funds received, \$3.8M was used to backfill general fund revenues that were reduced due to the covid pandemic. These funds were allocated to road repair, stormwater pollution, downtown core area maintenance and other general fund expenses to bridge the budget gap. The remaining funds were spent assisting local businesses and non-profits and making City facilities safe and sanitary. For more details, read the [ARPA FAQs](#).

### **Where can I find information on City employee salaries?**

We have information about staff compensation on our website, including:

[salary ranges](#) for all regular positions

[2023 list of highest paid employees](#)

Lafayette's compensation package aligns with that of other cities in our region and state; We conduct bi-annual survey of salaries for key staff positions. As a result, the City has been able to attract and retain highly qualified and seasoned personnel.

Note: It has come to our attention that the current information on the Transparent California site is incorrect; We have notified the Nevada Policy Research Institute about the errors. Correct information is available on the State Controller's site: <https://publicpay.ca.gov/Reports/Cities/City.aspx?entityid=93&year=2023>

### **What properties around town does the City own?**

On our website, see the [City-Owned Parcels](#) list on our website. For properties acquired within the last 25 years, it also includes the source of the funds used for the purchase. Some parcels are "excess right of way" or dedicated open space and don't have specific addresses.

### **How has the City involved the community in the decision to place a funding measure on the November Ballot?**

Since 2022, the Council has consistently identified the development of a short-term and long-term fiscal sustainability strategy as one of the highest priorities for the City Council and appointed Council subcommittees to evaluate various aspects of the City's finances.

The Weekly Roundup discussed the deficit and shared possible options on several occasions in addition to publicizing how residents could get more information and participate in City Council meetings. The City published two issues of Vistas to inform residents about the subject: the [Winter 2024](#) issue explained how the City's finances work and introduced residents to the ongoing deficit while the [Spring 2024](#) issue described the reasons the City is facing a deficit and announced that a possible sales tax was being discussed. In addition, the City conducted two scientific surveys to assess voters' satisfaction, priorities, and attitudes. The City also instituted a dedicated email address ([LafayetteListens@lovelafayette.org](mailto:LafayetteListens@lovelafayette.org)) to engage residents, accept feedback, and answer specific questions.

### **How much did the City pay for polling and other consulting services related to the ballot measure?**

The City paid Strategy Research Institute \$54,000 for two scientific polls. The City also retained Strategy Research Institute's subsidiary, IMC Corporation for informational outreach and public relations and paid \$40,000 for those services. It is common practice for cities (and other public agencies) to engage consulting services when placing a measure on the ballot, because it is essential for the City Council to have a clear understanding of residents' priorities and to gauge the level of support for the proposed measure before taking the time and expense necessary for placing a measure on the ballot.

### **What happens if Lafayette voters don't pass Measure H?**

If this measure does not pass, the City Council will have to consider, as part of the budgeting process, possibly cutting back or discontinuing some City programs and services. It is projected that filling a \$2M/10% annual budget gap will require cuts across all City departments, including police, public works, planning, engineering, parks and recreation, and administration.

While specific decisions have yet to be made, the City Council reviewed the extent of cuts that would potentially need to be made at its June 10, 2024 meeting; you can read about these potential cuts in the [June 10, 2024 staff report](#).