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Budget Goes From Red to Less Red

By Cathy Tyson

(The Lafayette City Council is scheduled to revisit the proposed budget after press time on Monday, June 8. Please check our website for updates, <http://www.lamorindaweekly.com/>)

The proposed \$11.9 M budget to run the City of Lafayette for fiscal year 2009/2010 represents a 2% increase over last year's spending. Unfortunately there was a projected \$900,000 budget gap between revenue and expenditures, due to several one time charges. Further reductions may be implemented at the next City Council meeting.

The largest one-time charge is the anticipated borrowing by the State of California, "When lawmakers pull this trigger - and we are confident that they will - the impact to Lafayette will be a \$540,000 reduction in General Fund revenues," said City Manager Steven Falk in a Staff Report. The state's fiscal picture is so dire, it's allowed to borrow revenue, but it must be paid back within three years with interest.

Instead of taking the \$900,000 from the \$8.3 million sitting safely in reserves, the Council decided it was more prudent to look for cost savings to reduce the overage.

"Projections are anything but rosy, economists are saying we are not going to recover for some time," said Council Member Carol Federighi at a recent City Council meeting.

In addition, many felt that that reserve was to be used in case of a major earthquake or fire. Given the Council's fiscally conservative history, staff put together a menu of service and cost reduction options to choose from to put a dent in the deficit.

Seven pages of options each with a service implication and estimated savings were prepared. Getting off to a great start, Ron Lefler, Manager of the Public Works department, negotiated a rate reduction of \$85,000 from contract vendors. Add to that \$100,000 that won't be spent for new radios this year - a part of the Regional Communication System. City offices will be closed for four days between Christmas and New Year. Jennifer Russell, Director of the Parks, Trails and Recreation Department reported that summer fees were higher than anticipated, saving approximately \$27,000. The combination of these and other items totaled \$411,000, bringing the deficit of \$900,000 down by almost half to \$489,000. One thing not on the negotiating table, at least at press time, was employee salaries and merit increases. "The Council has received some, shall we say, 'less than positive' response to this decision," said Administrative Services Director Tracy Robinson.

How are salary increases determined? "Each employee is given a performance evaluation and receives an overall rating of 0 - 3. That rating is then multiplied by a merit "factor" -- this year, the contract stipulates that the multiplier is 2.5; therefore, employees can receive a raise of between 0% and 7%. Last year the average merit increase was 6.7%. However, because the raises are pro-rated for new hires, the actual percentage increase in salaries was closer to 6% overall. Two notes -- not all employees are receiving a 7% increase and that \$135K figure (for merit increases) is fully loaded and includes the cost of social security, workers compensation and fringe benefits," said Robinson.

Getting back to this year's unusual one-time charges, in addition to the State money grab, accounting for the stupendous rise in the cost of policing through the Sheriff's department has gotten increasingly difficult. "Lafayette's total cost for police services in 2005 was \$2.9M, but we expect that number to climb to \$4.0M in the next fiscal year and - unless something is done - to \$7M within five years," said Falk. The proposed 2009/2010 budget reflects \$250,000 in increased reserves to offset the potential cost associated with a change in the provider of police services.

Another growing expense is non-negotiable Contra Costa County fees. The County is also in dire financial straights and continues to push expenditures onto cities where possible. For example in 1996 Lafayette paid nothing for Animal Control services, in 2006 the county charged \$54,000 for the same level of service. This year the fee will be \$150,000.

The feeling around the administrative offices is that if the County and the State would just leave Lafayette alone, the city would be just fine.

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