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Orinda Bridges Budget Gap

By Jonathan Seclow

The Orinda City Council convened on Wednesday, June 17, to discuss the proposed budget for the 2010 and 2011 fiscal years. The primary focus of the meeting was bridging the \$373,145 shortfall in the city's general fund. The shortfall is primarily due to a drop-off in property tax revenue. Property taxes are the largest single source of revenue for the city.

Property tax revenues increase at an average of 6.5% a year. However, due to the economic downturn, there have been far fewer transactions involving property in the past year. Furthermore, property values are no longer climbing at the rates of the past few years. A report commissioned by the city to analyze home sales in Orinda projected an increase of merely 1.6%, even lower than the Council's conservative estimate of 2.0%.

"[The] projection was a real wake-up call. We would not have thought that the increase would be any less than 2.0%," said Janet Keeter, Orinda City Manager.

Following the discussion of the budget shortfall, Keeter and Beverli Marshall, the Director of Administration and Financial Services, outlined the steps that the city is taking to bridge the gap in the budget.

In their solution to the budget shortfall, the primary sources of savings come from furlough days and eliminating cost-of-living adjustments to the salaries of city personnel. The city plans for 6 furlough days in 2010 and 10 furlough days in 2011.

"We have found \$500,000 to cut from our budget for the next two years and we still may need to find another \$500,000 if the state has their way," said Mayor Sue Severson.

One confounding factor in the council's attempt to finalize the budget is the constantly changing state budget. Legislators in Sacramento have yet to finalize their budget and changes that they make could dramatically alter Orinda's final budget.

"The state budget is so fluid that we need to just take a snapshot at one point in time and just work with those numbers," Keeter said.

Keeter's primary concern with the state budget is with what she called "state take-aways." There are certain funds that have been promised to the city that may not be delivered. For example, the state has promised the city infrastructure funds under Proposition 42. There is talk at the capitol about putting those funds on hold due to fiscal emergency.

Another area of concern for Keeter is the threat of losing eight percent of property tax revenue to the state. State legislators are exploring the possibility of taking eight percent of the property tax revenues from local governments to help offset their large budget deficit. For Orinda, this would mean about \$500,000 from their operating revenue of \$11 million.

"If we were to lose that 8% to the state it would be detrimental to the budget," Keeter said.

The Council was scheduled to review and approve the budget on Tuesday, June 23, after press time.

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