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Pandemic delivers a blow to public finances. But how much of one?

By Nick Marnell

Because of actions taken at the federal, state and local level, COVID-19 is expected to negatively affect the financial condition of the Lamorinda municipalities, but for how long and how severely remain in doubt. "Nobody has a crystal ball," said Steve Salomon, Orinda city manager. "There is a wide range of beliefs about what's going to happen, and some are more optimistic than others."

Business closures and the order for residents to stay at home will likely have the most negative effects on local financial statements. Over the next "month or so," Salomon sees a drop in fees the city earns from classes, facility rental and sports activities through the Parks and Recreation Department as one of the biggest losses in revenue to Orinda, and he expects that sales tax, gas tax and development related revenue will be less than the amount the city budgeted. "My own estimate is that the impact could be well over \$1 million on the city's \$16.3 million budget," Salomon said.

Assuming that the stay-at-home order remains through June, Lafayette estimates slightly more than a \$1 million hit to its operating budget. Sales tax will contribute \$650,000 to the deficit, the largest component of the loss by far. Because property is not changing hands as expected, transfer tax revenue will come up \$180,000 short, but property tax revenue itself should be relatively stable. "Prices have not dropped at this point, so property tax should come in close to normal," said Tracy Robinson, administrative services director.

Neither city included expense reductions in its forecast, though Orinda has declined to fill three staff vacancies and has stopped scheduling hours for part-time employees. "While it is not necessary to make any drastic changes now without the full complement of facts, the city manager has already put a hiring freeze in place and instructed department managers to cease all nonessential spending," Robinson said. Moraga has not released updated financial information as it pertains to the virus. "The budget discussion is scheduled in May and we are addressing the financial impact in the adjusted FY20 and proposed FY21 budget," said Norma Veloso, director of administrative services. According to town documents, Moraga reports a 2020 operating budget of \$10.24 million.

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[back](#)

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