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Council member says city sits on too much money

By Nick Marnell

Lafayette's longest-seated council member thinks that city financial officials may be doing too good a job of saving money.

Despite the shelter-in-place order that hit the region this spring, causing Lafayette sales tax revenue to drop 11% March through June, the city finished its 2020 fiscal year with a \$13.1 million general fund reserve balance, equaling 90% of total expenditures, far higher than the 60% goal. And after accounting for rehiring to fill frozen positions and tackling deferred projects, the 2021 reserve balance is projected to exceed the city's goal by nearly \$2.2 million.

"That's a lot of money," said Council Member Cam Burks at the Dec. 14 city council meeting. He questioned why the city is sitting on so much of the public's money and not using it to fund needed projects.

For the 2020 fiscal year, the city finished in a strong position because it had built a healthy reserve over the years, and once officials recognized the impact of the pandemic, Lafayette immediately slashed \$950,000 in expenses.

"The cuts were impactful to the community but not so bad that we can't come back from them," said Tracy Robinson, administrative services director.

As the economy recovers in future years, and even as the city enters into a deficit spending mode due in part to continued sluggish sales tax revenue, the reserve balance is projected to remain at or above the 60% goal.

Lafayette has incrementally raised its reserve balance goal from 30% to the current level. After the tragic 2017 North Bay wildfires, which destroyed portions of Santa Rosa and wiped out its entire reserve balance, there was even talk at a Lafayette finance committee meeting of setting a target goal of 100% for the city's reserve balance.

"I don't believe in that approach," Burks said. "There are too many wants and needs that have been identified by the community."

Burks talked about ideas for using the excess reserve balance funds, like paving city roads, or even investing the money. He urged the council to conduct a public survey on how to spend the overage. He also threw out the idea of having a fixed dollar amount as the reserve balance goal.

"It's something we can look at as we prepare our budgets," Robinson said.

No action was taken on changing the reserve balance policy, but the topic will likely be discussed at a city finance committee meeting.

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