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Public Forum

Moraga-Orinda Fire District Finances: Fictions versus Facts

Recently, elaborate fictions have circulated about the District's finances. The facts are different. Here are some examples.

Fiction: \$68,000,000 of unfunded MOFD liabilities have built up since the District was formed in 1997.

Fact: The District has serious long term unfunded liabilities, but these include significant liabilities that arose before the District was formed. About 44% of all retirees now drawing medical and/or pension benefits retired from the old Moraga and Orinda districts. Further, another portion of the unfunded liabilities is traceable to vested benefits of active employees who came over in the merger, and later retired.

Fiction: The pension liability was fully funded in 2005 when the pension bonds were issued in order to pay off the liability.

Fact: The bonds were sold to pay to zero the unfunded liability to the pension fund because the fund charged 7.75% on the liability, but bond interest is only 5.22%, saving the District about \$8,000,000 over the 20 year life of the bonds. However, the \$28,000,000 bond liability, traceable to prior and then current employees, remained.

Fiction: The current board is responsible for additional pension liabilities accruing since 2005.

Fact: The worst recession since the Great Depression began in 2008, causing increased unfunded pension liabilities in nearly every district in California.

Fiction: The District has no plan to address unfunded liabilities.

Fact: The pension bonds themselves are part of a plan. The District will have fully paid the \$28,000,000 bond liability from committed tax revenues by 2024. After 2024, more than \$3,000,000 of annual property tax revenues will be available to address other long term liabilities. The Board's consultant advised at a public meeting on ways to reduce the District's pension liabilities--some recommendations are now in place. Long term unfunded medical benefit and pension liabilities are the subject of current negotiations with our unions.

Fiction: Nothing has been done to address the District's financial issues.

Fact: Two years ago, the Board instructed the current Chief to bring back a balanced operating budget, even though the District's financial forecast indicated large future operating deficits. In the last 2 years, operating costs were contained, the District had an aggregate operating surplus of about \$220,000. We also restructured Fire Chief and battalion chief compensation to reduce or eliminate future pension "spiking" possibilities. Significant cost cutting was achieved without adversely affecting service--actually, we increased the number of firefighters with paramedic training.

Fiction: The current board members are responsible for a 20% hike in former Fire Chief Nowicki's pension.

Fact: The Nowicki situation is complex. Before becoming Fire Chief, he was a battalion chief with vested pension rights, including the right under County pension board rules to sell back vacation time to "spike" his pension. He was induced to leave that position for the harder job as Fire Chief by a promise by the negotiators that he would do better financially as Chief. Had we not amended his contract, his pension at retirement would have been about 10% less than a battalion chief's. The Board's choice was to break that promise or honor it to some degree. The Board honored the promise by improving his pension to about 6-9% more than a battalion chief's. In hindsight, perhaps the Board should have broken the promise, or granted less, but decisions are made in the moment, not in hindsight.

Fiction (really a paradox): The District is overburdened with debt BUT there are millions of dollars of surplus funds to fix Orinda's roads.

Fact: Both extreme claims are wrong, as a fair examination of the facts would reveal.

To remain viable, the District must run its programs within its general operating budget so that long term liabilities are managed and equipment and other capital needs, including the replacement and repair of fire stations, are not neglected. Achieving these goals will not be easy, but we have taken, and will continue to take, significant steps to do so.

The foregoing opinions are my own. The facts speak for themselves.

Fred Weil

(Fred Weil is the President of the MOFD Board of Directors)

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