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Moraga-Orinda Fire District Board Shaken by Closure of Lafayette Station 16

Addresses district's unfunded liabilities in review of Long-Range Financial Plan

By Nick Marnell

Steve Anderson attended an emotional meeting hosted by the Contra Costa County Fire Protection District, in which ConFire Chief Daryl Louder talked to Lafayette residents about the reasons why Fire Station 16 will remain closed, in part due to the failure of Measure Q, a $75 parcel tax measure defeated by voters last fall. Anderson, one of two newly appointed Moraga-Orinda Fire District directors, made an impassioned plea of his own to the MOFD board and staff at a Jan. 16 meeting. "The supervisors and the leadership of ConFire failed their community," he said. "We must never allow that to happen to us."

Fire Chief Randall Bradley recently unveiled his Long-Range Financial Plan, which aims to prevent a similar situation from occurring in the MOFD.

Bradley, who also attended the Lafayette meeting, empathized with Louder. "I never want to have to face our community and make an announcement like that," he said, referring to the station closure. Bradley then presented the financial plan to the board for review and discussion.

The financial plan offers a forecast through the 2027-28 fiscal year and projects that the district will be able to maintain or improve service levels, address its unfunded liabilities, adequately fund its capital needs, and continue to keep 10 percent of its annual operating costs in reserve. Bradley based his model on the Contra Costa County Employees Retirement Association earning 7.75 percent on its investments, that district expenditures will stay below revenue growth rates, and that property values will grow at 2 to 4 percent over the length of the plan.

In opening the topic for discussion, Board President Frank Sperling asked that comments be limited to only the structure of the document, and to the assumptions used in arriving at the figures. The structure of the document was roundly praised by the board; discussion on the assumptions used gave insight into the thinking of some of the board members.

"Is history the guiding force of those assumptions, or is discretion used?" asked director Alex Evans. "Should we rely on professionals, or should we trust our own wisdom?"

"What about a five-year rolling average for the CCCERA percentage assumption?" asked Anderson, clearly favoring a reliance on historical data. "That's too simplistic," responded Sperling. "Looking back five years to forecast 15 is wrong." Sperling wanted to base the assumptions on the opinions of the experts and the professionals.

"And just what is the correct cycle to use?" asked director Fred Weil, who earlier was given a commendation for his service as the 2012 board president. In his calm, deliberate style, he continued. "Is it 20 years for the stock market? If that's what the actuaries are using, so should we. How about real estate? Does it have a cycle? And what if the mortgage deduction is disallowed? That could kill California real estate - especially in Moraga and Orinda."

Evans wondered why the district carries such a large unfunded liability, yet shows a very highly funded bank account. Sperling suggested that maybe the district should finance some of its capital expenditures.

A recommendation from Orinda resident Vince Maiorana was that the district consider the further cutting of expenses. Mark McWeese, MOFD union representative, was disappointed to see employee health care costs frozen. And a Moraga resident expressed alarm over the plan's use of the fire flow tax to temporarily cover unfunded liabilities.

Bradley was tasked with revising the forecast for further discussion at the board's Feb. 20 meeting.

Moody's Report a Hot Topic

The MOFD pension plan is managed by the Contra Costa County Employees Retirement Association. CCCERA has come under criticism for assuming a 7.75 percent rate of return on its pension assets, which to many, like the concerned residents of the Orinda Citizens Emergency Services Task Force, is unrealistic and unachievable.

John Dickerson, an independent public sector pension analyst, issued an online report in January that explained the pension situation in vivid detail.

On his website, YourPublicMoney.Com, Dickerson analyzes the data adjustments proposed by Moody's Investor Service to the public pension sector, and how these adjustments will affect CCCERA.

Moody's proposed adjustments include:

- Lowering the assumed rate on pension return from 7.75 percent to 5.50 percent
- Requiring municipalities to reduce their unfunded liabilities to zero in 17 years, not in 20 to 30 years
- Full amortization of the pension payments, not the "percent of payroll" method which can result in early negative amortization

A result of these proposed adjustments could mean that more tax revenue will be devoured by the pension debt, possibly resulting in cuts to local services.

MOFD director Steve Anderson, the only board member to respond to a request for comment, read Dickerson's article. "I can assure you that I am very much cognizant of the pitfalls of CCCERA's calculations/machinations," he said.

Anderson feels driven to even tighter MOFD fiscal controls, as he never wants to have to cut services for the district. "If we are ever in that position it means I personally have failed in the primary reason I joined the board," he said,

referring to his goal of frugal tax dollar management.
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