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Town Faces Tough Budget Picture Thanks to Sinkhole

By Sophie Braccini

It is all about the sinkhole. The pavement collapse that swallowed a light post and opened a large breach on Rheem Boulevard now undermines the town's finances. The 2016-17 fiscal year budget as presented by staff was already tight, with an operating budget on the verge of a deficit and no wiggle room to allocate money for capital improvement.

Now the \$2.8 million the town needs to repair the sinkhole will have to come from the reserves, basically depleting half of those funds. Because federal support was not granted to the town, all other capital improvement projects - including the surveillance camera system - is on hold, at least until the beginning of 2017.

The mood of the 2016-17 budget presentation was somber at the June 8 council meeting as Administrative Director Amy Cunningham presented her figures. She explained that the first version of the operating budget came with a deficit of over \$200,000 and that all departments had to scrape expenses to make it fit the tight frame. The final data presented showed revenues in the amount of \$8,152,286, expenses of \$8,118,545, and a modest surplus of \$33,741.

There is no room for capital improvement in the new budget. In fact that fund has been used over the past eight years and no replenishing has been dropped in that bucket since 2008.

The council had on the dais a few requests for additional expenses: \$13,000 from the Chamber of Commerce, \$24,000 from the Spirit Van, and \$5,000 to help fund the Sundays at the library. The Spirit Van's request was denied completely, with the notable opposition of councilmember Phil Arth who said that yes, the town had to husband its resources this year, but that not taking care of the elderly would be unacceptable. The final decision was to give \$5,000 to the library, zero to the Spirit Van and \$9,000 to the Chamber of Commerce, but staff was directed to bring the requests from the Spirit Van and the Chamber back to relook at funding them more during the mid-year budget review when the sinkhole costs will be known. Cunningham presented a list of capital improvement projects that the town should take care of this coming budget cycle and asked guidance regarding what to do for the funding, since the asset replacement fund is depleted. The list of projects includes \$2.8 million for the sinkhole, replacement of information technology equipment and police vehicles, municipal code update, and the central video surveillance system. Installing cameras around town was a promise of the council to the residents and deciding to cut that expense or not was hotly debated. Interim Town Manager, and former Chief of Police, Bob Priebe said that the system was indeed useful but that it was an after-the-fact device and that the robbery rate in Moraga in the past six months had decreased by 60 percent. He added that officers would certainly like to have new tools, but that given the choice he would rather allocate the money to the information system than the surveillance cameras.

The council members decided to put that expense on hold at this time and to revisit it in January in the light of the final decisions regarding the sinkhole.

Update on Sinkhole Financing

Public Works Director Edric Kwan said that even if the town gets federal or state help to repair the sinkhole, it will have to come up with the \$2.8 million first.

Reimbursement may take several years. That sum could come from the developer fund (Palos Bank) with an available balance of \$2.9 million, or from the General Fund reserve with an available balance of \$3.2 million. The council decided to split the funding need between those two sources. The administrative director warned that depleting the reserve could affect the town's credit rating and end up costing even more.

Kwan is working on an appeal to change the federal decision not to consider the sinkhole a natural disaster. Using before-and-after imagery he intends to build a stronger case for the town. That decision should not delay the repair process. Kwan expects most of the work to be completed before October 15.

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[back](#)

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