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Published December 13th, 2017

A town on the brink

By Nick Marnell

Despite its declaration of a fiscal emergency, the town of Moraga has made little effort to reign in its spending and at its current rate is headed toward financial unsustainability.

In a 2016 Community Priorities survey commissioned by the town, Moraga residents said that not maintaining storm drains was their second highest source of dissatisfaction with town performance, behind attracting and keeping local businesses. A follow-up survey asked residents how much they would be willing to pay to fund the \$26 million the town says it needs to repair the drains. Not one of the survey options was to have Moraga reduce its spending to help fund the capital project.

"The survey was conducted as a council goal to identify a possible revenue measure. That is what was done," said City Manager Bob Priebe. "There has been no opportunity to allocate any dedicated funding to the storm drain deficiency."

So the town, having declared a fiscal emergency after unforeseen expenditures to repair the Rheem Boulevard sinkhole and the Canyon bridge, is considering asking taxpayers for more money to fund the storm drain project, even though Moraga, knowing that the storm drain repair was a necessary capital project, has not only failed to set aside any of its revenue to fund the project but continues to pile on more operating expenses each year.

According to the town 2017-18 operating budget, after making adjustments for reallocated Measure K revenue, Moraga total revenue - general fund revenue plus other financing sources - will have increased 20.7 percent in 2017-18 from five years ago, and general fund operating expenses will have jumped 22 percent over the same five years, an unsustainable financial performance.

The Moraga audit and finance committee does not see it that way. "The town manages its expenses extremely carefully and very well," said Tim Freeman, a member of the committee, which reviewed the proposed 2017-18 budget at its May 16 meeting.

The town's No. 1 general fund revenue source is property tax. In its 2014 five-year financial plan Moraga projected total property tax revenue of \$13.2 million for four years between 2015-18. Updated in the recently approved town budget, property tax revenue will have finished at \$14.8 million through the same period. None of the \$1.6 million windfall was set aside for the storm drain project. Priebe said that any budget surplus since 2016-17 had to be returned to a developer account; the projected surplus for this fiscal year is less than \$50,000.

Amy Cunningham, former Moraga administrative services director, said that the town cut \$83,000 in expenses out of the current budget, but despite that cut, total operating expenses still increased over the prior year by \$300,000. Cunningham blamed a \$240,000 unfunded pension liability payment for a large portion of the rising expenses and said that further cost reductions in the operating budget would result in a direct impact to service delivery in the community.

But how does the town know that cutting expenses would even be of concern to the community, especially when faced with a potential tax increase to pay for much needed infrastructure repairs? No survey has been commissioned asking that question. "It is my opinion ... that the town is minimally staffed and served very well by the outstanding employees we have," Priebe said. "Any discussion to reduce spending on a broad scale would have to be approved by council."

The town 2017 community survey offers hints that a spending cut would not be summarily rejected by the residents. Just under 26 percent of those surveyed said that Moraga practiced poor financial planning or had mismanaged its funds; 12.5 percent said that the town had too many employees, whose salaries and pensions were too high; and 11 percent said that Moraga was mismanaged by its council or government. A plurality of residents sampled in the survey said that Moraga was going in the wrong direction.

"Given the fact that the survey was taken while the bridge was out and the sinkhole repairs were not completed, I'm not surprised by the percent of residents who thought Moraga was heading in the wrong direction," Mayor Teresa Onoda said. "It's my hope that now that progress has been made on both fronts, future surveys will reflect greater satisfaction with the state of Moraga."

Moraga faces the departures of Priebe, three department heads and other high-level employees. "I have not filled (the vacancies) to provide the next town manager and council options if they think a change is necessary," Priebe said. "All of these permanent positions will be vacant and open for possible reorganization."

But Onoda said she did not think that a reorganization was realistic. She said she doubts anyone thinks changes should be made to the police department, and said that most of the staff are wearing multiple hats trying to accomplish all the tasks of towns larger than Moraga. "Could 'reorganization' really create that much more efficiency? I don't think so," Onoda said.

Town officials complain that Moraga is stuck with a revenue problem because of its low property tax rate and lack of sales tax revenue, yet for the past five years, town expenses continue to rise at a higher rate than its revenue. With the changes coming to town leadership, Moraga has the opportunity to rethink its financial strategies and business model and reverse course from the wrong direction the public says it is headed.

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