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Budget midyear revision: Moraga on the mend

By *Sophie Braccini*

Despite a midyear forecast of an additional \$940,000 in the town's general fund balance, the Moraga Town Council and the audit and finance committee agreed that it was still too early to rescind the fiscal emergency that was declared in July.

The better than expected financial results came from increased property tax revenue, interest, dividends, development-related revenue and fees, which more than made up for less than expected sales tax revenue and increased legal expenses. According to the staff report, at the time of the 2017-18 fiscal year budget adoption, "the year-end unassigned fund balance could only be projected based on estimated year-end results compiled in the months prior. Such projections are generally conservative, and in the case of the June 30 ending unassigned fund balance, the actual results (based on the audit report issued on Oct. 25) were better than expected by \$765,603." The midyear budget presentation made to council on Feb. 14 highlighted that the town's revised fund balance is projected to reach \$2.5 million by June 30, more than 30 percent of 2018 operating expenditures, but still short of the 50 percent objective set years ago.

Meanwhile, as the town asks residents for a fee to fund its storm drain system maintenance, it is setting in place systematic ways to save its surplus for infrastructure maintenance.

The adequacy of the town's reserves still hinges on federal reimbursement. The depletion of the reserves in response to the Rheem sinkhole and Canyon Bridge failure spurred the declaration of fiscal emergency. Staff is still managing the federal reimbursement system to get back as close to 100 percent as possible of the over \$6 million spent on these projects. At the Feb. 14 council meeting public works director Edric Kwan explained that about \$1 million is slated for reimbursement this fiscal year. The reimbursement will replenish the developer fee fund (Palos Colorados fund) that was used along with the town's reserves to repair the unexpected infrastructure damages.

Resident Brent Meyers discussed with council and staff the possibility to include in the town's financial statements the future reimbursements since they will certainly happen. The technical discussion hinges on the fact that these funds have not been appropriated at the federal level and the date they will trickle down to Moraga is not certain. The council decided to add the future amounts as footnotes in the town's financial statements.

That uncertainty of when the remaining reimbursement will come prevented the audit and finance committee from rescinding the fiscal emergency declaration. The committee is made of the town volunteer treasurer Bradley Ward, residents Robert Kennedy and Tim Freeman, Mayor David Trotter, Council Member Roger Wykle, the town manager and technical support from the town's accountant, Yuliya Elbo, the town's only current financial employee. The committee decided at its February meeting that it would discuss the lift of the fiscal emergency in April.

The committee recommended that the town council open two funds. The reopening of the Infrastructure Preservation and Improvement Fund will provide funding for maintaining the town's streets, storm drains, buildings and facilities. Over the past years, the town was able to collect a much larger than expected amount of property tax, and none of it was set aside to fund infrastructure maintenance or asset replacement. During the audit and finance committee meeting, Trotter asked that 25 percent of future surplus be set aside in the infrastructure fund. The rest would be used to replenish the town's reserve and be dedicated to other town asset replacement funds.

The council questioned the percentages recommended and it decided that the audit and finance committee would refine and finalize its recommendation on that topic at its April 24 meeting.

The council also approved the creation of a new Holidays fund. It will collect residents' donations for the Fourth of July fireworks and Holiday tree lights. The mayor wants additional money collected year-to-year to be left in the fund to support subsequent years' festivities. Previously, if more than needed amounts were raised for these events, the surplus was shifted to the general fund.

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