Published May 16th, 2018

Questions arise over MOFD financial strategy

By Nick Marnell

The amount of money the Moraga-Orinda Fire District proposes to pay into its pension and retiree health benefit stabilization funds came under scrutiny at a May 2 public workshop, the timing questioned with firefighter contract negotiations underway.

In order to mitigate the oftentimes wild fluctuations of the required payment to fund its employee retirement plan, the MOFD board in 2017 established a pension stabilization program, an irrevocable trust fund designed to prefund pension costs and offset net pension liability. The district had entered into a similar program in 2015 to prefund its other post-employment benefits - retiree health benefits - and to offset its OPEB liability.

The district contribution to each trust fund in 2017-18 was $374,000. In the proposed 2018-19 budget, MOFD suggested increasing the OPEB contribution to $440,000 and the retirement fund contribution to $1.1 million. As of June 30, the district recognized $32.5 million in net pension liability, 16.4 million in outstanding pension obligation bonds and $15.2 million in OPEB liability.

Former director Dick Olsen, while supportive of the district's drive to pay down those unfunded liabilities, cautioned the board that it was risking too much by contributing so much to those trust funds. "It is apparent to me that both the timing and the magnitude of the actions that the draft budget proposes to immediately implement in order to address those problems could, unintentionally, end up depriving the board of the ability to address the firefighters compensation needs - which needs I personally deem to be an equally high priority," Olsen wrote in a letter to the board.

Firefighter and former union representative Mark DeWeese had supported the district plan to pay into those trust funds, but not so much this time around. "What's making you confident and bullish enough to put four times the money into an aggressive stock portfolio in an irrevocable trust at this time?" DeWeese asked the board. "Or is there a more coincidental timing issue of why you want to take so much money out of the reserves?"

Olsen and DeWeese received board support from Director Kathleen Famulener, who disagreed with making an increased contribution to the trust funds. "All of this money needs to be available and in the pot for good faith labor negotiations," she said.

"Those are issues that are certainly on my mind and I think on the minds of the other directors," President Brad Barber said. "They are difficult decisions and I hope that we can weigh them all carefully."

The proposed budget will come back to the board on May 16. The district labor agreement with its firefighters expires on June 30.

Reach the reporter at: nick@lamorindaweekly.com

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