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Lamorinda municipalities report healthy reserve balances

By Nick Marnell

With the improved economy since the Great Recession, the three Lamorinda municipalities have focused on beefing up their general fund reserve balances, with the agencies projecting to stash away nearly \$20 million in 2019.

A general fund reserve is a savings account, or a "rainy day fund," that government agencies can use to help stabilize tax rates, address revenue shortfalls or to fund emergencies. Each Lamorinda agency follows a different general fund reserve policy.

The Lafayette reserve balance goal is 60 percent of annual expenditures. The anticipated general fund reserve balance on June 30, 2019 is \$10.1 million, which is 64 percent of the \$15.6 million of projected expenditures.

"I suggest that the council increase its reserve target goal from 60 percent to 100 percent, with the intent to reach that target in five years," Lafayette City Manager Steve Falk told his city finance committee. "The likelihood of a recession in the next several years is increased because this very long period of economic expansion cannot persist. A recession that reduces sales and property tax revenue could result in deficits." Moraga's policy for its reserve balance is 50 percent of general fund expenditures. The expected general fund surplus, combined with a \$1.4 million reimbursement for the Rheem sinkhole from the Federal Highway Administration, will bring town reserves to 44.4 percent in 2019. The reimbursement payment is expected in September of 2019, and including that money, the town general fund reserve balance will jump to \$3.8 million.

"Keeping a general fund reserve at a certain level is absolutely vital, because of unforeseen circumstances like a sinkhole or a bridge washout. Cash is king for a reason," said Joe Tanner, Moraga administrative services director. "But there is a fine line between keeping a reserve and providing needed services." Tanner said his staff will do an analysis on what level of fund balance is appropriate and report the findings to the town council.

Figuring the Orinda general fund reserve balance requires a more complex calculation. While the other Lamorinda municipalities base their reserve policy on expenditures, Orinda bases its on revenue, calling for \$5 million plus 20 percent of budgeted annual revenue in excess of \$10 million, not including Measure L revenue.

"As an agency heavily reliant on property tax, we can go through a rough period. If you have a robust retail sector, you can get by," Finance Director Paul Rankin said. But Orinda hardly sports a robust retail sector, putting added pressure on maintaining an adequate reserve balance, which is projected at \$5.7 million for 2019.

What is the right dollar amount to carry in a general fund reserve? Each Lamorinda municipality has dealt with a sinkhole over the years, but how much cash does an agency need to prepare for a catastrophic emergency, like the devastation of the North Bay wildfires, which fire officials say could happen in Lamorinda?

According to Santa Rosa City Manager Sean McGlynn, "Whatever amount you have in your reserve, it is not enough."

Reach the reporter at: nick@lamorindaweekly.com

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