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Latest MOFD financial report shows a $12 million dent in long-term liabilities

By Nick Marnell

After years of negative financial news, including the errant reporting of $23 million, a fired auditor, and warnings of bankruptcy and fire station closures, the Moraga-Orinda Fire District presented a rosier economic picture to its board and district residents at its Dec. 5 public meeting. The MOFD Certified Audited Financial Report for 2017-18 detailed a healthy revenue increase, a higher operational surplus and a decrease in district long-term liabilities.

According to the CAFR, general fund revenue grew $1.8 million over 2017, an 8.6 percent increase, raising the district June 30 general fund balance to $6.3 million. The reserve improved to 28 percent of budgeted general fund revenue, though still falling short of the district goal of 50 percent.

The report listed MOFD current assets at more than double the current liabilities of $6.2 million, with the district long-term liabilities decreasing $12 million, thanks largely to the net pension liability dropping from $33 million to $23 million.

An explanation of the net pension liability calculation was added to the footnotes of the report: The $23 million net pension liability equals the difference between the district's $193 million total pension liability and its $170 million fiduciary net position. Total pension liability is the present value of the benefits already earned by MOFD employees, and the fiduciary net position equals the assets held in trust by the district pension manager, the Contra Costa County Employees' Retirement Association, to pay those benefits. The calculation of the individual component parts of the formula is done by actuaries hired by CCCERA.

As of the end of 2017, the district pension plan was 88 percent funded. Though a fully funded pension plan is ideal, a typical corporate pension plan was 90.2 percent funded in 2018, according to Northern Trust, a financial management company. Also of note, as of June 30 the MOFD pension rate stabilization trust fund held more than $700,000.

In addition to the net pension liability, three other main components comprise the district long-term liabilities. A pension obligation bond, purchased in 2005 for $28 million, shows a balance of $14 million, and the district retiree health care liability sits at $15.3 million. Lease-purchase agreements for district apparatus and the renovation of Fire Station 43 bring the total noncurrent liabilities to $56 million.

The district capital fund account reports a balance of $8.3 million, with much of the money committed to capital projects like the renovation of district fire stations.

The good news may be short-lived, however, as in December the 2018 financial markets have headed toward bear territory. That negative performance will likely hurt the return on assets held by the district pension manager, which projects a 7 percent annual return on its investments. According to the district audited report, had CCCERA used a 6 percent discount rate in figuring the long-term expected rate of return on its pension assets, the 2017 MOFD net pension liability would have been $50 million.

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