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## 2019-20 budget: Moraga in cash flow crisis no longer

By Nick Marnell

The town of Moraga forecasts a financially stable 2019-20 fiscal year, having come a long way from the fiscal emergency and cash flow crisis the town operated under two years ago. The receipt of federal reimbursements for expenses related to the Rheem sinkhole and the temporary Canyon Road bridge projects enabled the town to restore its general fund reserve to 50% of expenditures in 2018-19, where it is forecast to remain in 2019-20. Long-term financial concerns include the town's unfunded pension liability and insufficient funds to repair an aging infrastructure.

The total proposed budget for 2019-20 equals \$18.24 million, including a \$10.3 million general fund operating budget, and a \$7.94 million capital budget. The budget projects a surplus of \$95,913 and a general fund reserve balance of \$4.7 million, \$362,000 more than 2018-19.

With Moraga having developed comprehensive pavement and storm drain plans in 2019, and having identified funding for each, there is no extraordinary pressure on operations to fund those projects beyond a \$145,000 contribution from the general fund. But with the Audit and Finance Committee in 2015 having projected \$600,000 per year needed for deferred maintenance and asset replacement, and less than \$400,000 allotted in four years for those programs, the town plans to hire a consultant to reevaluate infrastructure needs.

Moraga provides a defined benefit retirement plan for its employees, the only Lamorinda municipality to do so. Because of investment losses and incorrect cost assumptions by the California Public Employees' Retirement System, the town pension administrator, Moraga carries an unfunded pension liability of nearly \$6 million. In order to pay down the liability, the town must make a payment of \$392,000 in 2019-20, escalating to \$673,000 in five years, based on CalPERS' calculations. That figure is in addition to current retirement costs, which total \$357,000 for 2019-20 after employee cost sharing.

In her summary report, Town Manager Cynthia Battenberg said that the budget "includes funding to acquire outside actuarial analysis of the Town's anticipated contribution rate projections, including an asset return sensitivity study, and the options the Town may have to accelerate and/or smooth payment of unfunded liability." The Moraga-Orinda Fire District used a similar strategy in 2017 and established a pension stabilization trust which it funds over and above the required payments to its pension manager.

With the general fund reserve projected to dip below 50% in five years, a placeholder was inserted into the budget in anticipation of a possible revenue-generating measure. Moraga put aside \$42,000 for a public opinion poll, \$25,000 for community outreach and \$33,000 for legal fees to be spent if the town council gives a go-ahead to pursue the measure.

Reach the reporter at: [nick@lamorindaweekly.com](mailto:nick@lamorindaweekly.com)

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