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## Moraga stares down pandemic, presents balanced 2021 operating budget

By Nick Marnell

Though the coronavirus pandemic has thrown many financial forecasts into disarray, the relative stability of Moraga's revenue sources allows the town to forecast a balanced operating budget for 2021. But the town cautions that providing the current level of government services to the community will be a challenge in the years ahead.

Moraga general fund revenue, including transfers from outside funds, comes in at \$9.83 million, only \$10,000 below the 2020 projection. The pandemic has not caused the property value volatility Moraga experienced during the Great Recession, and so property taxes, the town's No. 1 source of revenue, are forecast to rise \$206,000, 4.7% ahead of last year.

More than \$1 million is forecast in sales tax revenue, a figure nearly equal to last year. Despite the pandemic having wreaked havoc on many public financial statements, the town can thank its lack of major retail for the tax revenue stability. "We don't have huge brick and mortar stores, therefore the impact on us is less," said Norm Veloso, director of administrative services.

Franchise fees - charges paid by utilities for their ability to provide services to town residents - are the town's third highest revenue source, providing \$800,000 in 2021. Those fees have remained stable over the past five years.

While revenue remains flat, costs continue to escalate, especially pension expense.

The town has presented an improved financial picture since the 2017 declaration of fiscal emergency, but Town Manager Cynthia Battenberg noted that Moraga does not generate enough annual revenue to make necessary infrastructure improvements, and that its operating budget is strained by an unfunded pension liability and increased pension payments. Projected 2021 expenses of \$9.82 million include significant pension costs.

Moraga recognizes two bargaining units: the Moraga Employees Association and the Moraga Police Officers Association. The town has in place defined benefit retirement plans with the employees of each labor group, and according to the records of the California Public Employees' Retirement System, the town is on the hook for \$7.32 million in unfunded pension liability.

The 2021 town contribution to reduce its CalPERS liability is forecast at \$461,000, and that figure is projected to rise to \$708,000 in five years.

Acknowledging the future pressure on town finances, Battenberg explained that it will be difficult for the town to provide services to the community at the current level. And while Moraga carries six months of operating expenditures - \$4.87 million - in its general fund reserve, Battenberg stated in her budget message that the town "could be one emergency away from another fiscal challenge."

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

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