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Town looks to the future of pension liability funding

By Vera Kochan

Moraga staff presented the town council with two recommendations regarding the potential use of Fund 100 - One Time Developer Fees (Palos Colorados) with the intent of looking ahead toward long-term fiscal sustainability.

The first recommendation would establish an Emergency Reserve Fund and allocation of \$1 million from Fund 100; and the second would be to set aside approximately \$1.5 million, also from Fund 100, in order to reduce the town's future pension liability.

According to a Sept. 28 staff report from Town Manager Cynthia Battenberg, "The Palos Colorados fees are unrestricted, thus the use of the funds is not limited or constrained and may be utilized for any purpose the governing body sees fit. Given that these funds are not restricted, the Town can establish policies and guidelines to articulate a framework and approach for how the government could use or designate these funds over a specific time period while considering the Town's unique circumstances and priorities."

With regards to setting up an Emergency Reserve Fund, the town's policy is to maintain 50% of its General Fund operating costs in reserve. With the town's major source of funding coming six months into the fiscal year from property taxes, the 50% reserve level may not be enough should there be a major financial or physical town emergency. The staff recommended an emergency reserve fund which could carry the town through a potential "rainy day." However, the council opted to "stay the course" and not create a reserve fund, because in past emergencies the town has borrowed from Fund 100 and still considers it a viable source to that effect.

The council instead requested that staff, at a future date, present options to set aside \$1.5 million from the Palos Colorados Fund in order to establish a trust/reserve account that would reduce the town's future pension liability. These funds would be used to address the increased payments projected between the years of 2028-37. The unfunded liability payments are expected to decrease in 2038 thanks to changes in the California Public Employees' Retirement System (CalPERS) new statewide reduced benefits tier.

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