

Moraga-Orinda Fire Protection District



BOARD OF DIRECTORS SPECIAL BOARD MEETING MINUTES

March 20, 2019
(Approved April 17, 2019)

1. The Board of Directors convened the Special Meeting Public Workshop on the Long Range Financial Forecast at 7:03 P.M. on March 20, 2019 at the Sarge Littlehale Room, 22 Orinda Way, Orinda, California. President Danziger called the meeting to order. Director Donner was absent. Present were the following Directors and Staff:

Director Baitx
Director Jex

Director Jorgens
President Danziger

Dave Winnacker, Fire Chief
Admin. Services Director Gloriann Sasser
Jonathan Holtzman, District Counsel

2. PUBLIC COMMENT

Dan DeBusschere, Orinda resident, provided an update on the CASA Compact. He brought three bills to the Board's attention: SB5, AB11, and AB1487 (See Attachment A). SB5 and AB11 require the cities to form a joint venture. He expects AB1487 to be amended to allow the Metropolitan Transportation Commission (MTC) to control the revenue. The impacted cities should demand that the State fund this housing with General Fund monies and not shared revenues. President Danziger directed staff to put this item on the agenda for the next meeting.

Ann Gardner, Orinda resident, had several concerns regarding the North Orinda Fuel Break. She asked who is researching funding for the proposed firebreak. Is the effort being coordinated? Which of the identified impacted communities will receive priority funding? Is there any provision for seniors to get credit on their insurance for prevention work done?

President Danziger closed the Public Comment at 7:15 P.M.

3. REGULAR CALENDAR

3.1 Public Workshop – Long Range Financial Forecast

Chief Winnacker introduced the item. The District engaged Bill Zenoni, consultant, to update and refine the Long Range Financial Forecast (Forecast). Mr. Zenoni described the methodology of how the financial Forecast was put together and how the inputs used were developed. The Forecast is a planning document based on what is known today and the best guesstimates for the future. It is updated as significant events occur. The Forecast looks at a ten-year period through 2028-29. MOFD's main source of revenue is ad valorem property tax (84%). Ideally, the first year of the Financial Plan should provide an idea of the budget for next year. The Board of Directors Long Range Financial Plan Ad Hoc Committee met twice to review the Forecast. The Committee reviewed the assumptions, preliminary findings, and format changes. The format changes included: reducing the forecast period down to ten years; adding a staff worksheet; adding a line item for net strike team revenues; adding a line item for fire prevention costs; separated the format by general fund, capital fund, debt fund; and balance sheet information for pension liabilities. He reviewed some of the key assumptions. Property tax is assumed to increase at two levels: 3% or 4%. Over the last ten years, it has averaged 4%. Expenditures include: a 5% increase in labor costs for next year and 3% after that; benefits are capped per the MOUs; operating expenses are projected to increase 3% throughout based on CPI. One of the significant items are transfers. Over the ten year period, \$22.7M of transfers from the General Fund to the Pension Liability Fund (\$7M to the OPEB Trust Fund and \$15.5M to the Pension Rate Stabilization Fund). There is also a \$14M transfer from the General Fund to the Capital Fund for those expenses. He stated that the preliminary results are favorable with the General Fund and that the assumptions used are conservative. He anticipates that a \$1.2M balance will be maintained in the General Fund. He believes that the District will be able to draw down the unfunded liabilities over the ten-year period which is a significant accomplishment.

Administrative Services Director Gloriann Sasser discussed the new section titled "Summary of Unfunded Liabilities". It includes projections of the District's unfunded pension liabilities based on CCCERA's projections for the District's obligations and based on projections using the Govinvest actuarial software. It also includes projections of the District's OPEB unfunded liabilities based on the District's OPEB actuarial assumptions and

planned trust contributions. Director Jorgens noted that the District will have a pension obligation after ten years despite the goal of eliminating it within eight years. He clarified the purpose of the Workshop which is to obtain public input. President Danziger opened the public comment.

Steve Cohn, Orinda resident, stated that he has reviewed the MOFD finances for several years. He stated that the Forecast needs to be coupled with a Strategic Plan. He assumed that the District's goal is to pay down its retirement liabilities so the Plan should go out 15-20 years to match the goal of paying the unfunded liabilities. He agreed that 4% property revenue increase is reasonable and that 3% property revenue increase is conservative. He suggested that 2.75% is a better figure to use for the rate of inflation and revenue and expenses. He does not support the assumption that benefits will stay flat at zero. He believes that the pension unfunded balance is low and that more money should be put in fire prevention.

Dennis Fay, Orinda resident and member of the Orinda City Council, asked where the information is on fuel load reduction and wildfire preparedness. Chief Winnacker stated that it is in line 52 of the Forecast. Orinda hopes that the MOFD will deal with the issue of wildfire prevention in the long term and that ongoing revenues are needed to maintain the effort. He thanked the Chief for attending the Council meeting and presenting an update on fire prevention efforts.

Jonathan Goodwin, Canyon resident, does not understand how Attachment C plugs into the Forecast particularly replacing Stations 41 and 45. Ms. Sasser responded that the rebuilding of Station 41 is included in the Forecast and begins in Fiscal Year 2020. The plan is to issue debt in the amount of \$8M over 15 years. If the Board does not approve this assumption, there are no funds to cover this expense. He asked how the District's spending priorities are included in the Forecast. Chief Winnacker stated that the 2011 Facilities Plan included replacing Station 41. Station 45 replacement was a lower priority. If no debt were issued, the Board would decide whether to bring additional monies into the Capital Fund or defer the project until sufficient funds were available. Mr. Goodwin asked if discussion is planned on this issue. President Danziger noted that the issue has not been presented to the Board. Mr. Goodwin asked if there is a pool of money left for special projects. Chief Winnacker stated that additional revenue in excess of expenses is, per Board directive, allocated to restricted reserves in the form of the pension stabilization trust fund and OPEB. Mr. Goodwin believes, based on his experience, that leadership (i.e. the fire chief) will determine how much work is done on fire prevention. Director Jorgens stated that, in addition to the new staff to address fire prevention, the fundamental question is how much of the budget MOFD should spend. Mr. Goodwin said that it is incumbent on the Chief to put information on the MOFD website in response to questions raised by citizens and the Board's plans.

Director Jorgens suggested that the line items and assumptions in the Forecast be explained so that the public understands the document. President Danziger suggested that residents address specific questions to the Board who will get answers. Steve Cohn suggested that MOFD sponsor a workshop to discuss fire prevention and fuel breaks.

President Danziger had several questions about the Forecast. He asked if the Forecast includes an inflation factor. Director Jorgens noted that there is no inflation factor for Benefits. Chief Winnacker responded that 3% annual increases are included for the assumptions regarding operating expenses and salaries after the current contracts. Benefits are capped for the current contracts but it is expected they will increase over time. Retiree benefits will remain capped at current measure. Director Jorgens noted that retiree benefits generally are constant but benefits for active employees historically have increased. President Danziger agreed. Director Jorgens suggested that the Forecast assume 3% per year after the current contracts expire. President Danziger expressed concern that staffing levels would remain the same for ten years. He noted that two additional staff (medics) were reinstated after the 2013 budget cuts. Chief Winnacker stated that six positions were cut at that time. President Danziger reaffirmed that the current 61 staff positions with no projected growth was not realistic. Mr. Cohn stated that he does not know why more staff is needed. Director Baitx stated that more people are needed when downtown goes on a medical call. Director Jex expressed concern that MOFD will be in a precarious position if, in the next three years, the General Fund is not increased but reduced. The Forecast reflects that MOFD does not have adequate revenues or handling of expenses. If the items are implemented, the District will be healthier but will need to borrow money to operate or build. The MOFD has not created reserves to handle expenses on an ongoing basis unlike other Districts which have reserves. He is concerned about the adequacy of the General Fund to sustain without borrowing on an ongoing basis. The reserves should be at 50%. The District should address a strategy to increase revenues as was done on ambulance services or reduce expenses. There is nothing in the reserves to handle a contingency. He

questioned how MOFD would fund additional abatement efforts. President Danziger noted that there are unassigned General Fund balances. Director Jex stated that the General Reserve Fund is used to fund current obligations. MOFD would have a financial emergency if an unexpected incident occurred. Director Jorgens noted that the Forecast does not provide for an economic downturn. With the recession in 2010, the pension fund obligation increased significantly. He notes that CCCERA may not realize the earnings which they project in the long term. Chief Winnacker clarified that the negative cash flow is based on MOFD making the full payment to the pension rate stabilization from unrestricted reserve to restricted reserve.

Jonathan Goodwin, Canyon resident, noted that the District is maxed out on the Fire Flow Tax. He noted that hiring two more paramedics makes him feel less safe from a financial point of view. He asked how it will be paid. It is a very serious expense. He asked about the health of other funds that could create a buffer and how restricted the restricted funds are. Director Jorgens noted that the OPEB and pension trust funds are restricted funds. Trust monies can be used to free up general fund monies. Director Jex noted that other districts have reserves at 50% or more.

President Danziger asked Mr. Zenoni for his opinion about an unrestricted fund balance. Mr. Zenoni supports 50% but 17-20% is a good goal. Director Jorgens noted that the District has reduced its pension trust debt from \$28M to \$7M in fourteen years. Director Jex noted that the District would not have to borrow money if it had a 50% reserve. Mr. Zenoni noted that the 50% reserve goal is attainable but it will take time.

Ann Gardner, Orinda resident, asked why there was only two years of federal grant funds listed. Chief Winnacker stated that it is a two-year federal SAFER grant. MOFD cannot apply for a new grant until the current grant is exhausted and there is no way to project if federal funds would be available.

President Danziger asked Ms. Sasser if the funds needed for Station 41 are included in the Forecast. Ms. Sasser stated that the loan payments are included. The financing is fifteen years at 3%. President Danziger had questions about the apparatus costs including \$80,000 for a Suburban. Chief Winnacker stated that three engines have already been replaced.

President Danziger discussed fully funding the pension and OPEB liabilities and how long it would take to accomplish this. Director Jorgens responded that CCCERA's target is 18 years. Mr. Cohn suggested that the Board review CCCERA's amortization schedule.

President Danziger noted that the Forecast is a working document and will help in the future and with budget discussions. Director Jorgens stated that this is the Workshop for input prior to the formal discussion of the Plan at the Board meeting. Director Jex noted that the key issues were addressed. Chief Winnacker stated that the Board policy requires two meetings to discuss the Long Range Financial Forecast (LRFF) and two meetings to discuss the Budget. He added that the Workshop is not required by Board policy. Having held the Workshop, he asked if the Board wants to forego one of the two LRFF presentations and meetings and to hold the meeting and adoption of the LRFF at its next meeting. This would be followed by two Budget meetings. President Danziger stated that he is comfortable with the Workshop and one Board meeting to discuss the LRFF. The other Board Directors concurred.

4. ADJOURNMENT

At 8:30 P.M., President Danziger's motion to adjourn the special meeting was seconded by Director Jorgens. Said motion carried a 4-0-1 voice vote (Ayes: Baitx, Jex, Jorgens, and Danziger; Noes: None; Absent: Donner).