



# Moraga-Orinda Fire District

**TO:** Board of Directors  
**FROM:** Long Range Financial Plan Ad Hoc Committee  
**DATE:** April 17, 2019  
**SUBJECT:** Item 4.1 - Long Range Financial Forecast April 2019

## **Background**

The updated Long Range Financial Forecast (Forecast) was presented to the Board on March 20, 2019 during a public workshop. In addition, the Long Range Financial Plan Ad Hoc Committee met twice to review the Forecast. The Forecasts (Attachments A and B) have been updated based on Board direction provided during the public workshop and Ad Hoc Committee meetings.

Previously the Forecast covered a forward-looking 15-year period. The Committee changed the Forecast to a forward-looking 10-year period.

The Forecasts use several significant assumptions, which are explained below.

## **General Fund Revenues**

Property tax - projected to increase 3% throughout Version A, 4% throughout Version B

Fire flow tax – Record in General Fund and transferred out to the Capital Projects Fund and Debt Service Fund

Ambulance fees – Projected to increase 1.5% throughout the Forecast

Strike team revenue – Projected net of overtime costs

## **General Fund Expenditures**

Regular salaries – Per the Safety MOU: July 1, 2019 +5%, July 1, 2020 +3%, then +3% throughout.

Overtime – Per the Safety MOU: July 1, 2019 +5%, July 1, 2020 +3%, then +3% throughout.

Benefits – Capped per the MOUs (no increases), +3% beginning in FY2022 (Board direction during public workshop)

Retiree health insurance – Capped per the MOUs (no increases)

Operating expenses – Projected to increase 3% throughout based on CPI.

CCCERA employer payment – Five year projections are provided by Segal, CCCERA's actuary, as follows:

2019/20 Actual rates set by the CCCERA board of directors on August 22 2018  
2020/21 +0.92%

2021/22 +3.86%  
2022/23 +2.84%  
2023/24 +2.06%  
2024/25 +7.47% (UAAL actuarial gain layer dropping off due to full amortization)  
2025/26 forward – No projections are provided by CCCERA. The remaining years project +1.0%.

OPEB funding – The Forecast includes OPEB contributions based on actuarial calculations used in the GASB 75 OPEB Valuation Report as of June 30, 2018 which were calculated using a discount rate of 6.25% and 18-year closed amortization period.

Pension rate stabilization – The Forecast includes pension rate stabilization trust contributions as follows based on GovInvest software calculations using discount rate of 6.25%, actual CCCERA investment earnings of 13.9% and -2.7%, and actual salary increases per the District's safety MOU:

2019/20 \$1,997,514  
2020/21 \$2,163,379  
2021/22 \$2,050,993  
2022/23 \$1,809,318

### **Capital Projects Fund**

The Long Range Financial Forecast - Capital Expenditures (Attachment C), has been updated.

### **Fund Balance Policy and Fund Balance Goal**

The District's Fund Balance Policy states the District will maintain a minimum unrestricted fund balance in the General Fund of 17% of budgeted General Fund revenue. The Board set a goal to maintain a minimum unrestricted fund balance in the General Fund of 50% of budgeted General Fund revenue.

In Version A, the unrestricted fund balance is projected to be less than the minimum per the policy in 2019/20 and 2020/21.

### **Long Range Financial Forecast Results**

Both versions of the Forecast show a deficit in the General Fund with expenditures exceeding revenue (including OPEB and pension trust contributions) in FY2019/20 and FY2020/21. The Forecast shows a Capital Projects Fund deficit is projected in most years.

### **Summary of Unfunded Liabilities**

The Committee added a section to the Forecast titled Summary of Unfunded Liabilities. It includes projections of the District's unfunded pension liabilities calculated using the GovInvest software based on CCCERA's actuarial assumptions and based on the District's actuarial assumptions. It also includes projections of the District's OPEB unfunded liabilities based on the District's OPEB actuarial assumptions and planned trust contributions.

### **Recommended Action**

1) Discuss; 2) Deliberate; 3) Provide direction to Staff

### **Attachments**

Attachment A – Long Range Financial Forecast Version A 3% Property Tax Revenue Growth  
Attachment B – Long Range Financial Forecast Version B 4% Property Tax Revenue Growth  
Attachment C – Capital Expenditures  
Attachment D – Staffing Summary