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## Finance Committee Recommends Dipping into Palos Money

By *Sophie Braccini*

The Moraga Audit and Finance Committee was tasked with considering options to finance a \$450,000 note on the purchase of the Town's corporation yard at 331 Rheem Boulevard. The original plan called for selling two Town-owned properties to finance the purchase of the new building—the plan fell through when no buyer could be found for one property and the sale of the other met with overwhelming opposition from residents. Faced with the prospect of having to borrow nearly half of a million dollars to pay the note that's coming due in March, the Committee recommended that the Town use part of its reserve, either from the General Fund or from the \$2 million in developer fees for Palos Colorados, known as "Palos money" or "the Palos bank," that's been sitting for years and is earning less than half a percent interest.

The Town Council will decide next week whether or not to accept the recommendation. In the past, the Council has considered the Palos money to be untouchable until a long-term financial strategy is agreed upon.

The Audit and Finance Committee meets quarterly to review the state of the Town's finances. Its members are Administrative Services Director Stephanie Hom, Town Manager Jill Keimach, the Town's volunteer Treasurer, Bob Kennedy, resident Bradley Ward, Mayor Mike Metcalf, and Council Member Karen Mendonca.

At its January meeting, the Committee reviewed Hom's mid-year financial report that indicated that the earnings and expenses of the Town are on track, with a probable increase in the property tax revenue. That presentation was followed by a decision regarding the Town's surplus, now predicted to be slightly higher than expected.

"We have reached our goal of 50 percent of the General Fund set aside as a reserve by allocating our surplus to that fund," said the Director. "Now the question is how we allocate the rest of the surplus." The Committee agreed that it should be saved for road repairs. "We need to tell voters that we are trying to save money for the roads as fast as we can," said the Mayor.

The Palos money represents the \$2 million in developer fees the Town received as part of the agreement to develop 123 homes on the Palos Colorados property along Moraga Road next to the Lafayette border. The funds are in an account that bears a very minimal interest rate, less than 0.5 percent according to Hom. So far, the Council's position has always been to consider this money to be a "bank" for the Town, a sum that it could borrow against, but must repay, until a complete strategy is agreed upon.

The Committee also discussed a goal that's been articulated by both Hom and Mendonca: the necessity for the Town to have a five-year strategic financial plan. "This should include the Palos Colorados money," said Mendonca, "we need to have a strategy on how to invest that money for the best interest of the Town."

But necessity may push the Council to make decisions regarding this money before a five-year plan is approved. "We have the Palos money sitting," said Metcalf, "paying for 331 Rheem is a one-time purchase of a good Town asset. Paying one-time money for a one-time expenditure is a good decision." Mendonca agreed, noting that the Town now has a healthy reserve.

Town Manager Jill Keimach said that she believes that the community expects that the Palos money would be used for Parks and Recreation purposes. No one on the Committee was sure of the exact wording of the agreement with the Developer. "If we pay off the loan for 331 Rheem with that money, we will complete the restoration of the Hacienda de las Flores to its original purpose," said Mendonca, "and that is a part of the Parks and Recreation master plan."

The Committee voted to recommend that the note be paid off now with the Town's money, using either the Palos bank or the General Fund reserve. The Council will discuss the issue at its February 8th meeting. If the Council does not support that decision, and some Council Members have been on record strongly opposing touching the reserves, the Town could create a bridge-loan for itself until it secures a bank loan.

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