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Moraga Splits the Baby in Half

By *Sophie Braccini*

Nothing as dramatic as King Solomon's judgment happened at the Town Council meeting on February 8, but as council members wrestled to decide which fund to invade in order to pay a \$450,000 note, Council Member Dave Trotter invoked the biblical figure to propose splitting the envelop between the General Fund surplus and the over two million dollars in Palo Colorado Developer Fees the Town holds.

There was no question among them that the remainder of the cost of the 331 Rheem property, which the Town purchased for use as a corporation yard two years ago, should be paid in cash rather than financed; the total of the Town's surplus earns a very modest .38 percent interest and adds up to more than four million dollars. The choice of the fund was not an easy one, since each option has political implications.

Administrative Services Director Stephanie Hom presented to the Council the mid-year revenue and expenditure report. She also proposed a policy committing net revenues from each fiscal year to the General Fund Reserve and the Infrastructure Preservation and Improvement (IPI) Fund. The Council agreed that the year end surplus be retained in the General Fund Reserve in order to maintain reserves equal to 50 percent of the year's expense, and that any additional net revenue be transferred to the IPI Fund. The reserve just reached the 50 percent target.

"We said a long time ago that we wanted (a reserve) to reach 50 percent of our General Fund expenditure, I think that is a priority," said Mayor Mike Metcalf. The fact that dipping into that reserve would send it below the target, to about 43 percent of expenditures, raised some questions. "We just passed a resolution a few moments ago to reach that 50 percent goal, if we were to use the general fund reserve we would go below the 50 percent. Doesn't that point us into the direction of using the Developer Funds instead?" asked Council Member Karen Mendonca.

During the public comment period, resident Barbara Simpson warned the Council that using the Developer Fees fund would meet with strong public opposition because that money had always been perceived as being dedicated to recreation. Regarding the reserves she added, "You have a goal of 50 percent, not a mandate of 50 percent; to go below 50 percent is permitted."

"Using the Developer funds is the easy way out and the temptation is always there; and if you continue to do that, the money will not last long," said Council Member Ken Chew. "We don't know when we will need that money. We can rebuild our reserve and take charge of the note."

Trotter agreed, adding that the Town would probably go back to full strength within two years.

"What is the most important sanctity?" asked Vice Mayor Howard Harpham. "We used the Developer fund once, we should do it again, so we can keep our reserve intact from the beginning."

"I'd like to propose, because we ran about a \$200,000 net revenue last year, (that we) split the baby on it. That way we'll get back to 50 percent within the next audit period," Trotter finally suggested. The Council agreed on a four to one vote, with Harpham the dissenting voice.

A resolution will be brought back to the Council on the consent agenda to pay off the \$450,000 note by taking \$225,000 from the reserve and \$225,000 from the Palos Colorado Developer Fee Fund. At this time the Developer Fee fund amounts to \$2,390,737, and the reserve to \$3,043,898.

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[back](#)

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