



| Town of Moraga | Agenda Item |
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| Ordinances Resolutions Requests for Action | 11. A. |

Meeting Date: May 9, 2018

TOWN OF MORAGA

STAFF REPORT

To: Honorable Mayor and Town Council

From: Joseph M. Tanner, Administrative Services Director

Subject: Consider Resolution _____ - 2018 Rescinding the Declaration of Fiscal Emergency as Adopted by Resolution 67-2017 on June 28, 2017

Request

Staff requests the Town Council rescind the declaration of fiscal emergency and direct staff to aggressively pursue reimbursement for the Rheem Sinkhole and Canyon Road Bridge project costs.

Background

On June 28, 2017 the Town issued a Declaration of Fiscal Emergency based on the Town's projected June 30, 2017 General Fund Reserves fund balance of \$1.6 million, or 19%, far below the Town's 50% General Fund Reserve Policy. The sinkhole on Rheem Boulevard and the Canyon Road bridge failure were the two events that required emergency funding and depleted the Town's General Fund Reserves. The low level of reserves was a concern as it placed the Town in a vulnerable position without needed resources to address future potential emergencies. The declaration of a fiscal emergency had one main benefit in that it provided the Town with flexibility in choosing the most appropriate revenue measure to address the shortfall in funding to repair and maintain the Town's storm drain system.

A Community Priorities Survey was presented to the Council on November 8, 2017. As a result of the survey and much discussion with the community, on December 13, 2017 and then again on January 24, 2018, the Council directed staff to proceed with a stormwater fee ballot initiative using the Proposition 218 established process. This type of voter-approved initiative is not a special revenue measure and did not require a declaration of a fiscal emergency.

Rheem Sinkhole - The Rheem sinkhole repair was deemed completed on November 16, 2017. The cost of the repair was \$2,868,000, which is \$101,000

1 less than the funding set aside for the work. As of March 29, 2018, the Federal
 2 Highway Administration (FHWA) Emergency Relief program has approved
 3 project reimbursements of \$2,440,556. An additional \$145,144 in contingency
 4 costs may also qualify for reimbursement. The reimbursement rate for the
 5 project is projected to be between 85% and 90%. Based on prior Council action,
 6 reimbursement funds will be credited first to the Town's Palos Colorados, Fund
 7 100, then to General Fund Reserves, and then split equally between the Gas Tax
 8 and Measure J accounts as outlined below.
 9

| | <u>Amount</u> | <u>Savings</u> | <u>FHWA Reimbursement</u> | <u>Potential Reimbursement</u> | <u>Town's Share</u> |
|-----------|----------------|----------------|---------------------------|--------------------------------|---------------------|
| Palos | \$1,069,000 | \$101,000 | \$968,000 | | |
| General | 1,400,000 | | 1,400,000 | | |
| Gas Tax | 246,000 | | 36,278 | 72,572 | 137,150 |
| Measure J | <u>254,000</u> | | <u>36,278</u> | <u>72,572</u> | <u>145,150</u> |
| Total | \$2,969,000 | \$101,000 | \$2,440,556 | \$145,144 | \$282,300 |

10
 11 Canyon Bridge - The temporary Canyon Road Bridge replacement project was
 12 deemed completed in November 2017. The cost of the repair was \$3,294,000
 13 and the potential reimbursement amount from the FHWA Emergency Relief
 14 program is \$2,924,000. Although the project reimbursement has been approved,
 15 there is no timetable on when funds will be sent to the Town. Congress will need
 16 to appropriate funds to the California 2017 disaster event for the Town to receive
 17 reimbursements.
 18

19 As noted, the Town's application to the FHWA Emergency Relief program for
 20 reimbursement of the Canyon Bridge project expenses has been approved and
 21 the potential reimbursement is approximately 89% of total expenditures.
 22 Unfortunately, the FHWA Emergency Relief program is not sufficiently funded,
 23 largely due to competing needs statewide related to the recent historic wildfires
 24 and catastrophic landslides. The Town will continue to advocate for Federal
 25 funding of the California 2017 Disaster and the Town's approved claim for
 26 reimbursements of Canyon Road temporary bridge costs. In July 2017, the
 27 FHWA Emergency Relief program authorized the Town to proceed with bridge
 28 repairs (removal of the damaged bridge, construction of bridge improvements
 29 and installation of leased temporary bridge) work. The potential reimbursement
 30 schedule which assumes each account is reimbursed 89% of the funds
 31 expended, follows. The Council may choose to direct staff in the future as to how
 32 to allocate the funds.
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| | <u>Amount</u> | <u>FHWA Potential Reimbursement</u> | <u>Town's Share</u> |
|-----------------|----------------|-------------------------------------|---------------------|
| Palos Colorados | \$1,000,000 | \$887,600 | \$112,400 |
| General Fund | 2,060,000 | 1,828,456 | 231,544 |
| Measure J | <u>234,388</u> | <u>208,042</u> | <u>26,845</u> |
| Total | \$3,294,388 | \$2,924,000 | \$370,388 |

34 In response to the emergencies, the Town began cutting costs and the Fiscal
 35 Year 2016/17 year-end fund balance was \$765,000 higher than projected. Mid-

1 year budget adjustments approved in February 2018 added an additional
2 \$120,000 to the General Fund Reserves.

3
4 At the April 24, 2018 Audit and Finance Committee meeting, members voted
5 unanimously to recommend to the Town Council to rescind the Declaration of the
6 Fiscal Emergency at the Town Council's May 9 meeting. The Committee cited
7 reasons for rescinding the fiscal emergency including, there is no longer an
8 emergency, the General Fund Reserves are increasing, reimbursements for the
9 Rheem sinkhole costs are scheduled to be received and the fiscal emergency
10 designation was not necessary as the Town chose the Proposition 2018
11 property-based ballot initiative.

12 13 **Discussion**

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15 The process is underway to generate new revenue to fund the Town's storm
16 drain system which should prevent future emergencies. Should the Proposition
17 218 ballot measure fail, staff recommends that the Town pursue another revenue
18 measure. While the Town would need to act quickly, there would be sufficient
19 time for a measure to be placed on the upcoming November general election
20 ballot.

21
22 It is the opinion of Town staff that terminating the Declaration of Fiscal
23 Emergency is justified at this time for the following reasons:

- 24
25 1. The Town did not select a revenue enhancement measure alternative that
26 required an agency be in a declared fiscal emergency.
- 27 2. The FY 2016/17 budget year (audited) ended with \$765,000 to the good,
28 increasing the reserve to \$2,309,276 or 27.2%
- 29 3. The mid-year budget adjustments for FY 2017/18 approved by the Town
30 Council in February 2018 added an additional \$120,000 to the General
31 Fund Reserves, increasing reserves to \$2,429,276 or 28.6%.
- 32 4. The current General Fund Reserve balance of 28.6% exceeds the
33 Government Finance Officers Association recommendation that general-
34 purpose governments, regardless of size, maintain an unrestricted general
35 fund balance of no less than 16%.
- 36 5. A Federal Highway Administration (FHWA) Emergency Relief program
37 reimbursement payment of \$886,000 is expected in Fiscal Year 2017/18
38 for the Rheem Sinkhole and which will restore the Palos Colorados, Fund
39 100 balance to approximately \$1,720,000.
- 40 6. The reimbursement of \$1,400,000 to the General Fund for Rheem
41 sinkhole expenses, anticipated to be received in Fiscal Year 2018/19, is
42 expected to restore the General Fund Reserves to 45% by September
43 2018.

44
45 Staff is working diligently on the Fiscal Year 2018/19 budget and although
46 preliminary numbers are currently not available, staff is not anticipating significant
47 changes to the operating budgets. The current plan is to proceed with a fiscally
48 conservative approach to the budget with the goal of fully restoring the Town's
49 General Fund Reserves to 50% by the end of FY 2018/19.

1 **Fiscal Impact**

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3 There is no fiscal impact to this report.

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5 **Alternatives**

- 6
7 1) Recommend to the Town Council that they rescind the Declaration of Fiscal
8 Emergency.
9 2) Consider a recommendation to the Town Council to rescind the Declaration of
10 Fiscal Emergency during the budget process.
11 3) Maintain the current status of Fiscal Emergency.

12
13 **Recommendation**

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15 Consider Resolution _____ -2018 Accepting the recommendation of the Audit
16 and Finance Committee and staff's recommendation to the Town Council to
17 rescind the Declaration of the Fiscal Emergency.

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19 **Report reviewed by: Cynthia Battenberg, Town Manager**

20
21 **Attachments**

- 22 **A.** Resolution ____ -2018 Rescinding the Declaration of the Fiscal Emergency
23 as Adopted by Resolution 67-2017 on June 28, 2017.
24

ATTACHMENT A

Resolution ____ -2018 Rescinding the Declaration of the
Fiscal Emergency

BEFORE THE TOWN COUNCIL OF THE TOWN OF MORAGA

In the Matter of:

Rescinding the Town of Moraga)
Declaration of Fiscal Emergency as)
Adopted by Resolution 67-2017 on)
June 28, 2017)

Resolution No. __- 2018

WHEREAS, the Town of Moraga, through Resolution 67-2017, declared a fiscal emergency on June 28, 2017 due to fiscal concerns including, but not limited to: reductions to the operating budget and services provided to the community; two unanticipated, catastrophic infrastructure failures that caused serious disruption and significantly stressed the Town's financial reserves; the projected low level of General Fund Reserves; and the urgent need for additional revenue to slow further deterioration of the storm drains and other Town infrastructure; and

WHEREAS, the June 30, 2017 General Fund Reserves were \$2.3 million, which is \$765,000 higher than projected; and

WHEREAS, the mid-year budget adjustments for FY 2017/18 added an additional \$120,000 to General Fund Reserves; and

WHEREAS, the Town of Moraga is scheduled to receive \$2,440,556 in reimbursements from the Federal Highway Administration Emergency Relief program, with the potential to receive an additional \$145,144, for the Rheem Sinkhole Project; and

WHEREAS, the Town of Moraga is due \$2,924,000 in reimbursements from the Federal Highway Administration Emergency Relief Program for the Canyon Bridge Project; and

WHEREAS, since the Town's declaration of Fiscal Emergency on June 28, 2017, the Town has taken action to restore and protect the Town's health, safety, welfare and quality of life and has addressed the urgent needs which required the declaration of a fiscal emergency; and

WHEREAS, the Audit and Finance Committee met on April 24, 2018 and recommended to the Town Council that the declaration of fiscal emergency be rescinded.

NOW, THEREFORE, BE IT RESOLVED that the Town Council of the Town of Moraga has determined that the urgent needs which constituted a fiscal emergency have been addressed.

BE IT FURTHER RESOLVED that the Town hereby rescinds the declaration of fiscal emergency that was declared by Resolution 67-2017 and adopted on June 28, 2017.

PASSED AND ADOPTED by the Town Council of the Town of Moraga at a regular meeting held on May 9, 2018 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Dave Trotter, Mayor

Attest:

Marty C. McInturf, Town Clerk