

Subject: Report to the community on the state of Orinda's emergency services

From: Orinda Citizens Emergency Services Task Force
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A group of Orinda citizens has completed an eight month review of the state of our emergency services. To the best of our knowledge, this is the first in-depth, independent look at our emergency services and their provider, the Moraga-Orinda Fire District (MOFD), since the District was formed in 1997.

An independent review of the district has been requested by Orinda residents ever since the Orinda Revenue Enhancement Task Force released its findings in late 2008 which suggested that Orinda tax payers were providing greater financial support of MOFD than was justified by the services provided. After two series of Tri-Agency (Orinda, Moraga and MOFD) meetings failed to produce a satisfactory product, Councilmember Amy Worth requested in June 2011 that the Orinda Council form a Citizens Emergency Services Task Force to address the issue. Her request was emphasized by a petition signed by 220 residents. Despite this show of support for the idea, the Council failed to act on it.

Following the Council's inaction, the petitioners, as requested by the Council and the President of MOFD, took the issue directly to MOFD informing the MOFD Board that they were forming an independent task force. The Board chose to make no comment on this announcement nor enter into discussions with the Task Force. This was in July 2011.

Since then the Task Force has utilized publicly available data to analyze the operations and finances of the District. They present their findings to the community in a 78 page report. This report, in addition to 15 separate exhibits, can be accessed through the Task Force web site **www.OrindaTaskForce.org**.

The Task Force has attempted to provide a well documented, neutral assessment of the state of emergency services in Orinda. While some members of the community were desirous that an independent, paid consultant create this report, neither the Task Force nor the government agencies involved (City of Orinda, Town of Moraga, MOFD) had the financial resources to pay for such an endeavor. However, we hope that the community accepts the veracity of the data and the soundness of the analysis provided in the Task Force report.

Respectfully submitted,

The Orinda Citizens Emergency Services Task Force

A REPORT ON THE COSTS, OPERATIONS, PERFORMANCE AND FINANCES OF THE MORAGA-ORINDA FIRE DISTRICT (MOFD)

by

The Orinda Citizens Emergency Services Task Force
(www.OrindaTaskForce.org / Orinda_Task_Force@comcast.net)

Section I - Overview

WHAT SHOULD WE THINK OF SOMEONE WHO NEVER ADMITS ERROR, NEVER ENTERTAINS DOUBT BUT ADHERES UNFLINCHINGLY TO THE SAME IDEAS ALL HIS LIFE, REGARDLESS OF NEW EVIDENCE? DOUBT AND SKEPTICISM ARE SIGNS OF RATIONALITY. WHEN WE ARE TOO CERTAIN OF OUR OPINIONS, WE RUN THE RISK OF IGNORING ANY EVIDENCE THAT CONFLICTS WITH OUR VIEWS. IT IS DOUBT THAT SHOWS WE ARE STILL THINKING, STILL WILLING TO REEXAMINE HARDENED BELIEFS WHEN CONFRONTED WITH NEW FACTS AND NEW EVIDENCE.

DIANE RAVITCH

THE DEATH AND LIFE OF THE GREAT AMERICAN SCHOOL SYSTEM

This report was prepared by an independent group of Orinda Citizens following three years of attempts to get the City to audit how well its residents are being served by their emergency services provider, the Moraga-Orinda Fire District (MOFD). This report was prepared with no assistance by MOFD itself. The individuals preparing the report do not include professionals in the field of emergency services; did not have the cooperation of MOFD to provide professional advice on various topics; and did not have the resources to hire outside consultants. The individuals do, however, have expertise in the fields of finance, accounting, engineering and business and are able to provide statistical analysis on several aspects of MOFD's operations and finance pertinent to the provision of emergency services to the residents of Orinda.

MOFD is an independent agency formed in 1997 by the residents of Orinda and Moraga to be a locally controlled, highly professional, financially viable emergency service provider. From Orinda's perspective, the driving incentives for leaving the service provided by the county's fire department (ConFire), were (1) a higher level of emergency medical service including locally sited paramedic ambulance fire engines and (2) keeping Orinda tax dollars for service in Orinda, not elsewhere in the county. (Exhibit I-1)

To the best of our knowledge, no audit of MOFD has been made by the City of Orinda in the 15 years since the District was formed to fully understand how it is performing.

This study was done to provide Orinda with a perspective of how MOFD is serving it after 15 years. It is accompanied by a website www.OrindaTaskForce.org.

This report focuses on five areas of MOFD operations:

Section II - **Organization of the District** - Formation, governance, elections, citizen involvement and meetings.

Section III - **Incidents Served by MOFD** - What services does MOFD provide to the residents of Orinda? What are the nature of the incidents; the staff available to service these incidents; the results (limited to a response time analysis)?

Section IV - **Operational Costs** - What does MOFD cost, where does the money come from, and what are the projections for the future?

Section V - **Tax Funding Allocation** - Are Orinda taxpayers paying their fair share of property taxes to support MOFD? This was one of the prime drivers for Orinda taxpayers to form MOFD.

Section VI - **Financial Stability** - every government agency that provides its employees with a fixed benefit retirement plan appears to be in distress. What condition is MOFD in?

Summary

The Task Force believes that MOFD does a credible job for the majority of the community and its service employees appear to be highly skilled. However, there are gaps in service provided, aspects of the District's operations which the community is not knowledgeable of, and the Task Force has concerns over the District's management of the public's funds.

As opposed to the City of Orinda and the Town of Moraga, the District has no citizen committees or commissions. There is no "watch dog". The district often "slips under the radar" of the regional media (Contra Costa Times) and the local media is not designed to provide "investigative" or "confrontational" reporting. If MOFD reports something; the media accepts it at face value. So, for instance, when MOFD reports in its annual financials that it has \$11 million in net assets; that is what gets reported in the press (although the Task Force will show that it has upwards of several hundreds of millions of dollars in future liabilities in excess of offsetting assets.) This report hopes to look as objectively as possible at our emergency services provider with no intention to denigrate those who literally do, at times, put their lives on the line.

The Task Force concludes that MOFD could continue to "kick the pension can down the road" for years, or even decades, with no apparent ill effects. It is not on the verge of bankruptcy as some public agencies are. However, it is financially unstable and, depending on circumstances, that instability could become apparent in the not too distant future negatively impacting service. At best, if we ignore the situation we will be passing a huge obligation onto future generations of Orindans and Moragans.

In addition, the service provided by MOFD is marginal in some respects (40% of response times to critical emergencies in Orinda exceeds industry standards) and the costs are staggering (no

other community that the Task Force is aware of spends over 50% of its local resources on emergency services).

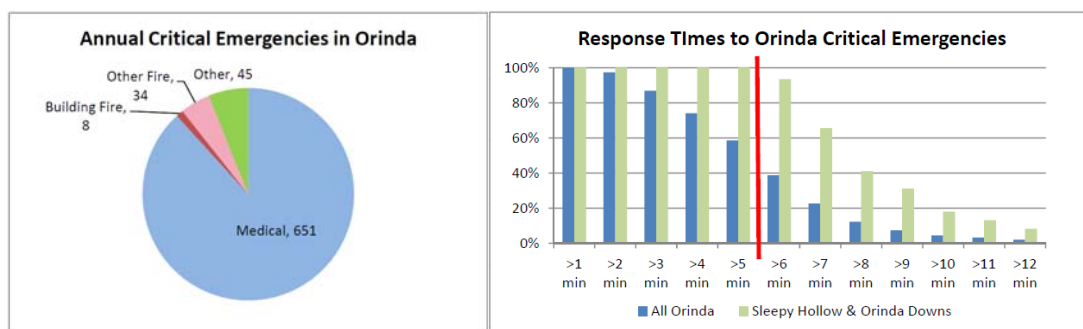
Finally, Orinda taxpayers are paying \$1 million per year in excess of their fair share of MOFD's expenses. This is not what Orindans were told would be the cost sharing with Moraga when MOFD was formed.

The community, and this includes both the Orinda and Moraga Councils, needs to reassert itself in the long term operation of its emergency services provider.

Incidents Served (Section III)

The vast majority of incidents that MOFD serves are medical: 80% of all incidents and almost 90% of all "critical" incidents; called code-3 (lights and sirens). Only 5% of code-3 incidents are fires and only one in a hundred are structure fires that might involve loss of life. The chance of loss-of-life is even more skewed toward medical emergencies, not fires. And yet, to look at annual reports or the District's web site, one would think it was one fire after another. It is more exciting to see pictures of a building in flames, however, there are more than 100 people on stretchers for every one burning building. The reality is that MOFD's major function is providing emergency medical care.

What does it take to service a medical emergency? Virtually all of the medical calls serviced by MOFD involve a single victim, however, MOFD does have to be prepared to handle multiple victim emergencies. Is it necessary / reasonable / optimal to concentrate MOFD's 19 emergency responders into 5 stations? Does Orinda really require four times the firefighters per capita as serve the ConFire service area? MOFD records show that the average number of responders to a code-3 medical incident is 5.5 firefighters, and even then, the average MOFD firefighter responds to only 4 incidents per week. Is there a more efficient way to use personnel who cost over \$200,000 per year each?

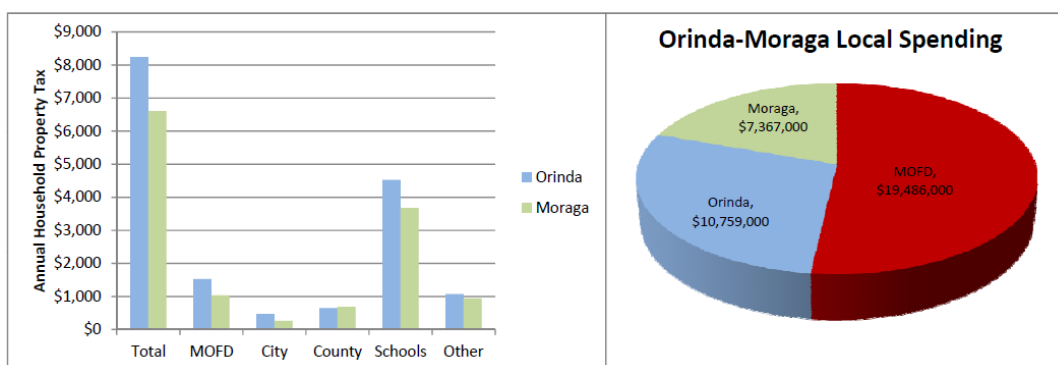


The most disturbing fact that the Task Force discovered, was that almost 40% of all code-3 incidents in Orinda were not responded to within the 6-minute time frame guiding the entire industry. In some areas, like Sleepy Hollow and Orinda Downs, the non-performance rate is close to 100%. If more stations could get responders closer to the incidents, thus reducing response times, and it only takes 1 to 2 first responders (with backup) to successfully deal with most medical

emergencies; why are our firefighters concentrated 4 to a station? The Task Force believes that while this may be an appropriate "fire" model; the vast majority of life-threatening emergencies are not fire related. The District and the Firefighters Union (note: it is not called the Emergency Responders Union) may be more concerned with the well being of the employees than they are with the health and safety of the community. A harsh accusation but the facts appear to indicate thus.

Operational Costs (Section IV)

MOFD has an annual budget of almost \$19 million for the 19 firefighters on each shift. One million dollars per firefighter. Without any frame of reference, this is a meaningless number. It is obviously a lot of money; a budget exceeding the budgets of Orinda and Moraga combined (and the Task Force is unaware of any other community that spends over half of its resources on emergency services.) However, we do have a "spread out" community which requires more service providers than most to attempt to give the community appropriate response times.



But how did so much money get directed to MOFD? Was this the community's plan? The Task Force notes that in the 15 years since the District was conceived, the property tax revenues allocated to emergency services have increased from \$7.6 million in 1997 to \$16.3 million in 2012. That is a 5.2% annual increase; almost twice the rate of inflation in that time period. If we had held expenses to inflation, the MOFD tax bill would be \$11.4 million today and we would have \$5 million to spend on infrastructure needs. But we have not and MOFD has figured out how to spend it all and, as will be discussed, also built up tens if not hundreds of millions of dollars of unfunded liabilities on top of that.

The community needs to start paying more attention to our emergency services provider. Both Orinda and Moraga need to be more actively involved. Their councils effectively formed MOFD by recommending that action to the voters in 1997. They could have brought the fire department "in house" or been more active in the process by forming a Joint Powers Authority as opposed to handing the responsibility to an independent agency. But they still own the responsibility of confirming that their residents are getting, and will continue to receive, emergency services. Based on what the Task Force has discovered regarding MOFD's response times and long term liabilities, none of this is a given.

In analyzing MOFD's long range financial projections, and coupling this with projections of MOFD's employee benefit liabilities, the Task Force believes that some very hard decisions are going to have to be made; and should be made soon. These are community decisions, not just MOFD's. The longer we wait, the worse the problem will get.

Tax Funding Allocation (Section V)

Paying a fair amount for the emergency services provided was one of the main drivers for Orinda taxpayers to join with Moraga to form MOFD. At the time of formation, the County was spending \$700,000 per year of Orinda's property taxes to subsidize emergency services elsewhere in the County. Orinda taxpayers thought that this was enough reason to leave the County emergency services system and form their own. Orinda taxpayers dedicate a lot of money for emergency services: In 2011/12 this will include \$10.5 million in property taxes; \$600,000 in a special parcel tax: \$11.1 million in total. Orinda taxpayers expect it to be spent on services in Orinda.

Orindans are served mainly by the 11 MOFD firefighters stationed in Orinda. These firefighters represent 58% of the MOFD's total force of 19. However, Orinda taxpayers currently provide 64% of MOFD's \$17.4 million tax revenue needs. This results in a one million dollar discrepancy between what Orinda taxpayers are paying and the cost of the service they are receiving.

MOFD claims that the \$1 million excess represents service provided by Moraga units into Orinda. This \$1 million represents 14% of the tax revenue allocated to the 8 firefighters stationed in Moraga. Do Orinda residents get 14% of the service provided by these Moraga-based MOFD units? No. Net of service which Orinda units provide into Moraga, Orinda residents only receive 3% of Moraga's total operations. This service is wholly from the Moraga ambulance with 50% of that cost covered by ambulance fees paid by users for hospital transport. The net cost for this service is a de minimis adjustment to a straight-forward expense allocation by firefighters stationed in each city.

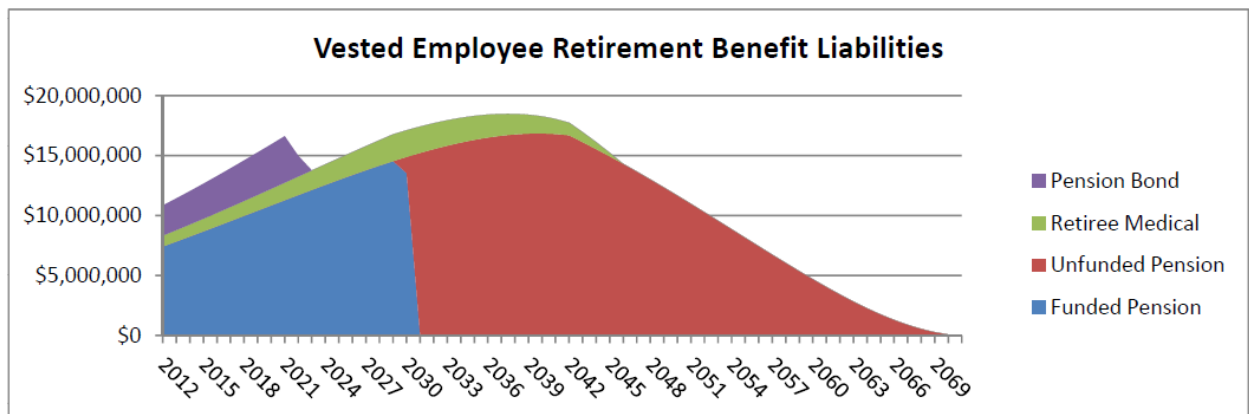
Therefore, the claimed \$1 million funding inequity is real and should be addressed before it splits the District as Orinda taxpayers have shown they will not live with subsidizing other cities; even their next door neighbors.

Financial Stability (Section VI)

At the end of the Orinda City Council meeting in June of 2011, where 220 Orinda residents presented a petition to the Council asking for the creation of this Task Force under the auspices of the Orinda Council, Mayor Smith made the following statement: "We are extremely lucky that we are not in Con-Fire as some had previously requested that we make that change or look at receiving services from them because that agency unfortunately is close to bankruptcy and will be browning out stations." She then declared that there was no need for Orinda to create a task force and would not even bring the issue to a vote.

The Task Force's findings indicate that we are not "extremely lucky", in fact we may be in exactly the same condition that ConFire finds itself. Our "little", 5 station fire department, with tax revenues that have grown from \$9 million to \$17 million over 15 years (a total of \$200 million in tax revenue over those years); has somehow accrued \$700 million in future employee benefits liabilities and currently only has \$120 million in assets to cover those future liabilities. Even if those assets could earn the almost 8% annually that the pension plan administrator assumes, they can only be expected to cover \$300 million of these existing liabilities. Right now, in addition to paying \$1.5 million annually for newly vested pension benefits each year, the district is paying \$3 million annually for unfunded liabilities. This \$4.5 million **is almost 50%** of what the district pays in total salaries (base plus overtime). And that \$4.5 million might have to be doubled if we are not going to pass our massive debts onto our grand children.

Will we have to "brown out" or close stations to pay off our debts as other communities are experiencing? The Task Force does not believe so but serious measures have to be taken soon to prevent it. This is the job of the entire community; not just the MOFD Board. The Task Force believes that the MOFD Board needs community assistance. In putting together this report, the Task Force asked MOFD one question: "What are your pension and post retirement medical liabilities." Their response? *We can't tell you and we do not have to tell you because that is not public knowledge as we do not know what the numbers are.* \$700 million of liabilities (the Task Force's estimate) and MOFD does not know what the number is and does not believe is has to know. MOFD President John Wyro's exact words to the Task Force were: "You have all the data we have and I am not prepared to ask staff to develop more information at this time. Know that we are well aware of the obligations."



MOFD has huge financial problems. It is not going to go bankrupt and because we are currently served by 4 times the firefighters per capita as the rest of the county we will be able to weather the storm without service cuts; but only if appropriate action is taken. The community needs to get involved, and that includes the Orinda and Moraga Councils, to make sure it receives the service that it needs and desires.

Background on this Task Force

In 2008, following the defeat of two bond measures designed to provide funds for the repair of Orinda's crumbling infrastructure, The City created a Revenue Enhancement Task Force (RETF). The RETF was tasked with exploring all revenue possibilities for reconstructing Orinda's infrastructure.

One of the taxes the RETF focused on was Orinda's property tax. The total annual property tax paid by Orinda's property owners was four times Orinda's total budget. Only 7 percent of that tax came back directly to the City of Orinda; half went to the state for the funding of schools; 10 percent went to the county; 9 percent to an assortment of 12 independent agencies ranging from BART to the Alamo Lafayette Cemetery. But the single largest portion after schools, 22.6%, was dedicated to the emergency services provided by MOFD. The total tax, when supplemented by an additional parcel tax paid to MOFD, was about \$10 million; greater than the city's entire budget.

Upon further investigation, four aspects of this already existing tax came to light:

- 1) Since the formation of MOFD, it had been growing at a rate of 7.1% while inflation had only been 3.1% (this was in 2008).
- 2) In addition to this historic growth, the Wilder development was projected to add an additional \$1 billion to the Orinda tax base which would mean an additional \$2 million to MOFD from Orinda property taxpayers with no anticipated increase in service to Orinda or cost to MOFD.
- 3) Orinda's \$10.4 million of MOFD's \$16.4 million total tax revenue represented 63.4% of MOFD's total tax revenue while Orinda was served by 11 (57.9%) out of MOFD's 19 on-duty firefighters. The RETF queried "if Orinda taxpayers were served by 57.9% of MOFD's staff, why weren't they paying 57.9% of its tax revenue (\$9.5 million)?" This \$900,000 difference could double Orinda's road budget.
- 4) Tax law not only allowed Orinda control over the taxes going to MOFD (which is how MOFD was formed; Orinda detached from ConFire and formed MOFD with taxes previously dedicated to ConFire being transferred to MOFD), it also allowed MOFD to transfer taxes back to Orinda if it so desired (to balance funding allocation between Orinda and Moraga).

In December 2008, the RETF presented its findings to the City Council. It presented a plan of combined revenue sources, including an increasing reallocation of property taxes then going to MOFD to be transferred back to Orinda which would be made possible by MOFD constraining its growth to 4.5%. Not surprisingly, MOFD rejected any such transfer of revenue back to Orinda. The City Council's reaction to the RETF report was to immediately disband the RETF. It did this before the RETF could hold its final meeting, officially adopting its final report. The consequence of this action was that the report never became part of the official City record. This report can be found on the Task Force Web site as Exhibit I-2.

Nowhere in the RETF report were MOFD's current expenditures, methods of operation or long term finances questioned. The RETF simply questioned the allocation of tax resources.

Following the dissolving of the RETF, the Orinda City Council did request of MOFD and Moraga to form a Tri-Agency Committee to air the allegations of the RETF; namely Orinda taxpayers were overfunding MOFD. The Committee meetings consisted of only one entity, MOFD,

being allowed to present facts and analysis. Not surprisingly, MOFD "proved" to the Tri-Agency Committee that there was no funding inequity.

The Orinda representatives to the Tri-Agency meetings took these findings back to the Council in April 2009. The full Council accepted the report but then voted to allocate funds to hire a consultant, in conjunction with MOFD and Moraga, to do an independent evaluation. In other words, the majority of the Orinda Council did not believe the MOFD analysis. Not surprisingly, MOFD and Moraga refused to participate in a consultant-led analysis and the independent evaluation was never performed.

At this same time, Contra Costa LAFCO was preparing its quinquennial report (available at www.contracostalafco.org/municipal_service_reviews/fire_and_emergency_medical_services/CoCo_Fire_MSR_Master_-_FINAL.pdf) on the status of the county's emergency service providers, including MOFD. Following the denial by MOFD and Moraga to participate in a neutral, consultant-led study, the City Council deferred any further action until LAFCO issued its findings.

In October 2009 the final LAFCO report, determinations and recommendations were released. For MOFD, the report's 27 "determinations" included:

- * Service demand levels are average in the District, with 80 incidents annually per 1,000 people compared with the countywide average of 79 incidents per 1,000.

- * MOFD's staffing level of 1.9 sworn staff per 1,000 people is substantially higher than the countywide average (0.8), as well as the Bay Area median for urban fire providers (0.9).

- * In Orinda, there are water mains that need to be upgraded and hydrants in some areas have low pressure and capacity.

- * The District identified service challenges in the Orinda area due to decayed roads and lack of street maintenance and access challenges on steep, windy, narrow roads, particularly in the El Toyonal area.

- * The District would benefit from benchmarking its costs against comparable service providers to explore cost savings and promote efficiency.

LAFCO's one "recommendation" to MOFD was "Encourage agencies (*meaning MOFD and Orinda*) to communicate regarding road/water infrastructure challenges and report back to LAFCO within 12 months." (this never happened)

To the best of the Task Force's knowledge, this information was never formally presented to the Orinda City Council. The LAFCO determinations and recommendations are on the Task Force web site as Exhibit I-3 and the portion of the LAFCO report pertaining to MOFD is included as Exhibit I-4.

In January 2010, the grass roots group FAIR (Fire And Infrastructure Renewal), formed by former RETF members, approached the Council with a proposal. In discussions with ConFire, it appeared that ConFire would and could provide service to Orinda, equivalent to the service provided by MOFD, at a cost significantly less than the property tax revenue then going to MOFD from Orinda taxpayers. This service would be by contract and thus not tied to property taxes. While FAIR did not think Orinda would get any service benefits from a contract with ConFire, it presented this option to the Council as a strong indication that MOFD was charging Orinda more than its fair share of MOFD operating expenses. It also believed that the City would be open to

service-by-contract as that is how the City provides many of its services, including its police service from the County Sheriff's office. Locally controlled services by the regional service provider (probably using the same firefighters which were already serving us); with major savings to the taxpayers/city; and with pension liabilities shifted back to the County sounded like something the City might consider. As expected, MOFD strongly rejected such a plan as did some Orinda citizens who believed that ConFire, which overcharged and underserved us a decade and a half earlier, would do so again.

The Orinda City Council's response was to call for another series of Tri-Agency meetings. These meetings were, again, mostly presentations by MOFD to the Committee including the same funding equity analysis provided the previous year. However, FAIR was allowed to present its funding equity analysis as was another group, OrindaCARES. These presentations were never discussed by the Committee; the committee languished by allowing itself to be dragged into the November 2010 election season; the Committee Chair, Orinda Mayor Tom McCormick, was unsuccessful in his bid for re-election to the Orinda Council and the Council did not appoint a successor for him. In April 2011 the Committee, with no report or conclusions, agreed to dissolve itself.

The one remaining Orinda representative to the 2010 Tri-Agency, Councilmember Worth, went back to the Orinda City Council at its June 7, 2011 meeting, gave a 3 minute verbal report of the Committee's actions (or inactions), and suggested to the Council that the City set up its own Citizens Emergency Services Task Force to investigate issues that the Tri-Agency Committee would not. At the same meeting, a petition was presented to the Council, signed by 220 Orinda citizens, including former Mayor McCormick, also calling for a Task Force.

At this Orinda City Council meeting, the president of MOFD, John Wyro, gave a short address stating: "We welcome and encourage public participation. We need public participation to fully function and I am hoping that out of this that those who have concerns about the operations of the department come share them with us and work together with us to improve it." Following this statement, three of the Council members said it was not in their "purview" to get involved in the business of another agency (even though that agency was responsible for the health and safety of every individual in Orinda) and directed the citizens to take their issues directly to MOFD. No vote was held on the formation of a Citizens Emergency Services Task Force.

On July 20, 2011, Orinda resident Vince Maiorana (one of the petition signers to the Orinda Council asking for the creation of a Task Force) told the MOFD Board at their regular meeting, that a group of citizens were forming a Task Force; that they hoped that MOFD would cooperate; and they would bring their findings to the Board upon completion. There was no response from any member of the Board, either immediately or since. The only response was from MOFD Chief Bradley who said he would like to be involved.

On July 22, Steve Cohn, a member of the Task Force, presented a request for information to Chief Bradley. Specifically, he asked for MOFD's long term employee benefit liabilities, both pension and post retirement medical benefits. The only public information then available were values that represent the present value of these liabilities, not the absolute year-by-year values. These requested values, which are the basis for the publicly available "present values", are derived by

the District's actuary and the District's pension plan administrator's (CCCERA) actuary. The response from the District to this request was that they did not currently have the information and they did not respond to a further request that they might then get the information from their actuary. CCCERA responded likewise. Requests directly to the MOFD Board and to CCCERA's Board of Trustees were never responded to.

No further requests for information, other than the District's audited financial statement on December 9th, the day following its formal adoption by the Board, was requested from the District by the Task Force. All other information used in this Task Force report was obtained by other means or prior to the formation of the Task Force.

Thus, with virtually no assistance from either the City of Orinda or the Moraga-Orinda Fire District, the Citizens Emergency Services Task Force has attempted to compile the equivalent to a Grand Jury Investigation or a Service Audit of the Moraga-Orinda Fire District, specifically, to how it relates to service in Orinda. Actual data will be noted in the sections of this report as will any assumptions the Task Force has made in the absence of data.

A REPORT ON THE COSTS, OPERATIONS, PERFORMANCE AND FINANCES OF THE MORAGA-ORINDA FIRE DISTRICT (MOFD)

by

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(www.OrindaTaskForce.org / Orinda_Task_Force@comcast.net)

Section II - MOFD ORGANIZATION

What is the Moraga-Orinda Fire District?

The Moraga-Orinda Fire District (MOFD) is an independent agency run by a Board of Directors elected by the residents of Orinda, Moraga and the unincorporated area adjacent to Moraga (unincorporated Moraga and Canyon). It serves approximately 34,000 residents and receives the majority of its operating funds from property taxes paid by the population it serves.

Neither the Orinda City Council nor the Moraga Town Council have any direct control over the operation of MOFD (they can only use the power of the "bully pulpit" to influence public sentiment and sway their counterparts on the MOFD Board). None of the tax revenue controlled by Orinda or Moraga goes to support the operations of MOFD. MOFD is allocated revenue from property taxes in Orinda and Moraga.

Formation of MOFD - MOFD was formed by the vote of the people in June 1997. The new district took over three stations in Orinda previously operated by the county's ConFire and two stations in Moraga previously operated by the Moraga Fire Protection District (MFPD).

Prior to the formation, the Orinda service provided by ConFire cost Orinda taxpayers 22.6% of their property taxes. In the last year of service by ConFire (1996/97) this amounted to about \$4.3 million; \$475,000 for each of the 9 firefighters stationed in Orinda (3 engines staffed by three firefighters each). All ConFire firefighters were trained as EMTs (Emergency Medical Technician). Ambulance service was provided privately by AMR out of Walnut Creek. No tax dollars were used to support the ambulance; all ambulance costs were covered by user fees.

MFPD served Moraga (incorporated and unincorporated), Canyon, plus 700 homes in South Orinda. The district had two stations with 8 firefighters staffing two fire engines and its own ambulance. The ambulance staff plus at least one firefighter on each engine were Paramedics with the remaining firefighters being EMTs. This cost \$3.3 million in property taxes plus the District had an additional parcel tax which generated about \$500,000 in revenue. This total, \$3.8 million, also equaled \$475,000 for each firefighter serving the district.

The Orinda City Council and a group of Orinda citizens determined that over the four years Orinda had been served by ConFire, Orinda's tax revenue to ConFire exceeded the cost of the service provided to Orinda by about \$2.8 million in total (\$700,000 per year). In addition, Orinda had a lower level of medical service. Fire engines in Orinda were staffed by EMT certified firefighters while in Moraga, at least one firefighter on each engine was higher level Paramedic.

Also, the ambulance response from Walnut Creek to Orinda could take up to 20 minutes; almost twice industry standards.

Even though Orinda taxpayers were paying the same \$475,000 per firefighter as MFPD taxpayers, due to the poor condition of Orinda's capital equipment it was determined that if Orinda wanted to join Moraga it too would need a (\$530,000) parcel tax; meaning its 9 firefighters would each be costing \$535,000 per year each vs. Moraga's \$475,000. Despite this disparity, and with no mechanism to remove the disparity after Orinda's equipment was upgraded other than local representation on the MOFD Board, Orinda's City Council and a number of other civic leaders supported the merger. The basis of the support was to "stop exporting our taxes to elsewhere in the county" plus "provide better medical service". They succeeded in encouraging 80% of the taxpayers to vote for a merger with Moraga in forming MOFD on June 3, 1997.

Governance of MOFD - MOFD is governed by a board of five directors elected **by division**. There are two divisions in Orinda, two in Moraga, and one split between the two cities with about 55% of it being in Orinda (since Orinda's population represents about 52% of the District's total population). Currently the director's positions are held by:

Division 1 (Moraga)	Frank Sperling	franksperling@comcast.net
Division 2 (Moraga)	Fred Weil	fweil@hansonbridgett.com
Division 3 (split)	vacant as of 2/29/2012 South Orinda, west of Moraga Way plus Ivy Drive	
Division 4 (Orinda)	John Wyro	wyroco@comcast.net
	the rest of South Orinda plus Orinda Woods	
Division 5 (Orinda)	vacant as of 2/29/2012 the rest of North Orinda	

The Directors hold a term of 4 years with two directors (divisions 2 and 5) being elected on presidential election years and three in the off-years.

Historically there is very little turnover in the board. Of 19 possible elections since the board was formed: 12 have been unopposed; 4 have resulted in the re-election of the incumbent; and only 3 have resulted in a new member on the board. Of those three, two were races by two non-incumbents and in only one case did a non-incumbent beat an incumbent. See Table II-1.

Coming into a race as an incumbent is a very strong position to be in. The task force notes that four out of the six times in the history of the district that a Director has resigned or not chosen to seek re-election, the board has appointed a replacement as opposed to letting the voters choose a replacement. In all four cases, the appointed Director, now the incumbent, either won the next election or ran unopposed. In the most recent incidence, with the retirement of Director Wilson originally announced in late 2009, a public response calling for an election as opposed to an appointment caused Director Wilson to withdraw his retirement notice until it was too late to hold a mid-term election. This delay "forced" the Board to either make an appointment or leave the seat vacant for 8 months. The resulting appointee ran unopposed the following November.

Table II-1 MOFD Election Results

Mar-12	Div 3	Dick Olsen	resigns	
	Div 5	Brook Mancinelli	resigns	
				(both to be replaced by vote in November)
Nov-10				
	Div 1	Frank Sperling (I)	ran unopposed	
	Div 2	Fred Weil (I)	bye year	
	Div 3	Dick Olsen (I)	ran unopposed	
	Div 4	John Wyro (I)	59%	
		Bob Jungbluth	41%	
	Div 5	Brook Mancinelli (I)	bye year	
Mar-10	Div 3	12 Dick Olsen	appointed to replace Pete Wilson	
Nov-08	Div 1	Frank Sperling (I)	bye year	
	Div 2	Fred Weil (I)	55.26%	
		Bob Nelson	44.58%	
	Div 3	Pete Willson (I)	bye year	
	Div 4	John Wyro (I)	bye year	
	Div 5	11 Brook Mancinelli	58.85%	
		Gene Gottfried (I)	40.76%	
Nov-06				
	Div 1	10 Frank Sperling	55.50%	
		Linda Borelli	44.50%	
	Div 2	Fred Weil (I)	bye year	
	Div 3	Pete Willson (I)	ran unopposed	
	Div 4	John Wyro (I)	ran unopposed	
	Div 5	Gene Gottfried (I)	bye year	
Nov-04	Div 1	Gordon Nathan	bye year	
	Div 2	Fred Weil (I)	ran unopposed	
	Div 3	Pete Willson (I)	bye year	
	Div 4	John Wyro (I)	bye year	
	Div 5	Gene Gottfried (I)	ran unopposed	
Nov-03	Div 2	9 Fred Weil	appointed to replace Ben Ho	

Table II-1 MOFD Election Results

Nov-02	Div 1		Gordon Nathan	ran unopposed
	Div 2		Ben Ho	bye year
	Div 3		Pete Willson (I)	87.80%
			Anthony Rodriguez	12.20%
	Div 4		John Wyro (I)	ran unopposed
	Div 5		Short term	
			Gene Gottfried	70.70%
			Mark Shaffer	29.30%
Jun-02	Div 5	8	Gene Gottfried	appointed to replace Robin Berens
Nov-00	Div 1		Gordon Nathan	bye year
	Div 2		Ben Ho	ran unopposed
	Div 3		Pete Wilson	bye year
	Div 4		Peter Scurr	bye year
	Div 5	7	Robin Berens	51.80%
			Gene Gottfried	48.20%
Nov-98	Div 1		Gordon Nathan	ran unopposed
	Div 2	6	Ben Ho	appointed to replace Mike Cory
	Div 3		Pete Wilson	ran unopposed
	Div 4		Peter Scurr	ran unopposed
	Div 5		John Wyro	bye year
Jun-97	Div 1	5	Gordon Nathan	
	Div 2	4	Mike Cory	
	Div 3	3	Pete Wilson	
	Div 4	2	Peter Scurr	
	Div 5	1	John Wyro	

In 15 years

12 MOFD Directors total

7 New Directors (one original director still on board)

4 new Directors appointed by board

3 new Directors chosen by vote

Only one of those three running against incumbent

19 elections for director

2 times incumbent did not run

12 times incumbent ran unopposed

4 times incumbent won

1 time incumbent lost

The Task Force believes that MOFD should review its policy of appointing Directors to replace retiring directors, especially near the end of a Director's term as in the case of Director Wilson. The very nature of a small, specialized district gives the incumbent a huge advantage; earned or not. Of the 12 men who have served as MOFD directors, 5 came in as original directors (not elected) and 4 were appointed replacements. The public has only chosen three of all the directors in the 15 year history of MOFD. Lastly, the Task Force does note that 12 members of the community have held a directorship of MOFD since its inception, out of a possible number of 24, so the average Director has served two terms which seems appropriate.

Further note: On March 21, 2012, the reduced Board of three directors decided to forego replacing-by-appointment the two positions opened by simultaneous resignation of two directors in February. Instead they will wait seven months until the voters can choose replacements at the next general election. The Task Force applauds this action especially since it adds an extra burden on the three remaining directors.

Division Representation - While the Directors of MOFD have to be responsive to the needs of the entire District, they are elected **by division** and **not at large**. Despite this, in the past the Orinda representatives have appeared to ignore individual needs or attributes of their particular divisions, ostensibly for the "betterment" of the whole of MOFD. The Task Force believes that this attitude has caused Orinda residents to get less service for more money than they deserve. Examples include:

- 1) *Orinda Ambulance Service* - For the first decade of operation the Orinda ambulance, one of the keystones of MOFD service vs. the previous ConFire service, was provided by the three firefighters stationed in Orinda's downtown station, number 45. When the ambulance was transporting victims to the hospital, this station (which is first responder to twice as many incidents as Orinda's two other stations combined) was empty. In the meantime, Moraga's main station had a full time ambulance and a back-up paramedic engine. Only 9 (53%) of MOFD's 17 firefighters were stationed in Orinda while Orinda taxpayers were providing up to 63% of the District's property tax revenue.
- 2) *Response Times* - Only 61% of Orinda's code-3 (critical) emergencies are responded to within the 6 minute guideline set by the industry and adopted by MOFD. This compares to a 75% compliance rate for Moraga. The Sleepy Hollow / Orinda Downs neighborhood, home to close to 10% of Orinda's population, has close to a zero percent compliance rate. To the best of the Task Force's knowledge this non-compliance issue is never discussed by the MOFD Board including Orinda's representatives.
- 3) *Property tax allocation* - Orinda's taxpayers are currently paying 64% of the District's property tax revenue but only being served by 58% of the District's personnel. This \$1 million discrepancy has been in existence since the District was formed but it has worsened over time. The District, including the representatives of Orinda's taxpayers, has gone to extraordinary lengths to "explain away" this inequity. While this might "slightly" benefit the district as a whole (allow it to retain the benefits of Orinda's expanding tax base (128% increase in 14 years) and not constrain it to Moraga's tax base increase (99% increase over the same 14 years), it has done so to the disbenefit of Orinda's taxpayers; forcing them to pay an ever-expanding percentage of the District's expenses. Orinda's representatives should have fought for their taxpayer's rights.

Citizen Involvement - All MOFD meetings are open to the public with prior notice provided per provisions of the Brown Act. The agendas for the meetings are posted at the fire stations and on the District's web site (www.MOFD.org). In addition, "packets" for each meeting (staff reports and other documents pertaining to agenda items) are available to the public and also posted on the web site. The web site also includes the minutes for the monthly "regular" meetings and has recently begun posting audio recordings of some of the meetings.

While the District professes the desire and need for public involvement, the Task Force notes that the district currently does not have, and to the best of its knowledge never has had, a standing or long term committee which has included any citizen participants. It has had ad-hoc citizen committees (for reviewing the credentials of Chief and Director candidates, for example), but even those have been very structured with limited influence.

The Task Force believes that the District would be well served by receiving more citizen involvement in the form of standing or report-oriented committees focusing on a number of issues confronting the district, including, but not limited to:

- * Finances
- * Water supply to hydrants, especially in Orinda
- * Fuel supply reduction in Very High Fire Hazard Severity Zones
- * Residential fire sprinkler systems - expanding to existing structures

Example of the need for greater oversight / citizen involvement. When the District's accountancy firm presented the District with the draft audited financial for fiscal year ending June 30, 2011 there were (at least) two errors in the report. One was substantial and the other, in the opinion of the Task Force, significantly understated the District's liabilities.

The first was a "simple" typo. Unfortunately, it was a \$30,000,000 typo. It overstated the District's pension assets by that amount; increasing them from \$125million to \$155million. It was on a line with the pension plan's liabilities (\$142million) and its net liability (\$18million). The facts are: (1) This one line, stating pension liabilities, should be a top priority in the current environment of chronically underfunded pension plans, (2) the amounts on this line are the largest numbers in the entire report by a factor of four, and (3) with the typo in the asset column, the "math" no longer works. At least one of these three factors should have caught someone's attention.

The second was the OPEB / GASB 45 / Retiree Medical Benefit liability given as \$24 million. This was the value for two years ago (6/30/2009). In the same report that this value was presented, a value for 6/30/2011 was given as \$26 million. Seeing as this was an accounting for the period ending 6/30/2011, and \$26 million is more conservative than \$24 million, one would think the latter value should be used, or at least mentioned. It was not.

Both of these items are included in Exhibit VI-4, the version of the audited financials that went to the Board for final approval on December 8.

These two "errors" were given to the staff; the staff passed them onto the Finance Committee; the Finance Committee passed them onto the full Board; and the full Board ratified the report, including the "errors", all with no comments. In addition, prior to the full Board approval, a Task

Force member sent all members of the Board an email and in the email the \$30 million typo was pointed out. Apparently, no one read the email.

After the audited financials were approved by the Board, the Task Force contacted the staff directly regarding the typo and it was corrected immediately.

While these errors do not substantively affect the operations or finances of the District, they are an indication that more eyes are needed to make sure that substantive errors that might affect the well-being of the District are not lurking. The community is full of talented professionals who can add that "extra pair of eyes" and give appropriate professional advice along with it. The District should utilize this talent pool.

A REPORT ON THE COSTS, OPERATIONS, PERFORMANCE AND FINANCES OF THE MORAGA-ORINDA FIRE DISTRICT (MOFD)

by

The Orinda Citizens Emergency Services Task Force
(www.OrindaTaskForce.org / Orinda_Task_Force@comcast.net)

Section III - Emergency Incidents Served by MOFD

The 34,000 residents of Orinda, Moraga and Canyon are served by 19 MOFD firefighters on each shift which equates to 5.6 firefighters per 10,000 population. The 600,000 residents living in Contra Costa County's ConFire service area are served by 90 firefighters which is 1.5 firefighters per 10,000 residents. The incident rate per capita in the two service areas is identical. Why does it take almost four times the firefighters per capita to serve MOFD?

Of the 1,420 most critical incidents (code-3 / lights and sirens) during the year studied (2009), 1,278 (90%) were medical incidents while only 75 (5%) were fires. Of those 75 fires, only 16 were structure fires which might have threatened the health and safety of the occupants (one structure fire for every 80 medical emergencies). These statistics demonstrate that MOFD is an emergency medical responder with the added capacity of being able to respond to a variety of other emergencies; including fires.

The vast majority, if not the totality, of medical emergencies involved a single victim. What is the appropriate response to such incidents? Records show that 6,992 MOFD firefighters responded to the 1,420 medical emergencies; an **average** of 4.9 responders per incident. Is this necessary or reasonable?

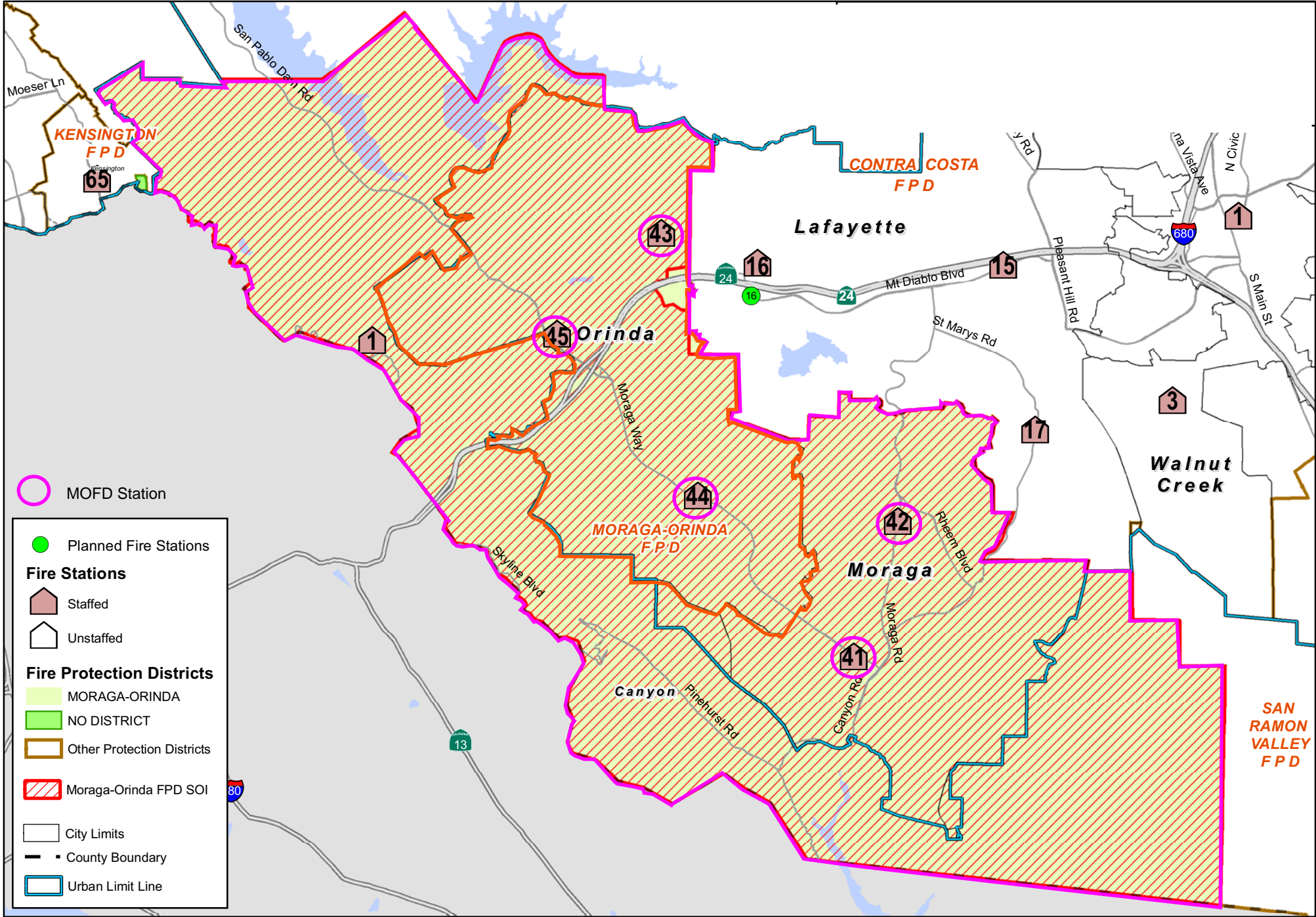
MOFD staffs its stations with 3 to 5 emergency personnel. Because the MOFD service area is spread out, this practice of concentrating emergency responders in a few stations results in poor response times. 39% of all code-3 emergencies in Orinda are responded to in excess of the 6-minute industry standard (excluding dispatch times). 25% of code-3 emergencies in Moraga are responded to in excess of 6 minutes.

The Task Force believes that MOFD should re-examine its emergency services priorities so that it can more efficiently deal with the emergencies that actually exist in our community.

Response Force - MOFD has five stations, 3 in Orinda and 2 in Moraga (Map III-1), staffed by 19 firefighters. The Orinda stations are staffed by three 3-person engine companies plus one 2-person ambulance company. The Moraga stations are staffed by two 3-person engine companies and one 2-person ambulance company. Over half of the District's fire fighters are Paramedics with the remainder being EMT's (Emergency Medical Technician). Every unit is staffed by at least one paramedic. The District currently states that its goal is to have a 100% paramedic-firefighter staff. The Task Force has never seen a study that shows that the current mix of Paramedics and EMT's has not provided appropriate service. It is, however, aware that Paramedics cost \$10-20,000 more than EMT's and believes the MOFD claim that "union concessions" allow for an all-Paramedic force at the same cost as a "mixed" force will be a temporary concession.

Map III-1

Moraga-Orinda Fire Protection District Boundary and Sphere of Influence



Response Frequency - Equipment operations (engines and ambulances) are detailed and summarized in Tables III-1 and III-2. In 2009, the District's 7 emergency response units, staffed by 19 personnel, provided 4,687 equipment responses to 2,377 total incidents in Orinda, Moraga and other parts of the MOFD service area (unincorporated Moraga and Canyon). That is an average of 685 annual responses per unit, or about two per day.

1,944 of the equipment responses were by the District's two ambulances (averaging just under 3 per day). The remaining 2,743 responses were by the District's 5 fire engines; averaging 1.5 operations per day or 10 per week. There is a great variance between the stations; from one operation per day at Orinda's station 43 (off St. Stephens Dr) to 2.4 operations per day at Moraga's station 41 on Moraga Way. Since each station is staffed 24/7 by three shifts of firefighters, each shift participated in approximately one third of those operations.

Not surprisingly, Orinda accounted for 1,256 (about 53%) of the District's 2,377 total incidents as it has slightly over half of the District's population. Also not surprisingly, slightly over half of the District's total equipment operations went to service those incidents.

Table III-2 details the number of responders, both units and personnel, by type of incident. Of the total 2,377 incidents in the District in 2009, two thirds were code-3, the highest priority, but ten percent of those were false alarms. The remaining 1,400 critical incidents equates to an average of 200 annual primary responses by each of the District's 7 emergency response units (5 engines and 2 ambulances); or four per week per unit. But the primary-response-by-unit to critical incidents varies from slightly over 300 per year by each of District's ambulances to fewer than 100 by the engine stationed at Orinda's Station 43 off of St. Stephen's Dr.

Overall, including non-emergency responses and false alarms, MOFD units average about 2 calls per day and put an average of 6 responders on the scene of each critical emergency and 3.5 responders at each non-critical emergency.

Incident Responders - While the vast majority of incident responses to incidents in Orinda and Moraga were from units based in the respective city, there is also a significant amount of "mutual aid" within the District and to-and-from outside the District. Table III-1 displays this.

Moraga-based engines (including the Spirit of St Mary ladder truck which is considered at "truck") responded 173 times to incidents in Orinda and Orinda-based engines reciprocated 123 times back into Moraga. In addition, Orinda engines provided service outside the District 83 times and Moraga engines 42 times. In total, both Orinda-based and Moraga-based engines provided slightly over 200 operations to incidents outside their city/town limits: either directly to the other city or to outside the district in support of the entire district.

The importance of regional mutual aid can be noted in Table III-1. While 145 MOFD units responded to incidents outside of the MOFD service area, emergency units from outside MOFD more than reciprocated this mutual aid. The Task Force could only get data from ConFire but it is probable that they provided the lion's share of mutual aid back into MOFD. They reported a total of 260 responses back into the MOFD service area; 120 into Orinda and 140 into Moraga. The 2009 LAFCO

Table III-1
MOFD EQUIPMENT OPERATION SUMMARY (2009)

	Total Operations To						Total Ops
	Orinda	Moraga	sub total		Outside MOFD	Total	To Outside of City Limit
Operations From	52.2%	47.8%					
Engines & Trucks	1,431	1,312	2,743		125	2,868	
Orinda	1,258	123	1,381	50.3%	83	1,464	51.0% 206
E143	306	20	326		49	375	
E443	3	1	4		0	4	
E144	319	70	389		8	397	
E244	2	0	2		0	2	
E145	597	21	618		23	641	
E345	30	7	37		3	40	
OES 290	1	4	5		0	5	
Moraga	173	1,189	1,362	49.7%	42	1,404	49.0% 215
E141	69	461	530		1	531	
E341	5	28	33		1	34	
T141	61	222	283		15	298	
E142	35	469	504		22	526	
E342	3	9	12		3	15	
	50.8%	49.2%					
Ambulances	988	956	1,944		20	1,964	
Orinda	744	139	883	45.4%	16	899	45.8% 155
M144	20	12	32		1	33	
M145	724	127	851		15	866	
Moraga-M141	244	817	1,061	54.6%	4	1,065	54.2% 248
	51.6%	48.4%					
All MOFD Equipment	2,419	2,268	4,687		145	4,832	
Orinda	2,002	262	2,264	48.3%	99	2,363	48.9% 361
Moraga	417	2,006	2,423	51.7%	46	2,469	51.1% 463
Administration	165	142	307		63	370	
Fire Chief	7	1	8		1	9	
Battalion Chiefs	154	137	291		59	350	
Other	4	4	8		3	11	
Con Fire equipment responding to incidents in the MOFD service area							
All operations reported	120	140	260				

Table III-2

Number of Incidents and Responders by Incident Type

	Number of Response Units at an Incident				Total Incidents		Total Response Units	Total Responders	
	1	2	3	more than 3					
Code 3									
12-False Alarms	16	95	39	8	158	10%	358	1,056	11%
13-Medical	48	995	212	23	1,278	81%	2770	6,992	75%
14-Fire	20	10	7	38	75	5%	276	780	8%
15-Fire - potential	4	1	0	6	11	1%	36	101	1%
16-Rescue	0	0	1	0	1	0%	3	8	0%
17-Hazmat	2	0	1	1	4	0%	9	25	0%
18-General assistance	<u>13</u>	<u>15</u>	<u>17</u>	<u>7</u>	<u>52</u>	3%	<u>125</u>	<u>335</u>	4%
Total Code 3 incidents	103	1,116	277	83	1,579				
Total Code 3 units / responders responder per incident	103	2,232	831	411			3577 2.3	9,297 5.9	
non-Code 3									
12-False Alarms	29	10	4	0	43	5%	61	180	6%
13-Medical	259	124	15	2	400	50%	560	1,285	46%
14-Fire	11	3	1	0	15	2%	20	58	2%
15-Fire - potential	60	4	0	0	64	8%	68	204	7%
16-Rescue	1	0	0	0	1	0%	1	3	0%
17-Hazmat	27	4	0	0	31	4%	35	104	4%
18-General assistance	<u>139</u>	<u>92</u>	<u>10</u>	<u>3</u>	<u>244</u>	31%	<u>365</u>	<u>986</u>	35%
Total non-Code 3	526	237	30	5	798				
Total non-Code 3 units / responders responder per incident	526	474	90	20			1,110 1.4	2,820 3.5	
Total incidents	629	1,353	307	88	2,377				
Total units / responders responder per incident	629	2,706	921	431			4,687 2.0	12,117 5.1	

report also stated that while 5% of MOFD's operations were to outside the MOFD service area, 9% of the responses inside the MOFD service area were provided by other providers.

The two MOFD ambulances also provide service throughout the District with the Orinda-based ambulance responding to Moraga incidents 139 times while the Moraga-based ambulance responded to Orinda incidents 244 times. There was some, but minimal, MOFD ambulance service to areas outside of the District.

The importance of regional mutual aid can be noted in Table III-1. While 145 MOFD units responded to incidents outside of the MOFD service area, emergency units from outside MOFD more than reciprocated this mutual aid. The Task Force was only able to obtain data from ConFire but it is probable this reflects the lion's share of mutual aid provided back into MOFD. ConFire reported a total of 260 responses back into the MOFD service area; 120 into Orinda and 140 into Moraga. The 2009 LAFCO report also stated that while 5% of MOFD's operations were to outside the MOFD service area, 9% of the responses inside the MOFD service area were provided by other providers.

The two MOFD ambulances also provide service throughout the District with the Orinda-based ambulance responding to Moraga incidents 139 times while the Moraga-based ambulance responded to Orinda incidents 244 times. There was some, but minimal, MOFD ambulance service to areas outside of the District.

The mutual aid within the District is not just for "back-up" service, but also applies to first responder service (see Table III-3). Orinda FSUs were first-responder to 22 Moraga incidents and the Moraga FSUs reciprocated with 20 first responses into Orinda. And while the Moraga ambulance was first responder to 83 Orinda incidents, the Orinda ambulance was first responder to 33 Moraga incidents.

Response Times - The 2009 LAFCO report states that response times are one of the two "general indicators of service adequacy for municipal fire provider." That report (Exhibit I-4, pg 252), describes MOFD's response time performance. It includes the following comments:

- * The District's goal is a six-minute response time.
- * The District expects it will achieve this goal about 85 percent of the time for medical emergencies and between 48 and 56 percent of the time for fires.
- * MOFD ambulance response times were not available for 2007, although data were provided for the first six weeks of 2009. The data indicates that MOFD responded within 4:39 minutes 50 percent of the time, and within 7:46 minutes 90 percent of the time.

In 2006 MOFD produced a Community Standards of Coverage report (Exhibit III-1). On the first page of that report is the following statement: "It is recognized within the fire service profession that an emergency service evaluation must take into account both the frequency and severity of the most common types of incidents. Emergency medical responses are the most frequent type of emergencies within the District and require immediate engine-based paramedic response and an advanced life support ambulance transport." The report goes on to describe the importance of arriving at medical emergencies quickly (the six-minute time frame is used as a means of service level measurement, as brain damage is very likely in cardiac arrest patients after six minutes without oxygen

Table III-3
MOFD Incident First Responders (2009)

	Total First Responses To				Code 3 First Responses To			
	Orinda	Moraga	All MOFD		Orinda	Moraga	All MOFD	
Operations From	56.5%	43.5%			53.4%	46.6%		
Engines & Trucks	709	545	1,254		467	408	875	
Orinda	689	22	711	56.7%	456	15	471	53.8%
E143	147	1	148		92	1	93	
E443	0	0	0		0	0	0	
E144	248	15	263		176	11	187	
E244	0	0	0		0	0	0	
E145	291	3	294		187	0	187	
E345	3	0	3		1	0	1	
OES 290	0	3	3		0	3	3	
Moraga	20	523	543	43.3%	11	393	404	46.2%
E141	11	159	170		4	92	96	
E341	1	2	3		1	0	1	
T141	4	36	40		3	24	27	
E142	4	326	330		3	277	280	
E342	0	0	0		0	0	0	
	48.7%	51.3%			49.7%	50.3%		
Ambulances	547	576	1,123		350	354	704	
Orinda	464	33	497	44.3%	301	8	309	43.9%
M144	1	3	4		1	0	1	
M145	463	30	493		300	8	308	
Moraga-M141	83	543	626	55.7%	49	346	395	56.1%
	52.8%	47.2%			51.7%	48.3%		
All MOFD Equipment	1,256	1,121	2,377		817	762	1,579	
Orinda	1,153	55	1,208	50.8%	757	23	780	49.4%
Moraga	103	1,066	1,169	49.2%	60	739	799	50.6%

Note

The data provided by MOFD did not have valid response times for at least one responder in about 30% of the incidents. The Task Force considered any response time less than one minute to be invalid. The Task Force ignored the invalid incidents and "grossed up" the distribution among the valid incidents.

flow to the brain) and to structural fires quickly (before "flashover" occurs which is generally six to ten minutes.) This was the basis for the District's six minute response time policy for critical emergencies.

Unlike national standards, MOFD's definition of response time is the time from when the District receives a call from the ConFire dispatcher to when the first emergency response vehicle arrives at the scene of the incident. It does not include the 1-3 minutes it takes for the call to be processed by the ConFire dispatcher or the time for it to be routed through the County Sherriff's dispatcher (land line calls) or the Highway Patrol dispatcher and then the County Sherriff's dispatcher (cell phone calls). National standards include three components: dispatch time, turn-out time of no more than one minute, and travel time. The fire response time guidelines established by the National Fire Protection Association (NFPA) is 6 minutes and the Center for Public Safety Excellence (formerly the Commission on Fire Accreditation International) is 5 minutes 50 seconds, both at least 90 percent of the time. (page 46 of the LAFCO report)

However, the LAFCO report goes on to say that no agency in Contra Costa, including MOFD, meets that standard. On average, 90 percent of calls are responded to within 8 minutes and MOFD performs at that average (Table III-4). This is due to the suburban / rural nature of the county. While it may be best practice to respond within six minutes from the call being made, there are physical and financial limitations on meeting those expectations. But efforts should be made to come closer to the goal because, as the Standard of Coverage report explains, there are imperative reasons for this six minute target.

Over the past several years MOFD has produced a monthly incident report summarizing the prior month's emergency incidents and the response times. This report (Exhibit III-2) has, until recently, only reported median response times and had not addressed how many critical incidents have, or have not, met the six minute response time goal. Recently, however, this information was added in a "compliance with Standards of Coverage" page (page 4 of Exhibit III-2).

The new information, interestingly, excludes not just dispatch time but turnout time as well; reporting just travel times. For the first quarter of 2012 the travel time statistics, for code-3 incidents only, these travel times were:

Under 4:30	69 percent of the time
Under 6:00	89 percent of the time
Under 8:00	96 percent of the time

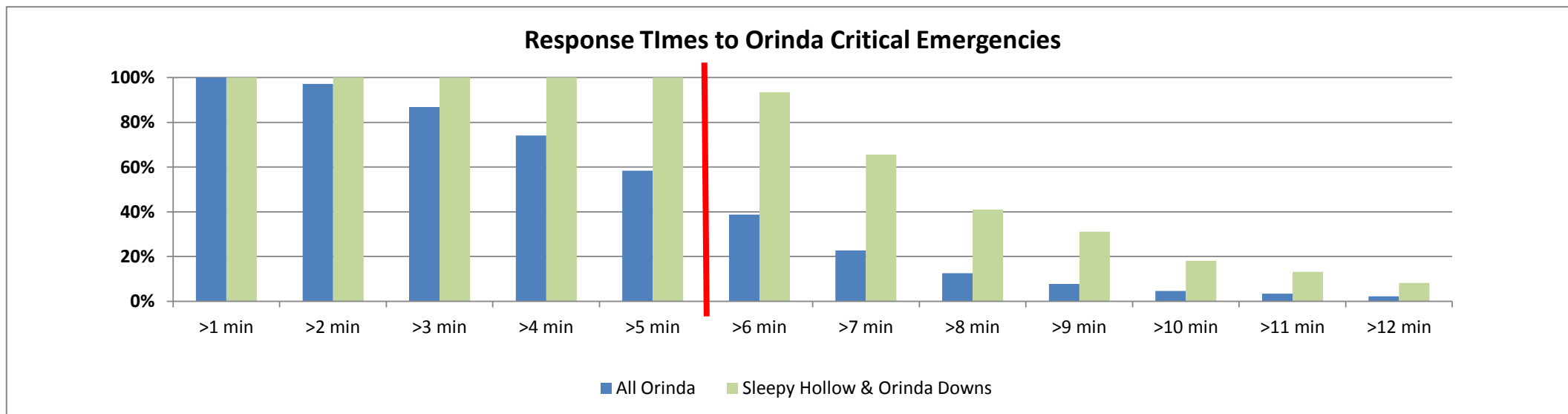
On page two of this incident report, however, the average turnout times are reported separately as about a minute and a half. With average turnout times included, MOFD meets the 6 minute response time target 69 percent of the time. This differs significantly from the 85 percent compliance which MOFD told LAFCO that it expected in 2009.

The results of the Task Force analysis for response times are included in Table III-4. The Task Force generally concurs with MOFD's numbers claiming 33 percent of code-3 incidents, district-wide, are not responded to within a six minute time frame, 20 percent exceed 7 minutes and 11 percent exceed 8 minutes. However, in Orinda, the six minute standard is exceeded 39 percent of the time, a seven minute response is exceeded 23 percent of the time, and an eight minute response exceeded 13

Table III-4
MOFD Response Times for First Responder

Response Time Greater Than	Number of Incidents							Percent of Incidents							Dispatch Times*		
	Code 3 medical	Orinda Code 3	All	Code 3	Moraga All	Code 3	MOFD All	Code 3 medical	Orinda Code 3	All	Code 3	Moraga All	Code 3	MOFD All	Greater Than	Average	
All incidents	652	817	1256	762	1121	1579	2377	100%	100%	100%	100%	100%	100%	100%	0:00:00	100%	0:00:47
0:02:00	634	794	1230	740	1097	1534	2327	97%	97%	98%	97%	98%	97%	98%	0:00:30	62%	0:01:06
0:03:00	558	709	1123	681	1026	1390	2147	86%	87%	89%	89%	91%	88%	90%	0:00:45	44%	0:01:18
0:04:00	471	606	992	500	821	1108	1817	72%	74%	79%	66%	73%	70%	76%	0:01:00	26%	0:01:35
0:05:00	364	478	821	323	597	806	1426	56%	58%	65%	42%	53%	51%	60%	0:01:15	15%	0:01:58
0:06:00	234	316	600	193	414	514	1021	36%	39%	48%	25%	37%	33%	43%	0:01:30	9%	0:02:23
0:07:00	131	186	416	122	277	310	699	20%	23%	33%	16%	25%	20%	29%	0:01:45	6%	0:02:46
0:08:00	66	102	279	65	191	168	473	10%	13%	22%	9%	17%	11%	20%	0:02:00	3%	0:03:25
0:09:00	38	63	184	40	130	104	317	6%	8%	15%	5%	12%	7%	13%			
0:10:00	20	37	129	22	82	60	212	3%	5%	10%	3%	7%	4%	9%			
0:11:00	13	27	85	16	59	44	145	2%	3%	7%	2%	5%	3%	6%			
0:12:00	7	17	60	9	45	27	106	1%	2%	5%	1%	4%	2%	4%			

* These are ConFire dispatch times. 911 calls from a land line go through the Sheriff's department and calls from cell phones go through the Highway Patrol to the Sheriff's dispatchers before reaching ConFire dispatch. Each of these take an incremental, but undetermined, extra time.



percent of the time. In Sleepy Hollow & Orinda Downs, where about ten percent of Orindans live, the six minute response time standard is exceeded virtually 100 percent of the time.

Again, these response times are in addition to the time between when a 911 call is made and it is dispatched. The data provided by MOFD also gives some insight into this dispatch time. While the average dispatch time is 47 seconds, 26 percent of the time the dispatch time is in excess of 1 minute, and 9 percent of the time it is in excess of a minute and a half. In addition, 911 calls made from land-line calls are routed through the County Sheriff's office before going to the MOFD dispatcher while cell phones take an additional step, being routed through the Highway Patrol dispatcher, then to the Sheriff and finally to ConFire; all adding additional (and unknown) time.

Page 12 of MOFD's Standards of Coverage report (Exhibit III-1) makes the following statement: "The chance of survival decreases by 10% for every minute that passes, so in order to be effective, defibrillation should be delivered within 3-5 minutes of collapse. After 6 minutes brain death is likely to occur and survivability is unlikely." If total dispatch time is two minutes, the combined dispatch plus response time exceeds 6 minutes 72 percent of the time for code-3 medical incidents in Orinda. A sobering thought. Is there anything that can be done about this? The Task Force does not believe it is qualified to make recommendations in this area but considering that we have the same three stations we had in Orinda, and thus the same response times, that we had fifteen years ago, some new ideas must be brought forward.

Orinda and Moraga taxpayers pay a huge emergency services premium, because we are spread out and need more emergency response personnel per capita to provide adequate response times. According to the LAFCO report, MOFD residents have approximately the same number of incidents per capita as the residents in the ConFire service area but MOFD has over four times the number of emergency units per capita as in the ConFire service. Do we need more?

MOFD's 19 personnel are concentrated into 5 stations - 3.8 firefighters per station. 90 percent of all code-3 incidents (excluding false alarms) are medical in nature (Table II-5). The MOFD Standards of Coverage report stated "emergency service evaluation must take into account both the **frequency** and **severity** of the most common types of incidents." In 2009 there were 652 code-3 medical emergencies and 8 structure fires; both capable of permanent physical disability or death. Further, national statistics show that there is only one injury for every 30 residential fires and only one death in every 150 fires. In the twenty years that one fire related death might occur in Orinda there will be 13,000 code-3 medical emergencies. Does it make sense to staff our stations with three to five firefighters in anticipation of that once-every-twenty-year event or would it make more sense to spread them out for the twice-a-day event?

A 2011 MOFD facilities study suggested moving the Orinda station to the bottom of Miner Road to provide overall better response times. This could have merit, and fit in with the city's overall master plan, but the Task Force believes that this would only partially address the response time issues in Sleepy Hollow and Orinda Downs where two thirds of all critical incidents have response times in excess of seven minutes excluding dispatch times.

In addition, the District is currently planning on spending \$3 million to rebuild its least-utilized station number 43 off of St. Stephens Dr. The reason is so that it can better house the fire engine

stationed there and its three person crew. In 2009 this engine was first responder to the following code-3 calls:

- 46 medical emergencies
- 3 vehicle fires
- 1 grass fire on highway 24
- 3 small fires not in buildings
- 4 false alarms
- 3 general assistance calls

Is a fire engine staffed by nine firefighters (three shifts of three firefighters), each costing about \$250,000 per year in salaries and benefits, in a new \$3million building really necessary to deal with this level of activity? Could a two person, paramedic-firefighter staffed ambulance be 90+ percent effective? And if so, could the ambulance currently stationed downtown be moved to Station 43, freeing up space downtown and saving over \$2 million annually which, in turn, could be used to finance a first responder paramedic in Sleepy Hollow? MOFD recommendations to date could lock us into this outdated and inefficient use of the District's resources for the next 60 years.

New ideas need to be discussed by the community to take into account Orinda's needs and resources.

Incident Types - Table III-5 summarizes and details the incident types dealt with by MOFD in 2009. Of the 2,377 annual incidents, 201 turn out to be false alarms but need to be responded to as though they were actual emergencies. Of the remaining 2,176 incidents in 2009:

- 1,678 (77 percent) were medical in nature
- 296 (14 percent) were general assistance
- 90 (4 percent) were fires (16 of which were structure fires)
- 112 reports of smoke or steam; gas leaks, flammable material spill, etc.; 2 rescue operations

Two thirds of the non-false alarm incidents were of the highest priority, code-3, responded to with lights and sirens. Of these 1,421 incidents there were:

- 1,278 medical calls
- 75 fire incidents including 16 building fires
- 68 "other" incidents (1/3 vehicle accidents without injuries)

If the community was forced to focus on a rapid response to life threatening emergencies, what would be included? Obviously, all medical emergencies. What else? Structure fires.

Table III-5

MOFD 2009 Incidents by Type

Summary

	All MOFD				Orinda Only					Moraga and Canyon				
	All	Code 0-1	Code 2	Code 3	All	Code 0-1	Code 2	Code 3	Code 3 percent	All	Code 0-1	Code 2	Code 3	Code 3 percent
All Dispatches to MOFD Service Area	2962	76	771	2115	1528	45	423	1060		1434	31	348	1055	
Dispatched & cancelled en route	585	8	41	536	272	4	25	243		313	4	16	293	
Incidents attended to	2377	68	730	1579	1256	41	398	817		1121	27	332	762	
False Alarms	201	1	42	158	98	1	19	78		103	0	23	80	
Non False Alarm incidents	2176	67	688	1421	1158	40	379	739	100%	1018	27	309	682	100%
Medical	1678	2	398	1278	846	1	193	652	88%	832	1	205	626	92%
Fire	90	1	14	75	51	1	8	42	6%	39	0	6	33	5%
Building Fire	16	0	0	16	8	0	0	8	1%	8	0	0	8	1%
Fire - potential	75	0	64	11	56	0	48	8	1%	19	0	16	3	0%
Rescue	2	0	1	1	1	0	1	0	0%	1	0	0	1	0%
Hazmat	35	0	31	4	21	0	18	3	0%	14	0	13	1	0%
General assistance	296	64	180	52	183	38	111	34	5%	113	26	69	18	3%

Detail

		All MOFD			Orinda			Moraga		
		Code 1	Code 2	Code 3	Code 1	Code 2	Code 3	Code 1	Code 2	Code 3
Dispatched & cancelled en route	11- Canceled	8	41	536	4	25	243	4	16	293
Alarm system sounded due to malfunction	12-False Alarms	0	1	14	0	1	12	0	0	2
Alarm system sounded, no fire - unintentional	12-False Alarms	0	0	5	0	0	3	0	0	2
CO detector activation due to malfunction	12-False Alarms	0	3	0	0	2	0	0	1	0
Detector activation, no fire - unintentional	12-False Alarms	0	1	4	0	1	2	0	0	2
Extinguishing system activation due to malfunction	12-False Alarms	0	1	0	0	0	0	0	1	0
False alarm or false call, other	12-False Alarms	0	14	61	0	4	19	0	10	42
Good intent call, other	12-False Alarms	0	8	0	0	3	0	0	5	0
Heat detector activation due to malfunction	12-False Alarms	0	1	3	0	1	2	0	0	1
Local alarm system, malicious false alarm	12-False Alarms	0	0	5	0	0	2	0	0	3
Malicious, mischievous false call, other	12-False Alarms	0	0	4	0	0	0	0	0	4
Municipal alarm system, malicious false alarm	12-False Alarms	0	1	0	0	0	0	0	1	0
No incident found on arrival at dispatch address	12-False Alarms	0	7	5	0	4	3	0	3	2
Smoke detector activation due to malfunction	12-False Alarms	0	3	14	0	3	8	0	0	6
Smoke detector activation, no fire - unintentional	12-False Alarms	1	1	27	1	0	17	0	1	10
Sprinkler activation, no fire - unintentional	12-False Alarms	0	1	1	0	0	1	0	1	0
System malfunction, other	12-False Alarms	0	0	3	0	0	3	0	0	0
Unintentional transmission of alarm, other	12-False Alarms	0	0	12	0	0	6	0	0	6
EMS call, excluding vehicle accident with injury	13-Medical	1	375	1181	0	181	581	1	194	600
Medical assist, assist EMS crew	13-Medical	0	11	13	0	5	9	0	6	4
Motor vehicle/pedestrian accident (MV Ped)	13-Medical	0	1	3	0	0	2	0	1	1
Rescue, emergency medical call (EMS) call, other	13-Medical	0	2	1	0	2	0	0	0	1
Vehicle accident with injuries	13-Medical	1	9	80	1	5	60	0	4	20

Table III-5
MOFD 2009 Incidents by Type

Detail (2 of 3)

Barbecue, tar kettle	14-Fire	0	2	1	0	2	1	0	0	0
Brush, or brush and grass mixture fire	14-Fire	0	1	6	0	0	3	0	1	3
Building fire	14-Fire	0	0	16	0	0	8	0	0	8
Chimney or flue fire, confined to chimney or flue	14-Fire	0	0	2	0	0	1	0	0	1
Cooking fire, confined to container	14-Fire	0	2	7	0	2	4	0	0	3
Cultivated vegetation, crop fire, other	14-Fire	0	0	1	0	0	1	0	0	0
Fire in portable building, fixed location	14-Fire	0	0	1	0	0	1	0	0	0
Fire, other	14-Fire	1	2	5	1	2	0	0	0	5
Fires in structures other than in a building	14-Fire	0	0	1	0	0	1	0	0	0
Forest, woods or wildland fire	14-Fire	0	0	2	0	0	1	0	0	1
Grass fire	14-Fire	0	0	2	0	0	2	0	0	0
Mobile property (vehicle) fire, other	14-Fire	0	0	3	0	0	3	0	0	0
Natural vegetation fire, other	14-Fire	0	0	1	0	0	0	0	0	1
Off-road vehicle or heavy equipment fire	14-Fire	0	0	1	0	0	1	0	0	0
Outside equipment fire	14-Fire	0	1	4	0	1	3	0	0	1
Outside rubbish fire, other	14-Fire	0	1	2	0	0	1	0	1	1
Outside rubbish, trash or waste fire	14-Fire	0	1	3	0	0	0	0	1	3
Outside storage fire	14-Fire	0	1	2	0	1	1	0	0	1
Passenger vehicle fire	14-Fire	0	0	11	0	0	8	0	0	3
Special outside fire, other	14-Fire	0	1	2	0	0	1	0	1	1
Trash or rubbish fire, contained	14-Fire	0	1	2	0	0	1	0	1	1
Unauthorized burning	14-Fire	0	1	0	0	0	0	0	1	0
Attempt to burn	15-Fire - potential	0	1	0	0	1	0	0	0	0
Smoke or odor removal	15-Fire - potential	0	1	0	0	1	0	0	0	0
Smoke scare, odor of smoke	15-Fire - potential	0	57	10	0	43	7	0	14	3
Steam, other gas mistaken for smoke, other	15-Fire - potential	0	3	0	0	3	0	0	0	0
Steam, vapor, fog or dust thought to be smoke	15-Fire - potential	0	2	1	0	0	1	0	2	0
Extrication of victim(s) from building/structure	16-Rescue	0	1	0	0	1	0	0	0	0
Extrication of victim(s) from vehicle	16-Rescue	0	0	1	0	0	0	0	0	1
Flammable gas or liquid condition, other	17-Hazmat	0	3	0	0	1	0	0	2	0
Gas leak (natural gas or LPG)	17-Hazmat	0	10	1	0	7	1	0	3	0
Gasoline or other flammable liquid spill	17-Hazmat	0	2	0	0	1	0	0	1	0
Hazardous condition, other	17-Hazmat	0	12	2	0	6	2	0	6	0
Hazmat release investigation w/ no hazmat	17-Hazmat	0	2	1	0	2	0	0	0	1
Oil or other combustible liquid spill	17-Hazmat	0	2	0	0	1	0	0	1	0
Undefined	18-General assistance	61	0	0	36	0	0	25	0	0
Accident, potential accident, other	18-General assistance	0	1	1	0	0	0	0	1	1
Animal problem	18-General assistance	0	3	0	0	1	0	0	2	0
Animal problem, other	18-General assistance	0	2	0	0	1	0	0	1	0
Animal rescue	18-General assistance	1	4	0	1	4	0	0	0	0
Arcing, shorted electrical equipment	18-General assistance	0	7	4	0	4	3	0	3	1
Assist invalid	18-General assistance	0	55	6	0	32	3	0	23	3
Assist police or other governmental agency	18-General assistance	0	2	0	0	1	0	0	1	0
Citizen complaint	18-General assistance	0	1	0	0	1	0	0	0	0
Electrical wiring/equipment problem, other	18-General assistance	0	8	3	0	4	1	0	4	2
Flood assessment	18-General assistance	0	1	0	0	1	0	0	0	0
Heat from short circuit (wiring), defective/worn	18-General assistance	0	0	1	0	0	0	0	0	1

Table III-5
MOFD 2009 Incidents by Type

Detail (3 of 3)

Light ballast breakdown	18-General assistance	0	0	1	0	0	1	0	0	0
Lock-in (if lock out , use 511)	18-General assistance	0	1	0	0	1	0	0	0	0
Lock-out	18-General assistance	0	18	1	0	13	0	0	5	1
Motor vehicle accident with no injuries	18-General assistance	1	1	23	0	1	19	1	0	4
Overheated motor	18-General assistance	0	1	2	0	1	1	0	0	1
Person in distress, other	18-General assistance	0	13	4	0	4	1	0	9	3
Police matter	18-General assistance	0	2	0	0	1	0	0	1	0
Power line down	18-General assistance	1	8	4	1	6	3	0	2	1
Public service	18-General assistance	0	7	1	0	5	1	0	2	0
Public service assistance, other	18-General assistance	0	7	0	0	4	0	0	3	0
Service Call, other	18-General assistance	0	10	0	0	4	0	0	6	0
Severe weather or natural disaster, other	18-General assistance	0	1	0	0	1	0	0	0	0
Water or steam leak	18-General assistance	0	15	1	0	10	1	0	5	0
Water problem, other	18-General assistance	0	12	0	0	11	0	0	1	0

The following table show national statistics of injuries and deaths occurring from fires and from medical causes. Based on a national average of one injury per 30 residential fires and one death per 150 fires, Orinda and Moraga might experience a fire related death once every ten years. However, we can be expected to see 170 heart attacks and 90 strokes per year in our community, with a significant percent of those resulting in death or permanent disability.

	National	MOFD	Actual or Pro-Rata to National number
Population	300,000,000	34,000	
Residential fires	377,000	16	(actual)
Residential Fire Injuries	13,050	0.55	one every other year (pro-rata)
Residential Fire Deaths	2,565	0.11	one every 10 years (pro rata)
Medical Incidents			
heart attacks	1,500,000	170	per year (pro rata)
deaths	500,000	57	per year (pro rata)
strokes	800,000	91	per year (pro rata)
deaths	150,000	17	per year (pro rata)
heart attacks + strokes		261	500 times the fire injury rate
heart attack + stroke deaths		74	700 times the fire death rate

It is not that the community can ignore fires, but if personal safety is of prime importance, we need to understand the realities in order to properly allocate resources. Are there other ways to minimize the impact of fires?

Residential fire sprinkler systems are proven effective. They eliminate the risk of "flashover" (caused by heat buildup which literally causes a structure to explode) which is the prime reason for a 6 minute response time for structure fires. While there are references of sprinklers cutting the risk of death by 70%, the Task Force could also find no record of a death by fire in a structure with sprinklers even . For new construction and major remodeling in Orinda sprinklers are mandatory. Would it make sense to create incentives to get people to retrofit existing homes? The insurance industry already provides an incentive with a 10% premium reduction. If it would help reduce our fire-protection force needs, the savings could possibly justify subsidies for sprinkler installation.

With regards the risk of wild-land fires, the Task Force did not seriously investigate the options but makes the following observations:

1) All of the Very High Fire Hazard Severity Zones in Orinda are located inside MOFD's Division V. While all MOFD Directors are responsible for servicing the District, this "special situation" for this one Division is just one example of for the need for strong divisional representation.

2) Over half of Orinda's sub-standard hydrants are located in Orinda's Very High Fire Hazard Severity Zones (Exhibit III-3 on the Task Force web site). While the 3,000 gallon tanker which MOFD claims is sufficient to deal with a structure fire served by an inadequate hydrant, it would only provide a

few minutes of service for a wild-land fire where three adjacent hydrants are supposed to supply over 1,000 gallons per minute each.

3) Observing old pictures of Orinda, the vegetation which causes the Very High Fire Hazard Severity Zone designations in much of North Orinda is not naturally occurring. Efforts could and should be made to reduce this fire load. Possibly create a fire prevention benefit assessment district to provide funds to systematically remove excess fuel loads.

4) Fighting wild-land fires is a regional effort. Whether Orinda had 11 firefighters (four times the per-capita average for the county) or 8 firefighters (three times the average) would probably not materially affect the outcome of a serious wild-land fire.

Data utilized - In February 2010, the grass-roots group FAIR (Fire And Infrastructure Renewal / www.FairForOrinda.org) requested all equipment response data from MOFD. MOFD originally provided this data in the form of an Adobe Acrobat, PFD file which was 1,427 pages long, detailing 6,249 equipment operations (Exhibit III-4). When FAIR told MOFD that this document was unusable, MOFD provided the same data in an Excel spreadsheet. The spreadsheet had 128,036 rows and 40 columns of data - 5,121,440 cells of data. This was what was presented to FAIR to transmit the following information for each of the 6,249 equipment operations:

- Incident ID number
- Apparatus ID
- Response code
- Call received by dispatcher - date and time stamp
- Equipment dispatched - date and time stamp
- Equipment in route - date and time stamp
- Equipment arrived - date and time stamp
- Incident address - number and street
- Incident city
- Call type
- Cancelled in route - yes or no

11 items of data per operation; 6,249 equipment operations; 68,379 total pieces of data. To provide this MOFD gave FAIR a spreadsheet with 5 million cells; 75 empty cells for each cell containing data. It took FAIR significant effort to sort through the five million empty cells, but they did it. The "raw" data, reorganized in 6,249 rows and 13 columns, can be found on the Task Force's web site as Exhibit III-5.

A REPORT ON THE COSTS, OPERATIONS, PERFORMANCE AND FINANCES OF THE MORAGA-ORINDA FIRE DISTRICT (MOFD)

by

The Orinda Citizens Emergency Services Task Force
(www.OrindaTaskForce.org / Orinda_Task_Force@comcast.net)

Section IV - Operational Costs, Revenues, Reserves and Projections

This section summarizes MOFD's annual revenue and expenses plus the District's long range financial plan. It focuses on the long range plan, suggesting alternative growth rates for expenses to address the issue of underfunded retiree benefits, exploring what it will take for the District to both continue providing the service Orinda and Moraga residents expect and pay down the \$400-500 million of unfunded deferred employee benefits discussed in Section VI. Those costs are significant. Table IV-4b shows total retirement benefit costs of \$10.5 million in 2013/14, over half of the projected revenue for that year.

To understand the details of MOFD revenues and expenses this report examines the fiscal year ending June 30, 2011, but, where appropriate, utilizes the yet-to-be-adopted 2012/13 budget.

In 2010/11 MOFD received \$19.6 million in revenue, over 90 percent coming from local property taxes. Revenues to MOFD for the fiscal year 2011/12 were down \$430,000, and are budgeted to decrease another \$470,000 in 2012/13 (although the County Assessor reports property taxes are rising).

In 2010/11 MOFD spent \$100,000 in excess of revenues; in 2011/12 they spent \$50,000 in excess of revenues; but in 2012/13 they are budgeting \$2.4 million in excess of revenues, mainly due to a planned \$2 million expenditure to rebuild Orinda's Station 43 off of St. Stephens Drive. This will lower their cash reserves to \$4.2 million.

Of the total 2010/11 expenditures, \$18.2 million were operating expenses of which 90 percent, \$16.3 million, went to employee salary and benefits. 80 percent of the salaries and benefits went to firefighters with the administration receiving the remaining 20 percent. The average firefighter received \$217,000 in salary and benefits. This did not include, however, the cost of the \$400 million to \$500 million in unfunded benefits that has already been vested by current and past employees. Funding this shortfall over the next 30 years would require \$3.6 million starting immediately and increase the annual cost per firefighter to \$265,000. This would require a major restructuring of the service model.

Most of the data in this section is restated MOFD data. The Task Force has created four tables:

Table IV-1	A one page Expense and Revenue schedule for last fiscal year 2010/11
Table IV-2	Property Tax Revenues
Table IV-3	A detailed schedule of every MOFD's employees' cost for 2011
Table IV-4a	A one-page Long Range Financial Forecast going out to 2023

MOFD has an annual budget of almost \$20 million, exceeding the combined budgets of the City of Orinda and the Town of Moraga. The Task Force is unaware of any other community that spends over 50 percent of its resources on emergency services.

83 percent of MOFD's expenses are for personnel: 67 percent for firefighters and 16 percent for administration personnel. The remaining 17 percent is spent on operational expenses (10 percent) and capital costs (7 percent).

In 2011 (Table IV-3) the average MOFD firefighter received salary and benefits costing the District \$235,000 (excluding much of the cost of funding the \$400-500 million in unfunded liabilities discussed in Section VI). Including the cost of funding these shortfalls over the next 30 years, the Task Force estimates that the average per-firefighter cost could increase to over \$300,000 per year.

91 percent of MOFD's revenue comes from property taxes; both ad valorem taxes (86 percent) and a special parcel tax (5 percent). 5 percent of MOFD's revenue comes from service charges, mostly ambulance fees. The remaining 4 percent comes from other county sources.

64 percent of the property taxes are paid by Orinda property owners and 36 percent are paid by Moraga property owners (Table IV-2). Including a parcel tax, 24 percent of Orinda's property tax goes to MOFD while 21 percent of Moraga's is so directed. This compares to 14 percent for Lafayette, 16 percent for Danville and 13 percent for Walnut Creek with 12-13 percent being the average for the entire county (LAFCO 2009 MSR - Exhibit I-4 ; page 56).

MOFD has historically had a balanced budget and at the end of 2010/11 had reserves of \$7 million. However, over the next four years due to increased pension expenses and facility construction projects, MOFD projects that it will draw its reserves down to as low as \$1.5 million (Table IV-4a). It then expects those reserves to revive with a decrease in pension expenses (starting in 2015/16) while constraining other cost increases. The Task Force questions that optimism as the District has \$400-500 million in unfunded liabilities which will need to be paid off.

The District has significant resources from its tax revenues. The District probably has the ability to weather the storm of pension funding increases, which the Task Force believes are inevitable, without the specter of functional service cuts but it needs to act now and take actions it has been unwilling to take in the past. The Task Force will explore, in Section VI of this report, how it believes that within 10 years the District will have to be paying \$8 million, on top of current pension costs, to pay off its unfunded pension liabilities accrued over the past 30 years, but how, with judicious personnel planning, it can accomplish this with no degradation in service to the community.

Revenue and Expenses - Fiscal year 2010/11

Table IV-1 summarizes MOFD's revenue and expenses for MOFD's last complete fiscal year 2010/11. This data came from the 2011/12 budget document which is available as Exhibit IV-1 on the Task Force's Web site, www.OrindaTaskForce.org. Note: at the time of the completion of this report, MOFD's preliminary budget for 2012/13, with preliminary results from 2011/12 has been released and is referenced in this report. It is available as Exhibit IV-1b on the Task Force's Web site.

MOFD breaks its budget into two parts: (1) the General Fund and (2) the Special Revenue Fund. The Special Revenue Fund is essentially the District's capital fund but can be used for other things so it is labeled "special". Table IV-1 aggregates the two.

Table IV - 1

MOFD Annual Expenses and Revenues

Fiscal Year 2010/11

Expenses

	Administration	Firefighters	All	Expense per Firefighter
Employees	13 ea	62 ea		
Salaries + Basic Benfits	2,333,275	10,125,053	12,458,328	163,307
Base	1,634,496	6,756,453	8,390,949	108,975
Overtime	<u>195,128</u>	<u>1,312,944</u>	1,508,072	21,177
Total Salary	1,829,624	8,069,397	9,899,021	130,152
Medical & Life Insurance	145,590	681,514	827,104	10,992
Pension	301,184	1,222,825	1,524,009	19,723
Def Comp	43,723	2,980	46,703	48
Misc	13,155	148,336	161,491	2,393
Other Employee Expenses	756,131	3,115,651	3,871,782	50,252
Workers Comp	156,355	623,937	780,292	10,063
Retiree Medical	153,556	680,033	833,589	10,968
Pension Bond	<u>446,220</u>	<u>1,811,681</u>	2,257,901	29,221
Employee s/t	3,089,407	13,240,703	16,330,110	213,560
Operating Costs			<u>1,920,500</u>	
Total excluding Cap Costs			<u>18,250,610</u>	
Capital Costs			<u>1,457,478</u>	
Total Expenses			19,708,088	

Revenues

Property Taxes	17,769,563
Orinda	11,366,490
Orinda % of total	64.0%
Ad Valorem	10,772,528
Parcel	593,962
Moraga & Canyon	6,403,073
Ad Valorem	5,929,066
Parcel	474,007
Intergovernmental Revenue	190,681
Measure H	178,367
Charge For Service	989,872
Ambulance	906,709
Vehicle Accident Recovery	7,146
Other	76,017
Other Rev	494,816
	=====
Total Revenue	19,623,299

Net Surplus / (loss)

(84,789)

Fund Balance

	Beginning	Earnings	Ending Balance
General Fund	3,687,406	42,676	3,730,082
Special Fund	3,118,340	(127,476)	2,990,864
Total	6,805,746	(84,800)	6,720,946

Source: Moraga-Orinda Fire District / 2011/12 Draft General and Special Revenue Fund Budgets

Available on-line

http://www.mofd.org/content/agendaminutes/file/090111_Finance_Committee_Agenda_and_Board_Packet.pdf

Attachment 2 - pages 10-13

Attachment 4 - page 15

Table IV - 2 Detail of MOFD Property Tax Revenue 2011/12

	Rate (1)	2011/12 Assessed Value	2011/12 Ad Valorem Tax		Fire Flow Parcel Tax	Total Property Tax	Number Of Firefighters Staioned	Percent Of Firefighters Staioned	Tax Allocated by Percent Stationed	Tax Paid in Excess of Tax Allocated	
MOFD Total	21.176%	7,718,747,877	16,327,212		1,066,605	17,393,817					
Orinda + Moraga	21.152%	7,717,853,900	16,325,071	100.0%	1,066,605	17,391,676	100.0%	19	100.0%	17,391,676	-
Tax Rate Area		4,659,791									
Orinda + Unincorporated	22.602%	4,659,790,595	10,529,000	64.5%	593,198	11,122,198	64.0%	11	57.9%	10,068,865	1,053,333
18001	22.947%	4,102,685,594	9,414,478	x	510,892	9,925,370	1,011,109 per firefighter				
18003	24.192%	47,714,124	115,431	x	6,417	121,848					
18007	18.212%	98,560,388	179,496	x	11,949	191,445					
18012	20.054%	373,164,095	748,333	x	59,800	808,133					
18025	19.782%	700,000	1,385	x	82	1,467					
18034	13.768%	398,880	549	x	77	626					
18037	13.768%	16,641,657	22,913	x	1,981	24,894					
18038	22.836%	10,264,712	23,440	x	1,619	25,059					
18039	19.687%	117,812	232	x	36	268					
83003 Fish Ranch / Tunnel / Grizzley	23.803%	6,520,833	15,522	x	264	15,786					
83037 Bear Creek	23.893%	3,022,500	7,222	x	82	7,303					
		3,058,063									
Moraga + Unincorporated	18.957%	3,058,063,305	5,796,071	35.5%	473,407	6,269,478	36.0%	8	42.1%	7,322,811	(1,053,333)
							783,685 per firefighter				
Moraga	18.921%	2,954,044,435	5,589,260		460,993	6,050,252					
15002	18.837%	1,303,017,494	2,454,498	x	230,204	2,684,702					
15003	18.700%	55,432,260	103,659	x	9,102	112,761					
15004	19.003%	1,487,218,528	2,826,130	x	208,037	3,034,167					
15005	19.304%	401,373	775	x		775					
15006	18.874%	93,390,623	176,267	x	12,128	188,395					
15008	19.151%	1,906,044	3,650	x	282	3,932					
15010	19.272%	9,149,549	17,633	x	317	17,951					
15011	18.837%	3,528,564	6,647	x	923	7,570					
15012	19.790%	-	-								
Unincorporated Moraga	19.933%	104,018,870	206,812		12,414	219,225					
61000 Canyon	20.817%	16,277,481	33,884	x	3,621	37,505					
61002 Canyon	20.288%	256,070	520	x	61	580					
77001 S Moraga	20.329%	1,529,068	3,108	x	469	3,577					
77005 S Moraga	20.019%	1,053,701	2,109	x	209	2,318					
77006 S Moraga	19.254%	14,444,369	27,810	x	671	28,481					
77007 S Moraga	19.692%	340,747	671	x	127	798					
77011 Bollinger Cyn, Mor	20.160%	10,908,644	21,992	x	1,439	23,431					
77012 Bollinger Cyn, Mor	19.526%	35,444,371	69,210	x	3,441	72,650					
77014 S Moraga	19.393%	17,467,769	33,876	x	1,664	35,539					
77015 S Moraga	20.329%	286,040	581	x	80	661					
83031 On Skyline, N of Pinehurst, technically Orinda	21.712%	6,010,610	13,050	x	633	13,683					
Unincorporated - service area unclear		893,977	2,141			2,141					
83006 ???	24.130%	460,548	1,111	x	None	1,111					
85063 ???	21.131%	561	1	x	None	1					
85076 ???	23.751%	432,868	1,028	x	None	1,028					

(1) <http://www.co.contra-costa.ca.us/index.aspx?NID=1125>

Table IV-3
MOFD Employment Cost Detail

from the Contra Costa Times Data Base - http://www.mercurynews.com/salaries/bay-area/2011												2010/11 Fiscal Year Actuals			Total	Vested	Grand	
2011			Base	Other	Base +	s/t	s/t					Workers	OPEB	Pension	Employee	Benefit	Total	
												Comp	(2)	Bond	Cost	Underfunding	Employee	
												(1)	(2)	(3)		(4)	Cost	
Administration																		
1	Bradley, Randall	Fire Chief	189,600	15,155	204,755	0	204,755	15,706	56,150	4,500	3,041	284,152	21,537	12,226	62,140	380,055	134,853	514,908
2	Healy, Stephen B	Division Chief(20 Years)	151,391	33,535	184,926	53,146	238,072	15,706	48,486	0	3,488	305,752	19,452	12,226	53,658	391,088	116,447	507,535
3	Lee, Darrell R	Division Chief(20 Years)	153,400	25,646	179,046	57,819	236,865	15,706	47,169	600	0	300,340	18,833	12,226	52,201	383,600	113,284	496,884
4	O'Brien, Matthew	Battalion Chief	126,612	13,401	140,013	17,415	157,428	15,706	38,266	0	2,302	213,702	14,727	12,226	42,348	283,003	91,902	374,905
5	Perkins, David S	Battalion Chief	139,981	12,791	152,772	38,388	191,160	15,706	41,531	100	2,782	251,279	16,069	12,226	45,961	325,536	99,743	425,279
6	Mentink, Michael E	Fire Marshal	154,607	4,916	159,523	0	159,523	15,706	43,313	600	2,357	221,499	16,780	12,226	47,933	298,438	104,023	402,461
7	Leonard, Kathryn L	Fire Prevention Officer	47,709	600	48,309	0	48,309	0	12,716	5,501	808	67,334	5,081	12,226	14,073	98,714	30,540	129,253
8	Casey, Susan Jean	Administrative Services Director	127,688	3,317	131,005	0	131,005	1,455	33,623	8,821	2,098	177,002	2,756	12,226	37,210	229,193	80,751	309,945
9	Daniel, Nancy P	Ems Liason Nurse & Cqi Coordinator	62,219	20,169	82,388	0	82,388	9,695	17,501	350	1,214	111,148	1,733	12,226	19,368	144,475	42,032	186,506
10	Kennedy, Gregory	Ems Liason Nurse & Cqi Coordinator	15,600	0	15,600	0	15,600	0	0	0	1,193	16,793	328	0	0	17,121	0	17,121
11	Pokorny, Christine	Administrative Secretary	5,933	13,115	19,048	2,787	21,835	1,054	3,350	0	260	26,499	401	1,223	3,707	31,830	8,046	39,875
12	Rein, Dennis	Emergency Preparedness Coordinator	21,060	450	21,510	1,350	22,860	0	0	0	1,749	24,609	453	0	0	25,062	0	25,062
13	Samson, Claudia	Accounts Payable Technician	46,202	1,197	47,399	1,659	49,058	11,980	12,188	0	698	73,924	997	12,226	13,488	100,635	29,271	129,906
14	Santos, Grace N	Administrative Secretary	65,663	1,706	67,369	11,691	79,060	16,633	17,307	0	1,145	114,145	1,417	12,226	19,153	146,941	41,566	188,507
15	Turner, Barbara F	Personanel Technician	65,786	3,067	68,853	2,329	71,182	1,007	17,642	7,005	1,170	98,006	1,448	12,226	19,524	131,204	42,370	173,574
16	Williams, Robert A	Telecom & Electrical Support Tech	20,380	0	20,380	0	20,380	0	0	0	1,559	21,939	429	0	0	22,368	0	22,368
	Bourne, Darren	Fire Aide	6,372	0	6,372	185	6,557	0	0	0	502	7,059	670	0	0	7,729	0	7,729
	Moschetti, Joe	Fire Aide	595	0	595	0	595	0	0	0	46	641	63	0	0	704	0	704
	Peterson, Britien	Fire Aide	9,569	0	9,569	275	9,844	0	0	0	753	10,597	1,007	0	0	11,604	0	11,604
	Schnellbacher, Charles	Fire Aide	10,100	0	10,100	474	10,574	0	0	0	809	11,383	1,062	0	0	12,445	0	12,445
	Walker, Daniel	Fire Aide	9,066	0	9,066	594	9,660	0	0	0	739	10,399	954	0	0	11,353	0	11,353
	Zavvar, Ali	Fire Aide	1,742	0	1,742	0	1,742	0	0	0	133	1,875	183	0	0	2,058	0	2,058
	Berkey, William C	Reserve	98	0	98	0	98	0	0	0	7	105	10	0	0	115	0	115
Administration total			1,431,373	149,065	1,580,438	188,112	1,768,550	136,060	389,242	27,477	28,853	2,350,182	126,391	147,931	430,765	3,055,269	934,828	3,990,097
Firefighters																		
1	Bensley, Jon W	Fire Captain-Paramedic II	112,754	13,234	125,988	20,248	146,236	6,061	33,894	0	2,165	188,356	13,252	12,226	37,510	251,344	81,402	332,746
1.8	Martinez, Michael A	Fire Captain-Paramedic II	97,462	11,935	109,397	18,014	127,411	6,061	29,575	0	1,884	164,931	11,507	10,188	32,730	219,356	71,029	290,385
2.8	Mccullah, Mark S	Fire Captain-Paramedic II	112,754	13,234	125,988	31,757	157,745	6,061	33,894	0	2,313	200,013	13,252	12,226	37,510	263,001	81,402	344,403
3.7	Nichols, Matthew	Fire Captain-Paramedic II	97,462	13,826	111,288	12,900	124,188	6,061	29,928	0	1,844	162,021	11,706	10,188	33,121	217,036	71,877	288,913
4.7	Perry, Anthony J	Fire Captain-Paramedic II	112,754	13,234	125,988	28,371	154,359	14,498	33,894	0	2,262	205,013	13,252	12,226	37,510	268,001	81,402	349,403
5.3	Anaya, Steven M	Fire Captain-Paramedic 1	68,889	23,436	92,325	0	92,325	9,162	18,887	0	1,347	121,721	9,711	7,132	20,902	159,466	45,360	204,826
6.3	Balao, Daryle F	Fire Captain-Paramedic 1	118,096	13,888	131,984	19,216	151,200	15,706	35,506	0	2,175	204,587	13,883	12,226	39,294	269,989	85,273	355,263
7.3	Barreto, Felipe	Fire Captain-Paramedic 1	118,096	13,897	131,993	11,599	143,592	15,706	35,510	0	2,047	196,855	13,884	12,226	39,298	262,263	85,283	347,546
7.6	Consiglio, Kenneth W	Fire Captain-Paramedic 1	39,365	24,288	63,653	0	63,653	4,135	12,293	0	0	80,081	6,695	4,075	13,604	104,456	29,524	133,980
8.6	Lee, Jerry	Fire Captain-Paramedic 1	118,096	14,283	132,379	58,527	190,906	6,061	35,598	0	2,816	235,381	13,924	12,226	39,395	300,927	85,494	386,421
9.6	Matulich, Vincent P	Fire Captain-Paramedic 1	114,815	13,525	128,340	4,195	132,535	6,905	34,700	0	1,836	175,976	13,500	12,226	38,402	240,103	83,338	323,441
10.6	Mcgee, Sean M	Fire Captain-Paramedic 1	118,096	13,832	131,928	25,948	157,876	15,706	35,494	0	2,256	211,332	13,877	12,226	39,280	276,715	85,245	361,960
11.6	Oliver, Brian J	Fire Captain-Paramedic 1	118,096	13,885	131,981	29,892	161,873	15,706	35,509	0	2,319	215,407	13,883	12,226	39,297	280,812	85,281	366,093
12.6	Rodgers, Stephen S	Fire Captain-Paramedic 1	108,255	25,750	134,005	0	134,005	13,205	33,401	0	1,961	182,572	14,095	12,226	36,964	245,857	80,218	326,075
13.6	Dick, Daniel W	Fire Captain	103,812	12,295	116,107	22,465	138,572	560	31,422	7,151	2,171	179,876	12,213	12,226	34,774	239,089	75,465	314,554
14.6	Marquardt, Michael D	Fire Captain	97,585	11,618	109,203	44,378	153,581	7,895	29,548	1,788	2,257	195,069	11,487	12,226	32,700	251,481	70,964	322,446
15.6	Rattary, Michael	Fire Captain	100,778	11,929	112,707	29,614	142,321	15,706	30,511	0	2,020	190,558	11,855	12,226	33,766	248,405	73,277	321,682
15.9	Whitchurch, Michael A	Fire Captain	35,795	20,470	56,265	57	56,322	5,235	10,852	0	778	73,187	5,918	4,075	12,010	95,190	26,063	121,253
16.9	Ford, Jonathan Stephen	Engineer-Paramedic II	98,359	11,842	110,201	53,011	163,212	15,706	29,713	0	2,370	211,001	11,592	12,226	32,883	267,701	71,361	339,062
17.9	Epperson, Matthew E	Engineer-Paramedic 1	104,748	12,483	117,231	63,372	180,603	14,115	31,534	0	2,631	228,883	12,331	12,226	34,898	288,338	75,734	364,072
18.9	Hill, Timothy A	Engineer-Paramedic 1	104,748	12,337	117,085	20,818	137,903	15,706	31,497	0	2,007	187,113	12,316	12,226	34,857	246,511	75,645	322,157
19.9	Johansen, Daniel J	Engineer-Paramedic 1	104,748	12,882	117,630	55,826	173,456	15,706	31,629	0	2,474	223,265	12,373	12,226	35,003	282,867	75,962	358,829
20.8	Murphy, Michael P	Engineer-Paramedic 1	89,909	10,076	99,985	47,029	147,014	14,397	24,967	0	2,141	188,519	10,517	11,207	27,630	237,873	59,962	297,836
21.8	Whittington, John C	Engineer-Paramedic 1	104,748	12,410	117,158	28,465	145,623	15,706	31,519	0	2,071	194,919	12,323	12,226	34,881	254,349	75,698	330,047
22.8	Aquilina, Dennis M	Engineer	95,246	11,272	106,518	22,880	129,398	15,706	28,652	0	1,830	175,586	11,204	12,226	31,709	230,724	68,812	299,537
23.6	Brandi, Janet M	Engineer	67,366	9,219	76,585	1,494	78,079	10,866	21,921	0	1,119	111,985	8,056	9,169	24,259	153,469	52,647	206,116
24.6	Campisi, Steven D	Engineer	95,246	11,272	106,518	32,974	139,492	15,706	28,652	0	2,024	185,874	11,204	12,226	31,709	241,012	68,812	309,825

Table IV-3
MOFD Employment Cost Detail

from the Contra Costa Times Data Base - http://www.mercurynews.com/salaries/bay-area/2011											2010/11 Fiscal Year Actuals				Total	Vested	Grand	
2011				s/t		s/t					Workers	Pension	Bond	Employee	Benefit	Total		
		Base	Other	Base +	OT	Salary	Medical	Pension	Def Comp	Misc	Total	Comp	OPEB		Underfunding	Employee		
25.6	Davies, Chris	Engineer	95,246	11,272	106,518	36,155	142,673	11,974	28,652	0	2,046	185,345	11,204	12,226	31,709	240,483	68,812	309,296
26.6	Ford, Evan J	Engineer	95,246	11,272	106,518	16,421	122,939	1,404	28,652	7,151	1,938	162,084	11,204	12,226	31,709	217,222	68,812	286,035
27.6	Goodyear, Adam	Engineer	95,246	11,272	106,518	6,485	113,003	15,706	28,652	0	1,643	159,004	11,204	12,226	31,709	214,142	68,812	282,955
28.6	Mazaika, David	Engineer	89,381	10,719	100,100	19,680	119,780	6,061	27,141	0	1,749	154,731	10,529	12,226	30,036	207,522	65,184	272,706
29.6	Quontamatteo, Michael J	Engineer	95,246	11,272	106,518	29,874	136,392	15,706	28,652	0	1,931	182,681	11,204	12,226	31,709	237,819	68,812	306,632
30.6	Wells, Peter J	Engineer	95,246	11,272	106,518	39,194	145,712	1,404	28,652	6,555	2,260	184,583	11,204	12,226	31,709	239,721	68,812	308,534
31.6	Airola, Jacob J	Firefighter-Paramedic	87,321	14,438	101,759	33,484	135,243	11,974	27,231	0	1,796	176,244	10,704	12,226	30,136	229,309	65,400	294,709
32.6	Budge, Bruce J	Firefighter-Paramedic	95,061	11,301	106,362	4,478	110,840	15,706	28,611	0	1,609	156,766	11,188	12,226	31,663	211,843	68,714	280,557
33.6	Cooley, Laynne Thomas	Firefighter-Paramedic	95,061	13,545	108,606	20,673	129,279	11,057	29,135	0	1,906	171,377	11,424	12,226	32,243	227,270	69,972	297,242
34.6	Costanza, Jared C	Firefighter-Paramedic	89,112	13,967	103,079	34,012	137,091	15,706	27,657	0	1,786	182,240	10,842	12,226	30,607	235,916	66,423	302,338
35.6	Edminster, Matthew Evan	Firefighter-Paramedic	87,321	13,607	100,928	35,031	135,959	15,706	27,148	0	1,921	180,734	10,616	12,226	30,044	233,620	65,200	298,820
36.6	Gehling, Steven B	Firefighter-Paramedic	87,321	13,612	100,933	29,149	130,082	14,737	27,091	0	1,887	173,797	10,617	12,226	29,981	226,620	65,063	291,684
37.6	Hess, Andrew J	Firefighter-Paramedic	81,790	13,289	95,079	14,131	109,210	6,061	25,378	0	1,610	142,259	10,001	12,226	28,085	192,571	60,949	253,520
38.6	Himsl, Katy A	Firefighter-Paramedic	85,903	14,386	100,289	20,441	120,730	6,061	26,824	0	1,761	155,376	10,549	12,226	29,686	207,836	64,422	272,258
39.6	Huebner, Steven M	Firefighter-Paramedic	95,061	11,976	107,037	1,806	108,843	15,706	28,789	0	1,532	154,870	11,259	12,226	31,860	210,215	69,141	279,356
40.6	Iman, David B	Firefighter-Paramedic	81,790	11,870	93,660	11,902	105,562	5,959	25,098	3,576	1,609	141,804	9,852	12,226	27,775	191,657	60,277	251,934
41.6	Lacy, Michael Henry	Firefighter-Paramedic	95,061	14,165	109,226	8,858	118,084	15,706	29,285	0	1,666	164,741	11,489	12,226	32,409	220,865	70,333	291,197
42.6	Lambert, Lucas	Firefighter-Paramedic	84,526	15,113	99,639	37,664	137,303	6,061	26,684	0	2,000	172,048	10,481	12,226	29,531	224,285	64,086	288,371
43.6	Lopez, Matthew J	Firefighter-Paramedic	81,790	13,435	95,225	15,876	111,101	11,974	25,411	0	1,593	150,079	10,016	12,226	28,122	200,443	61,029	261,471
44.6	Morris, Kelly M	Firefighter-Paramedic	95,061	14,287	109,348	16,587	125,935	11,974	29,364	0	1,481	168,754	11,502	12,226	32,496	224,978	70,522	295,500
45.6	Nygard, Brad T	Firefighter-Paramedic	89,112	15,487	104,599	37,857	142,456	6,061	28,050	0	2,035	178,602	11,002	12,226	31,042	232,872	67,367	300,239
46.6	Stephens, Anthony	Firefighter-Paramedic	85,903	14,379	100,282	21,489	121,771	11,974	26,871	0	1,774	162,390	10,548	12,226	29,738	214,901	64,535	279,437
47.6	Thornton, Adam B	Firefighter-Paramedic	95,061	14,001	109,062	39,906	148,968	14,514	29,210	0	2,122	194,814	11,472	12,226	32,326	250,838	70,153	320,990
48.1	Ward, Jason O	Firefighter-Paramedic	47,575	8,418	55,993	3,604	59,597	3,536	12,209	0	879	76,221	5,890	6,113	13,511	101,735	29,322	131,057
49.1	Deweese, Mark A	Firefighter	86,448	10,286	96,734	27,083	123,817	972	26,018	6,555	1,938	159,300	10,175	12,226	28,794	210,494	62,486	272,981
50.1	Elbanna, Daniel	Firefighter	79,401	9,573	88,974	32,858	121,832	6,061	24,002	0	1,791	153,686	9,359	12,226	26,562	201,833	57,645	259,478
51.1	Grgurevic, Anthony David	Firefighter	83,363	10,021	93,384	28,279	121,663	6,061	25,192	0	1,791	154,707	9,823	12,226	27,879	204,635	60,503	265,137
52.1	Hoover, Clayton	Firefighter	83,363	10,020	93,383	33,158	126,541	6,061	25,192	0	1,862	159,656	9,823	12,226	27,879	209,584	60,503	270,086
53.1	Mathews, Christopher	Firefighter	76,551	9,200	85,751	26,851	112,602	6,061	23,160	0	1,656	143,479	9,020	12,226	25,631	190,355	55,623	245,978
54.1	Mulliken, Julie D	Firefighter	86,448	10,286	96,734	10,656	107,390	14,514	26,018	0	1,558	149,480	10,175	12,226	28,794	200,674	62,486	263,161
55.1	Rogness, Stephen R	Firefighter	81,031	9,665	90,696	19,589	110,285	6,061	24,464	0	1,625	142,435	9,540	12,226	27,074	191,274	58,754	250,029
56.1	Williams, Timothy	Firefighter	86,448	10,286	96,734	26,467	123,201	5,603	26,018	0	1,817	156,639	10,175	12,226	28,794	207,833	62,486	270,320
56.1	firefighter total		5,446,572	770,044	6,216,616	1,422,748	7,639,364	608,166	1,651,011	32,776	109,690	10,041,007	653,901	685,658	1,827,136	13,207,702	3,965,172	17,172,874
	firefighter averages		97,116	13,730	110,846	25,368	136,215	10,844	29,439			179,037	11,659	12,226	32,579	235,501	70,701	306,203
	Total Employee Cost		6,877,945	919,109	7,797,054	1,610,860	9,407,914	744,226	2,040,253	60,253	138,543	12,391,189	780,292	833,589	2,257,901	16,262,971	4,900,000	21,162,971

- (1) Workers Comp allocated by base salary + and non-badge admin 20% of badged employees
- (2) OPEB total allocated equally to all employees receiving pensions ; partially allocated to employees with short years
- (3) Pension Bond total allocated by pension amounts
- (4) Table IV-4b, the revised long range forecast, shows that by 2013/14 pension costs will increase by \$1 million, \$500,000 will be required to pre-fund future OPEB benefits,

Over 80 percent of MOFD's costs, \$16.3 out of \$19.7 million are employee costs. In the General Fund budget, most of these appear together (\$14 million of them - lines 46-62 of Exhibit IV-1) but an additional \$2.3 million is segregated to its own line at the very bottom of the budget: "Transfers to Debt Service Fund" (line 155 of Exhibit IV-1). This Debt Service Fund is for a pension obligation bond - a loan. This loan is discussed in more detail in Section VI but it is, essentially, a pension cost. In 2003, MOFD retroactively granted pension increases to its employees without funding them. This caused their pension-funding rate to increase significantly. In an attempt to reduce this increase, the MOFD Board borrowed \$28 million dollars, which they used to fund their pension pre-funding obligation. This reduced the annual pension cost but it added 17 years of debt payments. Table IV-1 puts this pension cost back to where it belongs; as a cost of employment.

While only a small fraction of MOFD's budget document is devoted to employment costs, Table IV-1 gives them much more "weight" due to the fact that they represent 80 percent of the budget. If cuts need to be made to deal with debt obligations (and these do need to be seriously considered), there is only so much you can do with \$1.9 million in operating costs or \$1.4 million in capital costs. There is much more flexibility with \$16 million in personnel expenses.

The personnel costs are broken down by Administration and Firefighter costs in Table IV-1 and the employee costs are further detailed in Table IV-3. Thanks to the Bay Area News Group (the *Contra Costa Times*), this public expense is now public information. While the Task Force is not about to suggest micromanaging MOFD, when all the costs are added up and the Total Employee Cost in Table IV-3 is observed, one has to ask, "What does a public employee, with a relatively secure job for life, do such that 20 of 75 employees cost the community over \$250,000 per year?" And those costs do not even reflect the full cost of funding \$400-500 million of unfunded but vested future benefits. When those are added in over two thirds of all employees cost over \$250,000 per year.

The Pension Bond and Retiree Medical costs (labeled "OPEB," which stands for Other Post Employment Benefit, meaning other than pension) in Table IV-3 might be questioned as valid additions to current employee expenses. All of the OPEB and much of the Pension Bond costs relate to already retired employees. But MOFD has made a conscious decision not to fund future OPEB costs currently, which would have created a sinking fund for when these expenses come due. So we must attribute yesterday's benefits to today's employees. With regards to the Pension Bond, they borrowed this money in order to lower current pension costs so while these expenses may partially relate to past employees, we have to add them to the cost of current employees to get a full sense of how much it costs to provide the service we are getting. If we cut staff or revise benefits, the OPEB costs would not immediately go down nor would the Pension Bond payments go away, but these costs still have to be accounted for as costs of employment. We need to be reminded of what past decisions cost today so we do the right thing for Orindans in the future.

The bottom line: it costs about \$1 million dollars per year to support every firefighter position in a fire station (19 positions per shift). Of the \$1 million, \$670,000 goes directly to the firefighter (split by 3 shifts); \$160,000 goes to administrators to manage the operations, training and finances; \$100,000 goes to operate the stations and equipment; and \$70,000 goes to replace or maintain stations and equipment. So when the observation was made in section III that in Orinda there are 11 firefighters serving 17,600 residents (6.3 firefighters per 10,000 residents while in the ConFire service area is served by 1.5 firefighters per 10,000), it becomes apparent why MOFD costs Orinda taxpayers more than their entire city budget.

Long Range Financial Forecast Through Fiscal year 2022/23

Table IV-4a summarizes MOFD's long-range financial forecast. The actual MOFD document is included as Exhibit IV-2 (available on the Task Force web site, www.OrindaTaskForce.org). The MOFD forecast includes 2009/10 and 2010/11 data, and projects five more years to 2016/17. In Table IV-4a, the Task Force then extends the projection out six more years to 2022/23 using MOFD's assumed rate of growth. MOFD has stated that it is creating a 15-20 year forecast but that was not yet released when this report was being produced.

Expenses

Employee Costs - Currently these are 89 percent of the operating budget (\$16.3 million out of \$18.3million) and MOFD projects them to increase to 91 percent by 2016/17.

Salaries and Basic Benefits - The MOFD forecast assumes 5 percent lower employee costs in 2016/17 than in 2010/11; dropping from 55 percent of the operating budget to 49 percent. Is this possible? Is this reasonable? The reality is that it is necessary and by 2012/13 the budgeted salary expense is already 7% lower than 2010/11. If the task force is correct on other items in the budget, it is probably still not enough. Does this mean an equivalent drop in service because of a loss of personnel? We have seen it other places with stations closing and "brown outs" of stations. Will it happen in Orinda and Moraga?

Insurance costs (mostly medical) - These were forecast to increase very slightly but, in fact, have decreased from \$825,000 in 2010/11 to \$640,000 in 2011/12 with a budgeted \$650,000 for 2012/13. The Task Force is not aware of how MOFD obtained such a significant savings but congratulates them for accomplishing this. (note: the employees portion of this expense did not increase so there was true savings.) As for the \$833,000 of medical payments for already retired employees (OPEB), this appears to be steadily rising much faster than the 0.5 percent forecast. In the four years between FY 2006/7 and FY 2010/11 these expenses increased an average of 8 percent per year from \$609,000 to \$833,000. For 2012/13 the budget for this expense further increases to \$935,000. It is unclear why the retiree cost is rising while the cost for active employees is decreasing unless the numbers of active employees are decreasing while retired employees are increasing.

The latest long range forecast projects insurance costs increasing at 0.5 percent. The Task Force believes this is unreasonably optimistic despite current savings. MOFD's actuary, John Bartel, in his last report to the Board on projected OPEB liabilities, projected an average annual increase of about 6 percent through 2017. If, in fact, the two insurance lines in the projections did increase at 6 percent instead of the assumed 0.5 percent, this would result in insurance expenses \$400,000 greater by 2017 than is shown in the MOFD projections.

Pension contributions to MOFD's pension plan administrator (CCCERA) have almost doubled in the past two years from \$1.5 million in 2010/11 to \$2.6 million in the 2012/13 budget. The long range forecast (Table IV-4a) has them increasing another \$300,000 by 2014/15 and then starting to decrease. The Task Force does not believe the decrease will, or should happen for at least a couple of decades. As will be explained in Section VI, the unfunded vested pension liabilities are so massive, it will take significant additions to the pension plan assets if we do not want to leave future generations with our obligations.

Table IV - 4a
MOFD Long Range Financial Forecast

	From MOFD Long Range Forecast Document							Average	Extension of Forecast using MOFD assumptions						
	2010/11 actual	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Annual Growth	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	
Expenses															
Salaries + basic benefits	10,046,222	9,507,646	9,506,481	9,507,325	9,508,177	9,509,037	9,509,906	0.00%	9,509,906	9,509,906	9,509,906	9,509,906	9,509,906	9,509,906	0.00%
Workers Comp	841,288	795,729	795,729	795,729	795,729	795,729	795,729	0.00%	795,729	795,729	795,729	795,729	795,729	795,729	0.00%
Insurances (active)	827,105	824,850	828,974	833,119	837,285	841,471	845,678	0.50%	849,907	854,156	858,427	862,719	867,032	871,368	0.50%
Insurances (retired)	833,589	831,316	835,473	839,650	843,848	848,068	852,308	0.50%	856,569	860,852	865,156	869,482	873,830	878,199	0.50%
Pension	1,524,009	2,069,604	2,477,037	2,812,345	2,932,300	2,691,520	2,505,407	3.90%	2,505,407	2,505,407	2,505,407	2,505,407	2,505,407	2,505,407	0.00%
Pension Bond	2,257,901	2,372,136	2,487,498	2,613,203	2,738,467	2,872,509	3,014,284	4.91%	3,157,877	3,307,377	3,466,609	3,624,528	3,790,090	1,687,935	
Employee s/t	16,330,114	16,401,281	16,931,192	17,401,371	17,655,806	17,558,334	17,523,312	1.33%	17,675,395	17,833,427	18,001,234	18,167,771	18,341,994	16,248,543	-1.25%
Operating Costs	1,920,496	1,785,112	1,734,223	1,751,117	1,768,179	1,785,409	1,802,813	0.20%	1,806,374	1,809,942	1,813,518	1,817,100	1,820,690	1,824,286	0.20%
Total excluding Cap Costs	18,250,610	18,186,393	18,665,415	19,152,488	19,423,985	19,343,743	19,326,125	1.22%	19,481,769	19,643,370	19,814,751	19,984,871	20,162,684	18,072,829	-1.11%
Capital Costs	1,457,478	1,926,030	2,274,853	1,532,371	1,032,491	189,497	948,612	??	947,803	1,135,260	1,009,042	1,033,244	1,064,241	1,096,169	3.00%
Total Expenses	19,708,088	20,112,423	20,940,268	20,684,859	20,456,476	19,533,240	20,274,737		20,429,572	20,778,630	20,823,793	21,018,115	21,226,925	19,168,997	-0.93%
Revenues															
Property Taxes		-1.9926%	0.0000%	0.5000%	1.0000%	1.5000%	2.0000%								
Orinda	17,769,563	17,436,761	17,436,761	17,630,365	18,180,390	19,071,822	19,926,538		20,582,368	21,251,234	21,933,397	22,384,648	22,809,990	23,243,839	
Orinda % of total	11,366,490	11,151,832	11,151,832	11,316,382	11,688,132	12,283,261	12,796,101		13,319,118	13,852,515	14,396,500	14,706,810	14,988,391	15,275,604	
Ad Valorem	64.0%	64.0%	64.0%	64.2%	64.3%	64.4%	64.2%		64.7%	65.2%	65.6%	65.7%	65.7%	65.7%	
New Developments	10,772,528	10,557,871	10,557,871	10,610,660	10,716,767	10,877,518	11,095,069		11,316,970	11,543,309	11,774,176	12,009,659	12,249,852	12,494,849	2%
Parcel	593,962	593,962	593,962	595,562	601,962	611,262	615,262		1,382,886	1,685,944	1,995,063	2,069,389	2,110,777	2,152,992	
Moraga & Canyon	593,962	593,962	593,962	595,562	601,962	611,262	615,262		619,262	623,262	627,262	627,762	627,762	627,762	
Ad Valorem	6,403,073	6,284,929	6,284,929	6,313,983	6,492,258	6,788,561	7,130,437		7,263,250	7,398,719	7,536,897	7,677,839	7,821,599	7,968,235	
New Developments	5,929,066	5,810,921	5,810,921	5,839,976	5,898,376	5,986,851	6,106,588		6,228,720	6,353,294	6,480,360	6,609,967	6,742,167	6,877,010	2%
Parcel				116,375	318,203	534,042	534,042		544,722	555,617	566,729	578,064	589,625	601,418	
Intergovernmental Revenue	474,007	474,007	474,007	474,007	477,507	483,507	489,807		489,807	489,807	489,807	489,807	489,807	489,807	
Measure H	190,681	180,681	182,488	184,313	186,156	188,018	189,898	1.00%	193,696	197,570	201,521	205,552	209,663	213,856	2%
Charge For Service	178,367	198,367	178,367	178,367	178,367	178,367	178,367		178,367	178,367	178,367	178,367	178,367	178,367	
Ambulance	989,872	1,075,469	1,078,355	1,133,130	1,197,684	1,231,009	1,192,007		1,144,793	1,147,730	1,150,674	1,108,233	1,104,709	1,107,679	
Vehicle Accident Recovery	906,709	946,223	948,588	950,960	953,337	955,721	958,110	0.25%	960,505	962,907	965,314	967,727	970,146	972,572	0.25%
Other	7,146	50,000	50,125	50,250	50,376	50,502	50,628	0.25%	50,755	50,882	51,009	51,136	51,264	51,392	0.25%
Other Rev	76,017	79,246	79,642	131,920	193,971	224,786	183,269		133,533	133,942	134,352	89,369	83,299	83,715	
	494,816	27,000	21,100	21,100	21,100	21,100	21,100		21,100	21,100	21,100	21,100	21,100	21,100	
Total Revenue	19,623,299	18,918,278	18,897,071	19,147,275	19,763,696	20,690,316	21,507,910	2.60%	22,120,324	22,796,000	23,485,060	23,897,900	24,323,829	24,764,841	2.38%
Increase over prior year percent from new developments		-705,021	-21,207	250,204	616,421	926,620	817,594		612,413	675,676	689,059	412,840	425,929	441,012	
			0%	44%	61%	68%	62%		50%	46%	46%	21%	12%	12%	
Surplus	-84,789	-1,194,145	-2,043,197	-1,537,584	-692,780	1,157,076	1,233,173		1,690,752	2,017,370	2,661,266	2,879,785	3,096,904	5,595,843	
Capital Reserve Fund															
Adjustment	-127,463	-856,574	-1,205,383	-461,302	48,478	906,672	157,658								
Balance at End of Period	2,990,879	2,134,305	928,922	467,620	516,098	1,422,770	1,580,428								
Operating Reserve Fund															
Adjustment	42,674	-337,571	-837,814	-1,076,282	-741,258	250,404	1,075,515								
Balance at End of Period	3,730,082	3,392,511	2,554,697	1,478,415	737,158	987,562	2,063,077								
Total MOFD Reserve Funds	6,720,961	5,526,816	3,483,619	1,946,035	1,253,256	2,410,332	3,643,505		5,334,257	7,351,627	10,012,894	12,892,679	15,989,583	21,585,426	
number of months of Op Expense	4.4	3.6	2.2	1.2	0.8	1.5	2.3								

Source: (thru 2016/17) Moraga-Orinda Fire District / Draft Long Range Financial Forecast as of 09/01/11

Available on-line

http://www.mofd.org/content/agendaminutes/file/090111_Finance_Committee_Agenda_and_Board_Packet.pdf

pages 16-30

Pension bond payments, currently \$2.3 million but increasing to almost \$4 million by 2021/22, are a fixed obligation. This debt was made in 2005 in order to purchase \$28 million in pension plan assets to fully fund the then-underfunded plan. The reason the plan was underfunded was because the Board in 2002 granted, retroactively including all vested benefits, a 50 percent increase in pension benefits to all current employees. The reason? Everyone else was doing it. So they borrowed \$28 million dollars at a fixed rate of 5.22 percent and invested it in pension plan assets that they assumed would earn at 7.75 percent. A 100 percent leveraged investment of relatively high yielding assets. The result? After the July 1, 2012 payment the loan has a balance of about \$23.5 million and the assets purchased have a value of about \$34.5 million; \$11 million net of the debt due. But if the District had slowly put the money it paid to the bond holders instead into the pension plan, it would have had assets worth \$15.5 million today; \$4.5 million more than it currently has. This was a risky investment that has not paid off. (see Table VI-1)

Operating Costs Other than Employment Costs - These costs are moderate (10 percent of the District's expenses); the Task Force did not examine them to any great detail. It appears that MOFD has the same opinion as they are presented as a single line item in their long-range forecast. The Task Force's only comment is that MOFD's assumption that from 2011/12 these costs will only grow at a 0.2 percent annual rate over the next five years (after cutting 7 percent from 2010/11) might be a bit optimistic.

Capital Costs - The MOFD projections show \$8 million in capital expenses over the next six years. These expenses (Exhibit IV-2) include \$2 million for equipment and \$6 million for buildings. Footnote 8 on page 8 of Exhibit IV-2 describes the building expenses as "Station 41 (Moraga) functional remodel, Station 43 (Orinda) reconstruction, new administration building."

Throughout 2011 the staff was supporting the purchase of a \$2 million commercial building adjacent to Moraga's station 41 to act as a new administration building. At their last meeting of 2011 the Directors, on a 3-2 vote, agreed to put down a \$25,000 deposit to purchase the building. Two weeks later, two of the three assenting directors reversed their vote forcing the district to walk away from their \$25,000 deposit. With the new administration building no longer contemplated, the \$8 million projection in Table IV-4a can be reduced by \$2 million.

The second major project for the District is a \$3 million rebuilding of Orinda's Station 43 at the same location as the current Station 43. This is Orinda's, in fact the District's, least utilized facility. Table III-1 shows that the engine unit at this station only responded to 326 incidents within the MOFD service area in 2009. Table III-3 shows that the unit from this station was first responder to critical Code-3 emergencies fewer than 100 times in the year (and only 35 times inside Station 43's primary service area). And, going into details not included in this report's tables and exhibits, 80 percent of these Code-3 emergencies were medical in nature; 10 were fires, mostly vehicle fires on or near Highway 24 that equipment from Orinda's downtown station or ConFire's Station 16 off Upper Happy Valley could have handled within proscribed time frames; and most of the rest were false alarms.

Is it possible that MOFD could save \$3 million (only spending \$200,000 to make sure the station was a least earthquake proof) in capital costs by stationing Orinda's ambulance there (which would still provide appropriate response times for medical emergency transport)? The Task Force believes that the community should question this expenditure when, as will be detailed in Section VI, the District has dug itself a very deep pension-liability hole.

The Task force has no comment on the projected \$3 million in expenditures for upgrading Moraga's station 41 and general equipment purchases and leases over the next six years, assuming that they are valid and necessary.

Revenues

Ad Valorem Property Taxes - With Orinda's tax base decreasing three percent from 2010/11 to 2011/12, but then growing again by one percent in 2012/13, it is hard to accurately estimate the future. However, the Task Force believes that MOFD's assumed growth rate (footnote 1 of Exhibit IV-2) from zero percent in 2012/13 to two percent in 2016/17 is not unreasonable but probably conservative.

In 2010/11, the average home that sold in Orinda did so for \$386 per square foot but the second half had dropped to \$373. By the second half of 2011/12 that price had recovered to \$410 per square foot. The average assessed value for an Orinda home is \$250 per square foot. So the average home selling in Orinda will increase 64 percent in assessed value. While only four percent of Orinda homes sell in an average year (this has been less than three percent in recent years), if four percent of those gain 64 percent in assessed value while the other 96 percent gain the statutory two percent increase, the total tax base should increase 4.5 percent. Even with only three percent selling, the total gain should be just under four percent. It was surprising, therefore, when the Assessor's Office recently announced that Orinda's tax base only increased one percent in 2012/13.

A close examination of assessment data determined the reason for this. While 69 percent of Orinda's homes were re-assessed upward the statutory two percent; eight percent (525 homes) were assessed upwards an average of 30 percent (due to sales and improvements); but 23 percent of Orinda's homes (1,500 homes) were reassessed downward an average of seven percent. These downward re-assessments of Orinda homes reduced the Orinda tax base by \$145 million which cost MOFD \$325,000 in tax revenue and the city \$100,000. The seven percent drop in value for these 1,500 homes reduced them from \$403 per square foot to \$375. If, in fact, these homes has been re-assessed upward the statutory two percent, their average value would be \$410 per square foot which is what homes sold for in the second half of 2011/12.

When questioned about this drop for 1,500 homes, the Assessor's Office said that they initiated the drop in values "proactively" for most properties without a request from the property owners. They stated the drops were based on "current" comparable sales but the Task Force has to question "how current"? It is disturbing that the average appears to be about 12 months out of date. However, even if this apparent un-assessment is not reversed this year it should not be ignored which could substantially increase property tax revenue over the next couple of years, in excess of MOFD's projections. The Task Force did not analyze Moraga property values to see if those were equivalently under-assessed but seeing as the Moraga tax base also increased at less than even the Orinda tax base in 2012/13 it is probable.

New Development Property Taxes - Hopefully the proposed projects in Moraga and the developments of Wilder and Pine Grove in Orinda will be fruitful. It should be noted that of the total projected \$2.6 million gain in revenue, from \$18.9 million in 2011/12 to \$21.5 million in 2016/17, that

60 percent of it, \$1.6 million, is projected to come from these new developments. If something happens to Moraga's developments (and the reaction to the negative traffic impact of these on Orinda and Lafayette cannot be underestimated), then not only would this directly affect MOFD's revenue, but it would worsen the Orinda/Moraga funding inequity problem.

Parcel Tax - Until the pension funding issue is solved several decades from now, it is hard to imagine MOFD charging less than the maximum parcel tax agreed upon by the voters (although Moraga's parcel tax is only being assessed at 20 percent of its cap which is five times Orinda's cap).

Intergovernmental Revenue / Measure H - The Task Force accepts these as presented.

Charge for Service - The task force believes that reasonable charges for either special services not provided to most residents or for services that the residents will be compensated for, like ambulance service costs, are appropriate. However, new taxes masquerading as fees, especially capitalizing on an event that may already be a disaster in a person's life, should be avoided. And if they are imposed they should only be used to compensate for the District's actual incremental cost for providing that service. As the incident tables indicate, MOFD operations personnel are not overworked. If all it takes to respond to an incident, such as a car accident (even for a non-resident travelling through Orinda on Highway 24), is a little extra time from our emergency providers, we should provide that service and not attempt to capitalize on someone's misfortune. Most of the District's \$1.2 million of service charges appear to be warranted but the District should reconsider its Vehicle Accident Recovery fee which was budgeted at \$50,000 but is only projected to bring in \$15,000 per year.

Reserves

The projections of total reserves dropping to \$1.3 million by 2014/15, equal to one month of operating expense, is of great concern to the Task Force. The rejection of a \$2 million purchase of a new administration building makes the picture slightly better, but only slightly. As will be discussed in Section VI, the Task Force does not believe that pension contributions will, in fact, decrease after 2014/15 and therefore the recovery of reserves after this point is doubtful unless costs, mostly labor costs, can otherwise be reduced.

A Re-Structured Long Range Financial Forecast

The Task Force offers the following observations on and suggested revisions to MOFD's long-range forecast. It incorporates the latest financial information available: MOFD's preliminary 2012/13 budget and the 12/31/2011 pension funding results from the pension plan administrator, CCCERA. The Task Force, while impressed with MOFD's conservative assumptions of revenue growth, believes it is overly conservative. The Task Force's projections show \$4.5 million more revenue in ten years than MOFD shows. But that revenue will be needed to fund underfunded liabilities. The Task Force also projects \$7.4 million more in expenses by 2023 than MOFD and that is after drastically reducing salaries 23% by 2016/17 but then allowing them to increase for the next six years at 3.5%. MOFD (unrealistically) assumes they will remain level for ten years. The Task Force forecast maintains a balanced budget, creates a mechanism to fully fund MOFD's seriously underfunded employee benefit liabilities within 30 years, and builds up reserves to six months of revenue within ten years.

These revisions are detailed in a long-range forecast, Table IV-4b.

Table IV - 4b

MOFD Long Range Financial Forecast

(Revisions by the Orinda Citizens Emergency Service Task Force in bold)

(Revised growth rates in green)

(Actual 2011/12 and budgeted 2012/13 amounts in italics)

	2010/11 actual	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Average Annual Growth	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	
Expenses	0														
Salaries + basic benefits	10,046,222	9,507,646	9,371,176	8,808,905	8,280,371	7,783,549	7,316,536	-6.00%	7,572,615	7,837,656	8,111,974	8,395,893	8,689,750	8,993,891	3.50% increase
Workers Comp	841,288	795,729	715,796	672,848	632,477	594,529	558,857	-6.00%	578,417	598,662	619,615	641,301	663,747	686,978	3.50% increase
Insurances (active)	827,105	824,850	656,041	679,002	702,768	727,364	752,822	3.50%	779,171	806,442	834,667	863,881	894,117	925,411	3.50% increase
*Insurances (retired)	833,589	831,316	936,447	969,223	1,003,145	1,038,256	1,074,594	3.50%	1,112,205	1,151,132	1,191,422	1,233,122	1,276,281	1,320,951	3.50% increase
*prefunding retiree insurance				500,000	517,500	535,613	554,359		573,762	593,843	614,628	636,140	658,405	681,449	
*Pension	1,524,009	2,069,604	2,617,787	3,027,787	3,444,987	3,868,955	4,299,285		4,883,937	4,940,503	4,999,048	5,059,642	5,122,357	5,187,267	
*Pension Bond	2,257,901	2,372,136	2,487,498	2,613,203	2,738,467	2,872,509	3,014,284	4.91%	3,157,877	3,307,377	3,466,609	3,624,528	3,790,090	3,967,935	
*Adt'l Paydown of Unfunded Benefits				3,391,892	2,909,826	2,422,598	1,931,307		1,442,052	950,665	983,239	1,021,123	1,055,143	1,089,639	
Employee s/t	16,330,114	16,401,281	16,784,745	20,662,861	20,229,541	19,843,372	19,502,045	3.52%	20,100,036	20,186,280	20,821,201	21,475,629	22,149,888	22,905,519	2.72%
Operating Costs	1,920,496	1,785,112	1,825,870	1,889,775	1,955,918	2,024,375	2,095,228	3.50%	2,168,561	2,244,460	2,323,017	2,404,322	2,488,473	2,575,570	3.50%
Total excluding Cap Costs	18,250,610	18,186,393	18,610,615	22,552,637	22,185,459	21,867,746	21,597,273	3.50%	22,268,597	22,430,741	23,144,218	23,879,952	24,638,361	25,481,089	2.79%
Capital Costs	1,457,478	1,081,639	735,877	532,371	532,491	189,497	948,612	??	947,803	1,135,260	1,009,042	1,033,244	1,064,241	1,096,169	3.00%
Total Expenses	19,708,088	19,268,032	19,346,492	23,085,008	22,717,950	22,057,243	22,545,885		23,216,400	23,566,001	24,153,260	24,913,196	25,702,602	26,577,258	2.78%
*Total retirement benefit costs				10,502,105	10,613,925	10,737,930	10,873,830		11,169,833	10,943,521	11,254,945	11,574,554	11,902,275	12,299,240	
Revenues															
Property Taxes	17,769,563	17,423,059	17,582,221	18,295,975	19,305,810	20,595,495	21,784,437		22,792,687	23,832,974	24,906,395	25,769,615	26,628,545	27,518,546	
Orinda	11,366,490	11,140,437	11,250,121	10,593,370	11,178,064	11,924,791	12,613,189		13,196,966	13,799,292	14,420,803	14,920,607	15,417,927	15,933,238	
Orinda % of total	64.0%	63.9%	64.0%	57.9%	57.9%	57.9%	57.9%		57.9%	57.9%	57.9%	57.9%	57.9%	57.9%	
Ad Valorem	10,772,528	10,546,603	10,656,288	11,082,540	11,525,841	11,986,875	12,466,350	4.00%	12,965,004	13,483,604	14,022,948	14,583,866	15,167,221	15,773,909	4.00%
New Developments				110,160	369,403	794,481	1,085,771		1,382,886	1,685,944	1,995,063	2,069,389	2,110,777	2,152,992	
Parcel	593,962	593,833	593,833	595,433	601,833	611,133	615,133		619,133	623,133	627,133	627,633	627,633	627,633	
s/t before rebate	11,366,490	11,140,437	11,250,121	11,788,133	12,497,077	13,392,489	14,167,254		14,967,023	15,792,681	16,645,144	17,280,888	17,905,631	18,554,535	
Percent cap				57.90%	57.90%	57.90%	57.90%		57.90%	57.90%	57.90%	57.90%	57.90%	57.90%	
Rebate				(1,194,763)	(1,319,014)	(1,467,698)	(1,554,065)		(1,770,057)	(1,993,389)	(2,224,341)	(2,360,281)	(2,487,703)	(2,621,297)	
Moraga & Canyon	6,403,073	6,282,622	6,332,100	7,702,605	8,127,746	8,670,703	9,171,248		9,595,721	10,033,682	10,485,592	10,849,008	11,210,617	11,585,308	
Ad Valorem	5,929,066	5,808,718	5,858,092	6,033,835	6,214,850	6,401,296	6,593,334	3.00%	6,791,134	6,994,868	7,204,715	7,420,856	7,643,482	7,872,786	3.00%
New Developments				116,375	318,203	534,042			544,722	555,617	566,729	578,064	589,625	601,418	
Parcel	474,007	473,904	474,007	474,007	477,507	483,507	489,807		489,807	489,807	489,807	489,807	489,807	489,807	
Additional Parcel Tax			0	1,194,763	1,319,014	1,467,698	1,554,065		1,770,057	1,993,389	2,224,341	2,360,281	2,487,703	2,621,297	
Intergovernmental Revenue	190,681	425,180	176,664	178,431	180,215	182,017	183,837	1.00%	185,676	187,532	189,408	191,302	193,215	195,147	1.00%
Measure H	178,367	198,367	179,367	179,367	179,367	179,367	179,367	0.00%	179,367	179,367	179,367	179,367	179,367	179,367	0.00%
Charge For Service	989,872	921,915	968,041	1,060,056	1,154,592	1,219,029	1,212,310		1,198,591	1,236,276	1,275,268	1,270,218	1,305,477	1,348,670	
Ambulance	906,709	865,241	896,750	928,136	960,621	994,243	1,029,041	3.50%	1,065,058	1,102,335	1,140,916	1,180,849	1,222,178	1,264,954	3.50%
Vehicle Accident Recovery	7,146	8,244	14,981												
Other	76,017	48,430	56,310	131,920	193,971	224,786	183,269		133,533	133,942	134,352	89,369	83,299	83,715	
Other Rev	494,816	223,903	28,750	21,100	21,100	21,100	21,100		21,100	21,100	21,100	21,100	21,100	21,100	
Total Revenue	19,623,299	19,192,424	18,935,043	19,734,929	20,841,084	22,197,007	23,381,052	4.03%	24,377,421	25,457,249	26,571,538	27,431,602	28,327,703	29,262,830	3.81%
Increase over prior year		-430,875	-257,381	799,886	1,106,155	1,355,923	1,184,044		996,369	1,079,828	1,114,289	860,064	896,102	935,126	
percent from new developments			0%	14%	34%	46%	43%		31%	29%	29%	10%	6%	6%	
Surplus	-84,789	-75,608	-411,449	-3,350,079	-1,876,866	139,764	835,167		1,161,021	1,891,249	2,418,278	2,518,406	2,625,101	2,685,572	
Capital Reserve Fund															
Adjustment	-127,463														
Balance at End of Period	2,990,879														
Operating Reserve Fund															
Adjustment	42,674														
Balance at End of Period	3,730,082														
Total MOFD Reserve Funds	6,720,961	6,645,353	6,233,903	2,883,825	1,006,959	1,146,723	1,981,890		3,142,911	5,034,160	7,452,438	9,970,844	12,595,945	15,281,517	
number of months of Op Expense	4.4	4.4	4.0	1.5	0.5	0.6	1.1		1.7	2.7	3.9	5.0	6.1	7.2	

Source: (thru 2016/17) Moraga-Orinda Fire District / Draft Long Range Financial Forecast as of 09/01/11

Available on-line

http://www.mofd.org/content/agendaminutes/file/090111_Finance_Committee_Agenda_and_Board_Packet.pdf
 pages 16-30

Revenues

The Task Force believes that MOFD's current revenue projections are valid as a conservative / low-end projection. However, given the \$3 billion of "unrealized" market value currently locked into Orinda's and Moraga's real estate, it can be anticipated that the tax base of existing homes will increase at over the two percent annual gain which the MOFD's projections assume. As previously discussed, the Task Force believes that Orinda's tax base of existing homes could easily grow at 4.5 percent. Moraga's tax base growth, since MOFD was formed in 1997, has increased at a rate one percent less than Orinda's.

In its re-structured long range forecast, the Task Force uses a 4.0 percent rate of increase for Orinda's ad valorem property tax starting in 2013/14 (excluding new developments) and a 3.0 percent rate for Moraga.

The Task Force accepts the MOFD forecast for property tax revenue from new developments. The Task Force also accepts the MOFD forecast for revenue from parcel taxes, intergovernmental sources and Measure H and "other" sources. However, it increases the estimated revenue growth from ambulance service to equal the 3.5 percent "inflation" estimate it uses in its expense assumptions. Finally, the Task Force removes the vehicle accident recovery fee as non-substantive and causing more ill will in the community than revenue benefits.

The only other substantive adjustment the Task Force makes to the revenue portion of the long range forecast is incorporating an adjustment to the allocation of property tax revenues between Orinda taxpayers and Moraga taxpayers for the operation of the District.

As discussed in detail in Section V of this report, the Task Force calculates that Orinda taxpayers are currently paying \$1 million in excess of the allocated cost of service they are receiving and that misallocation is projected to increase to \$2.5 million by 2022.

While the reallocation of tax funding has no net effect on MOFD's net revenue, the Task Force includes it in Table IV-4b.

Expenses -

* In Table IV-4b, the Task Force's revised growth rates are in green while MOFD's assumed rates remain in black.

* Insurance costs for Active and Retired Employees - As previously stated, the Task Force believes that MOFD's assumed growth rate of 0.5 percent is unreasonably optimistic. Medical insurance costs, which were level between 2010/11 and 2011/12, are projected to decrease 20 percent this coming year for active employees while increasing 12 percent for retirees. Despite this short term net decrease, the Task Force has chosen the long term inflation rate of 3.5 percent as the growth rate for this category of expenses which are 8 percent of the entire budget. When MOFD's actuary projected retiree medical benefits in his last report in 2010 he assumed a 6 percent long-term growth rate.

* Capital Expenses - The MOFD projection (footnote 8 on the MOFD 9/1/2011 Long Range Forecast - Exhibit IV-2 on the Task Force web site www.OrindaTaskForce.org), includes funds for both a new administration building (\$2 million) and a rebuilding of Orinda's station 43 (\$3 million). The MOFD Directors have since voted not to purchase a new administration building. Additionally, two directors recently voiced apprehension in going forward with the rebuilding of Station 43. The Task Force believes that when the community understands the financial condition of MOFD, the decision will be made to repair and not rebuild station 43. Most of the \$5 million for these two projected is reflected as reduced capital expenditures relative to the MOFD projections for years 2011/12 through 2014/15.

Funding of Deferred Employee Benefits - The largest revision that the Task Force made to the MOFD forecast was to provide sufficient money to fully fund newly vested employee benefits and currently unfunded but vested benefits. The magnitude of the problem is described in detail in Section VI of this report. A possible solution to funding these liabilities is presented here.

Newly Vested Benefits

* OPEB - The District has budgeted over \$933,000 for medical insurance for retired former employees in fiscal year 2012/13. This benefit never has been, and continues not to be, pre-funded at the time the benefit is vested by the employees. The Task Force considers this a practice that must cease. Vested benefits should be paid for currently not rolled forward for future generations to pay for.

What would it cost to fund just the newly vested OPEB? In the 2010 actuarial report to MOFD, Bartel stated that using a 4.25 percent discount rate, prefunding OPEB would cost \$1,068,000 annually. Increasing the assumed discount rate to 7.75 percent reduced the annual cost to \$472,000. That implies it would cost about \$750,000 per year using a 6.0 percent discount / fund-asset earning rate. However, Bartel made the assumption that medical costs will increase at a rate of 6.0 percent. The Task Force does not believe that a perpetual increase at 2.5 percent over inflation is a reasonable assumption. Hopefully, the rate of increase in medical expenses will slow down to an historic 3.5 percent. If this is true, then a pre-funding starting at about \$500,000 per year should be sufficient. This value is used in Tables IV-4b and VI-4 (a, b and c).

* Pension - In 2010/11 MOFD made \$1.5 million in pension contributions to CCCERA. The 2010/11 contribution was about the same as the contribution in 2006/07. At a presentation in Orinda on pension funding, *Contra Costa Times* columnist Dan Borenstein stated that "normal" pension funding was 28 percent of base salary. With base salary of about \$7 million, this means the "normal" funding, of newly vested benefits should be \$2 million; equal to the amount paid by MOFD in the 2010/11 fiscal year. The Task Force is assuming that \$2 million is the "normal" cost for funding newly vested pension benefits for 2012/13 and will increase or decrease at the assumed salary increase and decrease rates.

Unfunded Benefits and Other Liabilities

- * Pension Bond - The pension bond costs, while not a benefit to retired employees, is an unfunded employee benefit cost and needs to be categorized as such as the proceeds from the bond were used to fund the underfunded pension in 2005. This line item, a known amount, is the value in the MOFD projections and remains unchanged in the Task Force projections.
- * OPEB - The District's projection for 2012/13 is \$933,000 for medical insurance for retired former employees. This benefit has never been pre-funded. MOFD's actuary (Bartel), whose most recent report is included as Exhibit VI-2, shows the discounted present value of those unfunded benefits as 26.3 million (discounted at 4.25%). Table VI-2a of this report shows that the Task Force estimates the total (undiscounted) amount as approximately \$52 million of liabilities spread out over 35 years. Table VI-4c shows the cost of funding these unfunded liabilities over 30 years assuming that funding increases 3 percent each year for 20 years then tapers off to zero over the next 10 years and the funding goes into an asset pool earning 6 percent returns. Column J of that table shows payments starting at \$1.24 million, increasing to a maximum of \$2.2 million then tapering off.
- * Pension - The latest statement (as of 12/31/2011) from MOFD's pension plan administrator says MOFD has pension liabilities of \$143.6 million (discounted at 7.75%) and assets with a market value of \$112.2 million offsetting them. Table VI-2c shows that the liabilities have an undiscounted value of \$622 million and that the assets, assuming a 6 percent asset earning rate, will be exhausted in 18 years. At that time there will still be \$425 million in remaining unfunded liabilities. It is incumbent on MOFD to start funding these future liabilities. Table VI-4c shows the unfunded pension liabilities in column C (which includes the Pension Bond payments due). Column D of that table shows that by investing an additional \$5.9 million in pension assets earning six percent, and increasing that payment at three percent for 20 years then reducing it to zero over the next ten years, these liabilities can be fully funded.

A portion of this funding will be demanded by CCCERA from MOFD. By the time the full impact of the currently indentified "official" underfunding (the \$31 million shortfall between the \$112 million in assets and \$143 million in liabilities) is taken into account, CCCERA will require that it be paid down over 18 years assuming a 7.75% interest rate. This will result in a \$3.25 million payment lasting 18 years. While this is significant, the Task Force believes it will not be sufficient due to the current overly optimistic asset earning assumption of 7.75 percent.

Total Funding Required For Employee Benefits

The funding required to fully fund already vested employee benefits and to start pre-funding new OPEB benefits is aggregated in column O of Table VI-4c. Offsetting these required payments are payments, which already are being made or contemplated and are included in the Long Range Forecast, Table IV-4b. These include pension bond payments and OPEB payments (insurances - retired) plus a significant portion

of the pension payment due for overfunding (\$3.25 million) as described above. These three amounts are aggregated in column P of Table VI-4c. The resulting Column Q are new, unanticipated costs (although much of the pension payment which grows to \$5 million within five years is also currently unanticipated by MOFD).

Savings Required to Offset Increased Benefit Funding

Expenditure cuts are going to have to be made to allow for the increased funding of underfunded employee benefits. Of the required \$7.6 dollars in employee benefit funding required next year, \$3.5 million per year has already been anticipated. But \$4.1 million in 2013/14, which continues for ten years, has not been. If these payments toward the unfunded liabilities are deferred, the amount needed later grows exponentially. Hard decisions are needed now.

* Capital Expenditures - This was already discussed above:

- Elimination of a new \$2 million administrative building has already been accepted by the MOFD Board.
- Elimination of the rebuilding of Orinda's station 43. This is not a necessary expenditure and we can't afford it.
- This will save a total of \$5 million of the \$12 million needed over the next five years.

* Employee salaries - This is the largest single element of the District's budget and the area where savings have to be made. And seeing as the savings are required because of the impact of \$400-500 million in unfunded deferred employee benefits, it is not inappropriate that here is where cuts are made. The cuts should not require a diminishment in service. The Task Force estimates that by reducing employment costs by 6 percent each year for four years, the increased deferred benefit funding can be offset and reserves maintained. How can MOFD cut its employment costs by \$2 million while maintaining effectiveness?

- As described in Table IV-3, the average MOFD firefighter, exclusive of Pension Bond and unfunded liabilities, costs the district \$179,000. It has also been described that Orinda is staffed by four times the number of firefighters per capita as the rest of the county even though we average the same number of incidents per capita. Further, our response times do not meet industry standards 40 percent of the time, indicating we need to spread out our first-responders more. Orinda's 11 firefighters are concentrated in three stations, almost four per station on average. This number is not required for the 90 percent of time-critical emergencies which are medical, nor for most of the remaining 10% of time-critical emergencies. While the optimal number of firefighters on an engine for structure fires is three or more, most other types of incidents can be adequately served by two or even one first responder as long as there is backup available. In 2009, there were eight structure fires in Orinda and 1,248 other incidents (99.4 percent of the total). In some cities, when there have not been enough funds to pay for three shifts of three firefighters per shift at a station, they have closed the station or not staffed some shifts. We cannot let that happen in Orinda. It is not

necessary. It leads to increased response times, which is the crucial factor - not three first responders.

- Moving the Orinda ambulance to Station 43 would accomplish two things:
 - 1) It would reduce the need to rebuild station 43, where remodeling and structural retrofitting would suffice as the building would only have to house two responders.
 - 2) It would reduce the Orinda staff from 11 to eight firefighters, eliminating the cost of nine positions (for three shifts) -- a \$1.1 million annual savings. Orinda would still have eight firefighters, three times per capita that the rest of the county operates, and response times would be unaffected.
- A similar move, relocating the Moraga-based ambulance to the Rheem station, replacing the three-person engine crew, would save another \$1.1 million each year. MOFD would still have a total of 13 firefighters for 34,000 residents; 2.5 times the coverage of the rest of the county.
- This total \$2.2 million annual savings is enough to cover the savings required through 2016/17.

* Additional cost-savings / operation-enhancement possibilities:

- Two-tier wage and benefit agreements.
- One-person "rapid response" paramedic stations to address the poor response times to remote areas. These could provide improved functionality for a much lower cost than current response times provided by the three-to-five-person stations we currently have.
- Taking into account, when negotiating wages with its firefighters, that their jobs in the MOFD have one-quarter the risk of the average firefighter in ConFire and less than 10 percent of an urban firefighter based on the number of incidents per year they attend.
- Reviewing the need (according to Table IV-3) for a Fire Chief, two Division Chiefs and two Battalion Chiefs with combined compensations of \$1.8 million for a 5-station emergency services department. Is it possible that certain responsibilities could be combined, delegated to Fire Captains, or accomplished by non-safety administrators (possibly retired fire fighters)?

Conclusion

If MOFD is going to deal with its retirement benefit obligations, it is going to have to make major revisions to its personnel costs, which will include reduced salaries and benefits and revised operational methods. While having five three-person engines may be required or optimal for a structure fire, alternatives must be explored. More two person response units to more rapidly respond to medical emergencies and techniques like expanded use of home sprinkler systems to allow more time for responding to residential structure fires must be evaluated. California legislation has just been proposed to reduce pension expenses but none of it addresses the \$700 million in liabilities already vested against MOFD's future revenues. Current and on-going expenses must be drastically reduced to allow for funding these future liabilities.

Data utilized

Most of the data in this section was from MOFD's "2011/12 Draft General and Special Revenue Fund Budgets" and "Draft Long Range Financial Forecast as of 09/01/11" documents presented at the September 1, 2011 meeting of the MOFD Finance Committee. These documents can be found on-line at [www.mofd.org/content/agendaminutes/file/090111 Finance Committee Agenda and Board Packet.pdf](http://www.mofd.org/content/agendaminutes/file/090111_Finance_Committee_Agenda_and_Board_Packet.pdf)

and are also included as Exhibits IV-1 and IV-2 on the Task Force Web site

www.OrindaTaskForce.org

The employee cost data, by employee, (Table IV-3) was derived from the data base created by The Contra Costa Times / Bay Area News Group. It can be found on-line at

<http://www.mercurynews.com/salaries/bay-area#results>

by selecting "Contra Costa" in the County field and "Moraga-Orinda Fire Dept." in the Entity field.

Tax Data was obtained from the Contra Costa County Auditor - Controller's office.

A REPORT ON THE COSTS, OPERATIONS, PERFORMANCE AND FINANCES OF THE MORAGA-ORINDA FIRE DISTRICT (MOFD)

by

The Orinda Citizens Emergency Services Task Force
(www.OrindaTaskForce.org / Orinda_Task_Force@comcast.net)

Section V - Tax Funding Allocation

One of the primary reasons Orinda voters formed MOFD in 1997, withdrawing from service by ConFire, was to ensure that property tax dollars paid by Orinda taxpayers and allocated to emergency services were being spent in Orinda and not elsewhere in the County. That this goal continues to be met has come under question over the past several years. It was an issue raised by residents in the 2006 and 2007 road tax measures. In 2008 the Orinda Revenue Enhancement Task Force determined that Orinda property tax payers were paying significantly more than the cost of the services provided to them. Since then, the grassroots community organization FAIR has reiterated this claim, making presentations to the Orinda City Council, MOFD and the Tri-Agency Ad Hoc Committee to support their claim.

The District is composed of two basic tax-paying and service areas: Moraga, including a few hundred homes in unincorporated Moraga and Canyon, and Orinda. Orinda is serviced by three stations which house three engine companies and one ambulance company; eleven firefighters per shift. Moraga is serviced by two stations which house two engine companies and one ambulance company; eight firefighters per shift. 58 percent of the fighters serving the community are based in Orinda; 42 percent in Moraga. Allocating the total property tax revenue (ad valorem plus parcel taxes) projected to be received by the district in the current fiscal year, \$17.4 million, by the firefighters stationed in each service area would result in \$10.1 million being allocated to Orinda and \$7.3 million to Moraga operations. Unless there is a significant reason to split the costs of the system differently, the Task Force believes that this is a reasonable and simple allocation methodology.

This year Orinda property taxpayers will be paying \$11.2 million to MOFD. The Task Force investigated if there is a explanation for the \$1.1 million difference between what Orinda taxpayers are paying and what the above allocation indicates. That investigation determined that there is not and that Orinda taxpayers are paying \$1.1 million more than their allocated costs and, conversely, Moraga taxpayer are paying \$1.1 million too little.

History of the Issue

In 1993, due to county funding reductions, the Contra Costa Board of Supervisors ordered the Orinda Fire Protection District to integrate functionally with the county fire department, ConFire; the Orinda FPD chief retired; and management responsibility transferred to ConFire. LAFCO approved Orinda FPD dissolution and consolidation with ConFire in 1994. Orinda opposed the ConFire consolidation due to concerns about negative impacts on Orinda service levels and Orinda taxpayers subsidizing increasing service levels elsewhere. In 1997, Orinda residents voted to detach from

ConFire and form MOFD. In the voters pamphlet for the formation of MOFD, the Orinda Mayor at the time, Sargent Littlehale, made the following statement: "We must never again let the Supervisors spend \$2.8 million of Orinda's money elsewhere in the County, ignoring Orinda's needs." That \$2.8 million, over the 4 year period from 1993 to 1997, equated to \$700,000 per year; representing 15 percent of the total taxes Orinda was paying to ConFire at the time. (greater detail in LAFCO report; pg 240; Exhibit I-4)

In the run-up to Orinda's infrastructure bond Measure Q in 2006, a small group of Orinda citizens re-opened the issue of Orinda, again, paying more than its fair share of emergency services costs. In the five years since, the issue has been discussed in several venues but never resolved.

In 2008 the Orinda Revenue Enhancement Task Force (RETF), chaired by Councilmember Sue Severson, researched the claim and decided it had validity. The Task Force suggested to the City Council (Exhibit I-2) that by constraining MOFD's annual growth from an historic 6.1 percent to 4.5 percent (reverting the 1.6 percent annual savings mostly back to Orinda), MOFD could rectify the issue and bring the equity between Orinda and Moraga back in line. MOFD rejected this proposal out of hand, saying they could not possibly live with a 4.5 percent cap on expenditures (in the three years since then, MOFD revenue has grown 2.3 percent per year and they project a 2.6 percent annual growth over the next six years).

Despite the MOFD rejection, the claim of inequitable tax funding went to the first (2009) Tri-Agency Committee meeting. Here MOFD demonstrated, through the use of "first due" maps, that since Moraga-based units had "first due" response duties for 700 parcels in Orinda; plus the Moraga-based ambulance had back-up responsibility for another 800 parcels in Orinda; in addition to all of the incidents in Moraga and Canyon; that Orinda taxpayers were responsible for the cost not only of Orinda's three station, but a significant share of Moraga's two stations. The MOFD claim was this service obligation fully accounted for the fact why, although 11 out of the district's 19 firefighters (57.9 percent) were stationed in and served Orinda, Orinda taxpayers were obligated to pay an additional \$957,000 of MOFD's \$17.2 million in tax revenue (13.2 percent of Moraga's \$7.26 million cost).

No dissenting opinion was allowed to be presented at this Tri-Agency meeting and the members of the Tri-Agency Committee, including Orinda representatives Victoria Smith and Steve Glazer, accepted the explanation and concluded that there was no inequity.

In 2010 there was a second meeting of Tri-Agency Committee where the question of tax funding inequity was again addressed. MOFD Chief Bradley presented the same case that Chief Nowicki had presented in the prior year's meeting. However, at this meeting two grassroots citizens groups, OrindaCARES and FAIR were also allowed to present.

OrindaCARES used the same basic argument as MOFD, using "first due" maps as the basis for cost allocation with two distinctions:

(1) Instead of using MOFD's "first due" maps, they claimed that the dividing line between the old Moraga Fire Protection District and the old Orinda Fire Protection District was the "natural" dividing line for service claiming that all service south of this

line was provided by Moraga-based emergency units and thus Orinda taxpayers were obliged to pay for a share of cost of those Moraga-based units.

(2) They further claimed that since all property owners pay the same 1 percent property tax, per Proposition 13, the fact that Orinda's tax to MOFD is much greater than Moraga's is partially because Orinda's property is worth more per parcel, Orinda taxpayers SHOULD pay a higher percent of the cost of operating MOFD, higher even than a pure allocation by service provided.

FAIR made three basic declarations at the Tri-Agency meeting:

(1) That equitable allocation of emergency services costs was the basis upon which Orinda taxpayers detached from ConFire and formed MOFD in 1997.

(2) That they agreed with both MOFD and OrindaCARES that costs should be allocated on the basis of service (but they disagreed with OrindaCARES that it should be re-allocated on the basis of property values).

(3) Actual service (from Moraga-based units into Orinda and visa versa - Table III-1) should be the basis of cost allocation, not theoretical service based on parcels shown on a map. The data exists to determine reality without needing to rely on theory. FAIR had the data, obtained from MOFD itself, which disproved MOFD's and OrindaCARES' theory of service allocation, and showed that the service into Orinda from Moraga-based units was largely reciprocated by service into Moraga by Orinda-based units and the cost of that service was a fraction of the excess taxes Orinda taxpayers were paying.

The second Tri-Agency Committee listened to the presentations from MOFD, OrindaCARES, and FAIR but then disbanded themselves without comment, discussion, or conclusion. The issue was left as unresolved as ever.

Is There a Reason to Concern Ourselves with Funding Equity?

Orindans voted for the formation of MOFD in 1997 for two reasons:

1) To improve service, mainly medical response by putting a paramedic on every response unit and to provide ambulance service that was more responsive than the service that was coming out of Walnut Creek.

2) In the words of Orinda's Mayor Sargent Littlehale in the voter's pamphlet (Exhibit I-1) for the measures that formed MOFD: "To keep Orinda's tax dollars in Orinda)

While point (1) is of crucial concern, point (2) says "yes, funding equity was a major reason for forming MOFD and that equity should be maintained."

In fact, all parties appear to agree that funding equity is important. No one has claimed otherwise. Therefore the Task Force will reexamine the issue.

Analysis

All parties, from the Orinda RETF, to MOFD, to FAIR to OrindaCARES, appear to agree that the costs of operating MOFD should be shared between Orinda and Moraga taxpayers **mainly** based on the service provided each community. All parties also appear to agree that the majority of service to Orinda residents comes from Orinda-based MOFD units and the majority of service to Moraga residents comes from Moraga-based MOFD units. It is also agreed that Moraga-based units provide service into Orinda. The only substantive disagreement has been "is that service provided by Moraga-based units into Orinda significant to the extent it warrants a re-allocation of expenses beyond the basic split based on firefighters stationed in each community?"

MOFD operation records show that Orinda homes generated 1,256 out of the 2,377 (53 percent) of the District's total incidents (Table III-3); these Orinda incidents were attended by 2,419 of the District's total 4,687 (52 percent) response unit operations (Table III-1); and these response units were manned by 6,269 responders out of the District's total 12,117 (52 percent) responder-operations. So while it appears that Orinda receives 52-53 percent of the service, it is acknowledged that in order to provide appropriate response times, Orinda is primarily served by the 11 firefighters stationed in Orinda who represent 57.9 percent of the District's total force (per shift) of 19. In addition, Orinda receives service from Moraga-based units but Moraga also receives reciprocal service from Orinda-based units (Table III-1). The questions are:

- 1) How much service is provided by Moraga-based units into Orinda and how much reciprocity is provided by Orinda?
- 2) What is the value of any net service from Moraga to Orinda?
- 3) Are there other factors to consider in the cost allocation?

Existing Property Tax Payments - This year, 2011/12, MOFD will receive approximately \$16.32 million in Ad Valorem tax and \$1.07 million in Parcel tax: \$17.39 million total (Table IV-2). Orinda taxpayers will be paying \$11.12 million of this total. If Orinda taxpayers were paying 11/19ths (57.9 percent) of the total, based on the firefighters stationed in Orinda, they would be paying \$10.07 million; \$1.05 million less than what they are paying. Are there service or other factors which account for this \$1.05 million excess payment?

Service provided into (and out of) Orinda - Table III-1 summarizes the total service provided by MOFD emergency service units (5 engine units and two ambulance units). Of the total 4,832 total operations by these 7 units, 824 of these operations (17 percent) were to incidents outside of their primary service area (the City of Orinda or the Town of Moraga plus Canyon). Moraga-based units provided one hundred more operations outside of Moraga-Canyon than Orinda-based units provided outside of Orinda (463 vs.361). This discrepancy was mostly accounted for by ambulance operations (248 out of Moraga vs. 155 out of Orinda). These 100 ambulance operations (200 person-operations for the two person ambulance crew) represent 3.2 percent of Moraga's total person-operations for the year.

Table III-3 summarizes the first responders to MOFD's 2,377 incidents in 2009. Moraga-based crews were first responder to 103 incidents in Orinda while Orinda-based

crews were first responder to 55 incidents in Moraga. The 50 non-reciprocated first responses out of Moraga were all by the Moraga-based ambulance.

Net of reciprocal responses from Orinda, Moraga-based equipment provided one first-response per week into Orinda and an additional one back-up response per week; all provided by the Moraga-based ambulance. Should this be considered significant enough to warrant a reallocation of expenses beyond the basic split based on firefighters stationed in the two communities?

Value of the net service

Table III-1 shows that MOFD provided 145 emergency unit operations to areas outside of the MOFD service area in 2009. Most of these were into the ConFire service area. Table III-1 also shows that ConFire provided 260 operations into the MOFD service area. ConFire did not charge MOFD for the net 115 operations into the MOFD service area. This is considered within the range of the mutual aid agreements between regional emergency service providers.

At the 2008 Tri-Agency meeting, MOFD presented an exhibit (Exhibit V-1) of the cost for operating one of MOFD's ambulances. These were direct costs without the allocation of overhead. Since then, costs have not increased substantially. Exhibit V-1 shows that the Moraga-based ambulance costs, as calculated by MOFD, approximately \$600 per operation in excess of what it generates in transportation fees. Applying this unit-cost to the 100 ambulance operations that the Moraga-based ambulance made into Orinda, net of service the Orinda-based ambulance provided to Moraga, results in an annual cost of about \$60,000 per year.

The Task Force does not consider this \$60,000 expense allocation, 3/10 of one percent of the total budget, significant enough to warrant a reallocation of expenses beyond the simple allocation by fire-fighters stationed in each community.

Other Possible Factors for Cost Reallocation -

- A) *Equipment repair and depreciation* - At the 2009 Tri-Agency meeting MOFD commented on the fact that equipment used to service Orinda incidents experienced more wear and tear than equipment attending Moraga equipment. As Table II-1 shows, 51.6 percent of MOFD's equipment is used to service Orinda incidents. But the Task Force suggests that Orinda pay 57.9 percent of the district's costs. That is 112 percent of 51.6. Does the equipment servicing Orinda incidents suffer more than a 12 percent excess degradation, repairs and depreciation, above that of the equipment servicing Moraga incidents?
- B) *First Due areas of responsibility* - At the 2009 and 2010 Tri-Agency meetings, based on maps that they presented, MOFD claimed that Moraga-based equipment was "first due" to 700 Orinda parcels and that the Moraga-based ambulance was "first due" (for emergency transport) to an additional 800 Orinda parcels. It was because of these "first due" responsibilities that

(Presented by MOFD to the 2009 Tri-Agency Committee)

COST TO PROVIDE A DEDICATED AMBULANCE

The Tri-Agency Panel asked the District to calculate the cost of deploying an ambulance 24/7. Keep in mind, that prior to the merge Moraga staffed a dedicated paramedic ambulance, with a back-up ambulance that was utilized for special event staffing and also to be used as a 'rehab' unit. Those same resources remain in place, and since the merger The City of Orinda also now benefits from a dedicated paramedic ambulance (FS 45) as well as a cross-staffed paramedic ambulance (FS 44). It is important to keep in mind that ambulance crews at MOFD are also highly trained firefighters – they immediately become suppression crews at fires and rescue teams at emergency incidents. They are not simply 'ambulance drivers' as many might refer to private ambulance company paramedics/attendants.

What does it cost to provide an ambulance 24/7? Information below is provided in very broad terms:

Ambulance (6 to 7 year depreciation – cost to change with refurbish option)	\$180,000
Annual vehicle service & maintenance (annual)	\$10,000
Communications, radios, mobile data terminals (MDTs) (10 year depreciation)	\$7,000
Communication contract (annual)	\$2,000
Ambulance equipment inventory (see attachment) (7 year depreciation)	\$52,000
Expired drugs/waste (annual)	\$2,000
Equipment service contracts/upgrades (annual)	\$3,000
Fuel (annual at \$2.19/gallon)	\$4,000
Crew 6.3 paramedic/firefighters (does not include hiring costs, academy, safety equipment, etc.)	
Salaries, benefits, labor costs (annual) (Overtime for backfill not factored in)	\$1,042,032
Certifications & specialized training for 6.3 paramedics (annual)	\$2,500
	\$1,099,374
BASIC TOTAL COST TO KEEP AMBULANCE IN SERVICE FOR 1 YEAR	\$1,099,374
ANNUAL REVENUE GENERATED PER AMBULANCE	\$438,500 *
	\$660,874 *
ANNUAL NET COST TO OPERATE AMBULANCE	\$660,874 *

* In 2010/11 MOFD generated ambulance fees of approximately \$850,000 net of administration expenses for 1,960 ambulance operations. This is an average of \$435 per operation. The Moraga-based ambulance provided 1,065 of the District's ambulance operations, therefore was responsible for about \$460,000 of the District's ambulance fees. Thus, the net cost for the Moraga-based ambulance was about \$640,000 which equates to \$600 per operation.

MOFD claimed that Orinda taxpayers should pick up 15 percent of the cost of operating the Moraga stations.

While service may have been provided based on first-due-maps at some point in the past, this is no longer the case. Equipment is now dispatched (by ConFire's central dispatch) on the basis of which emergency unit is closest to the incident and available for service. This is determined by the location of all equipment coming from GPS transponders on each unit and a computer generated response time estimate to the incident location. The maps presented by MOFD are no longer utilized. So which units are responsible for first and backup responses is equivalent to the units which actually respond as shown on Table III-1.

Providing service from the nearest station (which the maps reflect) makes sense in a static service model but the reality of providing service is a dynamic model impacted by available units. Including the 700 homes in Orinda, Moraga's 3 emergency units would service 18,300 residents while Orinda's 4 emergency units would only serve 15,700 residents. This would make the Moraga units 50% busier than the Orinda units and therefore 50% more likely to not be available than an adjacent Orinda unit for any particular incident. This lack of availability causes Orinda-based units to respond frequently to incidents in Moraga where "the map" says they will never provide such response and also causes Moraga-based units to provide fewer responses in areas of Orinda where the maps indicate they would be the sole responder.

The maps do not reflect the reality of providing emergency service.

- C) OrindaCARES claimed that Orinda taxpayers *should* pay more for emergency services because their homes are worth more. That we all pay the same 1% ad valorem tax and since Orinda properties' assessed value is 60% of the district's total, even though Orinda's population is only 52%, Orinda residents should pay a greater proportion per capita than Moraga residents. The Task Force does not believe that this is an argument that more than a small fraction of Orinda taxpayers would accept and it was not an accepted argument when the district was formed by Orinda taxpayers tired of "exporting" tax dollars to other communities in the county that they were not obliged to support. Orinda taxpayers do pay more per capita for most property tax funded agencies as the table below indicates: from schools to special districts; and especially to MOFD. Excluding the city and MOFD, each Orinda household pays \$800 more per year in property taxes than each Moraga household; for the same services. While Orinda's residents are served by 28 percent more firefighters per capita than Moraga's residents and therefore should pay 28 percent more for that service; they are, in fact, paying 55 percent more for their service. The Task Force does not believe "because they own more expensive real estate" is a valid reason in most Orinda taxpayers' minds for this differential. In 1997 Orinda taxpayers voted to form MOFD because they did not want this tax differential to go

elsewhere in the county. Tax law does not obligate it to go elsewhere. Orinda taxpayers have the right "to use it in Orinda". The Task Force would need to see a new poll to believe that this attitude has substantively shifted.

ALLOCATION OF BASIC 1 PERCENT PROPERTY TAX

	Orinda		Moraga	
	\$	\$/home	\$	\$/home
Assessed Value	4,650,247,262		2,954,044,435	
1% Property Tax	46,502,473	6,550	29,540,444	5,060
MORAGA-ORINDA FIRE	10,506,256	1,480	5,589,260	957
THE CITY	3,428,952	483	1,564,006	268
THE COUNTY	4,779,969	673	4,048,916	694
SCHOOLS	23,693,386	3,337	15,635,393	2,678
<u>TOTAL SPECIAL DISTRICTS</u>	<u>4,093,910</u>	<u>577</u>	<u>2,702,870</u>	<u>463</u>
COUNTY LIBRARY	670,520	94	423,408	73
C C FLOOD CONTROL	78,677	11	49,646	9
FLOOD CONTROL Z-3B	9,136	1	10,161	2
CO WATER AGENCY	16,030	2	10,117	2
CC RES CONSV	7,262	1	4,586	1
CO CO MOSQUITO ABA	70,048	10	44,207	8
CENTRAL SANITARY	853,855	120	548,831	94
ALAMO LAF CEMETERY	115	0	-	-
EAST BAY MUD	673,088	95	416,075	71
BART	283,505	40	178,829	31
BAY AREA AIR MGMNT	82,714	12	52,118	9
EAST BAY REGNL PK	1,348,961	190	851,216	146
MORAGA LTG MTCE 1	-	-	113,678	19

What is a fair allocation of tax revenue?

As stated above, MOFD, OrindaCARES and FAIR all agree that the costs shared between Orinda and Moraga taxpayers should be allocated by services provided.

The cost of the firefighters themselves (67 percent of the total budget) should be split 11/19ths (58 percent) to Orinda / 42 percent to Moraga.

The cost of administration (16 percent of the budget) could be split in accordance with the employees they are managing (58 percent to Orinda); in accordance with the service provided (53 percent in Orinda); or split 50/50 by two relatively equal sized towns who combined fire departments.

The cost of operations (10 percent of the budget) could be split in accordance with the number of stations in each community (60 percent in Orinda); in accordance with the

staffing of the stations (58 percent in Orinda); or in accordance with the equipment operations into each community (52 percent to Orinda).

The capital costs (7 percent of budget) can be split between stations and equipment. The stations are 60 percent in Orinda and the equipment costs are probably dependent on use (52 percent in Orinda).

What should the AGGREGATE allocation be? The Task Force does not believe it unreasonable to just stick with the basic allocation by firefighters stationed in each community: **57.9 percent to Orinda / 42.1 percent to Moraga and Canyon.**

Should there be an adjustment for net service from Moraga into Orinda?

(A) If Orinda and Moraga were separate districts the 100 operations per year provided by Moraga-based equipment would fall within the limits of uncompensated mutual aid.

(B) The net allocated cost of the 100 ambulance operations from Moraga into Orinda, \$60,000 per year, is only 3/10ths of one percent of the total budget. The Task Force does not believe this warrants a special reallocation of expenses. In addition, it is possible that when the Moraga-based ambulance is serving Orinda because it was closer to an incident, Moraga residents might be happier if the Orinda-based ambulance was re-deployed closer to Moraga rather than receive a \$60,000 compensation.

(C) When the district was first formed Orinda had some extraordinary capital needs warranting a larger-than-normal allocation of expenses to Orinda. As Table V-1 indicates, since the district was formed Orinda taxpayers have paid property taxes \$16 million in excess of an allocation of taxes by firefighters stationed in each community.

At the 2010 Tri Agency meeting, MOFD presented an accounting of capital expenditures for stations and equipment in Orinda and Moraga showing a total of \$3.37 million with \$3.07 million going to facilities and equipment in Orinda and only \$300,000 to Moraga. In addition, there was a new station built in both Orinda (station 44) and Moraga (station 42). The two stations were designed for the same function and, while the Task Force understands that the Orinda station was much more expensive than the one in Moraga, it is probable that the cost differential was mostly due to rapidly rising construction costs as the Moraga station was built several years before the Orinda station. The Task Force is not aware of the actual costs but believes they were in the \$2-3 million range. Allocating \$2.5 million for each station brings the total facility and equipment cost since the formation of the District to \$8.4 million with Orinda's total cost being \$5.6 million and Moraga's \$2.8 million.

Orinda's 5.6 million is only \$1 million in excess of 55 percent of the total \$8.4 million which a basic allocation based on firefighters serving the communities would have produced. Yet Orinda taxpayers have paid \$16 million in excess. The Task Force believes that the argument for reallocation due to excess capital needs is no longer warranted and has not been for a long time.

Table V-1 MOFD Property Tax Revenue Allocation History

(all costs in \$1,000's)

FYE	Property Tax Base		Ad Valorem Taxes to MOFD			Fire Flow Parcel Tax		Total Property Tax				Firefighters per Shift			Allocating Tax by Firefighters			Tax Paid vs	
	Orinda	Moraga	Orinda 22.6%	Orinda % of Total	Moraga 19.0%	Orinda	Moraga	Orinda	Orinda % of Total	Moraga	Orinda + Moraga	Orinda	Moraga	Orinda + Moraga	Orinda	Moraga	Average per Firefighter	Orinda	Moraga
1997	2,049,534 (a)	1,540,961 (a)	4,632	61.3%	2,921														
1998	1 2,138,163 (a)	1,595,923 (a)	4,833	61.5%	3,025	593	473	5,426	60.8%	3,499	8,924	9	8	17	4,725	4,200	525	701	(701)
1999	2 2,297,859 (b)	1,695,143 (b)	5,194	61.8%	3,213	593	473	5,787	61.1%	3,687	9,474	9	8	17	5,015	4,458	557	771	(771)
2000	3 2,469,482 (b)	1,800,531 (b)	5,581	62.1%	3,413	494	395	6,076	61.5%	3,808	9,883	9	8	17	5,232	4,651	581	843	(843)
2001	4 2,653,923 (b)	1,912,472 (b)	5,998	62.3%	3,625	494	395	6,493	61.8%	4,020	10,512	9	8	17	5,565	4,947	618	927	(927)
2002	5 2,852,140 (b)	2,031,372 (b)	6,446	62.6%	3,851	494	395	6,941	62.0%	4,245	11,186	9	8	17	5,922	5,264	658	1,019	(1,019)
2003	6 3,065,161 (b)	2,157,664 (b)	6,928	62.9%	4,090	494	395	7,422	62.3%	4,485	11,907	9	8	17	6,304	5,603	700	1,119	(1,119)
2004	7 3,294,092 (b)	2,291,807 (b)	7,445	63.2%	4,344	494	395	7,940	62.6%	4,739	12,678	9	8	17	6,712	5,966	746	1,227	(1,227)
2005	8 3,540,122 (b)	2,434,291 (b)	8,001	63.4%	4,615	494	395	8,496	62.9%	5,009	13,505	9	8	17	7,149	6,355	794	1,346	(1,346)
2006	9 3,804,527 (b)	2,585,633 (b)	8,599	63.7%	4,901	494	395	9,093	63.2%	5,296	14,389	9	8	17	7,618	6,771	846	1,475	(1,475)
2007	10 4,117,186 (a)	2,772,177 (a)	9,306	63.9%	5,255	593	473	9,899	63.3%	5,728	15,627	9	8	17	8,273	7,354	919	1,626	(1,626)
2008	11 4,367,512 (a)	2,973,895 (a)	9,871	63.7%	5,637	494	395	10,366	63.2%	6,032	16,398	11	8	19	9,493	6,904	863	872	(872)
2009	12 4,577,866 (a)	3,075,570 (a)	10,347	64.0%	5,830	594	474	10,941	63.4%	6,304	17,245	11	8	19	9,984	7,261	908	957	(957)
2010	13 4,824,697 (a)	3,095,104 (a)	10,905	65.0%	5,867	594	474	11,499	64.5%	6,341	17,840	11	8	19	10,328	7,511	939	1,170	(1,170)
2011	14 4,807,584 (a)	3,041,727 (a)	10,866	65.3%	5,766	594	474	11,460	64.7%	6,240	17,700	11	8	19	10,247	7,453	932	1,213	(1,213)
2012	14 4,671,284 (a)	3,065,430 (a)	10,558	64.5%	5,811	594	474	11,152	64.0%	6,285	17,437	11	8	19	10,095	7,342	918	1,057	(1,057)
Total Through 2011/12																		16,324	(16,324)
2013	4,671,284 (c)	3,065,430 (c)	10,558	64.5%	5,811	594	474	11,152	64.0%	6,285	17,437	11	8	19	10,095	7,342	918	1,057	(1,057)
2014	4,743,380 (c)	3,080,757 (c)	10,721	64.7%	5,840	596	474	11,316	64.2%	6,314	17,630	11	8	19	10,207	7,423	928	1,109	(1,109)
2015	4,905,028 (c)	3,172,956 (c)	11,086	64.8%	6,015	602	478	11,688	64.3%	6,492	18,180	11	8	19	10,525	7,655	957	1,163	(1,163)
2016	5,164,225 (c)	3,326,099 (c)	11,672	64.9%	6,305	611	484	12,283	64.4%	6,789	19,072	11	8	19	11,042	8,030	1,004	1,242	(1,242)
2017	5,389,359 (c)	3,503,125 (c)	12,181	64.7%	6,641	615	490	12,796	64.2%	7,130	19,927	11	8	19	11,536	8,390	1,049	1,260	(1,260)
2018	5,618,996 (c)	3,573,188 (c)	12,700	65.2%	6,773	619	490	13,319	64.7%	7,263	20,582	11	8	19	11,916	8,666	1,083	1,403	(1,403)
2019	5,853,226 (c)	3,644,652 (c)	13,229	65.7%	6,909	623	490	13,853	65.2%	7,399	21,251	11	8	19	12,303	8,948	1,118	1,549	(1,549)
2020	6,092,140 (c)	3,717,545 (c)	13,769	66.1%	7,047	627	490	14,397	65.6%	7,537	21,933	11	8	19	12,698	9,235	1,154	1,698	(1,698)
2021	6,229,214 (c)	3,791,896 (c)	14,079	66.2%	7,188	628	490	14,707	65.7%	7,678	22,385	11	8	19	12,960	9,425	1,178	1,747	(1,747)
2022	6,353,798 (c)	3,867,733 (c)	14,361	66.2%	7,332	628	490	14,988	65.7%	7,822	22,810	11	8	19	13,206	9,604	1,201	1,783	(1,783)
2023	6,480,874 (c)	3,945,088 (c)	14,648	66.2%	7,478	628	490	15,276	65.7%	7,968	23,244	11	8	19	13,457	9,787	1,223	1,819	(1,819)

(a) Actual

(b) Estimated by Task Force

(c) MOFD Projection

Given the above three factors, the Task Force believes that there is no significant reason for the cost allocation between Orinda and Moraga taxpayers to vary from a basic allocation based on firefighters stationed in each community.

Making the Financial Adjustment to Regain and Maintain Funding Equity

No one expects MOFD to suffer a net financial loss (or gain) in order to restore funding equity (especially in light of the revelations of fiscal distress described in Section VI of this report). However, the Task Force is not sympathetic to fact that the leaders of the community, including the MOFD Board and the Orinda and Moraga Councils, could not see this situation developing in advance. Orinda formed MOFD because, to reiterate Mayor Littehal's statement: "We must never again let the Supervisors spend \$2.8 million of Orinda's money elsewhere in the County, ignoring Orinda's needs." That was \$700,000 per year for the four years ConFire provided Orinda with service. That has become \$1 million per year.

Now we find ourselves looking for a return to an equitable funding situation that Orinda taxpayers were promised from the outset. How can we do that? How can we revert to Orinda taxpayers paying 57.9 percent of MOFD's total tax revenue needs with Moraga taxpayers paying their 42.1 percent fair share?

Other sections of this report confirm that any savings that MOFD might be able to come up with by instituting operational efficiencies would need to be used to increase underfunded employee retirement benefit accounts. A reallocation of expenses have to be borne by the taxpayers themselves.

Table III-4 shows that the adjustment for 2011-12 would amount to a rebate to Orinda taxpayers of \$1,054,000 and an offsetting increase to the assessment to Moraga taxpayers. Before the formation of MOFD, Moraga taxpayers agreed to a fire flow parcel tax with a rate not exceeding "30 cents" to provide the premium service they desired. With the addition of Orinda tax money to the District in 1997, the rate charged to Moraga taxpayers never had to exceed 6 cents. The \$1 million rebate to Orinda taxpayers can be offset by increasing Moraga's parcel tax from "6 cents" (\$473,400) to 19.35 cents (\$1,527,000); well below the 30 cent cap. This only requires a vote by the MOFD board. How MOFD could revert the \$1,054,000 to Orinda is discussed below.

If the community agrees that the basic allocation should revert to a split based on firefighters stationed in each community, the question of how much total tax should be going to the district is the remaining issue. The ad valorem taxes are set by legislation and assessed property values outside of the control of the community. The only variable controllable by the community is the level of the Moraga and Orinda fire flow parcel taxes.

The Task Force believes that the District needs to do everything it can to constrain operating expenses while providing appropriate service; fund under-capitalized retirement accounts; determine total tax needs; then set Moraga's parcel tax rate such that when this tax is added to Moraga's ad valorem tax, the sum is 42.1% of the total tax needs. Any rebate to Orinda should not come from a reduction of Orinda's fire flow parcel tax rate from its 6 cent cap but should be provided as support to Orinda's infrastructure expenses as MOFD relies on that infrastructure to efficiently provide emergency services.

Conclusion

There is an inequity in the funding MOFD. It is too large to ignore or assume that it will take care of itself. Orinda voters have proved that they are capable of "detaching" from their emergency services provider due to just such a funding issue. Unless MOFD, Orinda and Moraga officials are willing to risk the dissolution of MOFD, they need to come to the table, in open session, and honestly discuss it with themselves and the community at large using facts, not assumptions, as the basis for discussion. As long as the District is "homogeneously" staffed by firefighters, the cost sharing should be based on the number of firefighters stationed in, and serving, each community.

A REPORT ON THE COSTS, OPERATIONS, PERFORMANCE AND FINANCES OF THE MORAGA-ORINDA FIRE DISTRICT (MOFD)

by

The Orinda Citizens Emergency Services Task Force
(www.OrindaTaskForce.org / Orinda_Task_Force@comcast.net)

Section VI - Financial Stability of MOFD

Due to a large and relatively stable property tax revenue stream, MOFD, unlike some other agencies, is apparently not at risk of claiming bankruptcy. While many areas in the Bay Area have seen significant decreases in property values and thus taxes, MOFD has actually seen a fractional increase in property tax revenue over the past four years (2%) and significant increase since the district was formed 15 years ago (120%). Their \$17 million in property tax revenue is sufficient to staff MOFD with four times the number of firefighters per capita as the neighboring ConFire District. Their buildings and firefighting equipment are in good condition and they currently have \$6 million in reserves.

However, MOFD has the same problem as other public agencies; employee benefit liabilities funded by insufficient assets. These are liabilities are **the legal responsibility of the District's taxpayers**. They are for benefits that employees earned and vested for past labors and which the District is obliged to pay for over the next 60 years. The sum of these liabilities (Graph VI-1) is about **\$700 million**. This equates to \$60,000 per household; 35 times the size of next year's budget; 3.5 times the \$200 million in property tax revenue the District has received since being formed 15 years ago. While the District has \$112 million of pension plan assets that, with earnings, will pay off some of these liabilities, the Task Force's analysis shows that these assets will fall \$400-500 million short of paying off current liabilities. It could take **\$4-10 million per year for the next 30 years**, in excess of what is currently anticipated, to pay for these unfunded liabilities.

The Task Force believes that despite the magnitude of the District's indebtedness, steps can be taken which will pay off this debt without negatively impacting the service to the community. But the longer the solution is delayed the harder it will be to implement. This report will discuss the District's financial position, what impact it may have on future operations, and present suggestions on how tracking the District's financial position and funding its liabilities can be improved.

THE BALANCE SHEET - A SNAPSHOT OF MOFD's FINANCIAL CONDITION

Part of the reason the District has reached its current uncomfortable position of having seriously underfunded liabilities is that standard accounting procedures have masked the true extent of these liabilities and the District has not taken steps to work around the accounting industry's shortcomings.

The annual audited balance sheet should give the District's managers and the community a strong indication of the District's financial condition. The latest published balance sheet, Exhibit VI-1, for the year ending June 30, 2011 shows assets of \$42 million (including \$7 million in cash), liabilities of \$31 million, for a net asset value of \$11 million. Quite respectable for an operation with revenue and expenses of close to \$20 million per year. But as this report will show, the audited balance sheet bears

Graph VI-1 MOFD Liabilites - \$700,000,000

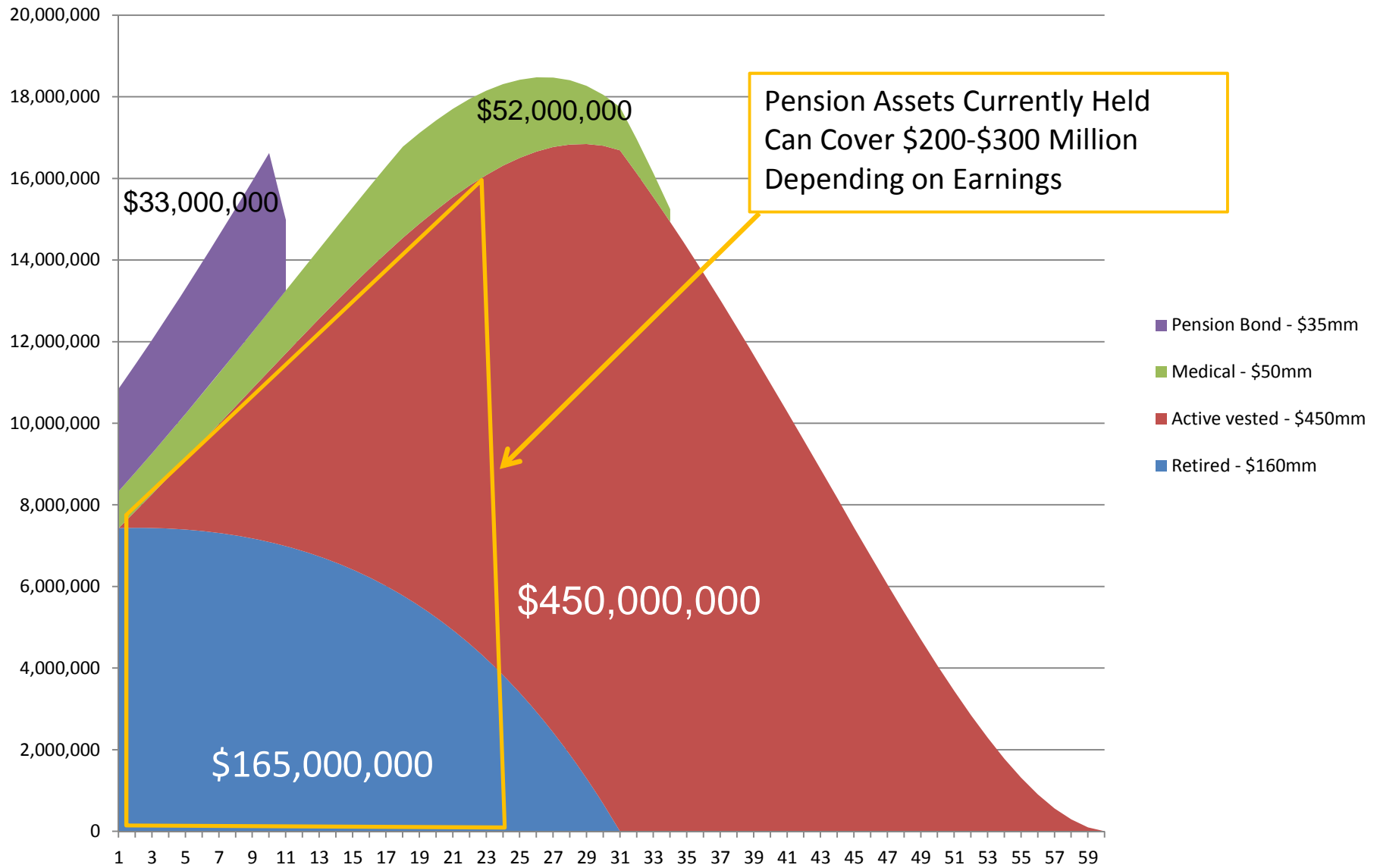


Exhibit VI-1

MORAGA-ORINDA FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2011

	General Fund	Capital Projects Fund	2011 Total	Adjustments (Note 2)	Statement of Net Assets
ASSETS					
Cash and investments	\$ 3,826,973	\$ 3,005,317	\$ 6,832,290	\$ -	\$ 6,832,290
Taxes receivable	105,417	-	105,417	-	105,417
Other receivables	652,624	1,740	654,364	-	654,364
Prepaid items	97,436	30,184	127,620	26,344,837	26,472,457
Capital assets, net of accumulated depreciation	-	-	-	8,348,722	8,348,722
Total assets	<u>\$ 4,682,450</u>	<u>\$ 3,037,241</u>	<u>\$ 7,719,691</u>	<u>\$ 34,693,559</u>	<u>\$ 42,413,250</u>
LIABILITIES AND FUND BALANCE					
Accounts payable	156,487	47,823	204,310	-	204,310
Salaries and benefits payable	808,213	-	808,213	-	808,213
Accrued interest	-	-	-	672,336	672,336
Long-term liabilities:					
OPEB payable (note 13)	-	-	-	3,493,000	3,493,000
Due within one year	-	-	-	1,275,321	1,275,321
Due in more than one year	-	-	-	25,035,482	25,035,482
Total liabilities	<u>964,700</u>	<u>47,823</u>	<u>1,012,523</u>	<u>30,476,139</u>	<u>31,488,662</u>
FUND BALANCES / NET ASSETS					
Fund balances:					
Nonspendable	97,436	30,184	127,620	(127,620)	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	2,959,234	2,959,234	(2,959,234)	-
Unassigned	3,620,314	-	3,620,314	(3,620,314)	-
Total fund equity	<u>3,717,750</u>	<u>2,989,418</u>	<u>6,707,168</u>	<u>(6,707,168)</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 4,682,450</u>	<u>\$ 3,037,241</u>	<u>\$ 7,719,691</u>		
Net assets:					
Invested in capital assets				8,348,722	8,348,722
Restricted				-	-
Unrestricted				2,575,866	2,575,866
Total net assets				<u>\$ 10,924,588</u>	<u>\$ 10,924,588</u>

little resemblance to the actual financial condition of the District. In reality the District, has approximately \$700 million in long-term liabilities offset by about \$130 million in current assets.

LIABILITIES

The District three basic liabilities: 1) A Pension Obligation Bond, 2) Post Retirement Medical Benefits for its retirees, and 3) a Defined Benefit Pension Plan

Pension Obligation Bond - At the end of 2005, MOFD's pension plan was almost \$30 million underfunded due to the fact that in late 2003 they retroactively increased the pension benefits for all current employees by 50 percent. MOFD was obligated to pay this underfunding back over a 15 year period including an assumed interest rate of 7.75 percent, the projected earning rate of the pension plan's assets. An alternative to paying increased payments to the pension plan was to borrow money from the municipal bond market, use the proceeds to fully fund their pension plan, and pay the bond holders back instead of making higher pension plan contributions. So \$28.5 million was borrowed at an interest rate of 5.22 percent. The payments were scheduled to continue for 17 years (paying off in 2022), with the payment amounts increasing by about 5 percent each year. In 2012 the annual cost of this loan is \$2.5 million; in 5 years it will be \$3.1 million; and the last full year of payments (2021) will be \$3.9 million. The current loan balance is about \$25 million and over the next 10 years the total payments will add up to \$33 million. The full repayment schedule for this bond is detailed in Table VI-1. There is further discussion later in this section regarding the appropriateness of obtaining this bond as opposed to paying the higher pension plan payments.

Post Retirement Medical Benefits (called OPEB - Other Post Employment Benefits) - MOFD pays medical benefits for life for its retired employees. A full description of the plan is contained in the latest report by the District's actuary (Exhibit VI-2 on the Task Force web site). A summary this benefit's liability includes:

1) In 2010/11 these benefits cost the District \$834,000 (Table IV-1). The District's long range forecast only has them growing by 0.5 percent annually so the 2012/13 projection (Table IV-4a) is \$835,000. However, the proposed budget for this year has them at \$933,000, a 12 percent increase over 2 years.

2) The District does **not** "pre-fund" these costs and currently legislation has not required agencies to pre-fund. However, an accounting is required every three years with the value of liability placed in a footnote to the balance sheet. This liability is slowly being included in the balance sheet.

3) The latest accounting of these liabilities, completed in August 2010, included a valuation for 6/30/2009 and an estimation for 6/30/2011. The accounting does not report actual projected liabilities, but rather gives a present value of those liabilities at a proscribed discount rate (4.25 percent at that point in time) and at the pension plan's projected asset earning rate of 7.75 percent.

Date of Valuation	Discount Rate	
	4.25%	7.75%
June 30, 2009	\$24,104,000	\$15,301,000
June 30, 2011	\$26,342,000	(16,722,000) est.

Table VI-1

MOFD Pension Bond Investment Performance

CCCERA Pension Asset Performance														
Pension Bond Liability				Annualized Earning Rate	Value of Assets Purchased by Bond Proceeds			less Bond Balance Due		Value of Assets Purchased by Bond Cash Flows		Bond Benefit **	CCCERA IRR to date 3.06%	
Payment	Interest 5.22%	Principal	Balance				Yield To Date		Yield To Date					
12,227					\$ cost averaging									
1/1/2006		(28,435)	28,435		28,435	-		0		-		100.0	(100.0)	
7/1/2006	742	742	28,435	14.23%	30,391	1,956		742		1,214			-	
1/1/2007	742	742	28,435	14.23%	32,481	4,046	1882.1%	1,535	14.2%	2,511		114.2	-	
7/1/2007	1,197	742	455	6.03%	33,446	5,466	280.2%	2,778	8.7%	2,688			-	
1/1/2008	730	730	27,980	6.03%	34,440	6,460	116.4%	3,591	7.3%	2,869		121.1	-	
7/1/2008	1,325	730	595	-28.35%	29,152	1,767	n/a	4,365	-9.1%	(2,598)			-	
1/1/2009	715	715	27,385	-28.35%	24,676	(2,709)	n/a	4,409	-17.0%	(7,118)		86.8	-	
7/1/2009	1,450	715	735	19.68%	26,995	345	n/a	6,274	-7.0%	(5,928)			-	
1/1/2010	696	696	26,650	19.68%	29,532	2,882	n/a	7,559	-0.3%	(4,676)		103.9	-	
7/1/2010	1,586	696	890	13.35%	31,442	5,682	-26.6%	9,633	2.7%	(3,951)			-	
1/1/2011	672	672	25,760	13.35%	33,475	7,715	-11.4%	10,928	4.8%	(3,213)		117.7	-	
7/1/2011	1,727	672	1,055	1.76%	33,768	9,063	-11.0%	12,751	4.3%	(3,688)			-	
1/1/2012	645	645	24,705	1.76%	34,064	9,359	-10.3%	13,508	3.8%	(4,149)		119.8	119.8	
7/1/2012	1,875	645	1,230	3.06% *	34,581	11,106	-9.0%	15,588	3.7%	(4,482)			-	
1/1/2013	613	613	23,475	3.06%	35,105	11,630	-7.8%	16,437	3.6%	(4,806)			-	
7/1/2013	2,038	613	1,425	3.06%	35,638	13,588	-6.8%	18,724	3.5%	(5,136)			-	
1/1/2014	576	576	22,050	3.06%	36,178	14,128	-5.9%	19,583	3.5%	(5,455)			-	
7/1/2014	2,206	576	1,630	3.06%	36,727	16,307	-5.2%	22,086	3.4%	(5,779)			-	
1/1/2015	533	533	20,420	3.06%	37,284	16,864	-4.5%	22,954	3.4%	(6,090)			-	
7/1/2015	2,388	533	1,855	3.06%	37,849	19,284	-3.9%	25,690	3.3%	(6,405)			-	
1/1/2016	485	485	18,565	3.06%	38,423	19,858	-3.3%	26,564	3.3%	(6,705)			-	
7/1/2016	2,585	485	2,100	3.06%	39,006	22,541	-2.9%	29,551	3.3%	(7,010)			-	
1/1/2017	430	430	16,465	3.06%	39,598	23,133	-2.4%	30,429	3.3%	(7,296)			-	
7/1/2017	2,790	430	2,360	3.06%	40,198	26,093	-2.0%	33,680	3.2%	(7,587)			-	
1/1/2018	368	368	14,105	3.06%	40,808	26,703	-1.7%	34,559	3.2%	(7,856)			-	
7/1/2018	3,008	368	2,640	3.06%	41,427	29,962	-1.4%	38,092	3.2%	(8,130)			-	
1/1/2019	299	299	11,465	3.06%	42,055	30,590	-1.0%	38,969	3.2%	(8,378)			-	
7/1/2019	3,244	299	2,945	3.06%	42,693	34,173	-0.8%	42,804	3.2%	(8,631)			-	
1/1/2020	222	222	8,520	3.06%	43,340	34,820	-0.5%	43,675	3.2%	(8,855)			-	
7/1/2020	3,487	222	3,265	3.06%	43,998	38,743	-0.3%	47,825	3.2%	(9,082)			-	
1/1/2021	137	137	5,255	3.06%	44,665	39,410	0.0%	48,688	3.2%	(9,278)			-	
7/1/2021	3,747	137	3,610	3.06%	45,342	43,697	0.2%	53,173	3.2%	(9,476)			-	
1/1/2022	43	43	1,645	3.06%	46,030	44,385	0.4%	54,022	3.1%	(9,637)			-	
7/1/2022	1,688	43	1,645	3.06%	46,728	46,728	0.5%	56,530	3.1%	(9,802)			-	

* six year average

8,055 25,760

** The benefit of "Dollar Cost Averaging" vs. a single highly leveraged purchase

Defined Benefit Pension Plan Benefits - MOFD provides its employees a defined benefit pension plan. The employees are divided between "safety" and "non-safety" employees. Safety employees, e.g. firefighters (including the Chief, Division Chiefs, Battalion Chiefs and the Fire Marshall), receive a benefit called "3 at 50". This means that for each year an employee works, he/she vests 3 percent of their final year's salary. The employee start collecting the vested benefits at age 50 or retirement, whichever is later. For non-safety employees (fewer than 10 at MOFD) the benefits are "2 at 55". Each year following retirement the vested benefits increase at a Cost Of Living Allowance (COLA) equal to that year's increase in the Consumer Price Index (CPI). *Note - On August 31, 2012 the California legislature passed a major pension reform bill. It's possible impact on MOFD is included at the end of this section.*

The value of these accrued benefits is reported annually by MOFD's pension plan administrator, CCCERA (Contra Costa County Employees' Retirement Association). The latest letter of benefit liability for MOFD was as of December 31, 2010 (Exhibit VI-3 on the Task Force web site) but recently, in a report by the Plan's actuary to CCCERA (Exhibit VI-4 on the Task Force web site), the plan's results for 2011 are reported.

As with the value of OPEB liabilities, pension liabilities are reported as the present value of future obligations. For December 31, 2010, the present value of MOFD's pension liabilities, using CCCERA's projected asset earning rate of 7.75 percent as the discount rate, was \$142,547,000. Offsetting this liability are assets which the Plan manages assets on MOFD's behalf. The "actuarial value" (explained later) of those assets was \$124,642,000. This resulted in a net unfunded "accounting" liability (called the UAAL standing for Unfunded Actuarial Accrued Liability) of \$17.9 million.

The actual (undiscounted) future obligations are not reported. When the Task Force requested the detailed projection from both MOFD and CCCERA it was told that those values were not available. The Task Force believes that to only know the discounted value of a liability is equivalent to only knowing one's home mortgage balance and not knowing what the actual payments due are nor the number of years those payments are due for.

It should be noted that the "actuarial value" of the Plan's assets (\$124.6 million) differs from the asset's "market value" in that extraordinary gains or losses, in excess of the projected earnings of 7.75 percent are spread over a five year period. As of the December 31 2010 valuation date, there were \$7.7 million of unrecognized losses. The "market value" of the assets was only \$116,966,000.

MOFD's Net Liabilities - MOFD owes a \$25 million Pension Bond, plus \$26 million of OPEB liabilities, plus \$143 million of pension liabilities, for a total of \$194 million in total liabilities. Offsetting these are \$117 in pension plan assets (this is the market value as of 12/31/2010 which this report will use), \$7 million in cash, and \$9 million in capital assets and other receivables for a total of \$133 million in assets. Thus at the end of fiscal year 2010/11 **MOFD had \$61 million in net liabilities**, not the \$11 million in net assets which the audited financials show.

Can MOFD management and the community make appropriate decisions when their audited financial balance sheet shows that the District has net assets of \$11 million when, in fact, they have net liabilities of \$61 million?

What is the source of the \$72 million discrepancy in net assets?

The management, who have greater knowledge of the situation than the general public, must know that the \$11 million in net assets does not portray the real picture, yet, this is the only number presented to the public. Management knows that footnote 13 in their audited financials states there are \$24 million in OPEB liabilities and footnote 8 says there are an additional \$18 million of pension plan net liabilities. But even with these \$42 million in adjustments, the \$11 million net asset balance sheet only reduces to \$31 million in net liabilities; half the actual amount. Is management aware of the true magnitude of its liabilities? Where is the additional \$30 million of discrepancy?

The largest element is contained on the fourth line of the balance sheet (Exhibit VI-1) which says there are \$26 million in prepaid items. This "pre-payment" was, in fact, the money paid to the pension plan in 2005 from pension bond proceeds. While the accounting world might consider this a "pre-payment", the real world knows that it was simply an attempt to make up for past underfunding by trading one liability for another. However, the problem is not in the name given to this amount, the problem is that this \$26 million is already accounted for in the \$125 million in pension assets declared in footnote 8. In other words, this \$26 million is "double dipped". It should either be removed from the balance sheet (reducing balance sheet assets to \$16 million and reversing the \$11 million in net assets to \$15 million in net liabilities), or it should be removed from footnote 8's assets (reducing them to \$99 million and increasing the pension plan's net liabilities to \$44 million). The accountants can't have it both ways.

The next adjustment is the \$7.6 million difference between the accounting value of the pension assets (\$124.6 million) and the market value (\$117 million) of those assets. While the accountants might say the higher value is an accepted accounting practice, common sense dictates that the market value of the assets be used even if this makes the value fluctuate from year-to-year (indicating the volatility of high risk assets). The Task Force believes that MOFD should start this practice immediately. (Note: New accounting rules are being phased in over the next several years which will, in fact, specify that the assets' market value be used.)

These two changes add up to \$33.5 million, \$3.5 million greater than the \$30 million discrepancy noted. The final adjustment comes from the fact that \$3.5 million of the OPEB liabilities are also double counted. They are on line four of the balance sheet and they are also included in the total OPEB liabilities in footnote 8.

What Are MOFD's Actual Liabilities?

The \$25 million Pension Bond balance, the \$24 million in OPEB liabilities used in the balance sheet (or \$26 million as of June 2011 from the Bartel report) and the \$143 million in pension liabilities are the discounted present value of sixty years of liabilities. The Task Force believes that the balance sheet should show not just the present value of future liabilities but the sum of those liabilities without discounting. This will give MOFD management and the community the facts on exactly what is at risk; the total liability and the possible discounting of that liability. Again, using the home mortgage analogy, the home owner needs to know what he can pay his loan off for today for AND what the payments will be if he pays it off over time. With this knowledge, if a different interest rate was deemed more appropriate for discounting, the impact of this interest rate change would be calculable.

Pension Obligation Bond Liabilities - The pension bond is the one liability for which all aspects of liability are known; both principal and interest liabilities as shown in Table VI-1. While it is not necessary to understand the reason that the Pension Obligation Bond even exists in order to quantify its \$25 million balance and \$33.4 million in total future cost, the Task Force believes it is worthwhile information for the community to understand why this loan exists.

The Task Force believes it was a bad idea to borrow this money in 2005 and that the community should understand why so that the mistake is not repeated. Currently we are in a similar situation (large unfunded liabilities and low interest rates) so there is a real risk that another pension bond could be borrowed.

Starting in 1999, safety agencies (police and fire) throughout the state substantially increased their employee's pension benefits. This is equivalent to giving the employees a raise, which is not bad per se, but what was bad was that the raise was provided by future benefits without pre-funding the future cost. And the cost was substantive. What inspired the decision to grant employees this raise was a decade of extraordinary gains in the stock market (a ten-year average annual gain in the Dow Jones Industrial Average of over 16 percent with the annual gain being over 20 percent in the second half of the decade) which made it appear that such benefit increases could be self-funded in short order by gains on existing pension assets.

MOFD agreed to retroactively increase their employees' pension benefits by 50 percent in late 2003 even though by then the Dow had actually decreased in value over the past four years so where the money was going to come from to pay these new benefits was questionable. These increased benefits added \$28 million of liabilities to the MOFD pension plan. This value was the present value of actual incurred liabilities. The Task Force estimates that the undiscounted new liabilities totaled approximately \$175 million (over ten times MOFD's 2003/04 tax revenue); granted by the MOFD Board without knowing how these new benefits would ever be paid. The Board, had just handed out \$175 million in bonus payments to 60-70 employees, collectable over time.

This underfunding forced the pension plan to increase MOFD's pension contributions. The underfunding had to be paid down over a 15 year term assuming an interest rate equal to the plan's assumed earning rate of 7.75 percent. That would have amounted to almost \$3 million per year in extra payments (over 20% of MOFD's total tax revenue).

However, MOFD, and other agencies, discovered that they had another option. They could borrow money from the bond market at a substantially lower interest rate than 7.75 percent, fully fund their pension plan, and then pay off the bond with lower payments (also agreeing to an accelerating payment schedule with payments starting low and increasing 5% each year to further defer the costs) than they would have had to pay to the pension plan. It did not take a vote of the taxpayers to enter into this loan because a tax increase was not necessary to pay it off and it was a fully collateralized loan (it went to purchase pension plan assets).

However, as many investors have learned before and since, purchasing investments with 100 percent leverage, which is what the MOFD Board did, is risky business. Probably involving more risk than a prudent public agency should take since, if the investment "goes south", it is the taxpayers who

have to make up for any losses the pension again becomes under-funded while the pension bond liability does not decrease. However, in late 2005 MOFD did just that and fully funded their plan.

After MOFD borrowed the \$28 million at the end of 2005 and invested the proceeds with CCCERA, the decision seemed like a wise one through 2007 with the pension assets gaining \$3 million more in value than the pension bond cost in interest (Table VI-1). But then 2008 happened. By the end of the year the pension assets had lost 28 percent of their value and MOFD's leveraged investment was \$7 million "under water." Fortunately, this was not a margined stock so there were no "call provisions" and MOFD just continued to pay off its bond on the original schedule. In 2009 and 2010 CCCERA assets regained much of their losses but in 2011 their earning rate dropped to under 2 percent. By the end of 2011 the CCCERA assets MOFD purchased in 2005, minus the remaining balance on the bond, were worth \$4 million less than the value of pension assets would have been worth if the money used for bond payments had been slowly added to the asset pool (dollar cost averaging investing). In addition, the bond obligations continue to increase at 5 percent per year while over the past 5 years MOFD's revenue has only increased at an average of 1.4 percent, putting an additional strain on the budget.

Hopefully the MOFD management has learned a lesson, especially since they are in the same position today, with a seriously underfunded pension and historically low interest rates available for borrowing.

Post Retirement Medical Benefit liabilities / OPEB - As stated previously, the Task Force requested the actual OPEB liabilities (year by year) from MOFD but they informed the Task Force that they did not have these values and would not request them from their actuary, John Bartel. So, based on values in Bartel's report of 8/27/2010 (Exhibit VI-2), the Task Force was forced to estimate the stream of medical benefit liabilities. The constraints to the stream was that when discounted at 4.25 percent back to 2011 they equal \$26.3 million and when discounted at 7.75% a value of \$16.7 million results.

This is the OPEB stream of liabilities displayed in Table VI-2. It extends 34 years and adds up to almost \$52 million.

Pension Plan Liabilities - All that is known about these liabilities, projected by The Segal Company (CCCERA's actuary), is that when they are discounted at the current assumed CCCERA asset earning rate of 7.75 percent, they present value to \$142,547,000 (as of 12/31/2010 - Exhibit VI-3). As neither MOFD nor CCCERA would provide the year-by-year values to the Task Force, the Task Force was forced to estimate these values also.

To estimate the "shape" of the payment curve that would present value to \$142 million, the Task Force broke the liabilities into two parts: Active Employees and Already Retired. While there are probably more exceptions to these assumptions than not, some "simplified" set of rules had to be adopted.

- * There are the same number of active employees as retired (with the active employees ranging from 20 years old to 50 and the retired from 50 to 80).
- * Vested benefits for retired employees increase 3.5 percent annually.
- * For retired employees, each year 1/30th of the current pool would drop out as they reach 80.

- * The average retired employee receives 50% of his final year's salary plus COLA.
- * For active employees, the eldest (1/30th of total) starts getting benefits next year and continues for 30 years. The second eldest starts the next year and continues for thirty years. And so on until the youngest starts 30 years from now and continues for 30 years.
- * Each active employee retires 80 percent vested.

This defined the "pattern" of the vested liabilities due. The values were then scaled such that the entire stream present valued to \$142,547,000 using the 7.75 percent discount rate. The result produced a stream with a total liabilities of \$617 million dollars due over 60 years. This estimate of Pension Plan liabilities is also contained in Table VI-2a and 2b.

The questions remaining for these liabilities are:

- 1) How should the "current value" of these future liabilities be defined?
- 2) How much will it cost to fully fund them?
- 3) What if we don't fully fund them?

What is the "current value" of these future liabilities?

The Task Force believes that while MOFD's audited financial balance sheet may adhere to standard accounting practices, the value assets and liabilities included do not reflect the reality of the situation. The audited balance sheet, Exhibit VI-1, shows:

Assets -	\$42.4 million
Liabilities -	\$31.5 million
Net Assets -	\$10.9 million

But the top line(s) of Table VI-2, a table of total assets and liabilities, shows:

Assets -	\$117 million current balance
Liabilities -	\$180-700 million (depending on discount rate)
Net Assets -	none - MOFD has massive net liabilities

These two statements cannot both be describing the current condition of MOFD; but they are. Our accounting system has failed us - or at least the government version has. It has hidden liabilities in footnotes; discounted long term liabilities without openly displaying the degree of discounting; and offset liabilities with assets, presenting just the net liability, when there is no legal offset. The impact of these practices is that entities like MOFD, which believed they were well capitalized, find themselves in distress because they have pension liabilities which are 100 times net worth of the entity "hiding" behind supposedly offsetting assets.

Businesses, which rely on their accounting reports to guide them rather than obfuscate the bad news, use the concept of "fair value" when evaluating long term assets and liabilities. For an asset, the "fair value" is what a third party would be willing to pay for that asset and for a liability, it would be the amount the lender would be willing to take to be paid off in full. The difference between what the asset or liability holder is willing to accept today (the fair value), and the sum of all future receipts or amounts due which would be paid over time, is the discount off the total asset or liability. A balance sheet that attempts to tell the whole story would include all of this information: Total Payments; Discount; Fair Value. This is the balance sheet this report creates for MOFD in Table VI-3.

Table VI-2a

MOFD Employee Benefit Liabilities and Assets

	Discount Rate	Pension Obligation*	OPEB*	Pension Bond	Total Liabilities	Current Assets and Their Ability to Fund Current			Unfunded Liability
						Interest	Pension Liabilities Principal	Balance	
						7.75%	(There is only a 42% chance this goal will be met **)		
Total	0.00%	617,217,595	51,793,042	33,405,174	702,415,810	179,609,388	116,966,000	116,966,000	405,840,422
US Tres Bonds - (3/21/2012)	3.38%	290,389,259	29,889,057	27,356,418	347,634,734				157,904,405
Inflation rate	3.50%	283,739,460	29,362,307	27,171,282	340,273,049				153,301,988
30 yr T (10 yr avg)	4.50%	235,966,664	25,430,722	25,696,310	287,093,696				121,095,319
	5.00%	216,390,117	23,735,700	25,001,923	265,127,740				108,395,720
Pension Bond Interest Rate	5.22%	208,533,334	23,039,923	24,705,000	256,278,257				103,392,903
Warren Buffet	6.00%	183,878,134	20,793,280	23,692,675	228,364,088				88,083,693
Possible CalPERS rate (3/15/2012)	7.25%	152,741,703	17,801,435	22,192,815	192,735,953				69,726,378
CCCERA	7.75%	142,547,000	16,779,211	21,631,865	180,958,076				63,992,076
2011		296,575,388						116,966,000	
2012		7,434,692	900,620	2,519,601	10,854,913	9,064,865	1,630,173	118,596,173	3,420,221
2013		7,848,805	950,154	2,650,395	11,449,354	9,191,203	1,342,399	119,938,572	3,600,549
2014		8,268,150	1,002,413	2,781,010	12,051,573	9,295,239	1,027,089	120,965,661	3,783,423
2015		8,692,076	1,057,546	2,920,924	12,670,546	9,374,839	682,763	121,648,423	3,978,470
2016		9,119,858	1,115,711	3,069,093	13,304,662	9,427,753	307,895	121,956,318	4,184,804
2017		9,550,698	1,177,075	3,219,473	13,947,246	9,451,615	-99,083	121,857,234	4,396,548
2018		9,983,717	1,241,814	3,376,281	14,601,812	9,443,936	-539,781	121,317,453	4,618,095
2019		10,417,952	1,310,114	3,543,473	15,271,539	9,402,103	-1,015,849	120,301,603	4,853,587
2020		10,852,349	1,382,170	3,709,744	15,944,262	9,323,374	-1,528,974	118,772,629	5,091,914
2021		11,285,756	1,458,189	3,884,311	16,628,256	9,204,879	-2,080,877	116,691,752	5,342,500
2022		11,716,921	1,538,389	1,730,869	14,986,179	9,043,611	-2,673,310	114,018,441	3,269,258
2023		12,144,480	1,623,001		13,767,481	8,836,429	-3,308,051	110,710,390	1,623,001
2024		12,566,954	1,712,266		14,279,220	8,580,055	-3,986,899	106,723,491	1,712,266
2025		12,982,741	1,806,441		14,789,181	8,271,071	-4,711,670	102,011,821	1,806,441
2026		13,390,105	1,905,795		15,295,900	7,905,916	-5,484,189	96,527,632	1,905,795
2027		13,787,175	2,010,614		15,797,788	7,480,891	-6,306,283	90,221,349	2,010,614
2028		14,171,927	2,121,197		16,293,124	6,992,155	-7,179,772	83,041,576	2,121,197
2029		14,542,184	2,237,863		16,780,047	6,435,722	-8,106,462	74,935,114	2,237,863
2030		14,895,601	2,222,066		17,117,668	5,807,471	-9,088,130	65,846,985	2,222,066
2031		15,229,657	2,197,763		17,427,419	5,103,141	-10,126,516	55,720,469	2,197,763
2032		15,541,643	2,164,064		17,705,707	4,318,336	-11,223,307	44,497,162	2,164,064
2033		15,828,653	2,120,009		17,948,663	3,448,530	-12,380,123	32,117,039	2,120,009
2034		16,087,572	2,064,563		18,152,135	2,489,071	-13,598,501	18,518,538	2,064,563
2035		16,315,060	1,996,604		18,311,664	1,435,187	-14,879,873	3,638,665	1,996,604
2036		16,507,545	1,914,925		18,422,470	281,997	-3,638,665	0	14,501,809
2037		16,661,206	1,818,221		18,479,427	0	0	0	18,479,427
2038		16,771,958	1,705,088		18,477,045	0	0	0	18,477,045
2039		16,835,438	1,574,009		18,409,447	0	0	0	18,409,447
2040		16,846,990	1,423,354		18,270,344	0	0	0	18,270,344
2041		16,801,648	1,251,365		18,053,014	0	0	0	18,053,014
2042		16,694,118	1,056,152		17,750,270	0	0	0	17,750,270
2043		16,126,518	835,681		16,962,198	0	0	0	16,962,198
2044		15,539,846	587,762		16,127,608	0	0	0	16,127,608
2045		14,934,902	310,044		15,244,947	0	0	0	15,244,947
2046		14,312,615			14,312,615	0	0	0	14,312,615
2047		13,674,052			13,674,052	0	0	0	13,674,052
2048		13,020,432			13,020,432	0	0	0	13,020,432
2049		12,353,135			12,353,135	0	0	0	12,353,135
2050		11,673,713			11,673,713	0	0	0	11,673,713
2051		10,983,902			10,983,902	0	0	0	10,983,902
2052		10,285,640			10,285,640	0	0	0	10,285,640
2053		9,581,074			9,581,074	0	0	0	9,581,074
2054		8,872,578			8,872,578	0	0	0	8,872,578
2055		8,162,772			8,162,772	0	0	0	8,162,772
2056		7,454,532			7,454,532	0	0	0	7,454,532
2057		6,751,010			6,751,010	0	0	0	6,751,010
2058		6,055,656			6,055,656	0	0	0	6,055,656
2059		5,372,232			5,372,232	0	0	0	5,372,232
2060		4,704,836			4,704,836	0	0	0	4,704,836
2061		4,057,921			4,057,921	0	0	0	4,057,921
2062		3,436,321			3,436,321	0	0	0	3,436,321
2063		2,845,274			2,845,274	0	0	0	2,845,274
2064		2,290,445			2,290,445	0	0	0	2,290,445
2065		1,777,958			1,777,958	0	0	0	1,777,958
2066		1,314,419			1,314,419	0	0	0	1,314,419
2067		906,949			906,949	0	0	0	906,949
2068		563,215			563,215	0	0	0	563,215
2069		291,464			291,464	0	0	0	291,464
2070		100,555			100,555	0	0	0	100,555
2071		0			0	0	0	0	0
Total Liabilities					702,415,810				
Projected Earnings					296,575,388	179,609,388	116,966,000		
Unfunded Liabilities					405,840,422				

* Estimated by FAIR. Values requested from MOFD in June 2011 but request denied because they claimed they did not know the values requested,

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Table VI-2b

MOFD Employee Benefit Liabilities and Assets

	Discount Rate	Pension Obligation	OPEB	Pension Bond	Total Liabilities	Current Assets and Their Ability to Fund Current Pension Liabilities			Unfunded Liability
						Interest	Principal	Balance	
						(There is only a 65% chance this goal will be met **)			
Total	0.00%	617,217,595	51,793,042	33,405,174	702,415,810	95,334,106	116,966,000	116,966,000	490,115,705
US Tres Bonds - (3/8/2012)	3.18%	301,975,127	30,795,952	27,669,025	360,440,103				208,196,901
Inflation rate	3.50%	283,739,460	29,362,307	27,171,282	340,273,049				192,728,333
30 yr T (10 yr avg)	4.50%	235,966,664	25,430,722	25,696,310	287,093,696				152,995,657
	5.00%	216,390,117	23,735,700	25,001,923	265,127,740				137,114,452
Pension Bond Interest Rate	5.22%	208,533,334	23,039,923	24,705,000	256,278,257				130,819,022
Warren Buffet	6.00%	183,878,134	20,793,280	23,692,675	228,364,088				111,398,088
Possible CalPERS rate (3/15/2012)	7.25%	152,741,703	17,801,435	22,192,815	192,735,953				87,747,068
CCCERA	7.75%	142,547,000	16,779,211	21,631,865	180,958,076				80,263,841
		2011						116,966,000	
7,434,692		2012	7,434,692	900,620	2,519,601	7,017,960	-416,732	116,549,268	3,420,221
7,848,805		2013	7,848,805	950,154	2,650,395	6,992,956	-855,848	115,693,419	3,600,549
8,268,150		2014	8,268,150	1,002,413	2,781,010	6,941,605	-1,326,545	114,366,874	3,783,423
8,692,076		2015	8,692,076	1,057,546	2,920,924	6,862,012	-1,830,064	112,536,810	3,978,470
9,119,858		2016	9,119,858	1,115,711	3,069,093	6,752,209	-2,367,650	110,169,161	4,184,804
9,550,698		2017	9,550,698	1,177,075	3,219,473	6,610,150	-2,940,548	107,228,612	4,396,548
9,983,717		2018	9,983,717	1,241,814	3,376,281	6,433,717	-3,550,000	103,678,612	4,618,095
10,417,952		2019	10,417,952	1,310,114	3,543,473	6,220,717	-4,197,235	99,481,377	4,853,587
10,852,349		2020	10,852,349	1,382,170	3,709,744	5,968,883	-4,883,466	94,597,911	5,091,914
11,285,756		2021	11,285,756	1,458,189	3,884,311	5,675,875	-5,609,882	88,988,029	5,342,500
11,716,921		2022	11,716,921	1,538,389	1,730,869	5,339,282	-6,377,639	82,610,390	3,269,258
12,144,480		2023	12,144,480	1,623,001		4,956,623	-7,187,857	75,422,533	1,623,001
12,566,954		2024	12,566,954	1,712,266		4,525,352	-8,041,602	67,380,931	1,712,266
12,982,741		2025	12,982,741	1,806,441		4,042,856	-8,939,885	58,441,046	1,806,441
13,390,105		2026	13,390,105	1,905,795		3,506,463	-9,883,643	48,557,403	1,905,795
13,787,175		2027	13,787,175	2,010,614		2,913,444	-10,873,730	37,683,673	2,010,614
14,171,927		2028	14,171,927	2,121,197		2,261,020	-11,910,907	25,772,766	2,121,197
14,542,184		2029	14,542,184	2,237,863		1,546,366	-12,995,818	12,776,948	2,237,863
13,543,565		2030	14,895,601	2,222,066		766,617	-12,776,948	0	3,574,102
		2031	15,229,657	2,197,763		0	0	0	17,427,419
		2032	15,541,643	2,164,064		0	0	0	17,705,707
		2033	15,828,653	2,120,009		0	0	0	17,948,663
		2034	16,087,572	2,064,563		0	0	0	18,152,135
		2035	16,315,060	1,996,604		0	0	0	18,311,664
		2036	16,507,545	1,914,925		0	0	0	18,422,470
		2037	16,661,206	1,818,221		0	0	0	18,479,427
		2038	16,771,958	1,705,088		0	0	0	18,477,045
		2039	16,835,438	1,574,009		0	0	0	18,409,447
		2040	16,846,990	1,423,354		0	0	0	18,270,344
		2041	16,801,648	1,251,365		0	0	0	18,053,014
		2042	16,694,118	1,056,152		0	0	0	17,750,270
		2043	16,126,518	835,681		0	0	0	16,962,198
		2044	15,539,846	587,762		0	0	0	16,127,608
		2045	14,934,902	310,044		0	0	0	15,244,947
		2046	14,312,615			0	0	0	14,312,615
		2047	13,674,052			0	0	0	13,674,052
		2048	13,020,432			0	0	0	13,020,432
		2049	12,353,135			0	0	0	12,353,135
		2050	11,673,713			0	0	0	11,673,713
		2051	10,983,902			0	0	0	10,983,902
		2052	10,285,640			0	0	0	10,285,640
		2053	9,581,074			0	0	0	9,581,074
		2054	8,872,578			0	0	0	8,872,578
		2055	8,162,772			0	0	0	8,162,772
		2056	7,454,532			0	0	0	7,454,532
		2057	6,751,010			0	0	0	6,751,010
		2058	6,055,656			0	0	0	6,055,656
		2059	5,372,232			0	0	0	5,372,232
		2060	4,704,836			0	0	0	4,704,836
		2061	4,057,921			0	0	0	4,057,921
		2062	3,436,321			0	0	0	3,436,321
		2063	2,845,274			0	0	0	2,845,274
		2064	2,290,445			0	0	0	2,290,445
		2065	1,777,958			0	0	0	1,777,958
		2066	1,314,419			0	0	0	1,314,419
		2067	906,949			0	0	0	906,949
		2068	563,215			0	0	0	563,215
		2069	291,464			0	0	0	291,464
		2070	100,555			0	0	0	100,555
		2071	0			0	0	0	0
					Total Liabilities	702,415,810			
					Projected Earnings	212,300,106	95,334,106	116,966,000	
					Unfunded Liabilities	490,115,705			

* Estimated by FAIR. Values requested from MOFD in June 2011 but request denied because they claimed they did not know the values requested,

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What are the Fair Values of MOFD's liabilities?

The Pension Obligation Bond. This is a loan with a defined interest rate and defined principal repayment schedule. Assuming there is no penalty for early payment of principal, the lender would accept \$25.0 million as payment in full. But the scheduled remaining payments, stretching out to 2022, add up to \$33.4 million. Therefore the "discount" for this liability is the difference between the two: \$8.4 million. A balance sheet describing "the full story" would display all three values

Total Liability	33,421,338
Discount	-8,385,856
Fair Value	25,035,482

Post Retirement Medical Benefits and Pension Benefits are much more difficult to assign fair value to but the question, "what would the lender take today to pay off the loan?" is the same. Who is the lender? MOFD's current and former employees. What would they take today to be considered "paid in full"?

They would have to ask themselves "what do we have today?" Their answer would be: We have medical benefits which are going to increase in cost at an unknown rate. Plus we have retirement benefits based on an unknown final year of salary which will continue to grow at an unknown rate of inflation until we die at an unknown age. These benefits are guaranteed by a group of property taxpayers with property currently assessed at \$8 billion and with a market value of at least \$10 billion. In addition there are \$117 million of assets being invested by CCCERA, earning over \$5 million per year that are also dedicated to paying our pension benefits. To the extent that the CCCERA assets earn less than the 7.75 percent projected return rate or even if the assets actually lose value, like the 28 percent they lost in 2008, that is not our risk.

The Task Force believes that with those answers, that even if MOFD offered to give the employees US treasury bonds and notes (which would take away all investment risk) that would mature to the \$670 million of currently assumed future benefits, this still might not be enough to absorb the benefit risks that that the employees would be assuming from the taxpayers. But some discount rate greater than zero percent should be assumed so the long term US Treasury yield rate is what the Task Force is assuming for this analysis.

The ten year average of the long (20-30 year term) US Treasury Bond yield is about 4.50 percent. The CCCERA assumed asset earning rate is 7.75 percent. A recent study said there is only a 42 percent chance this goal will be met while there is a 65 percent chance that a 6 percent earning rate could be achieved.

These rates produces the following fair values for MOFD long term liabilities:

	Total Liabilities	Fair Value		
Pension Obligation Bond	33,400,000	25,000,000	25,000,000	25,000,000
		@ 4.50%	@ 6.0%	@ 7.75%
OPEB	51,800,000	25,400,000	20,800,000	16,800,000
Pension Plan	617,200,000	236,000,000	183,900,000	142,500,000
TOTAL	702,400,000	286,400,000	229,700,000	184,300,000

Offsetting Assets

Understanding MOFD's assets is much more straight forward. In addition to its \$7 million of cash reserves, MOFD's major asset is what is held and managed by the pension plan: a \$117 million portion of CCCERA's \$5 billion asset pool (as of 12/31/2010). The \$117 million pension asset value is the market value of the assets as opposed to the actuarial value of \$124.6 million displayed in Exhibit VI-3. The Task Force believes the market value is the appropriate value to use. New GASB (Government Accounting Standard Board) rules which will go into effect in the coming years adopt this standard also.

A "Common Sense" Balance Sheet for MOFD

Table VI-3 is the Task Force's restatement of the MOFD balance sheet which more clearly describes the District's true assets and liabilities for the District's managers and the community

- 1) The \$26.3 million Prepaid Item, which is actually part of the pension plan assets, is removed and replaced with the full \$117 million market value of the pension plan's assets. Also included are the projected earnings on those assets using a 6.00 percent assumed earning rate. The District's pension plan administrator is currently assuming a 7.75 percent earning rate but as stated above a Stanford study determined that there was only a 42 percent chance such long term earnings could be achieved. The study claims that even the 6 percent rate the Task Force is assuming only bears a 65 percent chance of being achieved. Table VI-2b shows that these assets will be able to pay down 18 years of pension liabilities while earning \$95 million assuming a 6 percent earning rate.
- 2) It shows not only the \$25 million balance of the Pension Bond but the \$8.4 million interest cost.
- 3) It replaces the \$3.5 million in OPEB (retiree medical benefits) liability with the full value of those liabilities. It displays both the total projected (undiscounted) value of these liabilities, \$51.8 million, and the \$25.4 million Fair Value using a 4.50 percent discount rate (the 10 year average of the long term US Treasury bond).
- 4) It includes the pension liabilities: Both the total projected (undiscounted) value of these liabilities, \$617 million, and the \$236 million Fair Value, again using the 4.50 percent discount rate used to discount the OPEB liabilities.

The total (discounted) asset value becomes \$133 million; liabilities \$289 million; resulting in a net liability of \$156 million. Vastly different than the \$11 million in net assets the current balance sheet presents.

What does this \$156 million value represent? It is the estimation of what the taxpayers would have to pay if they shut down MOFD today, cashed out the assets and paid off the liabilities.

Does this mean that we would have to raise \$156 million today to fully fund our future liabilities? No. If the current assets, which are assumed to earn 6.00 percent, were increased by the \$111 million highlighted in Table VI-2b, the earnings on those new assets would be approximately the \$477 million shortfall shown in the "Undiscounted" column of Table VI-3.

Table VI-3

MOFD Restated Balance Sheet for Fiscal Year Ending June 30, 2011

	Audited Financials FYE 6/30/2011 (A)	"Common Sense" Revision Discounted (B)	Undiscounted	Discount	note	Change (A)-(B)	note
Assets							
Cash and investments	6,832,290	6,832,290	6,832,290		1	0	
Taxes receivable	105,417	105,417	105,417		1	0	
Other receivables	654,364	654,364	654,364		1	0	
Prepaid Items	26,472,457	127,620	127,620		1	(26,344,837)	2
Capital Assets	8,348,722	8,348,722	8,348,722		1	0	
OPEB		0			1a	0	
Long Term Asset							
Pension Plan (12/31/2010)			212,300,000		8b		
Pension Plan discount @ 6.00%				(95,334,000)	8b		
Pension Plan Fair Value		116,966,000			8a	116,966,000	
	=====	=====	=====	=====		=====	
Total	42,413,250	133,034,413	228,368,413	(95,334,000)		90,621,163	
Liabilities							
Accounts payable	204,310	204,310	204,310		3	0	
Salaries and benefit	808,213	808,213	808,213		3	0	
Accrued interest	672,336	672,336	672,336		3	0	
Due within one year	1,275,321	1,275,321	1,275,321		4	0	
Long term liabilities (due in over 1 year)							
Pension Bond (7/2/2011)			33,421,338		5a		
Pension Bond discount				(8,385,856)	5b		
Pension Bond Fair Value	25,035,482	25,035,482			5c		
OPEB (6/30/2011)			51,793,042		6		
OPEB discount				(26,362,320)	9		
OPEB Fair Value (6/30/2011)	3,493,000	25,430,722			7 / 9	21,937,722	
Pension Plan (12/31/2010)			617,217,595		10		
Pension Plan discount				(381,250,931)	10		
Pension Plan Fair Value		235,966,664			10	235,966,664	
	=====	=====	=====	=====		=====	
Total	31,488,662	289,393,048	705,392,154	(415,999,107)		257,904,386	
Net Asset / (Liability)	10,924,588	(156,358,635)	(477,023,741)		11	(167,283,223)	

1) MOFD audited financials 2010/11, Page 2, Assets, Column 5

1a) OPEB liabilities totally unfunded (MOFD audited financials 2010/11, note 13)

2) Outstanding Pension Obligation Bond balance as of 6/30/2011. The revised statement includes this with the Pension Plan Assets; which it is.

3) MOFD audited financials 2010/11, Page 2, Liabilities, Column 5

4) MOFD audited financials 2010/11, Page 2, Liabilities, Column 5 - includes a 7/1/2011 Pension Obligation Bond principal payment of \$1,055,000

5a) All principal and interest due after 6/30/2011

5b) All interest due after 6/30/2012

5c) Pension Bond principal due after 6/30/2012 of \$24,705,000 plus \$330,482 of other (not Pension Obligation Bond) amounts due.

6) Estimate of total OPEB liabilities, not discounted, based on discounted projections by Bartel of \$26.34 million using a 4.25% discount rate. Actual projections not available from MOFD.

7) MOFD audited financials 2010/11, Footnote 13.

8a) In a letter dated 10/21/2011, the actuary to MOFD's pension plan administrator (CCCERA) stated that MOFD had assets with an accounting value of \$124.64 million. This accounting value "smoothes" the impact of recent extraordinary gains and losses. In its annual report, CCCERA listed the accounting value of its total assets as \$5.36 billion but their market value as only \$5.03 billion. As MOFD's assets are a portion of CCCERA's assets (and not distinct assets), this means they have a market value of \$116.97 million. The payments from this asset balance to pay off currently vested pension liabilities would total \$212 million until the current balance would be exhausted in 2030. This assumes a conservative earning rate of 6.00%; 1.75% below CCCERA's existing assumed rate of 7.75% but greater than their 5 year average of 5.3%.

8b) Assuming a 6% earning rate (Table VI-2b) which a Stanford study (footnote ** Table VI-b) indicates there is a 65% chance of achieving vs. the 42% chance of achieving a 7.75% earning rate which the pension plan is currently assuming.

9) In its 8/27/2010 letter, MOFD's actuary (Bartel) estimated MOFD's OPEB liability as of 6/30/2011 as \$26.34 million using a 4.25% discount rate (based on US Government bond yields). The 10 year average of the US Government 30 year bond yield was 4.50%. Applying that discount rate to the estimated (note 6) projections results in a \$25.43 million Fair Value.

10) In the 2010/11 audited financials, the Pension Plan assets and liabilities are "off balance sheet" described Footnote 8). Footnote 8 states that MOFD's pension liabilities are \$143 million. This a present value, using a 7.75% discount rate, of 60 years of vested pension benefits which MOFD does not know therefore could not provide to the Task Force. The estimated value of these pension benefits, without discounting, is \$620 million. While using a 7.75% discount rate to determine the Fair Value of these benefits is standard accounting practice, it does not make sense. There is no nexus between these liabilities and the assets set aside to fund them. The employees have not accepted the pension plan assets as their payment source. The MOFD taxpayers are fully liable for these payments. Therefore, these liabilities are no different than the OPEB liabilities and should be evaluated using the same discount rate: 4.50%. This produces a Fair Value of \$236 million.

11) Although the change in net assets going from a positive \$11 million to a negative \$156 million appears drastic, it is the "undiscounted" column that should be noted. \$705 million in total liabilities. That is 90 times the 2011/12 base salary budget. Discounting those liabilities back at 3.5% (in other words, stating them as uninflated dollars) is still \$300 million - 40 times the 2011/12 base salary budget. The current asset pool will only cover \$200 million of this \$700 million cost if it earns at 6%. Future generations will have to pay for the remaining \$500 million.

Further Pension Information

Pension Assets and Liabilities as of 12/31/2011 - On June 29, 2012 CCCERA's actuary presented the accounting for the year ending December 31, 2011 (Exhibit VI-4). While the report did not clearly give MOFD pension assets and liabilities it included data that allowed the Task Force to calculate them.

- * Discounted liabilities increased from \$142.5 to \$143.6 million using the same 7.75 percent discount rate as the previous year.
- * The actuarial value of the assets decreased from \$124.6 to \$119.6 million. This resulted in the UAAL (Unfunded Actuarial Accrued Liability) increasing from \$17.9 million to \$24.0 million.
- * However, the market value of the assets also decreased from \$117.0 to \$112.2 million. Over five years, the unrecognized losses will be amortized to bring the actuarial value of the assets equal to their market value (assuming no further gains or losses in excess of the projected earning rate) so the "true" unfunded liability rose from \$25.6 to \$31.4 million.
- * In order to amortize the \$13.5 million difference between the 2011 \$31.4 million true unfunded liability and the 2010 reported value of \$17.9 million over 18 years will cost another \$1.4 million per year on top of the current \$1.9 million or \$3.3 million just to pay down unfunded liabilities (on top of "normal" costs for newly vested liabilities).

How do corporations account for pensions that differ from government agencies? - Corporations are required to pre-fund their pension plans as are government agencies. However, they are required to discount future liabilities at a rate based on current bond yields which have historically been between 5 and 6 percent and are currently below 5 percent, not at an assumed asset earning rate like government agencies currently do. Assuming a 5.5 percent discount rate, MOFD's pension liabilities increase \$57 million to \$201 million.

For corporations market value adjustments to assets have to be made within 2 years so MOFD's assets would be valued at their \$112 million market value in short order making the net unfunded liability \$89 million.

Any shortfall between the discounted liabilities and the market value of pension assets are required to be funded over a seven year period. Paying off \$89 million over seven years assuming a 5.5% interest rate would cost \$15.7 million per year. We would have \$2 million left over and that would not even cover the pension bond payments much less the OPEB liabilities.

New Accounting Rules Are Coming Into Effect - Over the next few years new rules from the Government Accounting Standards Board (GASB) are coming into effect on how government entities account for pension plans.

1) While they do not place pension assets into the assets section of the balance sheet and liabilities into the liability section as the Task Force suggests, they do move the net assets or liabilities into the balance sheet as opposed to the current practice of relegating them to a footnote.

2) They allow the government agency to discount liabilities at the expected asset earning rate only up to the value of the assets. Any liabilities in excess of those fully funded by assets must be

discounted at a rate tied to the current 20 year AA municipal bond yield rate. This rate is currently just over 3 percent.

What would the effect on MOFD be? MOFD's \$112 million in assets will be able to pay off \$266 of pension liabilities over the next 23 years. After that there will be an additional \$356 million in liabilities still outstanding. Discounting these outstanding liabilities at a 3.12% discount rate (the 20 year municipal bond rate as of 6/25/2012 when the new regulations were announced) produces a present value of unfunded liabilities of \$126 million.

This new accounting procedure, called GASB 67, will go into effect starting in June 2013 for MOFD's pension plan administrator (so they will report the 12/31/2013 underfunding as such) and it will go into effect for MOFD for their fiscal year ending June 30, 2014, two years from now. This will be quite a shock going from a \$24 million liability hidden in a footnote to a \$126 million liability on the balance sheet (and by then it might even be greater). The Task Force suggests MOFD prepare the community for this shock by creating a "truthful" balance sheet similar to Table IV-3.

New California Pension Legislation - On August 31, 2012 the California legislature passed a bill that will reduce pension costs to government agencies in the future by reducing benefits to employees. It increases the age at which firefighters start receiving pension benefits from 50 to 57. Reduces the 3 percent per year vesting to 2.7% for firefighters. Puts a cap on maximum benefit allowable to \$132,000 per year (so the \$242,000 benefit that Chief Pete Nowicki started receiving in 2008 would no longer be allowed). Requires employees to pay half of the "normal" cost (cost for newly vested benefits, not for old underfunded benefits).

That is the good news. The bad news is that these changes are a pro-active, not retroactive, and they only apply to employees hired starting next year. In other words, it will not affect MOFD's current underfunded liabilities at all and will only slowly start affecting its going-forward costs as new employees are hired when existing employees retire. Note on cost sharing: MOFD employees already pay 24% of their salary which is more than half of the "normal" cost of the pensions.

Cleaning Up The Mess

While raising \$111 million will be a difficult task, it is not impossible. This is a wakeup call as to what these benefits really cost; a call that can no longer be ignored.

What will it take so that we do not mortgage our children's and their children's future?

Table VI-2a shows that even if the MOFD pension plan's \$117 million in assets earn at the 7.75 percent rate CCCERA currently projects, they will be exhausted in 25 years; and they are only paying for pension costs, ignoring the \$40 million of OPEB expenses and the \$33 million of debt service on the pension bond that is due during that time frame. After 2036, there would still be 35 more years of currently vested liabilities which add up to \$333 million - a total of \$406 million of unfunded liabilities including OPEB and the Pension Bond. But if CCCERA is wrong and these assets only earn at the 6 percent rate the Task Force believes is reasonable (Table VI-2b), then our current assets run out in 19 years (2030) leaving \$490 million of unfunded liabilities after that.

Table VI-4a
Funding Needed to Pay off MOFD Employee Benefit Liabilities
(assuming 7.75% asset earning rate)

	(A) Currently Vested Pension Liabilities	(B) Pension Liabilities Currently Payable from Asset Pool	(C) Currently Unfunded Liabilities (A) - (B)	(D) Required Funding Increasing at 3.0%	(E) Net Payments To / (From) Asset Pool (D) - (A)	(F) interest 7.75%	(G) Principal (E) + (F)	(H) Asset Balance	(I) Currently Unfunded OPEB Liabilities	(J) Required Funding Increasing at 3.0%	(K) interest 7.75%	(L) Principal (J) + (K) - (I)	(M) Asset Balance	(N) Pre-Fund OPEB 3.0%	(O) Required Funding for Pension and OPEB (D)+(J)+(N)	(P) Existing Funding OPEB plus Pension Bond	(Q) Additional Funding In Excess of Projections (O)-(P)
Total 2011	650,622,769	296,575,388	354,047,381	127,921,873	-522,700,896	405,734,896	-116,966,000	116,966,000	50,892,421	44,553,927	6,338,494	0	0				115,717,125 over 30 years
2012	9,954,293	7,434,692	2,519,601	2,519,601	-7,434,692	9,064,865	1,630,173	118,596,173					0				
2013	10,499,200	7,848,805	2,650,395	3,407,301	-7,091,898	9,191,203	2,099,305	120,695,478	950,154	1,210,573	0	260,419	260,419	500,000	5,117,875	3,600,549	1,517,325
2014	11,049,160	8,268,150	2,781,010	3,509,520	-7,539,640	9,353,900	1,814,260	122,509,738	1,002,413	1,246,891	20,182	264,660	525,079	515,000	5,271,411	3,783,423	1,487,988
2015	11,613,000	8,692,076	2,920,924	3,614,806	-7,998,194	9,494,505	1,496,310	124,006,048	1,057,546	1,284,297	40,694	267,445	792,525	530,450	5,429,553	3,978,470	1,451,084
2016	12,188,951	9,119,858	3,069,093	3,723,520	-8,465,701	9,610,469	1,144,768	125,150,816	1,115,711	1,322,826	61,421	268,536	1,061,061	546,364	5,592,440	4,184,804	1,407,636
2017	12,770,171	9,550,698	3,219,473	3,834,948	-8,935,223	9,699,188	763,965	125,914,781	1,177,075	1,362,511	82,232	267,669	1,328,730	562,754	5,760,213	4,396,548	1,363,665
2018	13,359,998	9,983,717	3,376,281	3,949,996	-9,410,002	9,758,395	348,394	126,263,174	1,241,814	1,403,386	102,977	264,549	1,593,279	579,637	5,933,020	4,618,095	1,314,925
2019	13,961,425	10,417,952	3,543,473	4,068,496	-9,892,929	9,785,396	-107,533	126,155,641	1,310,114	1,445,488	123,479	258,854	1,852,132	597,026	6,111,010	4,853,587	1,257,424
2020	14,562,093	10,852,349	3,709,744	4,190,551	-10,371,542	9,777,062	-594,480	125,561,161	1,382,170	1,488,853	143,540	250,223	2,102,355	614,937	6,294,340	5,091,914	1,202,427
2021	15,170,067	11,285,756	3,884,311	4,316,267	-10,853,800	9,730,990	-1,122,810	124,438,352	1,458,189	1,533,518	162,933	238,262	2,340,617	633,385	6,483,171	5,342,500	1,140,671
2022	13,447,790	11,716,921	1,730,869	4,445,755	-9,002,035	9,643,972	641,938	125,080,289	1,538,389	1,579,524	181,398	222,532	2,563,149	652,387	6,677,666	3,269,258	3,408,407
2023	12,144,480	12,144,480	0	4,579,128	-7,565,352	9,693,722	2,128,370	127,208,660	1,623,001	1,626,909	198,644	202,553	2,765,702	671,958	6,877,996	1,623,001	5,254,995
2024	12,566,954	12,566,954	0	4,716,502	-7,850,452	9,858,671	2,008,219	129,216,878	1,712,266	1,675,717	214,342	177,793	2,943,494	692,117	7,084,336	1,712,266	5,372,070
2025	12,982,741	12,982,741	0	4,857,997	-8,124,744	10,014,308	1,889,564	131,106,443	1,806,441	1,725,988	228,121	147,668	3,091,163	712,880	7,296,866	1,806,441	5,490,425
2026	13,390,105	13,390,105	0	5,003,737	-8,386,368	10,160,749	1,774,381	132,880,824	1,905,795	1,777,768	239,565	111,538	3,202,701	734,267	7,515,772	1,905,795	5,609,977
2027	13,787,175	13,787,175	0	5,153,849	-8,633,326	10,298,264	1,664,938	134,545,762	2,010,614	1,831,101	248,209	68,697	3,271,398	756,295	7,741,245	2,010,614	5,730,631
2028	14,171,927	14,171,927	0	5,308,464	-8,863,462	10,427,297	1,563,834	136,109,596	2,121,197	1,886,034	253,533	18,370	3,289,768	778,984	7,973,482	2,121,197	5,852,285
2029	14,542,184	14,542,184	0	5,467,718	-9,074,466	10,548,494	1,474,028	137,583,624	2,237,863	1,942,615	254,957	-40,291	3,249,477	802,353	8,212,687	2,237,863	5,974,823
2030	14,895,601	14,895,601	0	5,631,750	-9,263,851	10,662,731	1,398,880	138,982,504	2,222,066	2,000,893	251,834	30,661	3,280,138	826,424	8,459,067	2,222,066	6,237,001
2031	15,229,657	15,229,657	0	5,800,702	-9,428,954	10,771,144	1,342,190	140,324,693	2,197,763	2,060,920	254,211	117,368	3,397,506	851,217	8,712,839	2,197,763	6,515,077
2032	15,541,643	15,541,643	0	5,974,724	-9,566,920	10,875,164	1,308,244	141,632,938	2,164,064	2,122,748	263,307	221,991	3,619,497	876,753	8,974,224	2,164,064	6,810,161
2033	15,828,653	15,828,653	0	6,153,965	-9,674,688	10,976,553	1,301,865	142,934,802	2,120,009	2,186,430	280,511	346,932	3,966,429	903,056	9,243,451	2,120,009	7,123,442
2034	16,087,572	16,087,572	0	6,338,569	-10,549,003	11,077,447	528,444	143,463,246	2,064,563	1,967,787	307,398	210,622	4,177,051	930,147	9,436,503	2,064,563	6,371,940
2035	16,315,060	16,315,060	0	6,523,172	-11,391,888	11,188,402	-273,486	143,189,760	1,996,604	1,749,144	323,721	76,261	4,253,313	958,052	9,630,368	1,996,604	5,633,764
2036	16,507,545	3,920,661	12,586,884	4,307,776	-12,199,770	11,097,206	-1,102,563	142,087,197	1,914,925	1,530,501	329,632	-54,792	4,198,520	986,793	9,825,070	1,914,925	4,910,145
2037	16,661,206	0	16,661,206	3,692,379	-12,968,827	11,011,758	-1,957,069	140,130,128	1,818,221	1,311,858	325,385	-180,978	4,017,542	1,016,397	9,941,542	1,818,221	4,202,413
2038	16,771,958	0	16,771,958	3,076,983	-13,694,975	10,860,085	-2,834,890	137,295,238	1,705,088	1,093,215	311,360	-300,513	3,717,029	1,046,889	10,248,431	1,705,088	3,511,999
2039	16,835,438	0	16,835,438	2,461,586	-14,373,852	10,640,381	-3,733,471	133,561,767	1,574,009	874,572	288,070	-411,367	3,305,662	1,078,296	10,456,727	1,574,009	2,840,445
2040	16,846,990	0	16,846,990	1,846,990	-15,000,801	10,351,037	-6,449,764	128,912,004	1,423,354	655,929	256,189	-511,236	2,794,426	1,110,645	10,667,152	1,423,354	2,189,409
2041	16,801,648	0	16,801,648	1,230,793	-15,570,855	9,990,680	-5,580,175	123,331,829	1,251,365	437,286	216,568	-597,511	2,196,915	1,143,964	10,811,117	1,251,365	1,560,678
2042	16,694,118	0	16,694,118	615,397	-16,078,721	9,558,217	-6,520,505	116,811,324	1,056,152	218,643	170,261	-667,248	1,529,666	1,178,283	10,929,400	1,056,152	956,170
2043	16,126,518	0	16,126,518	0	-16,126,518	9,052,878	-7,073,640	109,737,684	835,681	0	118,549	-717,131	812,535	1,213,631	1,213,631	835,681	377,951
2044	15,539,846	0	15,539,846	0	-15,539,846	8,504,671	-7,035,176	102,702,508	587,762	0	62,971	-524,791	287,744	1,250,040	1,250,040	587,762	662,278
2045	14,934,902	0	14,934,902	0	-14,934,902	7,959,444	-6,975,458	95,727,051	310,044	0	22,300	-287,744	0	1,287,541	1,287,541	310,044	977,497
2046	14,312,615	0	14,312,615	0	-14,312,615	7,418,846	-6,893,768	88,833,282	0	0	0	0	0	1,326,168	1,326,168	0	1,326,168
2047	13,674,052	0	13,674,052	0	-13,674,052	6,884,579	-6,789,472	82,043,810	0	0	0	0	0	1,365,953	1,365,953	0	1,365,953
2048	13,020,432	0	13,020,432	0	-13,020,432	6,358,395	-6,662,037	75,381,773	0	0	0	0	0	1,406,931	1,406,931	0	1,406,931
2049	12,353,135	0	12,353,135	0	-12,353,135	5,842,087	-6,511,048	68,870,726	0	0	0	0	0	1,449,139	1,449,139	0	1,449,139
2050	11,673,713	0	11,673,713	0	-11,673,713	5,337,481	-6,336,231	62,534,494	0	0	0	0	0	1,492,613	1,492,613	0	1,492,613
2051	10,983,902	0	10,983,902	0	-10,983,902	4,846,423	-6,137,479	56,397,015	0	0	0	0	0	1,537,392	1,537,392	0	1,537,392
2052	10,285,640	0	10,285,640	0	-10,285,640	4,370,769	-5,914,871	50,482,144	0	0	0	0	0	1,583,513	1,583,513	0	1,583,513
2053	9,581,074	0	9,581,074	0	-9,581,074	3,912,366	-5,668,707	44,813,437	0	0	0	0	0	1,631,019	1,631,019	0	1,631,019
2054	8,872,578	0	8,872,578	0	-8,872,578	3,473,041	-5,399,537	39,413,900	0	0	0	0	0	1,679,949	1,679,949	0	1,679,949
2055	8,162,772	0	8,162,772	0	-8,162,772	3,054,577	-5,108,195	34,305,705	0	0	0	0	0	1,730,348	1,730,348	0	1,730,348
2056	7,454,532	0	7,454,532	0	-7,454,532	2,658,692	-4,795,839	29,509,866	0	0	0	0	0	1,782,258	1,782,258	0	1,782,258
2057	6,751,010	0	6,751,010	0	-6,751,010	2,287,015	-4,463,996	25,045,870	0	0	0	0	0	1,835,726	1,835,726	0	1,835,726
2058	6,055,656	0	6,055,656	0	-6,055,656	1,941,055	-4,114,601	20,931,269	0	0	0	0	0	1,890,798	1,890,798	0	1,890,798
2059	5,372,232	0	5,372,232	0	-5,372,232	1,622,173	-3,750,059	17,181,210	0	0	0	0	0	1,947,522	1,947,522	0	1,947,522
2060	4,704,836	0	4,704,836	0	-4,704,836	1,331,544	-3,373,292	13,807,918	0	0	0	0	0	2,005,948	2,005,948	0	2,005,948
2061	4,057,921	0	4,057,921	0	-4,057,921	1,070,114	-2,987,807	10,820,111	0	0	0	0	0	2,066,126	2,066,126	0	2,066,126
2062	3,436,321	0	3,436,321	0	-3,436,321	838,559	-2,597,762	8,222,349	0	0	0	0	0	2,128,110	2,128,110	0	2,128,110
2063	2,845,274	0	2,845,274	0	-2,845,274	637,232	-2,208,042	6,014,307	0	0	0	0	0	2,191,953	2,191,953	0	2,191,953
2064	2,290,445																

Table VI-4b
Funding Needed to Pay off MOFD Employee Benefit Liabilities
(assuming 6.00% asset earning rate)

	(A) Currently Vested Pension Liabilities	(B) Pension Liabilities Currently Payable from Asset Pool	(C) Currently Unfunded Pension Liabilities (A) - (B)	(D) Required Funding Increasing at 3.0%	(E) Net Payments To / (From) Asset Pool (D) - (A)	(F) interest 6.00%	(G) Principal (E) + (F)	(H) Asset Balance	(I) Currently Unfunded OPEB Liabilities	(J) Required Funding Increasing at 3.0%	(K) interest 6.00%	(L) Principal (J) + (K) - (I)	(M) Asset Balance	(N) Pre-Fund OPEB 3.0%	(O) Required Funding for Pension and OPEB (D)+(J)+(N)	(P) Existing Funding OPEB plus Pension Bond	(Q) Additional Funding In Excess of Projections (O)-(P)
Total	650,622,769	212,300,106	438,322,663	204,520,744	-446,102,025	329,136,025	-116,966,000	116,966,000	50,892,421	45,661,758	5,230,664	0	0	500,000	7,229,241	3,600,549	3,628,692
2011																	
2012	9,954,293	7,434,692	2,519,601	2,519,601	-7,434,692	7,017,960	-416,732	116,549,268		1,240,674	0	290,520	290,520				
2013	10,499,200	7,848,805	2,650,395	5,488,567	-5,010,633	6,992,956	1,982,323	118,531,591	950,154			17,431	583,433	515,000	7,446,118	3,783,423	3,662,696
2014	11,049,160	8,268,150	2,781,010	5,653,224	-5,395,936	7,111,895	1,715,959	120,247,550	1,002,413	1,277,894		292,913	877,124	530,450	7,669,502	3,978,470	3,691,032
2015	11,613,000	8,692,076	2,920,924	5,822,821	-5,790,180	7,214,853	1,424,674	121,672,224	1,057,546	1,316,231	35,006	293,692	1,169,760	546,364	7,899,587	4,184,804	3,714,783
2016	12,188,951	9,119,858	3,069,093	5,997,505	-6,191,446	7,300,333	1,108,888	122,781,111	1,115,711	1,355,718	52,627	292,635	1,459,260	562,754	8,136,575	4,396,548	3,740,027
2017	12,770,171	9,550,698	3,219,473	6,177,430	-6,592,741	7,366,867	774,126	123,555,238	1,177,075	1,396,390	70,186	289,501	1,743,284	579,637	8,380,672	4,618,095	3,762,577
2018	13,359,998	9,983,717	3,376,281	6,362,753	-6,997,245	7,413,314	416,070	123,971,307	1,241,814	1,438,281	87,556	284,023	1,907,026	597,026	8,632,092	4,853,587	3,778,506
2019	13,961,425	10,417,952	3,543,473	6,553,636	-7,407,789	7,438,278	30,489	124,001,796	1,310,114	1,481,430	104,597	275,913	2,019,197	614,937	8,891,055	5,091,914	3,799,141
2020	14,562,093	10,852,349	3,709,744	6,750,245	-7,811,848	7,440,108	-371,740	123,630,057	1,382,170	1,525,873	121,152	264,855	2,284,052	633,385	9,157,786	5,342,500	3,815,286
2021	15,170,067	11,285,756	3,884,311	6,952,752	-8,217,315	7,417,803	-799,511	122,830,545	1,458,189	1,571,649	137,043	250,503	2,534,555	652,387	9,432,520	5,629,258	3,803,262
2022	15,714,480	11,716,921	4,000,559	7,161,335	-8,552,441	7,369,833	-1,183,608	121,646,937	1,538,389	1,618,798	152,073	232,482	2,767,037	671,958	9,715,496	5,923,001	3,792,495
2023	16,288,951	12,144,480	4,144,471	7,376,175	-8,912,324	7,434,835	-1,478,458	120,168,479	1,623,001	1,667,362	166,022	210,384	2,977,421	692,117	10,006,961	6,172,266	3,834,695
2024	16,894,954	12,566,954	4,327,999	7,597,460	-9,387,486	7,594,827	-1,793,660	118,375,818	1,712,266	1,717,383	178,645	183,763	3,161,184	712,880	10,307,169	6,441,441	3,865,729
2025	17,542,741	12,982,741	4,560,000	7,825,384	-10,717,365	7,752,347	-2,965,019	115,410,800	1,806,441	1,768,905	189,671	152,135	3,313,319	734,267	10,616,384	6,750,795	3,865,594
2026	18,300,105	13,390,105	4,910,000	8,060,146	-12,239,041	7,908,047	-4,330,994	110,079,854	1,905,795	1,821,972	198,799	114,976	3,428,295	756,295	10,934,876	7,010,614	3,924,262
2027	19,078,175	13,787,175	5,291,000	8,301,950	-13,776,225	8,062,732	-5,714,493	104,365,361	2,010,614	1,876,631	205,698	71,715	3,500,010	778,984	11,262,922	7,221,197	4,041,725
2028	20,000,927	14,171,927	5,829,000	8,551,008	-15,449,927	8,217,382	-7,232,544	97,132,817	2,121,197	1,932,930	210,001	21,733	3,521,744	802,353	11,600,810	7,441,863	4,158,947
2029	21,078,184	14,542,184	6,536,000	8,807,539	-16,735,655	8,373,170	-8,362,485	88,770,332	2,237,863	1,990,918	211,305	-35,641	3,486,103	826,424	11,948,834	7,662,066	4,286,768
2030	22,300,601	15,343,565	6,957,036	9,071,765	-17,228,864	8,531,482	-9,697,382	78,072,950	2,222,066	2,050,645	209,166	37,745	3,523,848	851,217	12,307,299	7,892,763	4,414,536
2031	23,678,657	0	23,678,657	9,343,918	-14,334,739	8,693,940	-5,640,799	72,432,151	2,197,763	2,112,165	211,431	125,833	3,649,681	876,753	12,675,518	8,141,064	4,534,454
2032	25,200,643	0	25,200,643	9,624,235	-15,576,408	8,862,432	-6,714,000	65,718,151	2,164,064	2,175,530	218,981	230,447	3,880,129	903,056	13,056,814	8,380,009	4,676,805
2033	26,878,653	0	26,878,653	9,912,962	-16,965,691	9,039,134	-7,926,557	57,791,594	2,120,009	2,240,796	232,808	233,594	4,233,723	930,147	13,486,530	8,641,563	4,844,970
2034	28,600,572	0	28,600,572	10,201,666	-18,398,906	9,226,540	-9,172,360	48,619,234	2,064,563	2,016,716	254,023	206,176	4,439,899	958,052	13,811,058	8,916,004	4,895,054
2035	30,378,060	0	30,378,060	10,501,060	-20,877,000	9,350,179	-11,526,821	37,092,413	1,996,604	1,792,637	266,394	62,426	4,502,325	986,793	14,094,424	9,191,925	4,902,500
2036	32,200,545	0	32,200,545	10,801,074	-21,399,471	9,408,108	-12,991,363	24,100,845	1,914,925	1,568,557	270,140	-76,229	4,426,096	1,016,397	14,308,652	9,408,652	4,900,000
2037	34,078,206	0	34,078,206	11,101,777	-22,976,429	9,398,486	-13,577,943	12,520,902	1,818,221	1,344,477	265,566	-208,178	4,217,918	1,046,889	14,517,768	9,608,088	4,909,680
2038	36,000,958	0	36,000,958	11,401,958	-24,599,000	9,319,589	-15,279,411	7,221,354	1,705,088	1,120,398	253,075	-331,615	3,886,303	1,078,296	14,729,799	9,817,009	4,912,790
2039	38,078,438	0	38,078,438	11,701,438	-26,377,000	9,169,836	-17,207,164	4,910,187	1,574,009	986,318	233,178	-444,513	3,441,791	1,110,645	14,946,772	10,023,354	4,923,418
2040	40,300,990	0	40,300,990	12,001,889	-28,299,101	8,947,811	-19,351,290	2,968,897	1,423,354	672,239	206,507	-544,608	2,897,183	1,143,964	15,173,715	10,251,365	4,922,350
2041	42,678,648	0	42,678,648	12,302,392	-30,376,256	8,652,294	-21,723,962	1,945,135	1,251,365	448,159	173,831	-629,375	2,267,808	1,178,283	15,399,659	10,466,152	4,933,506
2042	45,200,118	0	45,200,118	12,602,918	-32,597,200	8,282,288	-24,314,912	1,030,617	1,056,152	224,080	136,068	-696,004	1,571,803	1,213,631	15,613,631	10,683,681	4,929,950
2043	47,878,518	0	47,878,518	12,903,458	-34,975,060	7,837,056	-27,138,004	530,681	835,681	0	94,308	-741,372	830,431	1,250,040	15,863,672	10,893,762	4,969,910
2044	50,600,846	0	50,600,846	13,204,006	-37,396,840	7,339,688	-30,057,152	420,983	587,762	0	49,826	-537,936	292,495	1,287,541	16,111,117	11,104,044	5,007,073
2045	53,478,902	0	53,478,902	13,504,502	-40,974,400	6,847,679	-34,126,721	310,044	310,044	0	17,550	-292,495	0	1,326,168	16,367,285	11,326,168	5,041,117
2046	56,400,615	0	56,400,615	13,805,015	-42,595,600	6,362,446	-36,233,154	98,090,590	0	0	0	0	0	1,365,953	16,613,238	11,572,117	5,041,121
2047	59,478,052	0	59,478,052	14,105,522	-45,372,530	5,885,435	-39,487,095	90,301,974	0	0	0	0	0	1,406,931	16,860,169	11,819,048	5,041,125
2048	62,600,432	0	62,600,432	14,406,032	-48,194,400	5,418,118	-42,776,282	82,699,660	0	0	0	0	0	1,449,139	17,109,308	12,066,187	5,041,129
2049	65,878,135	0	65,878,135	14,706,542	-51,171,593	4,961,980	-45,209,613	75,308,505	0	0	0	0	0	1,492,613	17,359,441	12,311,800	5,041,133
2050	69,300,713	0	69,300,713	15,007,052	-54,293,661	4,518,510	-49,775,151	68,153,303	0	0	0	0	0	1,537,392	17,610,833	12,557,392	5,041,137
2051	72,878,902	0	72,878,902	15,307,562	-57,571,340	4,089,198	-53,482,142	61,258,599	0	0	0	0	0	1,583,513	17,862,246	12,802,903	5,041,141
2052	76,500,640	0	76,500,640	15,608,072	-60,892,568	3,675,516	-57,217,052	54,648,475	0	0	0	0	0	1,631,019	18,113,665	13,048,422	5,041,145
2053	80,178,074	0	80,178,074	15,908,582	-64,269,492	3,278,908	-61,000,584	48,346,310	0	0	0	0	0	1,679,949	18,365,114	13,293,949	5,041,149
2054	83,900,578	0	83,900,578	16,209,092	-67,691,486	2,900,779	-64,790,707	42,374,510	0	0	0	0	0	1,730,348	18,616,562	13,544,297	5,041,153
2055	87,678,772	0	87,678,772	16,509,602	-71,169,170	2,542,741	-68,626,429	36,754,209	0	0	0	0	0	1,782,258	18,871,011	13,794,746	5,041,157
2056	91,500,532	0	91,500,532	16,810,112	-74,690,420	2,205,253	-72,485,167	31,504,930	0	0	0	0	0	1,835,726	19,126,460	14,045,722	5,041,161
2057	95,378,010	0	95,378,010	17,110,622	-78,267,388	1,890,296	-76,377,092	26,644,215	0	0	0	0	0	1,890,798	19,381,908	14,296,190	5,041,165
2058	99,300,656	0	99,300,656	17,411,132	-81,889,524	1,598,653	-80,290,871	22,187,212	0	0	0	0	0	1,947,522	19,637,356	14,546,838	5,041,169
2059	103,278,232	0	103,278,232	17,711,642	-85,566,590	1,331,233	-84,235,357	18,146,213	0	0	0	0	0	2,005,948	19,892,804	14,797,386	5,041,173
2060	107,300,836	0	107,300,836	18,012,152	-89,288,684	1,088,773	-88,200,911	14,530,150	0	0	0	0	0	2,066,126	20,148,252	15,047,914	5,041,177
2061	111,378,921	0	111,378,921	18,312,662	-93,066,259	871,809	-92,194,450	11,344,038	0	0	0	0	0	2,128,110			

Table VI-4c

Funding Needed to Pay off MOFD Employee Benefit Liabilities

(assuming 6% asset earning rate / adjusted to reflect 2011 pension plan results)

	(A) Currently Vested Pension Liabilities (Pension + Bond)	(B) Pension Liabilities Currently Payable from Asset Pool	(C) Currently Unfunded Pension Liabilities (A) - (B)	(D) Required Funding Increasing at 3.0%	(E) Net Payments To / (From) Asset Pool (D) - (A)	(F) Interest 6.00%	(G) Principal (E) + (F)	(H) Asset Balance	(I) Currently Unfunded OPEB Liabilities	(J) Required Funding Increasing at 3.0%	(K) Interest 6.00%	(L) Principal (J) + (K) - (I)	(M) Asset Balance	(N) Pre-Fund OPEB 3.5%	(O) Required Funding for Pension and OPEB (D)+(J)+(N)	(P) Existing Funding OPEB plus Pension Bond Plus CCCERA Unfunded Charge	(Q) Additional Funding In Excess of Projections (O)-(P)
Total 2011	655,182,178	197,026,073	458,156,105	218,542,608	-436,639,571	324,439,571	-112,200,000	112,200,000	50,892,421	45,661,758	5,230,664	0	0	500,000	7,610,229	4,218,336	3,391,892
2012	10,009,214	7,489,613	2,519,601	2,519,601	-7,489,613	6,732,000	-757,613	111,442,387	950,154	1,240,674	0	290,520	290,520	554,359	8,323,898	6,392,591	1,931,307
2013	10,557,179	7,906,784	2,650,395	5,869,555	-4,687,624	6,686,543	1,998,919	113,441,306	1,002,413	1,277,894	17,431	292,913	583,433	517,500	7,841,036	4,931,210	2,909,826
2014	11,110,238	8,329,228	2,781,010	6,045,641	-5,064,596	6,806,478	1,741,882	115,183,188	1,057,546	1,316,231	35,006	293,692	877,124	535,613	8,078,854	5,656,257	2,422,598
2015	11,677,209	8,756,285	2,920,924	6,227,010	-5,450,198	6,910,991	1,460,793	116,643,981	1,115,711	1,355,718	52,627	292,635	1,169,760	554,359	8,323,898	6,392,591	1,931,307
2016	12,256,320	9,187,227	3,069,093	6,413,821	-5,842,499	6,998,639	1,156,140	117,800,121	1,177,075	1,396,390	70,186	289,501	1,459,260	573,762	8,576,387	7,134,335	1,442,052
2017	12,840,722	9,621,249	3,219,473	6,606,235	-6,234,487	7,068,007	833,520	118,633,641	1,241,814	1,438,281	87,556	284,023	1,743,284	593,843	8,836,547	7,885,882	950,665
2018	13,433,748	10,057,467	3,376,281	6,804,422	-6,629,326	7,118,018	488,693	119,122,334	1,310,114	1,481,430	104,597	275,913	2,019,197	614,628	9,104,613	8,121,374	983,239
2019	14,038,383	10,494,910	3,543,473	7,008,555	-7,029,828	7,147,340	117,512	119,239,846	1,382,170	1,525,873	121,152	264,855	2,284,052	636,140	9,380,824	8,359,701	1,021,123
2020	14,642,259	10,932,515	3,709,744	7,218,812	-7,423,448	7,154,391	-269,057	118,970,790	1,458,189	1,571,649	137,043	250,503	2,534,555	658,405	9,665,430	8,610,287	1,055,143
2021	15,253,436	11,369,125	3,884,311	7,435,376	-7,818,059	7,138,247	-679,812	118,290,978	1,538,389	1,618,798	152,073	232,482	2,767,037	681,449	9,958,685	6,537,045	3,421,639
2022	13,534,343	11,803,474	1,730,869	7,658,437	-5,875,906	7,097,459	1,221,553	119,512,530	1,623,001	1,667,362	166,022	210,384	2,977,421	705,299	10,260,852	4,890,788	5,370,064
2023	12,234,192	12,234,192	0	7,888,191	-4,346,001	7,170,752	2,824,751	122,337,281	1,712,266	1,717,383	178,645	183,763	3,161,184	729,985	10,572,204	4,980,053	5,592,151
2024	12,659,787	12,659,787	0	8,124,836	-4,534,951	7,340,237	2,805,286	125,142,567	1,806,441	1,768,905	189,671	152,135	3,313,319	755,534	10,893,020	5,074,228	5,818,793
2025	13,078,645	13,078,645	0	8,368,581	-4,710,063	7,508,554	2,798,491	127,941,058	1,905,795	1,821,972	198,799	114,976	3,428,295	781,978	11,223,589	5,173,582	6,050,007
2026	13,489,019	13,489,019	0	8,619,639	-4,869,380	7,676,463	2,807,084	130,748,141	2,010,614	1,876,631	205,698	71,715	3,500,010	809,347	11,564,206	5,278,401	6,285,806
2027	13,889,021	13,889,021	0	8,878,228	-5,010,793	7,844,888	2,834,096	133,582,237	2,121,197	1,932,930	210,001	21,733	3,521,744	837,674	11,915,179	5,388,984	6,526,195
2028	14,276,615	14,276,615	0	9,144,575	-5,132,041	8,014,934	2,882,894	136,465,131	2,237,863	1,990,918	211,305	-35,641	3,486,103	866,993	12,276,823	5,505,650	6,771,173
2029	14,649,608	11,450,918	3,198,689	9,418,912	-5,230,696	8,187,908	2,957,212	139,422,343	2,222,066	2,050,645	209,166	37,745	3,523,848	897,338	12,649,463	5,489,853	7,159,609
2030	15,005,636	0	15,005,636	9,701,479	-5,304,156	8,365,341	3,061,184	142,483,527	2,197,763	2,112,165	211,431	125,833	3,649,681	928,745	13,033,433	4,847,763	8,185,671
2031	15,342,159	0	15,342,159	9,992,524	-5,349,635	8,549,012	3,199,376	154,682,904	2,164,064	2,175,530	218,981	230,447	3,880,129	961,251	13,429,080	4,284,064	9,145,016
2032	15,656,450	0	15,656,450	10,292,300	-5,364,150	8,740,974	3,376,824	149,059,728	2,120,009	2,240,796	232,808	353,594	4,233,723	994,894	13,836,759	3,710,009	10,126,749
2033	15,945,580	0	15,945,580	10,601,068	-5,344,512	8,943,584	3,599,072	152,658,800	2,064,563	2,016,716	254,023	206,176	4,439,899	1,029,716	14,287,393	3,124,563	9,462,830
2034	16,206,411	0	16,206,411	9,540,962	-6,665,450	9,159,528	2,494,078	155,152,878	1,996,604	1,792,637	266,394	62,426	4,502,325	1,065,756	11,339,247	2,526,604	8,812,643
2035	16,435,580	0	16,435,580	8,480,855	-7,954,725	9,309,173	1,354,448	156,507,325	1,914,925	1,568,557	270,140	-76,229	4,426,096	1,103,057	10,092,362	1,914,925	8,177,437
2036	16,629,487	0	16,629,487	7,420,748	-9,208,739	9,390,440	181,700	156,689,026	1,818,221	1,344,477	265,566	-208,178	4,217,918	1,141,664	8,846,783	1,818,221	7,028,561
2037	16,784,283	0	16,784,283	6,360,641	-10,423,642	9,401,342	-1,022,300	155,666,726	1,705,088	1,120,398	253,075	-331,615	3,886,303	1,181,622	7,602,555	1,705,088	5,897,467
2038	16,895,853	0	16,895,853	5,300,534	-11,595,318	9,340,004	-2,255,315	153,411,411	1,574,009	896,318	233,178	-444,513	3,441,791	1,222,979	6,359,725	1,574,009	4,785,716
2039	16,959,802	0	16,959,802	4,240,427	-12,719,374	9,204,685	-3,514,690	149,896,721	1,423,354	672,239	260,507	-544,608	2,897,183	1,265,784	5,118,343	1,423,354	3,694,989
2040	16,971,439	0	16,971,439	3,180,321	-13,791,119	8,993,803	-4,797,316	145,099,406	1,251,365	448,159	173,831	-629,375	2,267,808	1,310,086	3,878,459	1,251,365	2,627,093
2041	16,925,763	0	16,925,763	2,120,214	-14,805,549	8,705,964	-6,099,585	138,999,821	1,056,152	224,080	136,068	-696,004	1,571,803	1,355,939	2,640,125	1,056,152	1,583,973
2042	16,817,438	0	16,817,438	1,060,107	-15,757,331	8,339,989	-7,417,342	131,582,479	835,681	0	94,308	-741,372	830,431	1,403,397	1,403,397	835,681	567,716
2043	16,245,645	0	16,245,645	0	-16,245,645	7,894,949	-8,350,696	123,231,783	587,762	0	49,826	-537,936	292,495	1,452,516	1,452,516	587,762	864,754
2044	15,654,640	0	15,654,640	0	-15,654,640	7,393,907	-8,260,733	114,971,050	310,044	0	17,550	-292,495	0	1,503,354	1,503,354	310,044	1,193,309
2045	15,045,227	0	15,045,227	0	-15,045,227	6,898,263	-8,146,964	106,824,086	0	0	0	0	0	1,555,971	1,555,971	0	1,555,971
2046	14,418,342	0	14,418,342	0	-14,418,342	6,409,445	-8,008,897	98,815,189	0	0	0	0	0	1,610,430	1,610,430	0	1,610,430
2047	13,775,062	0	13,775,062	0	-13,775,062	5,928,911	-7,846,151	90,969,038	0	0	0	0	0	1,666,795	1,666,795	0	1,666,795
2048	13,116,615	0	13,116,615	0	-13,116,615	5,458,142	-7,658,472	83,310,566	0	0	0	0	0	1,725,133	1,725,133	0	1,725,133
2049	12,444,388	0	12,444,388	0	-12,444,388	4,998,634	-7,445,754	75,864,812	0	0	0	0	0	1,785,513	1,785,513	0	1,785,513
2050	11,759,947	0	11,759,947	0	-11,759,947	4,551,889	-7,208,058	68,656,754	0	0	0	0	0	1,848,006	1,848,006	0	1,848,006
2051	11,065,041	0	11,065,041	0	-11,065,041	4,119,405	-6,945,635	61,711,118	0	0	0	0	0	1,912,686	1,912,686	0	1,912,686
2052	10,361,620	0	10,361,620	0	-10,361,620	3,702,667	-6,658,953	55,052,165	0	0	0	0	0	1,979,630	1,979,630	0	1,979,630
2053	9,651,849	0	9,651,849	0	-9,651,849	3,303,130	-6,348,719	48,703,446	0	0	0	0	0	2,048,917	2,048,917	0	2,048,917
2054	8,938,120	0	8,938,120	0	-8,938,120	2,922,207	-6,015,914	42,687,532	0	0	0	0	0	2,120,629	2,120,629	0	2,120,629
2055	8,223,071	0	8,223,071	0	-8,223,071	2,561,252	-5,661,819	37,025,713	0	0	0	0	0	2,194,851	2,194,851	0	2,194,851
2056	7,509,598	0	7,509,598	0	-7,509,598	2,221,543	-5,288,056	31,737,658	0	0	0	0	0	2,271,671	2,271,671	0	2,271,671
2057	6,800,880	0	6,800,880	0	-6,800,880	1,904,259	-4,896,621	26,841,037	0	0	0	0	0	2,351,179	2,351,179	0	2,351,179
2058	6,100,389	0	6,100,389	0	-6,100,389	1,610,462	-4,489,927	22,351,110	0	0	0	0	0	2,433,471	2,433,471	0	2,433,471
2059	5,411,917	0	5,411,917	0	-5,411,917	1,341,067	-4,070,850	18,280,259	0	0	0	0	0	2,518,642	2,518,642	0	2,518,642
2060	4,739,590	0	4,739,590	0	-4,739,590	1,096,816	-3,642,775	14,637,485	0	0	0	0	0	2,606,794	2,606,794	0	2,606,794
2061	4,087,897	0	4,087,897	0	-4,087,897	878,249	-3,209,648	11,427,837	0	0	0	0	0	2,698,032	2,698,032	0	2,698,032
2062	3,461,705	0	3,461,705	0	-3,461,705	685,670	-2,776,035	8,651,802	0	0	0	0	0	2,792,463	2,792,463	0	2,792,463
2063	2,866,292	0	2,866,292	0	-2,866,292	519,108	-2										

What can we do? First, we can figure out what it would take to at least pay off the benefits that are already vested plus the pension bond: the \$700 million of total liabilities displayed in Table VI-2 that the last generation has accrued and only partially paid for. We need to make conservative assumptions and test out options. We need better information from MOFD's and CCCERA's actuaries. We need to understand what happens if investment income does not meet expectations; if inflation rates go up or down; if longevity increases. We need to understand what the actuaries believe "final salaries" are going to be based on assumed retirement rates and employment contracts and possibly adjust employment agreements such that an employ might not get \$5 of future pension benefits for every dollar of salary he or she earns. The new California law addresses these concerns but not necessarily soon enough or to a degree required to allow for funding existing liabilities.

CCCERA believes that it can earn 7.75 percent but over the past decade it has only earned 5 percent. Maybe it has achieved the 7.75 percent growth over two decades but the 90's were extraordinary with a 16 percent average annual gain in the Dow. Warren Buffet believes that we should be more conservative; assuming 6.00 percent. The Task Force believes it is time to start acting conservatively and make the extra sacrifice needed to protect future generations from our excesses.

The Task Force also believes that we need to pre-fund all of our vested liabilities, including OPEB. Table VI-4b calculates what it will cost to pay down our unfunded pension liabilities over 30 years (column D); pay down our unfunded OPEB liabilities over 30 years (column J); and start pre-funding future OPEB liabilities (column N). The total starts at \$7.2 million in 3013 (column O) and increases to \$13 million by 2033 before it starts reducing.

That is the bad news. The good news is that some, actually a lot, of the required funding is already in the budget (already being used to pay off past promises as opposed to current services). This includes:

- * Pension Obligation Bond payments: \$2.65 million in 2013.
- * OPEB payments: about \$950,000 in 2013; all used to fund existing liabilities.
- * Pension Plan contributions: projected to be \$3 million by 2013; \$1 million of which cover currently vested liabilities with the other \$2 million needed to cover newly vesting benefits. This adds up to \$4.6 million per year. Almost enough to fund \$5.1 million needed if assets can earn at 7.75 percent (Table VI-4a) but it will be \$2.6 million shy if they can only earn at 6 percent (Table VI-4b). But there is more bad news.

The 2011 pension plan results which were recently released show that MOFD pension liabilities have increased a very small amount (\$1 million when discounted at 7.75%) but their assets (market value) have decreased \$5 million from \$117 million to \$112 million due to investment returns of less than 2% in 2011 (Table VI-2c). This has caused the unfunded liabilities to increase from \$111 million to \$117 million and Table VI-4c shows that this will cause the 2013 funding requirement to increase to \$7.6 million.

Can these funds be made available from projected revenues without reducing emergency services to Orinda and Moraga? The Task Force believes they can. Details of the Task Force's suggested reduction in expenses so that increases in employee retirement benefit funding can be increased is presented in Table IV-4b.

To the extent all savings are not consumed by funding past unfunded employee benefits; the District has many other ways to invest its savings in making the community safer and promoting prevention as opposed to reacting to emergencies with maximum resources:

- * One-person rapid response medical units in remote areas of the District (Sleepy Hollow / Sanders Ranch) to address some of the excessive response time problems.

- * Subsidize the "sprinklering" of all residences to increase personal safety (of both residents and firefighters) and decrease the impact of response times when dealing with residential structure fires.

- * Fuel load mitigation projects.

- * Water pipe upgrades in Orinda and possibly Moraga also. Can a 3,000 gallon tank truck replace a series of 1,200 gallon per minute hydrants for fighting wild-land fires? Half of Orinda's "grossly inadequate" hydrants are in Very High Fire Hazard Severity Zones. (Exhibit III-2)

We are not going to just "spend ourselves" out of this mess. We need to start acting smart.