



From the desk of John Moorlach

September 23, 2008

In 1994, Orange County fell into bankruptcy because its leaders weren't paying attention to its risky investments. Back then, I worked hard to warn whomever would listen that disaster was coming. By the time they began to listen, it was too late.

I'm afraid that it will happen again in conservative Orange County like it has to cities like Vallejo and San Diego. As a fellow concerned taxpayer, I know you share my concern.

Today, irresponsible pension promises threaten to break us. Were you aware that the Orange County Employee's Retirement System has an unfunded pension liability of \$2.7 billion? That's \$2.7 billion in pension promises that as of today is not covered. It means that, as these obligations kick in, they'll starve the county of revenues, revenues that would otherwise pay for new sheriff's deputies and prosecutors to keep our streets safer. It is money that will not be available for much needed street repairs, flood control, and other critical improvements for Orange County.

Most importantly, if we do not deal with this most serious problem now, inevitably, ***taxes will be forced to go up. And you and I will be left holding the bag.***

That's why I led the effort to place Measure J on the November ballot. Measure J would require a vote of the public to approve any new pension increase with the county's employees. Even more importantly, it would require a *complete actuarial study and full public disclosure* of the impact of any new pension enhancement. No more would the costs to the taxpayer be hidden. **Measure J is an insurance policy for Orange County taxpayers – we will never again be left holding the bag for promises we knew nothing about! Measure J is just plain common sense.**

You can bet the unions are not going to roll over and let this just pass and we need your immediate help.

You have been there for me – and for our county – before. I am humbly asking for the most you can do to help. I have attached a contribution form. Please complete it and send me your contribution today. Time is short, and the unions have Measure J in their sites.

Sincerely,

A handwritten signature in black ink that reads "John Moorlach".

John Moorlach, Chairman
Orange County Board of Supervisors



George F. Will

Op-Ed Columnist

Pension Time Bomb

By George F. Will

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VALLEJO, Calif. -- Mayor Osby Davis, who has lived in this waterfront city across San Pablo Bay from San Francisco for 60 of his 62 years, says: "If you have a can that's leaking two ounces a minute and you put an ounce a minute in it, it's going to get empty." He is describing his city's coffers.

Joseph Tanner, who became city manager after this municipality of 120,000 souls was mismanaged to the brink of bankruptcy, stands at a whiteboard to explain the simple arithmetic that has pushed Vallejo over the brink. Its crisis -- a cash flow insufficient to cover contractual obligations -- came about because (to use fiscal 2007 figures) each of the 100 firefighters paid \$230 a month in union dues and each of the 140 police officers paid \$254 a month, giving their unions enormous sums to purchase a compliant city council.

So a police captain receives \$306,000 a year in pay and benefits, a lieutenant receives \$247,644, and the average for firefighters -- 21 of them earn more than \$200,000, including overtime -- is \$171,000. Police and firefighters can store up unused vacation and leave time over their *careers* and walk away, as one of the more than 20 who recently retired did, with a \$370,000 check. Last year, 292 city employees made more than \$100,000. And after just five years, all police and firefighters are guaranteed *lifetime* health benefits.

Even the City Council has at last faced facts and voted 7 to 0 for bankruptcy. "The day after they voted," Davis says, "I didn't go out of the house -- I was that embarrassed."

In other states, municipalities can pay for improvident labor contracts by increasing property taxes. But Vallejo's promises were made in the context of Proposition 13, which 30 years ago wisely restricted California politicians' reach for property taxes. In 1996, the Navy base in Vallejo closed, which probably pleased some local liberals who share the anti-military mentality of San Francisco, to which some Vallejo residents commute by ferry. Liberals who, Tanner says dryly, "want Vallejo to look a certain way," were

pleased when Wal-Mart moved to an adjacent town, which now reaps the sales tax revenue.

Vallejo is an ominous portent for other cities, and some states, few of which are accumulating financial resources sufficient to fulfill pension promises they have made to employees. Are you weary of the crisis du jour -- subprime mortgages and all that? Get a head start on worrying about the next debacle by reading Roger Lowenstein's new book, "While America Aged: How Pension Debts Ruined General Motors, Stopped the NYC Subways, Bankrupted San Diego, and Loom as the Next Financial Crisis."

"Next"? This crisis has arrived in Jefferson County, Ala., which includes Birmingham. Like Orange County, Calif., a few years ago, Jefferson County made risky investments in a desperate attempt to achieve asset growth commensurate with the cost of an infrastructure project. When San Diego was earning the sobriquet "Enron by the sea," firefighters could retire at 50 with 90 percent of their pensions -- almost full pay for not working during half of their expected adult lives.

Credit Suisse estimates that state and local governments have a cumulative \$1.5 trillion shortfall in commitments for retiree health care. But it is the pension crisis that most dramatically illustrates Lowenstein's thesis about the slow accretion of power by the unions. Pensions "are a perfect vehicle for procrastination; in the financial world, they are the most long-enduring promises that exist." Human nature -- the propensity to delay the unpleasant -- rears its ugly head: When pension benefits come due, the people who promised them, thereby buying labor peace and winning elections, are long gone.

Vallejo's unions contend that the city is solvent enough to meet its obligations. But last Friday a court disagreed, holding that the city is eligible for bankruptcy protection. A lawyer for Vallejo says the unions will have to negotiate a "plan of adjustment." Other cities are watching, perhaps including the one across the bay.

San Francisco recently reported that 184 of its employees made at least \$30,000 apiece in overtime in the first half of this year. A nurse at the county jail made \$128,000 in overtime, putting him on track to top his total 2007 compensation of about \$350,000. Nice work if you can get it, and you can get it in many places.