A Checklist for Cities Dealing With Tight Budgets

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By John Moorlach
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Commentary

There are several reasons for someone to run for public office. My journey set its own course, thanks to the nature of my previous occupation. As a certified public accountant, I would be asked to serve on nonprofit boards and invariably become the organization's treasurer. So when I was asked to run for county treasurer, I rebelled.

After being asked to do more research, and finding out what the incumbent was doing, comparing it to what I would advise as a licensed certified financial planner, I decided to run. The incumbent was borrowing to invest, and my campaign was to educate the voters on how imprudent this strategy was.

Even after garnering the attention of The Wall Street Journal in its April 15, 1994, edition, I did not garner enough votes to unseat the incumbent in the June 1994 election. But then, the County of Orange filed for Chapter 9 bankruptcy protection on Dec. 6, 1994. Thirty years ago, it would be the largest municipal bankruptcy in U.S. history.

I would be appointed to replace the incumbent and serve as the Orange County treasurer-tax collector for 12 years. After the board of supervisors voted to approve massive increases in employee pension plan benefits, creating massive unfunded actuarial accrued liabilities, I decided to run for the board in 2006 and utilize my financial background in this public office.

Due to the bankruptcy, Orange County voters placed a two-term limit on county supervisors. I had only eight years to get several fiscal goals accomplished. At the conclusion of my time in this position, I was interviewed by investigative reporter and former Los Angeles Times columnist Heidi Cuda, then writing for Public Sector Inc., to review what I had accomplished. Here is the result:

"Upon his election in 2006, he drew up a list of 15 things he wanted to accomplish. Eight years later, he won some, he lost some, but overall, the Republican supervisor had a few grand slams."

'Moorlach's Little List'

"Here's what the list looked like and how he faired:

“Number One: ‘Make government employees pay for their … pensions.’

“‘That’s a quote from a Long Beach Press Telegram article from 2005,’ says Moorlach. ‘We’ve accomplished that. We’ve just completed our negotiations with every bargaining unit. We have one unit that we’re still dealing with, the attorney’s association—it’s a long story—but overall management and employees are responsible for paying for their share of pensions.’

“Number Two: ‘Implement two-tiered plans.’

“‘We negotiated that back in 2009,’ he says. ‘Governor Brown did it with his pension reform, but what we did in ’09 was we made it optional. The younger kids would take the lower formula.’

“Number Three: ‘Start replacing government workers with contract employees.’

“‘I tried to put that in the charter for the November ballot,’ says Moorlach. ‘My colleagues didn’t give me the third vote. Two were running for additional office. I put this one in the “fail” column.’

“Number Four: ‘Require voters to approve retroactive pension increases.’

“‘We called this Measure J, and it was wholeheartedly passed by the voters in 2008,’ he says.

“Number Five: ‘Put caps on COLAs (cost of living increases).’

“‘I tried to do it,’ he says. ‘I just didn’t get traction.’

“Number Six: ‘Attempt another ballot proposition that pursues paycheck protection.’

“‘We tried this with Prop. 32 (2012). … This was a fail.’

“Number Seven: ‘Have the board of supervisors members or an independent third party negotiate employee bargaining union agreements and not rely on staff to do it for you. Employee unions are

to be business partners and not buddies to further your political careers.’

“‘It’s just one of the abuses that I observed,’ says Moorlach. ‘So what I did when I got here, I required an outside legal firm to be our negotiators … we got that taken care of.’

“Number Eight: ‘Increase the retirement age.’

“‘That was done in ’09, it’s now 65 here at the county,’ he says. ‘That was part of the two-tier change.’

“Number Nine: ‘Add a charter amendment that requires immediate payment of actuarially unfunded benefits the day they become effective.’

“‘I got this from the state of Georgia,’ he says. ‘If you’re gonna negotiate a pension benefit increase that creates an immediate liability, you got to pay for it immediately. Because we did Measure J, I felt like we got it covered. For more than 25 years, it wasn’t required to put the real cost of pension increases on the ballot sheets. It was in the shadows.’

“Number Ten: ‘Pursue a statewide ballot measure requiring a two-tier system.’

“‘This was accomplished by PEPRA (Governor Brown’s Public Employee Pension Reform Act in 2012),’ he says.

“Number Eleven: ‘Establish a blue ribbon committee from local industry to review personnel costs.’

‘I just didn’t get to it,’ he says.

“Number Twelve: ‘The state constitution forbids cities, counties, and other public entities to spend money more than they make in one year unless two thirds of the voters in that locality approve that overflowing cost.’

"'That's a quote from the Voice of San Diego in 2006,' says Moorlach. 'We took this to trial, filing a lawsuit against the Deputy Sheriffs [union] for getting three percent at 50.'

"But he says, even though it was technically illegal according to the state constitution, politics got in the way and pension debt was made exempt. In 2011, the California Supreme Court chose not to hear the lawsuit.

"'We tried real hard but failed.'

"Number Thirteen: 'Pension reform bill.'

"'This was about the acquisition of life insurance contracts using the pooling technique,' he says. 'If you insure your employees, when they pass away, you could pay off part of the pensions. This was too hard a sell. If you can't explain something to the public sector in 30 seconds, forget about it.'

"Number Fourteen: 'Labor negotiations could be done in public.'

"'We adopted (this) and we got it,' he says. 'It's nice for the public to see the crazy offers that they put on the first round. It changes the whole dynamic.' [It was referred to as COIN (Civic Openness in Negotiations) and used around the nation, but eliminated by California's public employees unions in the state legislature.]

"Number Fifteen: 'Gradually lower the rate of return and invest accordingly.'

"'This idea came from a Wall Street Journal article in 2006,' he says. 'We've gotten the assumed rate [of return] down just by influencing members of the [retirement] board. This was a win.'"

County Progress

Many elected officials love to attend ribbon cuttings and push their political party's programs. For me, it was pursuing sound fiscal principles that would endure over time. In 2010, Orange County was in 46th place out of California's 58 counties based on financial status per capita. As of June 30, 2021, it was in 24th place. Mariposa and Tuolumne counties still have to release their June 30, 2022, annual comprehensive financial reports for a more current ranking. Orange County's moving from the bottom to the middle of the pack is a testimony to the above stewardship efforts.

With many cities looking to increase their sales tax rates in order to garner more revenues, maybe a review of the applicable items on the above checklist should be pursued first. After a thorough analysis and implementation of appropriate fiscal policies, like that pursued by the city of Newport Beach (see "Government Agencies Should Develop a Financial Plan—Here's How," July 20, 2024), the fiscal direction of a city may improve. Getting a fiscal house in order may just eliminate the need to tax a city's residents more.

Views expressed in this article are opinions of the author and do not necessarily reflect the views of The Epoch Times.

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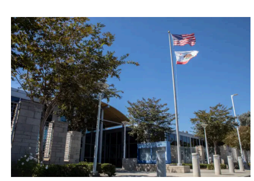

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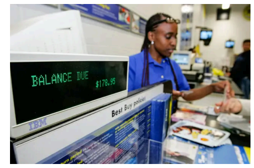

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