

Letter to the Editor in January 24th Ukiah Daily Journal

Mendocino County Farm Bureau (MCFB) supports transparency and accountability in county government. In that light we wanted to learn the truth about our County's debt.

The several County officials we met with last summer raised more questions than they answered. Due to this, we sent a follow up letter to County Chief Executive Officer (CEO) Tom Mitchell on 9/15/09 asking for clarification on several issues. We waited two months for a response then wrote a second letter to the CEO and the Board of Supervisors that was printed in the Ukiah Daily Journal on 11/15/09.

When we finally received Mr. Mitchell's letter in response we were encouraged to read that he shared many of our concerns - restoring public trust, fiscal responsibility, responsive, reliable and cost effective government. But as we read on, we were disappointed to find the response heavy on political spin, light on simple facts and very little action. You can read our letter and the County responses at our website, "www.mendofb.org".

We asked if the County has a clear plan to improve our local economy. Based on the County's track record and carefully reading Mr. Mitchell's response we believe the short answer is no - they don't

We next asked for the projected costs of the County's retiree healthcare benefit will be over the next 10 years and where the money will come from to pay it. Mr. Mitchell responded that according to an Actuarial Study published in August 2008, payments that year were projected to be \$4.7 million and would grow in 10 years to \$8.2 million.

Regarding where the money will come from, Mitchell provided the same answer County officials have given for decades - County Pension Fund "Excess Earnings" - investment profits above the Fund's target of 8%. But the average return was 6.3% in the 12 years ending in 2008 and that was before the funds were removed to fund retiree health care. Every dollar diverted from the Pension Fund to pay retiree healthcare simply increases the County's long-term debt.

The Actuarial Study to which Mitchell referred shows the county must either pay \$7.4 million annually over the next 30 years or put \$130 million into the retiree Healthcare Fund now. County officials want us to believe investment profits can make these kinds of payments and also dig the Pension Fund out of its current deficit. Given the Pension Fund's history this is ludicrous.

County officials claim the County isn't obligated to fund retiree healthcare and we aren't advocating a change in that policy. The CEO however should report what the legal status of this obligation really is, how this benefit can be funded without increasing the County's debt, and what our options are moving forward.

The next question was "how much is the County's debt?" Mitchell referred us to an audit dated June 2008 posted on the county's website. We found the most significant debt is Pension Obligation Bonds (POB) at \$92 million. The next most significant debt was Certificates of Participation (COP) - a type of real estate financing - at \$26 million.

Why would the CEO not just answer this simple question? Is it the unstated goal of this public servant to befuddle the public by forcing the common citizen to spend countless hours digging through the financial catacombs, to bury the facts so deep that anyone without excessive free time would simply give up? Is there truly a serious conflict between the erstwhile public servant and the public tax payer? Or is this simply an example of serious fiscal mismanagement and a CEO who doesn't know the facts either?

What about the County's Pension Fund deficit? Mitchell referred this question to former County Chief Administrative Officer and current Retirement Administrator James Andersen. In four pages he pointed out our "lack of understanding of pension financing", how "the numbers you requested are meaningless or perhaps even misleading" and other "misconceptions" of our membership. Mr. Andersen did give us figures from \$62 million to \$129 million in unfunded pension liability. This figure should have meaning to Mendocino County's taxpayers, since they are on the hook to make up the deficit.

So the only thing we learned for sure is that the County is deep in debt, we just do not know how much debt. It owes \$130 million for retiree health care, \$92 million for POB, \$26 million for COP, and between \$62 million and \$129 million for unfunded pensions. We'll ignore the \$11 million so-called "Teeter Plan" debt for now since no one can or will explain who we owe it to. Our best estimate is that the County's debt is somewhere around \$350 million! To add to this, our original intent was to provide some additional information on the principle and interest payments

as well. Unfortunately this proved to be overly problematic since we only had two accountants contributing their time to assist us with the process. Depending on where you look you will find wildly different numbers, so a consensus was not made. As a result of this exercise we have come to one conclusion, the CEO probably does not truly know what the overall County debt is either.

Our final question was about making financial and budget information more readily available and understandable to the general public. The CEO says budget information conforms to State guidelines. The issue is not about guidelines, it is about transparency and clarity for the general public. Financial information needs to be clear, concise and readily available. It should not take six months of meetings and letters to understand the extent of Mendocino County's debt.

If the stockholders of a corporation asked their CEO questions of this nature, there would be no tolerance for a two month response time and a preponderance of fluff over fact. We believe our elected Auditor-Controller Meredith Ford and Treasurer-Tax Collector Shari Schapmire have a responsibility to step up and make this information readily available to our Supervisors and the public in a clear and understandable format.

The residents of Mendocino County deserve real up to date comprehensive financial information and a competent, well thought out plan to address how our county will pay down this debt without cutting vital public services. Kicking the can down the road until the next CEO or Board of Supervisors comes into office is no longer an acceptable answer.

Sincerely,

Mendocino County Farm Bureau
303-C Talmage Road
Ukiah, Ca. 95482
(707) 462-6664
mendofb@pacific.net