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"Op-Ed" – "Guest Viewpoint"
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Mendocino County's Mental Health Tax and Unfunded Pension Debt

I have great respect for Sheriff Allman. He's right - we need mental health facilities and services. I understand why many will vote for Measure B in November to increase sales taxes to accomplish this goal.

With a heavy heart I will vote No.

We're already paying for mental health services. Why don't we have it? More importantly, their lack is caused by a deeper and more dangerous problem. I fear Measure B's passage would make it harder to solve.

My understanding is Measure B would raise $35 million for our County (population 88,000) over 5 years. In those same years the County is scheduled to pay $100 million for unfunded pension debt that isn't supposed to exist.

Since 1998 Retirement and County officials created $285 million of unfunded pension debt. Including interest we'll pay two-thirds of a billion dollars that won't produce one minute of public services such as helping disadvantaged seniors or kids in unstable situations.

Measure B isn't a "mental health" tax – it's a "PENSION TAX". Unfunded pensions stole our mental health services. County employees didn't know this was happening but they and County residents will be the ultimate victims.

The California State Association of Counties and others publish a report about streets and roads. We have the worst county roads in California. They say $800 million needs to be spent over 10 years to fix them. (The State and Feds would help but the County needs to spend significant money.)

The next tax increase will probably be a "road tax". How will officials sell the one after that?

They will all be Pension Taxes.

Twenty-one California counties operate their own Pension Funds. Ours is in the worst shape because of unfunded pension debt. Why?

A "Perfect Storm" of unforeseeable catastrophes?

No. Two quotes (slightly paraphrased) from the "Kroll Report" about the City of San Diego exactly explain what happened here. "What brought the system to a crisis was a number of completely foreseeable financial challenges to a pension system debilitated by years of reckless and wrongful mismanagement involving any number of County and pension board officials".

Retirement and County Officials "cultivated a culture of financial management and reporting premised on non-transparency, obfuscation, and denial of fiscal reality. Under the pressure of short-term needs, officials gave expedience a higher priority than fiscal responsibility and came to view the law as an impediment to be circumvented through artful manipulation. No one felt accountable for the accuracy of Pension Fund and County financial reports."

I've boiled a huge story down into 3 articles – this is the first. The next two are evidence on which I rest my case.

I don't know when the next recession will be. But it will be well before the County pays off today's unfunded pension debt. It will force a big spike in unfunded pension debt payments. But the Retirement Board and County happily assume the Pension Fund will earn 7% every year even though their investment advisors say they have only a 50-50 chance to earn 6.2%. Shortfalls increase unfunded pension debt consuming more of our taxes thereby further cutting services.

Given the record why should anyone think officials won't create more debt?

The next recession will probably be the breaking point when voters no longer tolerate the destruction of County services and roads and growing pressure to increase taxes. By then the only way to rebalance County finances will be to enter Federal Bankruptcy to write-off a significant amount of pensions owed to our employees and retirees. That could throw hundreds of County retirees into old-age poverty.

The only way to avoid that horrible result is a "Grand Bargain" before the next recession - a significant write-down of unfunded pension debt including Pension Bonds, iron-clad changes so this debt will never happen again, and an infusion of taxpayer money to secure restructured future pensions and reestablish our County's ability to provide the basic services we deserve – including mental health.

The more taxes like Measure B we pass the less likely voters will agree to increase taxes needed to make a Grand Bargain possible.

We must stop sliding further down this hole. Without pressure the Retirement Board and politicians will not solve this problem.

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