

Orange County Register

OC WATCHDOG

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Local governments may have to report billions in extra debt

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Governmental Accounting Standards Board A federal board that sets accounting standards for local governments is leaning toward requiring that cities and counties report their pension debts in a way that could damage their ability to obtain credit.

Staff for the **Governmental Accounting Standards Board** is eyeing a plan to make municipalities report their pensions' unfunded liabilities on their balance sheets — which are used by lenders to determine an agency's financial health. Currently, the unfunded liabilities are listed as footnotes.

The change, already required of private financial firms, would add millions of dollars - in some cases billions - in reported debt to cities and counties.

For the city of Orange, that would mean about \$60 million.

For the county of Orange, that would mean about \$2.5 billion.



“What you're doing is taking the hay out of the loft and putting it on the floor where everybody can see it,” said Orange County Supervisor **John Moorlach**, an outspoken pension reformer. “If GASB issues that (decree), it's going to be a mind-blower.”

Marcia Fritz, a Sacramento accountant who works with the national board, said the staff is supporting a plan requiring that unfunded liabilities — the debt a municipality would face if forced to immediately pay off its pension — be listed on the balance sheet.

It would mean that the liability is a bona fide debt, Fritz said. Retirement plans have likened unfunded liabilities to mortgages that are not due for decades and therefore aren't as big a debt as they may seem.

Orange County Auditor/Controller **David Sundstrom**, who sits on the national board, confirmed that the agency is considering the accounting change and hopes to have a draft by July 1.