

Councilman Robinson has been steadfastly disseminating that the \$247.00 per Lake Forest resident cost for law enforcement stated by Councilman Nick is baseless. This is despite that Robinson indeed knows that there is a basis for that number however much he may not understand the concept of that basis. Indeed, when he was misbehaving and was unruly, or as he later called it when he was being "passionate," during the Council session on June 16, Nick told him something to the effect of "You have to account for the unaccounted accrued pension." Instead, during the said Council session, Robinson, disregarding Nick's statement, preferred to rely on what was found in a "giant binder" of someone who has, at best, a functionary position within the OCSD on June 16.

Now back to the basis. A non-accountant must first understand how entitlement programs are accounted for in governments and public agencies. In short, how entitlement programs are accounted for in such entities, as opined by many prominent individuals in the private sector, is indeed fraudulent and misleading for these entities do not recognize in their Balance Sheet (aka Statement of Position) the respective liability incurred during the very year in which the benefits are earned. This goes against the "Matching Principal" of Accounting, which is a much fundamental premise in Accounting, and it goes against every fiber of the full disclosure doctrine. Instead, governments and public agencies show such a liability in the notes to the Financials. GASB has tried over the last few years to curtail this mess ("loophole") somewhat by the introduction and phased implementation of Statements 67 and 68.

To illustrate further, the way Unfunded Actuarial Accrued Liability (UAAL) for such pensions works is similar to how our troubled Social Security system works in that it effectively robs Peter to pay Paul. In order for CAFR's to be truly reflective of the year's operations, there must not be any UAAL at year-end. However, that is very difficult to achieve, given that many assumptions must be taken into account to have the "perfect" funding (and overfunding is almost as bad because that would be impeding the cash flow unnecessarily). Therefore, 100% funding would be impractical, however, any unfunded pension liability of 10% or higher is cause for both concern and corrective action, and intrinsically it is just not healthy.

Now, the OCSD's pension liability, as reported in Note 10 in the Dec 31, 2013, OCERS's CAFR, was as of then 66% funded resulting in about \$5.4 Billion of UAAL. Respectively, the same numbers for Dec 31, 2014, are about 70% and \$5.1 Billion of UAAL (Dec 31, 2014, CAFR by OCERS was published several days ago).

Several weeks ago, by looking at various financial elements and the trends therein, Councilman Nick estimated that for the year ending Dec 31, 2014, the OCSD's OCERS's pension liability was at best going to come at about only 72% funded with about \$5 Billion of UAAL (as stated above, several days ago when published it came at 70% and \$5.1 Billion of UAAL, which goes to show how impressively close Nick's estimate was).

Now, the OCSD has given us a contract for law enforcement for the year July 1, 2015 – June 30, 2016 with a cost of \$14,200,000.00. Being financially conservative and strongly believing in the notion that every generation must pay its own dues rather than deferring them to future generations, if one were to opine that the true, unadulterated cost of law enforcement per the said contract for Lake Forest residents totaling 80,000 in number comes to \$247 for the said fiscal year as calculated below, one would be stating a fact, rather than distorting of anything:

$\$14,200,000.00 / 80,000 = \177.50 Nominal cost per resident

$\$177.50 / 72\%$ or simply $\$14,200,000.00 / 80,000 / 72\% = \246.53 True cost per resident (rounded to the nearest dollar, it will be the very \$247 figure Councilman Nick's been referring to for several weeks now)

The fact of the matter is at some point the OCSD can no longer defer and delay incorporating the unfunded sum by amortizing and phasing it into its annual contract. In fact, the OCSD has already started its catch-up plan, and it is just a matter of time before this breaks the back of every contract City. I submit to you that this mismanagement can and will go only so far and I don't want to be an OCSD Contract City when the music stops and they start choking as they will take me and my City down with them.

With that illustrated, a cursory review of Councilman Robinson's company and its practices may reveal that at times bills are not paid to a point that legal actions are taken against the company. Perhaps, Councilman Robinson does NOT realize that just because you ignore and not fund or account for a bill for rented cranes or say a pension liability, the bill does not go away nor does the liability vanish. In fact, often it becomes larger and it will eventually hunt you down. Just by way of example, one can cite Case #02S04595 Los Angles Courthouse and Case #11CL2900 Norwalk Courthouse.