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Santa Clara County needs to pay retiree health bill

By Joe Simitian

If you make a deal you have to honor it, not just as a matter of good faith but as a matter of law.

Santa Clara County will eventually have to come up with $1.8 billion to pay for retiree health costs it hasn't funded — a $1,000 liability for every man, woman and child in the county. Perhaps even more troubling, that number is growing fast. Which means we've got to take action fast.

A dozen years ago, the unfunded liability for retiree health benefits was just $69 million. Eight years ago, the number was $400 million. Now, $1.8 billion. It has grown over time because during the lean years, the county deferred payments in order to maintain services. Now it has to make up both the amount it failed to pay as well as the return on investment it didn't get during those years of underfunding.

And it gets worse quickly. According to the county's own estimates, the number will grow by well over $100 million in a single year if we don't start paying down that unfunded liability. It can and should be done, but it will require considerable discipline.

Funds that have been set aside for retiree health but not yet applied to the obligation should be committed immediately. Every day those funds are not directed to paying down the liability is another day we forgo the return on investment they are supposed to provide.

Second, as the county receives additional tax revenues from the phase out of local redevelopment agencies, the bulk of those new revenues should be applied to the unfunded liability. While that money may not arrive for many years to come, the commitment should be made now, before other admittedly pressing requests lay claim to the funds.

Simply put, we have to make good on the obligations we've already incurred before we incur significant new obligations.

Third, and finally, we have to begin this year to commit some portion of the county's $4.5 billion annual budget to paying down our debt, and we need to plan now to grow our payments quickly and dramatically. Do as much as we can this year, more the year after, and more the year after that.

This will mean fewer dollars for programs and services we all value. But that hit will be even greater in the future if we let the unfunded liability continue to mushroom.

Confronting a challenge of this sort certainly isn't easy politically. In too many communities, the issue of escalating retirement costs has been polarizing. But it needn't be and it shouldn't be.

Taxpayers have an interest in seeing this growing debt managed quickly. Employees have an interest in protecting the health benefits they've already earned. And both sets of interests require immediate action.

We can't afford to wait. It's a case of pay me now, or pay me — a lot more — later.

Joe Simitian represents District 5 on the Santa Clara County Board of Supervisors. He wrote this for this newspaper.

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County should agree to pay down debt

The Santa Clara County Board of Supervisors could be on a good-government roll.

Last week a 4-1 majority agreed to require board members and other top county officials to post their calendars online so people can see whom they're meeting with. And on Tuesday, the board will vote on an ordinance for a retiree health care payment plan aimed at reining in a $1.8 *billion* unfunded liability that, without remedial action, could continue growing by more than $100 million a year.

The plan by Supervisor Joe Simitian should be approved — not as an optional policy, as county staff proposes, but as the law. Supervisors can always change an ordinance, but it's pointless to even pass one that says it's OK to just ignore it.

Simitian opposed open calendars, but newly elected Supervisor Cindy Chavez joined the others to make that vote 4-1. She said the county should follow up with other transparency rules similar to San Jose's, where council members have been posting calendars for years and lobbyists have to report activities, among other sensible requirements. It was a good start for Chavez, who was chosen in July to replace George Shirakawa Jr.

Simitian returned to the board this year and found the health care liability had grown 2,500 percent from the $69 million level when he left 12 years ago. The board had neglected payments during the intervening recession, and that had compounded the damage from a free-falling stock market.

Santa Clara County has complex challenges this year, from an ambulance contractor in bankruptcy to a threatened strike by county employees. But doing the public's business in public and getting out of debt are basic. They should be priorities.