



COUNTY COURIER

Official Publication of the Orange County Historical Society

www.orangecountyhistory.org

10th Anniversary of Orange County Bankruptcy



Graphic from the official Treasurer - Tax Collector Web site of Orange County

Our program this month will be about the Orange County bankruptcy, its impact and recovery. Coincidentally the 10th anniversary of the bankruptcy falls in the second week in December. Who better to present such a topic than John M. W. Moorlach, Orange County treasurer and tax collector. Those who attended the December 2000 OCHS meeting on "California statehood through the eyes of Jessie Benton Frémont" will remember what an engaging and knowledgeable speaker John Moorlach is on California history. This topic is different in that he has first hand knowledge and has lived through this event in history.

We will meet on Thursday, December 9, 2004, at 7:30 p.m. at Bower's

Kidseum, northwest corner of Main and 18th Streets, Santa Ana. The public is invited.

From Philippe Jorion, University of California, Irvine comes the following brief description of the bankruptcy:
"In December 1994, Orange County stunned the markets by announcing that its investment pool had suffered a loss of \$1.6 billion. This was the

largest loss ever recorded by a local government investment pool, and led to the bankruptcy of the county shortly after. This loss was the result of unsupervised investment activity of

Bob Citron, the County Treasurer, who was entrusted with a \$7.5 billion portfolio belonging to county schools, cities, special districts and the county

itself. In times of fiscal restraints, Citron was viewed as a wizard who could painlessly deliver greater returns to investors. Indeed, Citron delivered returns about 2% higher than the comparable State pool.

This was in spite of repeated public warnings, notably by John Moorlach, who ran for Treasurer in 1994, that the pool was too risky. Unfortunately, he was widely ignored and Bob Citron was re-elected.

Citron was able to increase returns on the pool by investing in derivatives securities and leveraging the portfolio to the hilt. The pool was in such demand due to its track record that

Citron had to turn down investments by agencies outside Orange County. This was in spite of repeated public warnings, notably by John Moorlach, who ran for Treasurer in 1994, that the pool was too risky. Unfortunately, he was widely ignored and Bob Citron was re-elected.

The investment strategy worked excellently until 1994, when the Fed started a series of interest rate hikes that caused severe losses to the pool. Initially, this was announced as a "paper loss". Shortly thereafter, the county declared bankruptcy and decided to liquidate the portfolio, thereby realizing the paper loss."

John M. W. Moorlach, Certified Public Accountant and Certified Financial Planner, was appointed to fill the vacancy of Treasurer-Tax Collector on March 17, 1995. The resignation of the former Treasurer, due to the County's \$1.64 billion in investment losses, provided this opportunity for John to improve a financial situation that he tried to prevent.

John challenged the six-term incumbent for the Orange County Treasurer-Tax Collector position in the June 1994 primary. He assembled a fine group of supporters, including Congressman Chris Cox as Honorary Campaign Chair. He was the first to challenge the incumbent who was initially elected in 1970. John addressed many issues relating to the County's investment strategies, including encouraging an emphasis on the preservation of capital (safety) and opposition to the aggressive use



of leverage (arbitrage), derivatives, and not marking securities to market values. The campaign received national attention, including several articles in *The Wall Street Journal*, with John garnering nearly forty percent of the votes cast.

Just prior to the June 7, 1994 election, John wrote a letter to the Chairman of the Board of Supervisors detailing the aggressive nature of the County's portfolio. In the conclusion of this May 31st letter John warned that the Board should "prepare for a worst case scenario." The Board chairman did not respond. Standard & Poor's and Moody's were not concerned. The participants in the County's portfolio incorrectly concluded that John's warnings were "political rhetoric." Six months later the portfolio imploded, proving John's warnings and "resulting in large losses of investor dollars."

Accordingly, John has the distinction of having predicted the largest municipal bond portfolio loss and bankruptcy in U. S. history. Consequently, John has been in demand as a public speaker and has been featured in hundreds of newspapers and magazines, and on numerous television and radio programs. He was the cover story for the October 1998 issue of

"Treasury & Risk Management." Local honors include being recognized as the "1994 Newsmaker of the Year" by the Newport Beach/Costa Mesa Daily Pilot, as well as being included in its annual listing of the 103 most influential people in Costa Mesa and Newport Beach every year from 1995 to 1998.

John successfully ran to fill the remaining two-year term of his predecessor in March 1996. During this election cycle, John also successfully campaigned against the flawed County Charter proposal, Measure T. This followed his opposition nine months earlier of the defeated sales tax proposal, Measure R, declaring that it would dampen the since realized economic recovery. John also successfully lobbied and campaigned for term limits for Costa Mesa City Council members, which passed by nearly 80 percent in the November 1996 election. He ran unopposed for a four-year term, becoming Orange County's highest vote getter on June 2, 1998 and March 5, 2002.

John has achieved significant accomplishments during his brief tenure, including:

- Issuing comprehensive monthly Treasurer's Management Reports that provide full disclosure regarding the County's composition and management of its investments.
- Establishing the Treasury Oversight and Treasurer's Advisory Committees.
- Writing an Investment Policy Statement that received the Certification of Excellence Award from the Municipal Treasurers'

Association of the U.S. and Canada.

- Returning the management of the County's \$2.3 billion portfolios in-house, thereby reducing investment expenses by \$1.3 million per year.
- Receiving the highest possible rating, AAA/V-1+, from Fitch IBCA for the County's two Money Market Investment Pools.
- Making significant departmental budget cuts, while implementing improved banking, cash flow forecasting, accounting, investing and portfolio compliance technologies.
- Initiating a quarterly external monitoring review of the County's investment pools for compliance purposes.
- Achieving the best tax collection statistics in over a dozen years.
- Assisting in the due diligence of over \$1.5 billion of County issued debt.
- Initiating an annual Treasurer's Conference for Orange County municipality elected officials and staff.
- Assisting in the largest litigation settlement in United States municipality history, totally more than \$800 million.

John serves on the County's Audit Oversight Committee, Results Oriented Government Steering Committee, Information Systems Outsourcing Steering Committee, is an ex-officio member of the County's Public Financing Advisory Committee, and is a director and past Chairman of the Orange County Employee Retirement System (OCERS) Board of Directors.

An avid California historian, John even has a photograph published in

"California Historical Landmarks," 1990, published by the office of Historic Preservation, California Department of Parks and Recreation.

John's hobbies include his 1974 Bricklin SV-1 and 1990 Avanti four-door touring sedan, book collecting, reading, backpacking, western states Jewish history, and California historical landmarks.

John emigrated with his parents from the Netherlands in 1960. his birth certificate reads, "Johannes Meindert Willem Moorlach." John and his wife, Trina, and their three children, Sarah, CJ, and Daniel, reside in Costa Mesa. They attend Newport-Mesa Christian Center in Costa Mesa.

Come join us at Bower's Kidseum on Thursday, December 9 at 7:30 for an evening that is certain to be informative and entertaining.



FYI

The Orange County Treasurer- Tax Collector Web site at [http://](http://tax.ocgov.com/treas/index.asp)

tax.ocgov.com/treas/index.asp has everything you would want to know about the treasurer office, investment policy, and matters important to the county as a whole but there is also information of interest to the individual.

By visiting the site you can sign up to receive a FREE email reminder to remind you when your Secured Property Tax Installment is due. (a secured tax bill covers all real estate taxes. These taxes are a lien on a real property.)

That is something I did not know until

accessing the FAQ link. Another question and answer that was interesting was: **Q.** My tax bill was mailed to the wrong address and I never received it. If I pay my taxes immediately, will you remove the penalties?

A. Pursuant to the Revenue and Taxation Code 2610.5, failure to receive a tax bill does not excuse penalties.

The site also conveniently displays the Tax Calendar so one can check due dates and deadlines for first and second installments of secured and unsecured* taxes. And to make it even easier you can also pay and review your property taxes online.

Ever wonder who were the top ten Secured Taxpayers for 2003-2004 in Orange County?

The Irvine Company
Walt Disney World Co.
Irvine Apartment Communities
Southern California Edison Co.
SBC Communications
United Laguna Hills
Irvine Co. W VA (Newport Nautical Museum)
McDonnell Douglas Corp.
Irvine Community Development
Southern California Gas Co.

This is not exactly history but maybe in a way it illustrates how the Internet has drastically changed the manner in which information is distributed and acquired. And that has an impact on history as to what is saved. With so much information so readily available there is less compelling need to acquire or save printed matter.

* Unsecured taxes cover all business, aircraft, mobile homes and boat taxes.

The Conference of California Historical Societies

This resume bears repeating, for both new and old members (from the *HISTORIAN*, Summer 1997)

Founded in 1954, a sharing and coordinating umbrella for historical societies, the Conference of California Historical Societies (CCHS) helps local organizations and individuals preserve and promote regional and local history. It assists in preserving records, buildings, sites and artifacts; forming local societies; aiding small museums with management, acquisition, preservation and restoration techniques; developing house museum designs; and sharing information through workshops, conferences, publications and direct contacts.

CCHS membership is statewide, representing small historical societies and museums in every county of California, public libraries and corporations with historical collections, and individuals from a wide variety of occupations. CCHS has divided the state into 40 regions, each under a regional vice president (RVP). A listing of RVPs is on page 35.

CCHS activities include three conferences a year in different locations throughout the state; an annual awards program; a scholarship program for Young Historians; an insurance program designed to meet the liability needs of local historical societies; an active committee system

addressing a variety of concerns; and periodic workshops tailored to regional needs. The principal publication of the Conference is the California *HISTORIAN*, a quarterly journal of historical articles, technical information, book reviews and news and views from every corner of the state.

Our Society as a member of this group archives the *California HISTORIAN* which is filled with interesting articles of historical interest with great old photos. Such articles as:

- **WHEN THE TRAIN STOPPED AT KEENBROOK**, (a railroad water stop for steam engines and a rest stop for travelers heading northwest from San Bernardino over the Cajon Pass.) Winter 1997
- **THE RIDGE ROUTE** (first mountain highway engineered over such unforgiving terrain, was also a major factor in preventing the political division of California.) Summer 1997
- **OIL & SPIRITS MIXED**. . .in a town called Summerland where the nation's first offshore oil drilling occurred in the 1890s. December 1993
- **THE BATTLE OF FORT ROSS** . . .a State Historic Park twenty miles north of Bodega Bay December 1981
- **THE "SAN CARLOS" "MAYFLOWER" OF THE WEST** flagship of a tiny fleet about to open the sea-road for new Spanish conquests to the north [California] 1769 September 1975
- **U.S. GOVERNMENT CAMEL EXPERIMENT** There is myth and reality about the Army's camels and the truth is a more interesting

story than the fiction which surrounds the event.

March 1994

- **HISTORIC EARTHQUAKES**. . .includes a list of some historic California earthquakes their fault, magnitude and fatalities if known by Richard Proctor, geologist and president of Arcadia Historical Society in 1994. In the year 2000 he and his wife moved to San Clemente and are active in the San Clemente Historical Society. He is the new president of the Conference of California Historical Societies for 2004-2005.

Fall 2004

Since the inception of CCHS in 1954, CCHS headquarters has been located on the campus of the University of the Pacific.

NEW APPOINTMENT TO THE OCHS BOARD

OCHS is pleased to announce Harriet Friis has joined the Board of Directors. Appointed by the president, Greg Rankin to fill a vacancy of the thirteenth member of the board. Harriet, whose husband J J is on the board, will serve as a historian. As a retired reference librarian she is well qualified for this task and says she is looking forward to her first request. As those who read the *Courier* know from Ken's articles in the past, we get some interesting requests for research. Ken is doing well in his recovery and hopefully he will be back with the board in the Spring.

OCHS Calendar

2004-2005 BOARD OF DIRECTORS

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Newsletter Editor
714/525-4879Betsy Vigus
vvigus@pacbell.net

- Board Meeting
- Thursday Dec. 2, 2004 at 7:00 PM
at Kidseum
Dec. Meeting
- Thursday, Dec. 9, 2004
- Opening at 7:00 p.m.
- **Bower's Kidseum**
- **18th and Main Sts., Santa Ana**
- **7:30 p.m. Program:**

John M. W. Moorlach
Treasure-Tax Collector
County of Orange
**10th Anniversary of the
Bankruptcy**

- **January 13, Meeting**
- Program about Pio Pico and a tour of his adobe in Pio Pico State Historic Park in Whittier on Jan. 15.



Where will you find books on local history? Your best source is your Orange County Historical Society.

Books listed below in **BOLD** are pictured and described on our website: www.orangecountyhistory.org

Don't see the book you are looking for? ASK US. If we don't have it we will help you find it.

PLACE A DOLLAR AMT. OPPOSITE EACH ITEM YOU WISH TO ORDER		Proceedings of the Conference of Orange County History		1988	\$11.00	
				1989	\$11.00	
Bawdy Balboa by Judge Robert Gardner	\$25.00		Fruit Box Labels An Illustrated Guide to Citrus Labels by Gordon McClelland & Jay Last			
Cañada de la Brea by Virginia Carpenter	\$10.00				\$35.00	
Centennial Bibliography of Orange County	\$70.00		<i>All prices include sales tax</i>			
House of Bernardo Yorba by Don Meadow	\$4.00		MERCHANDISE TOTAL _____			
José Antonio Yorba by Arnold Dominguez	\$4.00		Postage and Handling (\$3.00 first item, \$1 each additional)			
The Portolá Expedition 1769	\$3.00		Orange Blossoms is \$5 per book, \$1 each additional			
Orange Countiana II	\$12.00		Orange County The Golden Promise is \$5 per book, \$1 each additional			
Orange Countiana III	\$12.00		TOTAL DUE _____			
Orange Countiana IV Architecture: soft A Window on the Past hard cover	\$32.00 / \$40.00		PHONE _____			
Orange Countiana V Early Businesses soft In Orange County hard cover SOLD OUT	\$22.00 / \$00.00		NAME _____			
Orange County Through Four Centuries By Dr. Leo J. Friis	\$15.95		ADDRESS _____			
The Orange Blossom 50 Years of Growth in Orange County	\$40.00		CITY, STATE, ZIP _____			
ORANGE COUNTY The Golden Promise by Pamela Hallan-Gibson 2002 edition	\$37.00		Make checks payable to OCHS			
			^ MAIL TO: John Sorenson, 14932 Gainford Circle, Irvine CA 92604			

ORANGE COUNTY HISTORICAL SOCIETY

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