

services that are required and expected by the citizenry.”

Mark P. Petracca, Ph.D., professor of political science at University of California, Irvine:

Find new “income streams,” for localities to raise revenue and pay creditors. “The one area where greater federal activity seems appropriate relates to the Securities and Exchange Commission. The capacity and propensity for investigation of bonds relating to the provision of municipal services, school districts, new residential and commercial development, and the privatization of formerly public services (such as toll roads) must be encouraged and enhanced.”

William J. Popejoy, designated Feb. 21, 1995 as Orange County’s first CEO:

Shuffle the local officials. “Change the organization of Orange County government from its current form of five supervisors (each, in effect, a CEO) with an elected treasurer, assessor, and auditor-controller, none of whom are directly supervised by the Board of Supervisors—to a functional organization that is more conducive to accountability and that is based on ability.”

Override the local voters

Robert Dean Pope, Hunton and Williams, Richmond, Virginia:

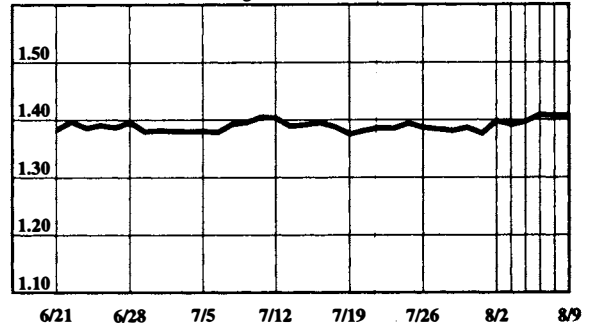
“There have always been opportunities for municipal borrowers, through bankruptcy or other proceedings, political and legal, to evade or delay the payment of their general obligation borrowings. Fortunately, few have ever attempted to do this. But Orange County clearly raises that concern in investors’ minds. An editorial in the *Financial Times* on June 29, 1995, noted, somewhat sarcastically, that the ‘willingness of voters in Orange County to risk their municipality defaulting on its debts is a fine old American tradition.’ ‘The lesson,’ the editorial concluded, ‘is that lending decisions must now focus as much on the willingness to pay as on the ability to pay. In a nation with a strong and growing anti-tax, anti-government sentiment, willingness to pay may no longer be axiomatic.’

“That is perhaps an exaggerated comment, written by an editorialist who lives in England, where investors have elephant-like memories, as the State of Mississippi discovered several years ago when it found out that its ability to borrow funds in London was impaired by the fact that investors still remember Mississippi’s last default—which took place well before the Civil War. The view expressed by the *Financial Times*, however, should not be ignored. If Orange County remains an isolated case, the damage, while real, is likely to be limited in time and in location. If instead municipalities regularly test the limits of the law in avoiding or delaying their obligation to pay and if state governments and courts do not punish them for such transgressions, all of us will pay higher local taxes to reflect higher borrowing costs.”

Currency Rates

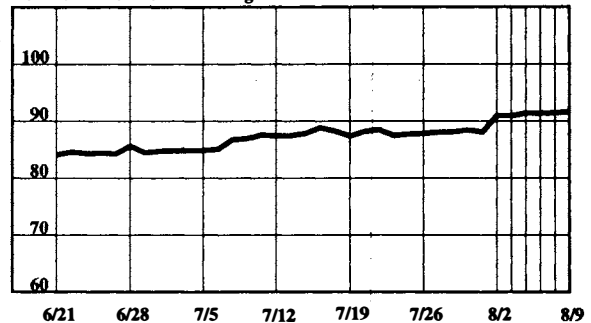
The dollar in deutschemarks

New York late afternoon fixing



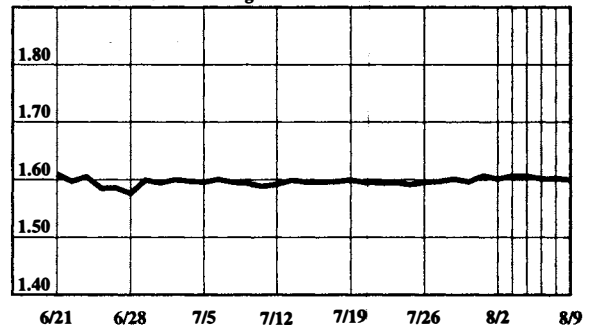
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

