

# **Bond Case Briefs**

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## **NYT: Police Salaries and Pensions Push California City to Brink.**

DESERT HOT SPRINGS, Calif. — Emerging from Los Angeles's vast eastern sprawl, the freeway glides over a narrow pass and slips gently into the scrubby, palm-flecked Coachella Valley.

Turn south, and you head into Palm Springs with its megaresorts, golf courses and bustling shops. Turn north, and you make your way up an arid stretch of road to a battered city where empty storefronts outnumber shops, the Fire Department has been closed, City Hall is on a four-day week and the dwindling coffers may be empty by spring.

The city, Desert Hot Springs, population 27,000, is slowly edging toward bankruptcy, largely because of police salaries and skyrocketing pension costs, but also because of years of spending and unrealistic revenue estimates. It is mostly the police, though, who have found themselves in the cross hairs recently.

"I would not venture to say they are overpaid," said Robert Adams, the acting city manager since August. "What I would say is that we can't pay them."

Though few elected officials in America want to say it, police officers and other public-safety workers keep turning up at the center of the municipal bankruptcies and budget dramas plaguing many American cities — largely because their pensions tend to be significantly more costly than those of other city workers.

Central Falls, R.I., went bankrupt in 2011 because its police and firefighters' pension fund ran out of money. Vallejo, Calif., went bankrupt after more than 20 police officers suddenly retired from its force of 145, fearing that if they waited they would lose their contractual right to cash out their unused sick leave and vacation time; the payouts totaled several million dollars, and Vallejo did not have the money. Miami weathered such a run in September 2010, when 154 police and firefighters retired en masse after city commissioners voted to make it harder to retire before age 50, use intensive overtime to raise pensions, and earn cash payouts.

Here, under the budget enacted last spring, about \$7 million of the city's \$10.6 million annual payroll went to the 39-member police force. The situation was so dire that an audit, compiled weeks before municipal elections in November but not made public until later, showed that Desert Hot Springs was \$4 million short for the year and would run out of money as early as April 2014.

So at a tense meeting last week, the new City Council voted unanimously to slash all city salaries, including those of the police, by at least 22 percent, as well as to cap incentive pay and reduce paid holidays and vacation days. For some officers who took advantage of overtime and the other extra payments, the cut could be as much as 40 percent, the union says. Management had already taken a hit: the former police chief and one of two top commanders retired this month, not to be replaced.

Wendell Phillips, a lawyer for the Desert Hot Springs Police Officers Association, quickly filed a fact-finding request with the state's Public Employment Relations Board, calling the cuts illegal and

vowing to go to court if they were not overturned.

"All they are going to end up doing is driving away their best, experienced officers and creating a police force made up of people who couldn't get a job on another force," Mr. Phillips said.

Even those trims, draconian as they were, will not be enough to close the budget gap, Mr. Adams said. More than \$2 million more needs to be found before the end of the fiscal year in June, promising months more of bitter wrangling and cuts.

"My idea is that we put up a thermometer outside City Hall, showing how much progress we are making as we close the budget gap," said Russell Betts, a city councilman and a supporter of the newly elected mayor, Adam Sanchez, who came into office promising to deal with the chronic budget problems once and for all.

"I think we're going to turn this crisis into a positive," Mayor Sanchez said. "We are not going to go into bankruptcy. That is not an option. We stumbled, but we're going to get back up again."

Cities have run into fiscal difficulties for many reasons, and few are as all-encompassing as the decades of economic decline and official mismanagement that made Detroit the nation's largest city ever to enter bankruptcy. California cities have had particular trouble with public-safety pensions, which are among the richest in the nation.

Calpers, the huge and politically powerful state-run pension system that covers Desert Hot Springs' workers, has steadfastly maintained during California's recent spate of municipal bankruptcies — Vallejo in 2008, San Bernardino and Stockton in 2012 — that under state law, cities cannot reduce the pensions of public employees. San Jose, the state's third-largest city, passed a ballot initiative in 2012 that authorized it to lower city workers' pensions, but a state judge ruled on Monday that this path, too, is illegal.

Police officers here, as in many California cities, can retire as young as 50 with 30 years of service and receive 90 percent of their final salary every year — drawing those pensions for decades. Police unions say the fault lies with state and local politicians who failed to adequately fund the pension system over the years, and inflated benefits during boom years. Others wonder whether such salaries and pensions were ever affordable, particularly in cities as small and struggling as this. In Desert Hot Springs, for example, for every dollar that the city pays its police officers, another 36 cents must be sent to Calpers to fund their pensions.

The average pay and benefits package for a police officer here had been worth \$177,203 per year, in a city where the median household income was \$31,356 in 2011, according to the Census Bureau. All of this had gone largely unnoticed until becoming the center of debate during the recent municipal election.

"I was in shock, like everybody else was," said Regina Robinson of the day she learned how much some city workers were earning. She owns Just Gina's hair salon, one of the few businesses on the downtown stretch of Palm Drive, the main street.

Mr. Adams said that California's rich police pensions were first offered to prison guards by former Gov. Gray Davis more than a decade ago. The move set off a chain reaction, with the California Highway Patrol soon clamoring for the deal, and then city police officers all over the state.

This is not Desert Hot Springs' first experience with fiscal problems. In 2001, it went bankrupt after losing a \$10 million lawsuit brought by a developer who complained that the city was thwarting his efforts to build affordable housing. The city had to borrow to pay the judgment and is still paying off

that debt — a struggle for a working-class town.

A sharp increase in gang and drug crimes in the 1980s led the city to disband its police force and contract with the Riverside County sheriff for law enforcement, but that proved highly unpopular and, in 1997, the city re-established its force.

A sweep by the local police and the county sheriff in 2009 led to dozens of arrests and was credited with easing what had been a growing gang crime problem. This was followed by the hiring of a dozen more officers onto the small force and the overwhelming passage of a new utilities use tax and a public safety tax, both dedicated to the police and other public safety departments.

Now residents are wondering whether the city will be forced to disband its police force a second time.

“Nobody wants to get rid of the police force,” Mr. Betts said. “People just don’t think the county would do as good a job.”

Mr. Phillips, the police union lawyer, said the current crisis had been driven by the new majority on the City Council — including Mayor Sanchez and Mr. Betts — that was philosophically opposed to tax increases. The union’s own proposal to address the budget shortfall — by cutting the size of the force and filling in with overtime work for which the officers would defer payment for 17 months, as well as raising the local sales tax — was rejected by city officials, who said it would only delay the reckoning.

What makes Desert Hot Springs’ troubles so heartbreaking is that a potential solution lies beneath the hard-baked ground. The resort sits atop one of the world’s finest sources of mineral water: piping hot, unusually clear and free of the sulfurous odor that many springs produce.

Small spas have been a part of the landscape here for decades, and there are still 22 of them, though many are struggling and in poor repair.

One of them, however, Two Bunch Palms, became a hot destination for Hollywood celebrities and global wellness tourists until it went into foreclosure in 2010 and briefly closed. Now, a new team of Southern California investors has bought the property with hopes to revive and expand it.

Mayor Sanchez hopes that the revitalized Two Bunch Palms will help spur the growth of other businesses in the city.

“We must get back to marketing and promotion,” he said. “We’ve got to return a sense of pride to Desert Hot Springs.”

By RICK LYMAN and MARY WILLIAMS WALSH

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