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The Desert Sun

Jan. 7, 2014 | [1 Comment](#)

## **Desert Hot Springs secures budget path to solvency**

**Officials: Bankruptcy now unlikely**



*Desert Hot Springs will most likely avoid municipal bankruptcy and could end the fiscal year with more than \$200,000 in available cash, the city's finance director informed the City Council on Tuesday. / Desert Sun file photo*

**DESERT HOT SPRINGS** — Desert Hot Springs will most likely avoid municipal bankruptcy and could end the fiscal year with more than \$200,000 in available cash, the city's finance director informed the City Council on Tuesday.

In November, the council, as part of a process to avoid bankruptcy, declared a fiscal emergency and has since sought to produce enough cash by June to pay city employees, while also making good on other contractual obligations, such as the city's contract with the Riverside County Fire Department.

Desert Hot Springs is projected to spend more than \$17 million this fiscal year, while bringing in about \$14.1 million in revenues, according to revised budget numbers released Tuesday.

But Amy Aguer, the city finance director, said the projected \$3.1 million gap has been closed and she expects the city will end the fiscal year with more than \$200,000.

Aguer said the needed funding was derived from "salary and benefit concessions" made by the city's various labor groups and other contract savings that were recently identified.

The council will still need to adopt a balanced budget for fiscal year 2014-15 to reflect the changes that have already been made.

Aguer said the city will also need to continue to grow its anticipated cash fund to \$1.5 million by June 30, which will be used to pay city employees and maintain city contracts.

The fiscal year begins July 1.

Interim City Manager Bob Adams said that staff is recommending a zero-based budget approach for the next fiscal year and is working to rebuild each city department's budget from the "ground up."

He said city leaders and department heads are continuing to carve out additional funding cuts in order for the city to provide adequate services to its residents.

Adams has previously said that the preliminary budget for the next fiscal year will be presented to the council in April.

So far, the City Council has approved several cuts, including immediately freezing cash payouts for unused vacation time for non-union city employees, halting all citywide expenses for travel and cutting almost all city employee and police salaries by more than 20 percent.

Two of the police department's highest-ranking officers also decided to retire less than month after the city declared a fiscal emergency, helping city staff find the savings the city needed.

Public safety is the city's biggest expense, taking about 70 percent of the municipality's entire budget. For example, the city spent more than \$1 million annually on police dispatch services alone.

Mayor Pro Tem Russell Betts warned that while Desert Hot Springs will most likely avoid bankruptcy it still needs to remain fiscally cautious.

"I just want to caution everybody that we may think we are through this but we are not," Betts said, adding that the city's budget problems still need to be considered for as far out as three years.

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