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## Riverside County mulls aiding Desert Hot Springs

**DESERT HOT SPRINGS** — With City Hall on track to overspend by about \$6.9 million in this fiscal year, officials from Riverside County and Desert Hot Springs plan to discuss potential solutions to their money woes.

Riverside County Supervisor John Benoit and Councilman Adam Sanchez, the new mayor-elect, agreed this week that a sitdown with Interim City Manager Bob Adams needs to happen quickly.

They hope to have the exchange before next Tuesday, when the council is expected to decide whether to declare a fiscal emergency, a legal maneuver that is common when cities try to avoid municipal bankruptcy.

Riverside County has helped cash-strapped cities in the past, including Desert Hot Springs.

But county officials on Wednesday said they couldn't speculate on whether they could assist Desert Hot Springs until they understood the full scope of the issue.

Such financial assistance would have to be endorsed by the five-member county Board of Supervisors.

"The question to me is what's your long-term viability?" said Ed Corser, Riverside County chief financial officer.

"As a banker, you would want to know what are the odds you could pay it back and what are the odds you could stay afloat. We don't want to anticipate a rosy scenario and have it go sour."

Desert Hot Springs' grim financial forecast wasn't clear until last week, when City Hall unveiled projections showing the city will run out of cash by the end of March. That's three months before the end of the fiscal year.

Finance director Amy Aguer announced during a special Tuesday meeting that the city will spend about \$6.9 million more than it makes in revenue in the current fiscal year.

The city had a little more than \$1.5 million in reserves as of Sept. 30, she told The Desert Sun on Wednesday.

In addition to bankruptcy, council members have been asked to consider disincorporation or annexation into Cathedral City or Palm Springs.

Sanchez said he wanted to have "an open discussion" with Benoit because "there may be a way for them to help us."

"We have a significant budget deficit, which is larger than half of the operating budget of the city," Sanchez said Wednesday, one day after the council held a special meeting on the budget.

"Everybody is still in shock right now. Everybody is still shocked that we have this large deficit."

Several of the proposed cost-saving measures would have a direct impact on Riverside County, although council members this week expressed reservations about reducing their city's public safety divisions.

City staff suggested the county could pick up the \$150,000-a-year bill for fire services for the next three years, then bill back the city at a lower annual rate over 10 years.

Another suggestion involved contracting with the county sheriff instead of having a city police department.

Benoit said it's "going to be a difficult decision" for the city on how to progress. But he said he wanted more information before announcing what steps he wanted the county to take.

The county sheriff's policy is not to provide cost estimates for service until a council votes on the idea, Benoit added.

"I'm not ruling it out as a possibility," Benoit said about helping out Desert Hot Springs. "Frankly, the county's budget is only slightly better than some of these cities. ... It may be fiscally impossible, what they're asking."

Riverside County has battled its own budget gaps for years, resulting in reductions in staffing and programs. The county has relied on its reserves to stave off the most devastating cuts.

The county's general discretionary fund, known as net county costs, has been reduced to about \$560 million. Corser said projections show this year's budget could end up as much as \$20 million short.

The county's reserves have dwindled to \$165 million, which is less than the \$250 million that rating agencies would like to see, Corser noted.

Riverside County officials have helped cities before.

When the state Legislature in 2011 passed Senate Bill 89, and eliminated the vehicle license fee revenue that new cities were expecting, the just-incorporated city of Jurupa Valley faced a shaky fiscal future.

County leaders have urged the state to restore the funding the city expected. Riverside County also granted Jurupa Valley a six-month delay in paying its bill for sheriff's services, Corser said.

And in 2007, when Desert Hot Springs needed a new city manager, the city couldn't afford Rick Daniels. So Riverside County Supervisor Marion Ashley used \$90,000 in taxpayer funds from a discretionary account to help cover his paycheck.

Daniels, whose contract called for a \$217,000 base salary, left the city in early September.

Other area cities also face budget woes that could impact county coffers.

Last week, Canyon Lake voters opposed a special tax measure that city leaders said was needed to keep a fire station open.

County leaders are not yet sure what that could mean for regional fire services.

"These hot spots that are cropping up ... are an added burden to us," Corser said of cities with budget woes. "But policy-wise, we would do what we can."

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