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# Desert Hot Springs City Council to mull votes in budget crisis

## Fiscal emergency move would open options, city staff say

**DESERT HOT SPRINGS** — The City Council on Tuesday will be asked to take the first steps toward municipal bankruptcy.

Interim City Manager Bob Adams told The Desert Sun on Thursday that the staff will recommend city leaders approve a fiscal emergency, a legal maneuver that gives the city greater flexibility to negotiate its debts and work with employee unions.

City leaders learned last week that, under new revenue projections, Desert Hot Springs is on track to spend about \$6.9 million more than it has in revenues for the current fiscal year. That figure does not factor in city debts, including \$6.7 million in unfunded pension obligations.

**City staff also warn that Desert Hot Springs could run out of cash by the end of March.**

Desert Hot Springs officials are expected to have a conference call Friday morning with representatives from Standard & Poor's to discuss the city's bond rating, according to Finance Director Amy Aguer.

Adams said the budget would be discussed at every City Council meeting until the issue has been resolved.

It was not clear whether the council majority would endorse the staff recommendation. Mayor Yvonne Parks expressed reservations about taking such a bold step so soon after finding out about the city's budget crisis.

"I'm not convinced" that the city should declare a fiscal emergency, she said. "I'm not convinced that we even meet the criteria. ... Hopefully, we're going to get more information. We know we're going to have to make cuts."

Asked Thursday if she would support a fiscal emergency declaration, Councilwoman Jan Pye said, "I can't answer.

"I don't want to go into bankruptcy. I'm going to do my best to study (the budget numbers) this weekend and find a way not to," she added.

Pye heads the city's finance committee.

Mayor Pro Tem Scott Matas said that while he believes "staff needs to get the numbers right before we act ..." a fiscal emergency declaration might be a "necessary step."

Matas added that he hopes there "isn't some ridiculous motion thrown out during Tuesday's meeting" such as "20 percent off" employee salaries.

"I hope we could all work together to come up with something reasonable and that people don't use politics as their driving force when they make recommendations," he said.

Desert Hot Springs' desperate fiscal situation was made public Nov. 7 in a financial report that showed the city in the red by more than \$3 million, and projected that the general fund would be depleted three months before June 30, the end of the current fiscal year.

Aguer said City Council must act.

If council doesn't make a decision then the city's essential services, such as public safety could be jeopardized. "We won't have any money to pay them," she said.

Aguer, in a financial update the council is expected to consider during Tuesday's meeting, proposes that the panel direct staff to "continue to work with city contractors to reduce their contract amounts, or hourly amounts, by 10 percent."

Also, she suggests that the council authorize management staff to review, along with the city's unions, "salaries and benefits" including retirement costs, health care costs and annual leave.

Should Desert Hot Springs officials decide they need a financial bailout, they shouldn't look for the state of California to open up its checkbook.

As a "general rule," state officials do not get involved in solving a city budget crisis and would not step in to avoid a municipal bankruptcy, said H.D. Palmer, the spokesman for the state finance department.

"The state does not come in and lend money," Palmer said.

As of Thursday morning, city leaders hadn't asked the state for financial assistance. But Riverside County officials are expected to sit down with city leaders in the coming days to discuss the impact that Desert Hot Springs' fiscal crisis could have on county coffers.

City officials are now considering drastic financial remedies, including bankruptcy and disincorporation.

Assembly Bill 506, passed in 2011, requires cities to declare a fiscal emergency or participate in a “neutral” evaluation of its spending and debts.

Jacob Roper, a spokesman for state Controller John Chiang’s office, said Chiang has asked lawmakers for greater authority to help prevent municipality bankruptcies.

Legislation has been proposed, but not passed, that would allow the controller’s office to step in if they believe there are false financial numbers being reported. Current rules only allow the controller to step in if there’s proof of falsified information, Roper said.

**DATABASE:** [Salaries of Desert Hot Springs city employees](#)