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# Parcel tax hike may win support in Desert Hot Springs

## City officials seek budget shortfall solutions

**DESERT HOT SPRINGS** — Facing a multimillion-dollar deficit and looming debt of more than \$26 million, the City Council will consider several measures Tuesday in an effort to save the city's critical services and not file for bankruptcy.

City leaders learned last week that Desert Hot Springs is on track to spend about \$6.9 million more than it has in revenues for the current fiscal year. This figure does not factor in city debts, which equal nearly \$27 million, \$6.7 million of which is in unfunded pension obligations. **If the city continues with the current spending plan, it will be out of cash by the end of March.**

Declaring a fiscal emergency will give Desert Hot Springs greater flexibility to negotiate its debts and work with employee unions. This legal maneuver will allow the city to modify labor agreements without necessarily reducing staffing or services.

The City Council will consider several city staff recommendations in an attempt to raise more revenue and lower spending. Many of these suggestions would require the legal flexibility that a fiscal emergency can offer.

The staff's proposals include a recommendation to review employee salaries and benefits, reduce contract costs by 10 percent and amend the parcel tax to a more equitable spread between various kinds of land uses. It's not the first time the city has considered adjusting parcel tax rates to be more "equitable."

In 2010, the Desert Hot Springs Public Safety Commission analyzed statistics broken down by land-use and calls for public service. According to these meetings, commission members found that the top three land-use categories for calls to public service, such as police and fire, were

single-family homes, commercial developments larger than 0.15 acres and multi-unit complexes.

The three categories accounted for nearly 80 percent of all public service calls, according to documents presented at the meeting. While the tax extension was placed on the ballot and approved by most voters, the City Council never updated the public-safety parcel tax by increasing rates for certain land-use categories.

City staff reported to the council in 2010 that even with the parcel tax extension, the city could still face more than a \$3 million deficit for its public safety budget for the next fiscal year if no cuts to police or fire were made. Despite city leaders being informed of the funding shortages in 2010, an amended parcel tax never arrived on the ballot.

On Friday, Mayor-elect Adam Sanchez stopped short of saying how he would vote Tuesday, but insisted that the city's running deficit is of significant concern.

Councilman Russell Betts said he would not approve any additional tax on homeowners but is willing to look into an increased tax on vacant commercial parcels.

"I am certainly in favor of an equitable rate, but I want to make sure that homeowners are not impacted," he said.

As far as voting for a fiscal emergency, Betts said "it might be politically difficult, but my vote will be yes. It is necessary and prudent. I think there are some people who are still in denial about how serious the problem is and at the same time, they are pointing the finger at other people."

"I think that the whole concept of a parcel tax needs to be reviewed," said Councilman-elect Joe McKee. "I think it has to be done (amended/increased), but I think we have to be careful on how it is approached."

McKee said he doesn't think anyone on the council "disagrees that we shouldn't raise the parcel tax."

Mayor Pro Tem Scott Matas said he is willing to discuss the possibility of voting for a fiscal emergency. "I want to know what we are planning to do with it first," he said.

Councilwoman Jan Pye and Mayor Yvonne Parks could not be reached for comment for this story.

**David Nyczepir contributed to this report.**

