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## **Desert Hot Springs union benefits under review**

**Detroit bankruptcy judge's pensions ruling could ease path to cuts for ailing city**



*Desert Hot Springs officials discussed the financial state of the city during a public hearing on Nov. 12. / Omar Ornelas/The Desert Sun*

**DESERT HOT SPRINGS** — While city leaders were negotiating with union leaders last week in an attempt to reduce Desert Hot Springs' budget deficit, a U.S. bankruptcy judge in Detroit delivered a ruling that could give cities more leverage over pension obligations.

Faced with a more than \$4 million budget gap, the Desert Hot Springs City Council unanimously declared a fiscal emergency last month, a step that could give city leaders greater flexibility to negotiate union contracts and try to avoid Chapter 9 bankruptcy.

In Detroit, U.S. Bankruptcy Judge Steven Rhodes found that “pension benefits are a contractual obligation of a municipality and not entitled to any heightened protection in bankruptcy.”

Detroit, a city built by the automobile industry and auto workers' unions, filed for Chapter 9 bankruptcy in July with a debt of more than \$18 billion.

Before the Detroit ruling, experts in California believed that pensions were protected by state and federal law. In California, Proposition 162 amended the state Constitution and further fortified the U.S. Constitution's language against any state “impairing the obligation of contracts.” Proposition 162, the Pension Protection Act, gave the “public pension system complete authority for administration of the system's assets” and prohibited the California Legislature from changing membership of the pension board.

Rhodes' verbal order — that he might allow pension cuts in Detroit — runs counter to those prevailing practices.

If Desert Hot Springs declares bankruptcy, Rhodes' decision will undoubtedly impact the process.

Negotiators in Stockton and San Bernardino, two California municipalities that declared bankruptcy within the past year, are reviewing the Detroit decision.

**During this fiscal year, according to city documents, Desert Hot Springs is on course to spend \$18 million and collect revenues of \$13.9 million.** City leaders have been meeting with union representatives in closed session with the goal of renegotiating employee contracts. Cuts to salaries and adjustments to incentive payouts have been discussed.

Police Chief Kate Singer told The Desert Sun on Tuesday that she's been able to cut more than \$669,000 through administrative directives to cut back on equipment and other logistic items.

“But I can't touch employee salaries, that's up to them,” she said, gesturing to the door where the closed-session union talks were taking place.

“We were given an offer by the city some months ago, and we accepted the offer for new contracts, but that has never been ratified,” said attorney Wendell Phillips, who is representing the Desert Hot Springs Police Officers Association.

Gregorio Daniel, spokesman for the Teamsters Local 911, which represents other city employees, did not immediately return a phone call seeking comment.

This year, Desert Hot Springs taxpayers paid \$1.6 million into the state retirement system to cover contractual obligations made to the city's public safety and city hall worker pensions. The amount doesn't include \$6.7 million of unfunded pension liabilities owed by Desert Hot Springs, according to CalPERS documents.

The city spends more than 70 percent of its budget on public safety and more than 50 percent on police alone.

"I think the police officer association and teamster attorneys are smart and will read about (the federal bankruptcy) decision, and it will factor in on their decision-making," said Councilman Scott Matas. "We need \$2.6 million to get through this year, but the question is, are we going to make it three or four years down the line?"

The immediate crisis for Desert Hot Springs is freeing up enough cash to cover obligations from now through the end of June, said Mayor Pro Tem Russell Betts. "The pensions are a longer-term issue. I am just hopeful the employees will recognize that we don't have a lot of options, and it won't take a Detroit decision for them to do it."

Newly elected Mayor Adam Sanchez has said he hopes the city's department heads can present cost-cutting proposals large enough to prevent the city from filing bankruptcy.

Former Mayor Yvonne Parks, a staunch supporter of the police department, told The Desert Sun that the solution could start with the department readjusting incentive pay for officers. "Everything stays the same except for their incentives," Parks said. "We can split the annual leave and sick leave into two separate entities ... I don't see that we can cut salaries."

However, Parks said that if the "new council" wants to negotiate cost-cutting "they can't treat them (police and city employees) like low-lives."

If the council can come together, the city can be saved, she said.

"We are in negotiations with employees right now, and we are going to have to look at everything," Betts said. "The word is sustainable, and if it's not sustainable, we can't continue down that path."

The city has 28 active officers — a little more than one officer for every 1,000 residents in the city of roughly 27,000 people.

"I don't want to call it negotiations," said Phillips, the police officers association representative and a former San Bernardino sheriff's deputy. "We are brainstorming with the city, and we are trying to find out what the actual numbers are."

Phillips said the police union is “willing to listen to any idea the city comes up with. We are going to look at parcel tax rates, the Boy and Girls Club (the city subsidizes the club with an annual payment of \$250,000), this is an ongoing problem. ... We want to make this work.”

In Detroit, union leaders have appealed Rhodes’ ruling. California cities may have to wait for a court of appeal’s decision for clarity.