# Desert Hot Springs, California, declares "fiscal emergency"

**Juan Verala Luz**
**15 January 2014**

At a public meeting, the city council of Desert Hot Springs, California, declared that the small resort town is in a "fiscal emergency." The forewarning and review that the city is undertaking mirrors the steps taken by other American cities seeking bankruptcy in order to rip up public employee benefits.

Meeting on November 12, the city council unanimously declared that its declaration would be the first step toward filing for Chapter 9 bankruptcy. Facing a $4 to $6 million budget deficit between expected revenues of $14 million and the $18 to $20 million needed, the council cynically declared that cuts were necessary "to avoid measures taken by the likes of Detroit, Stockton and Vallejo." However, comments by Democrat mayor-elect Adam Sanchez reveal the true intent of the declaration.

Commenting on the crisis, Sanchez stated, "There's room in this city budget to make the cuts that are necessary without going bankrupt." The "room" he refers to would come from slashing the "opulent" pensions and salaries that city workers receive. While emphasis has been placed on police pensions and salaries, preliminary proposals have also included slashing all city salaries by at least 22 percent, as well as capping incentive pay and reducing paid holidays and vacation days that became effective on December 28.

The key target of the cuts is the CalPERS pension system. When other California cities, San Bernardino and Stockton, filed for bankruptcy, city pensions became a main focus of the "fiscal re-adjustment." After the ruling by Judge Steven Rhodes that workers' pensions were fair game in the Detroit budgetary overhaul despite constitutional protections, lawmakers in California took this as a signal to intensify their own attacks on city workers.

Interim city manager Robert Adams declared that even the 22 percent reduction will not be enough to correct for the "serious structural imbalance" that the city faces. Adams, playing a role akin to emergency city manager Kevyn Orr in Detroit, stated that filing for bankruptcy could produce "significant service disruptions that would have a negative impact upon the public peace, health, safety and welfare of the community."

The sorts of disruptions highlighted by Adams already exist because of the severe "downsizing" that the city has undergone. Over the past decade, Desert Hot Springs has reduced its staff by 66 percent, eliminating 53 full-time jobs and 1 part-time position. Heightening this disruption of city services, the new year brought with it the closing of the local fire company, leaving the 27,000 residents without a firefighting squad reserved for their needs.

Complicit in these cuts are the unions, which have declared their support for pension and salary reductions of 40 percent for those workers "who took advantage of overtime and the other extra payments." The Desert Hot Springs Police Officer Association originally offered to cut the size of the police force and fill in with overtime work for which the officers would defer payment for 17 months, as well as raising the local sales tax, but even these measures were not severe enough for the city.

While the November 12 meeting was the first public acknowledgment of the city's financial crisis, attacks on pensions have been brewing since as early as June of last year. A report produced by municipal consulting firm Urban Futures, Inc. reveals the plan to take on city workers and effectively launch a local social counterrevolution in the city.

The report, which can be viewed here, highlights a three-pronged plan of attack that the city is urged to implement to confront its budget shortfall. Practical recommendations fall under the headings of Operations, Personnel and Revenue. Under Personnel recommendations, the firm notes the ongoing use of a two-tier wage system for new hires, similar to that concocted by the UAW-GM coalition to drastically reduce employee compensation. The firm urges “more steps” in salary ranges, which would effectively reduce workers’ salaries at every stage of their career. The report also recommends pay freezes if spending on salaries and pensions cannot be reined in.

Under Revenue, the firm notes that a “Sales Tax could be raised with declaration of fiscal emergency for lower voter threshold.” Other sources of revenue include an increase in the “utility user” tax as well as a 911 communication tax. Given the declaration of a fiscal emergency, workers should expect to see a push for a sales tax increase in the coming months.

Desert Hot Springs has already filed for bankruptcy once, after being sued in 2001 by housing development company Silver Sage Partners Ltd. when the city stopped it from building a mobile home park. Citing violation of the Fair Housing Act, the city was required to pay a nearly $6 million settlement to the company. The city is still paying off the $9.7 million in bond debt that it borrowed to pay the company as part of bankruptcy proceedings.

In 2009, the city gained national attention when it carried out an operation against what it called a growing gang presence. This was part of a major expansion of the police department. To fund this project, a utilities use and public safety tax were imposed.

Desert Hot Springs, in Riverside County, about 100 miles east of Los Angeles, had an official poverty rate of 21 percent in 2011, significantly more than the federal poverty rate of 16 percent. The county sits right next to San Bernardino County, another highly impoverished county where the county seat of the same name recently filed for bankruptcy.

Both the county and city are characterized by an obscene social chasm, as multimillion-dollar spas are located just down the road from crumbling infrastructure, a growing crime problem, and drug use and addiction.