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City's pension costs continue to soar

Council may be forced to make changes to avoid financial trouble

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The city of Bakersfield is going to have to find an additional \$1.6 million to pay for rising pension costs, which have more than doubled in the past two years.

In the 2003-04 fiscal year the city watched its pension costs climb to more than \$10 million, money drawn from the general fund, which pays for services like police and fire protection.

The following year those retirement costs jumped by an extra \$7.8 million.

Now, the city is expected to add \$1.6 million to those retirement costs, according to new analysis from California's Public Employees' Retirement System.

Those increases have been a big part of the city of Bakersfield's recent budget troubles -- financial challenges that have been compounded by workers' compensation increases and state government tax grabs.

The city has been forced to leave police and fire department jobs vacant, even as waves of those workers retired.

The street maintenance division lost many of its positions in the downturn and parks got less care as the Recreation and Parks Department also lost workers.

The city has been able to replace some of those jobs with money from sales tax increases powered by the strong housing market.

But the pension benefits have become an ongoing drain on the city's general fund budget -- the money the city uses to run its police and fire departments and the majority of other city operations.

The drain is enough that city leaders, and city government observers, are starting to talk about the need for pension changes.

"I've been thinking about this thing for three years and I hope we as the council have the fortitude" to find a solution, said Councilman Harold Hanson. "We want to take care of our employees but we just can't let ourselves get into a bankrupt situation."

Political consultant Gene Tackett said council members will have to contend with tough, motivated unions for the city's fire, police and general employee unions to make change.

"There's very few interest groups in city elections other than employee groups," Tackett said. "At some point that 14 percent (of the general fund) begins to impact new fire stations and hiring new firefighters and policemen."

There are two reasons for the dramatic increase in costs and their impact on the city's troubled general fund, said Greg Klimko, the city finance director.

Pension deals handed to police and firefighter unions several years ago gave employees the chance to earn close to 100 percent of their annual salaries in retirement at age 50.

Immediately afterward the stock market took a beating as the technology industry's venture capital bubble popped. The CalPERS system's investments took a bath and the city of Bakersfield's pension payments -- like those of other municipalities across the state -- shot up.

In the 2002-03 budget year the city paid only \$5.7 million for pensions -- 4.9 percent of the general fund budget.

This year the total pension payment from the city to CalPERS was \$18,660,114 -- equal to 14 percent of the city's general fund budget.

Its a sharp change in a short time.

Still, Assistant City Manager John Stinson was optimistic on one front. This year's \$1.6 million pension increase, assuming it doesn't get worse, is not as bad as past years, he said.

"We've seen a turnaround in the trend of large shortfalls," he said. "It could be worse. This is a positive sign."