

Councilman predicts bankruptcy for city

by Marjan Bavand Dunn

Councilman Denis Bilodeau asserts that the city of Orange will face bankruptcy if no action is taken to stem the rising costs of pension benefits for city employees.

A report to the city council by Rick Santos, Senior Pension Actuary from California Public Employee Retirement Systems (Cal PERS), painted a grim picture for the city based on the losses to Cal PERS from the downturn of the financial markets.

Santos commented that during flush economic times, local agencies used the surpluses to enhance benefits when they should have been saving the money. As a consequence during lean financial times, the surplus should have been used to offset losses.

Referring to data provided by city staff, Bilodeau is concerned that the city's share of pension contributions will increase from \$13.5 million in 2008-09 to \$23 million in 2013-2014. Putting these numbers into perspective, the city's total budget for 2009-10 is \$89 million. Bilodeau contends the city cannot cut an additional \$10 million from the budget. "We're already operating with a structural deficit," he noted.

The city's contribution to the retirement plans has risen

steadily from \$3.6 million in 02-03 to the current \$13.5 million. However the employees' contributions have not changed. According to Bilodeau, when the contract was negotiated with the police and fire unions in 2001, after the first seven percent, the city and the employees were to evenly split the 6.2 percent contribution into the pension system. However in 2003, the council froze the safety employees portion of the contribution at 3.1 percent

Fast forward to the current fiscal year 2009-10 and the police and fire employees contribute only 3.1 percent while the city's contribution has ballooned to 34.45 percent. In 2013-14 the city's projected contribution will grow further to 48.2 percent while the safety employees' share remains at 3.1 percent.

It is a similar story for the city's "miscellaneous" or non-safety employees. The city will contribute 21.23 percent in 2009-10 versus the employee contribution of 2.85 percent. In 2013-14, the miscellaneous employees will continue to pay 2.85 percent while the city will need to add 30.97 percent

"I know this is going to bankrupt the City of Orange," contends Bilodeau. He feels that city employees may view him as a troublemaker but he insists, "I'm trying to save their pension."