A few words from your City Manager

Rick Haydon

Word has it that when you see an iceberg, what you see above the waterline only tells you part of the story, and that’s true. In my previous Pathfinder article I discussed the financial challenges that lie ahead of us because of our escalating CalPERS pension-related expenses. I’ve coined this “A Fiscal Tsunami Heading Our Way” and even wrote an article to illustrate this issue. Rather than a tsunami, another metaphor could have easily have been an iceberg and since the Santa Maria was one of the three ships that made that historic voyage by Columbus back in the day, that might be a future analogy I might use.

The dictionary defines an analogy as “a resemblance in some particulars between things otherwise unlike.” Numbers and dollar amounts are hard for some people to fully understand and that’s why I have a tendency to use metaphors and analogies.

With respect to our future CalPERS pension-related expenses in the years ahead, from a financial standpoint, the numbers are mindboggling and its impact on our future budgets will be significant. I’ve been asked, is this an acute issue, no – it’s a chronic issue that won’t be going away for some time, which is why it’s important for everyone to be educated on this matter and to work together in order to ride out this financial storm.

At the June 20th City Council Meeting, the City Council was apprised that the City of Santa Maria, like many other public agencies, will be facing increased pension-related costs that will only continue to escalate at a precipitous rate over the next five years. In response to this information, the City Council requested that staff bring back a resolution re-instituting the Voluntary Time Off Program otherwise known as the VTO Program (please refer to CAM tab on the Intranet to find out more about this program).

The VTO Program was and is designed to enable employees to voluntarily take time off without pay - this saves the City money. The City previously used this program back in 1993-1995 (when the State took away a significant portion of our property taxes to help balance its budget), and then again in 2009-2013 (during the Great Recession). This will no doubt be the first step in our attempt to “right our ship” and address our future pension obligations.

As it stands now, under the best case scenario, our General Fund’s pension-related expenses will be over $6 million dollars more than what we pay today – that’s an average increase of $1.2 million a year (COMPOUNDED) for each of the next five years. That’s huge, that’s enormous, that’s gigantic, that’s massive – all synonyms that Word provided me as a replacement to the word ‘huge’ because I thought ‘huge’ didn’t illustrate the point I am trying to make. What’s ironic is that the last synonym that Word provided me was the word ‘titanic.’ Coincidence, or food for thought.

I will be extending an opportunity to meet with all the union/association Presidents to have an open discussion regarding this issue because I think it’s imperative that everyone clearly understands the financial obligations the City will be facing in the years ahead. And while it will be challenging to continue to maintain existing service levels in light of mounting pension costs, rest assured that by working together, by working efficiently and by working toward a common goal, we will be in control of our own destiny and will successfully weather the upcoming financial storm.