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Contra Costa Times Readers' Forum: Must work together on pensions to save services

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THE CONTRA Costa Board of Supervisors will soon be approving the county's annual general fund budget of $1.2 billion. Unfortunately, this budget will cut important public safety and health and human services.

Three main factors have contributed to our budget crisis -- declining property tax revenues, increasing employee compensation and benefit costs, and a dysfunctional state-local fiscal relationship.

After years of steadily rising property values, the real estate market crashed in 2007-08 and Contra Costa's average home values have fallen 53 percent since then. Property tax revenue growth was roughly 8 percent to 10 percent per year during the boom. Since 2008-09, cumulative property tax revenue has declined nearly 11 percent. Compounding this problem, the county's pension fund lost 26.5 percent of its market value in 2008.

Economists do not predict a major rebound in property tax revenues. We are most likely facing flat or minimal increases in revenues over the next few years.

Public safety (sheriff, district attorney, fire and probation) has been hit especially hard by the revenue decline. Additionally, we've had decreases in state funding for human services such as child care, foster care, child welfare and senior services at a time when demand for these services is growing.

While revenues have gone down, total employee compensation costs continue to grow. The single largest factor contributing to rising compensation costs is the county's increasing pension contribution for its employees.

Under state law, public agencies are obligated to make up for pension investment losses by increasing their payments into the fund. This is the major component of what is called our "unfunded liability."

Our pension costs are increasing by $29.2 million annually to a total of $249 million per year, mostly to make up for the 2008 market decline.

Pension costs could increase by another $29 million annually by 2015, even if the pension fund meets its targeted 7.75 percent annual investment return.

There is no doubt that increasing pension costs will seriously impair the county's ability to provide services at the expected and necessary level.

If we want to maintain public safety and protect our safety net of health, children's and senior services, we need to address pension costs immediately.

Our hardworking public employees deserve fair and reasonable compensation without unduly burdening taxpayers. Taxpayers are entitled to needed services and expect public agencies to spend their money efficiently.

Most labor contracts with our unions expire this June. This presents a major opportunity to work with our employees to make our compensation and benefit costs more sustainable.

For example, we can immediately save up to $17 million per year if we work with our unions to change the employer-employee cost share for pensions. Also, developing a fair yet less expensive benefit tier for new employees will save us hundreds of millions of dollars over the long term.

In our last labor negotiations, most of our employee unions stepped forward and agreed to pay more toward their current and retiree health care thus saving the county hundreds of millions of dollars over the next 30 years.

In addition, most county employees have not received a cost-of-living increase since 2008 and have sacrificed through furloughs and temporary salary cuts.

County employees have shown a willingness to be partners in addressing our financial challenges. It's vital that we continue this partnership to address soaring pension costs and minimize future service cuts.