By Amy Sylvestri

San Leandro Times

When the first words out of Finance Director David Baum's mouth are "Don't shoot the messenger," and Mayor Stephen Cassidy follows up with "Are you wearing a bullet-proof vest?" it's probably not going to be a City Council work session full of good news.

The problem is pensions – San Leandro has an estimated $118 million in long-term pension and health benefit costs for police, firefighters, and other city staff. Money is being paid into the system, but not enough to sustain it, Baum told the council at Monday night's meeting.

Under the California Public Employees' Retirement System (CalPERS), workers and cities pay into the pension system and the money is invested. Employees draw from it when they retire based on their salaries and the number of years that they worked.

In San Leandro, the city pays both the city and employees' share of contributions into CalPERS.

But retirees are living longer and drawing pensions longer. Plus, the CalPERS investments have taken losses in the stock market over the past decade and the stock portfolios are guaranteed by the city, so San Leandro has to find a way to make up for those losses, Baum said.

And in their efforts to save money, the city has cut back the number of employees, so fewer are paying into the system while more retirees draw from it.

"You've heard about this problem for some time," Baum told the council. "It has accumulated for many years and is going to take many years to solve. You didn't create this problem, you inherited this problem."

The city is fulfilling its Annual Required Contributions (ARCs) and making payments to retirees and staying afloat, but the problem grows larger every day, Baum said.

City Faces Spending Problem Created by Previous City Councils

“There is that big, ugly number,” Baum said. “The city needs to pay larger amounts, theoretically, sure. But is it economically possible?”

Solutions proposed by Baum include having larger contributions made by city employees or another “revenue generator” like the Measure Z sales tax that passed in 2010.

Mayor Cassidy agreed that a revenue measure might be necessary on an upcoming ballot, but for the city’s infrastructure, not retirees. He said he didn’t think voters would approve paying more for pensions, but they would pay to get their streets repaved.

Baum also said the city could offer lower benefits to new hires and stop letting benefits grow for current employees.

The city is currently in contract negotiations with its employees.

“This is the Rubik’s Cube of our day,” said City Manager Chris Zapata of the pension problem. “We are going to be talking about this for a long time.

Public speaker Greg Daly compared the funding gap to a sub-prime mortgage.

Council Members Find Facts ‘Sobering’

Council members Pauline Cutter, Jim Prola, Ursula Reed, and Benny Lee all called the numbers “sobering” during their comments.

Cassidy said that this will be the first of many pension discussions, with the next coming in March.

“We must operate in good faith,” Cassidy said. “If we put blinders on, that’s how we got in this situation in the first place.”