

# SACRAMENTO COUNTY TAXPAYERS LEAGUE PERSPECTIVE

PROMOTING ACCOUNTABILITY, EFFICIENCY AND ECONOMY IN GOVERNMENT—SINCE 1961



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## Retirement Costs

# Inflate State, Local Budgets

By Marcia Fritz

*"Governments can't manage their budgets when they can't adjust wages and benefits to changing economic conditions"*

State and local government employees in California earn similar salaries as their counterparts in the private sector, but generous retirement benefits push total compensation costs significantly higher than what California's largest companies spend, according to a study released today. California's largest employers typically spend less than one-third what state taxpayers spend on employee pensions and retiree health benefits. A state employee earning \$60,000 annually will accumulate pension and retiree health benefits valued at \$19,000 a year. A comparably paid employee of a large California company will receive retirement benefits worth less than \$6,000.

California's 2011-12 state budget includes \$6 billion for the major state retirement plans. The study compares only the employers' cost of benefits; it does not include the value of contributions employees make to their retirement plans. "If taxpayers spent what California's top companies spend on employee retirement benefits, the state would have \$3 billion more this year for schools, public safety and other essential services," said Marcia Fritz, CPA, president of

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## PRESIDENT'S MESSAGE

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**M**ay was an interesting month, in many ways, following a splendid Annual Dinner Meeting!

Thanks again to Bob, Connie, Christian, Dan Walters, and the rest of you for such a smooth-running, enjoyable event!

On Cinco de Mayo, I attended an all-day workshop on pension reform sponsored by Marcia Fritz' group, the California Foundation for Fiscal Responsibility. As you may know, Marcia is a CPA and is an authority on the challenge of pension financing and the respective reform that must come about. The workshop featured more than a dozen speakers, and for neophytes like me, the material was almost overwhelming. I did learn that pensions can't be sustained without drastic reform, and that there is at least one example of a city that stopped paying pensions, in this case in 2009, because the money just wasn't there. So, pensions are not as stable as one would think, and evidently can be revised regardless of bargaining agreements—before or after retirement. (There will be more on this in subsequent articles).

On Tuesday afternoon, May 24, I spent the afternoon in the County Board of Supervisor's Chambers listening to a presentation to the Board proposing a ballot initiative for the 2012 General Election that would add a 0.1% in sales tax to finance a new regional park district for our Sacramento region. The presenting group, the Grassroots Working Group (GWG), is an "offshoot" of the Save the American River Association (SARA). The increase in sales tax would finance this venture, including a whole new bureaucracy. Then came dozens of speakers, also from the SARA and GWG, speaking in support of this proposal. Well, I was there to present the "minority opinion" in the form of a great letter that Craig Powell had written for me to present. As it turned out, I was the **ONLY** one who was there to speak in opposition to the proposed tax increase. **THAT** was a first for me, to be the only person against a **SUPER** majority! Well, thus the expression, "There's a first time for everything." Fortunately, the Board will not make a decision about putting this proposal on the ballot until sometime this summer. So, we still have time to lobby the Board.

Thanks for all your hard work. The battle is always uphill!

Ken Payne

# EXECUTIVE DIRECTOR'S MESSAGE

**P**ROPOSED NEW ARENA - Or, 'Here We Go again'. Isn't it interesting that whenever we hear something from the City of Sacramento about a new arena, it always describes the Railyards as the best possible location. In many respects the Railyards is the worst possible location. Consider this:

- Sacramento is the only mid/major city (with flat topography) in the U.S. that does not have a circular freeway surrounding its downtown/central city area. Some of the bigger cities have two circular freeways, allowing for large scale movement of goods around the city, as well as autos. Not Sacramento. Both I-80 and Hwy 50/Hwy 99 feed into I-5 on the west side of downtown. There are already significant traffic congestion problems in this area - and they want to put an arena two blocks from the 'J' Street exit from I-5!
- We keep hearing that an arena in the Railyards would be served by public transit. So what! Transit garners about 20% of commuter trips into downtown during commute times - but that's with subsidized transit passes for a large component of that ridership. Looking at the four county region, transit represents about 2% of total trips. Most regional basketball fans within say a fifty mile radius are going to drive (with many carpooling). I've been to a few of the cities that have high transit ridership to their arenas (Boston, New York, Washington DC). In all cases transit works well in those cities, because transit has been an integral part of the development of those communities for over 125 years. A new arena in downtown Sacramento is not going to change the transportation culture of this community.
- Why is no one talking about the Natomas site. You know, the proposed location next to the existing arena. The one with a nice freeway interchange on both the north and south sides of Power Balance Pavilion. This is the same location that has wide arterial streets surrounding the site, plenty of restaurants (and other retail), plus existing parking for what, about 10,000 cars. Why choose this location with all of this already in place, when you can spend a couple hundred \$million more of taxpayer dollars and build downtown.



**Bob Blymyer**  
**Executive Director**

In recent Sacramento Bee articles it was stated that an arena could be built in the Railyards for about the same price as in Natomas. No way, let's see the figures. Under \$400 million was stated (however other past projections focused on about \$500 million). And how about getting solid commitments from local business leaders for 40-50% of the new new suites - prior to construction.

That same article stated that 800 existing City parking spaces would be available for the Railyard arena.. Are you kidding. Walk 3-4 blocks on a cold winter night after paying \$10 to park. And then we have a 60 person leadership team to get this project off the ground! That's like dealing with the Legislature. I'd say the arena still has a ways to go.

**Cheers:** To Jon Coupal (pres. Howard Jarvis Taxpayers Assoc.) - For leading the charge against the Gov's state taxes extension. There is plenty of revenue coming in, but when the legislature spends 4-5% more than it takes in each year, it's difficult to create a balanced budget. Cuts in spending would solve the problem, but instead they want even more tax dollars from California citizens. No wonder their approval ratings are so low! Keep your foot on the pedal Jon!

To Marcia Fritz - For continuing the needed expose that many public pensions are financially way out of line, and unsustainable in current and future years. This issue had been under the radar for much of the decade - but not any more. Thanks to Marcia and her group (California Foundation for Fiscal Responsibility), the public is now becoming more aware of the many ridiculous retirement packages of the last few years. It was never taxpayers intention that any public employees could retire with total benefits greater than their working income. Go Marcia!

**Jeers:** To the Sacramento City Council - For apparently forgetting their commitment to a major transit center at the edge of the Railyards. Amtrak, commuter trains, light rail, Greyhound and local buses all coming together at one site - a great plan for Sacramento. But now it appears to be on the shelf - to make way for a half billion dollar arena, with no dedicated funding source. What will they change next month?

Assembly Judiciary Committee - For moving the Grand Jury Bill out of committee. That's the proposal to reduce the confidentiality and latitude in a civil grand jury's ability to privately examine complaints about governmental operations, and requiring testimony under oath to be made public. The current grand jury method works well, and has been very effective in exposing bad government programs. This new bill could reduce effectiveness of a great balancing process. Does the legislature ever wonder why their public approval ratings are so low?

# Retirement Costs Inflate State, Local Budget



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California Foundation for Fiscal Responsibility, which sponsored the study. “The rationale for generous public pensions used to be that public employees accept lower salaries, but that doesn’t withstand scrutiny any longer.”

“Governments can’t manage their budgets when they can’t adjust wages and benefits to changing economic conditions,” said Michael Genest, former state finance director and principal of Capitol Matrix, which authored the study. “This is a fundamental public policy question that California must resolve to regain control of its financial future.”

State retirement benefits are generous, but they are far more generous for some employees. Prison guards and California Highway Patrol officers can retire seven years earlier than teachers with benefits that are 77 percent higher. Prison guards and CHP officers also collect larger benefits than FBI agents and other federal law enforcement officers. A 53 year-old California public safety employee with 26 years service and an annual salary of \$140,000 will be entitled to retirement benefits valued at \$2.2 million, according to the financial analysis. A federal agent’s benefits would be worth \$1.6 million.

“Teachers’ retirement plans were designed for teachers who retire after 30 years in the classroom,” Fritz said. “Today’s teachers are more likely to work ten years and leave to start a family or a new career. Some enter the teaching profession in the middle or later stages of their careers. A teacher who spends eight years in the classroom at a young age leaves with retirement benefits that are worth less than the teachers’ own contributions to his/her own plan. In the same period, a comparably paid local government employee has accumulated benefits worth \$58,000.”

Brad Williams, former chief economist for the Legislative Analysts’ Office and principal author of the report said, “Salaries and benefits paid to local government employees are generally higher than the salaries and benefits paid to state government and private sector employees. There is also a striking difference in the value of retirement benefits provided to career employees. A local government employee who begins a career at age 27 with a \$45,000 starting salary and receives normal wage increases can retire at age 57 with retirement benefits totaling almost \$1.2 million. A similarly situated teacher will receive \$500,000 and an employee of a large corporation less than \$400,000.”

“Pension reform doesn’t mean retirees must lose benefits. Public employees will always keep what they’ve earned,” Fritz said. “But reform is desperately needed to reverse the course that has produced pension debt our grandchildren’s grandchildren will be paying for. A state constitutional amendment aligning public and private retirement benefits will save billions of dollars now and into the foreseeable future.”

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