

Palos Verdes Estates Ad-Hoc Committee
Committee Brainstorming Ideas (without attribution)
Page 1 of 5

Issues of legality and follow-up required will be added as the committee work progresses.

Idea	Legal?	Follow-up
Exit CALPERS		
Can a city have a bond issue and put that money aside to invest on their own with a group of people? Can you bond against your debt and use your bond to get out of the program?		
Can the city sell municipal bonds and pay its bonds over a period of time and then pay off the debt as a part of the budget? Issue bonds against a revenue stream and then apply it to the pension debt.		
Freeze the pension plan, annuitize the people that we already owe a benefit to and then we would establish a defined contribution or Hybrid plan. More competitive for young workers, and package would be the same.		
Should we use PARS?		
Could we enter into a contract with RHE and Rancho PD for police service?		
Retiring/Pay off your smaller plan debt. Pay off your two smaller plans with the debt of \$26,000 and then manage your payments for both of those plans in order to keep them 100% funded. (save the interest and the cumulative impact)		
Make the payments that actually prevent us from getting into negative amortization.		
Pay enough each year in normal costs to prevent any new debt.		
If we are unable to make the calculation and come up with the analysis of what the normal payment should be (put in our own assumptions) instead of a 30-year amortization we pay down on a 20-year amortization. If we can't calculate one piece, we are very easily able to calculate the other payments.		
Figure out how to incrementally pay off the unfunded liability using existing revenue streams.		
Are we able to calculate what our payments should be given the recent change at CalPERS whereby all new debt is amortized 20 years and old debt remains at 30 years?		
Can we treat issues of new debt due to inaccurate normal cost calculations separately than legacy debt?		
New revenue measure(s): Temporary measure that expires. Parcel tax/Sales Tax/Some type of Tax.		

Includes ideas proposed during Ad Hoc Committee brainstorming and ideas emailed to Ad Hoc Committee

Palos Verdes Estates Ad-Hoc Committee
Committee Brainstorming Ideas (without attribution)
Page 2 of 5

Rather than increase the percentage funded of our pension plans, what if we put the money into a 115 Trust instead?		
Address legacy and new debt with separate but coordinated approaches		
Add all long-term liabilities to the budget		
Pay off debt quicker than scheduled		
Pay off PEPRAs first, then classic plans debt		
Make all extra contributions on the largest debt first		
Re-calculate normal costs paid each year so no new debt is incurred		
Use better assumptions to be more accurate		
An agreement where the city aggressively pays off debt with a new tax and employees increase contributions so everyone has skin in the game		
<p>Increase transparency of Committee progress:</p> <ul style="list-style-type: none"> • Create a Webpage on the City site of the options, timeline, status and members • Show the options being considered and outcome (legal? cost? Impact?) • Provide information about the problem and impact to employees and residents in easily digestible format. • Provide such information in graphs using OpenGov for more engaged constituents • Allow the public to submit suggestions 		
Revise the Budget document to include Pension debt by department		
<p>Expand the Budget management process by Council to address:</p> <ul style="list-style-type: none"> • Management of existing pension debt • Management of future services which will increase pension debt 		
<p>Expected Rate of return:</p> <ul style="list-style-type: none"> • Recommend to Council the City establish a policy for the expected rate of return CalPERS will receive on investments utilizing PVE's threshold for risk. This rate needs to be used to prepare the City for a recession. The policy would also include how this rate is to be used: <ul style="list-style-type: none"> ○ Representation of the debt: in Forecast, budget, notations in the CAFR ○ Calculations of the normal payments 		

Palos Verdes Estates Ad-Hoc Committee
Committee Brainstorming Ideas (without attribution)
Page 3 of 5

<ul style="list-style-type: none"> ○ Calculations of full employee costs ● Recommend to Council <i>how</i> this policy is to be established - RSI engage PVE stakeholders (IAC, FAC, Pension Adhoc) to reflect PVE's risk tolerance. 		
Financially model payoff of the pension debt (10-15 years) using a temporary tax. Determine cost savings in interest. Determine overall reduction in payments that then be applied to infrastructure.		
Reduce and control existing costs to free up funds to pay down pension debt: <ul style="list-style-type: none"> ● Utilize zero based budgeting ● Line item budget review 		
Have city council discuss what the appropriate amount of risk for the city is and then create new assumptions tailored to the city's needs to calculate pension payments and obligations		
Get CalPERS fees that the city pays available to public and in a more palatable way		
Make budget easier to understand and more digestible		
Create easy to understand graphics for budget components.		
Create a budget overview for residents and employees		
Require a 5% decrease across all department budgets (all line items in scope) and use savings to fund pension payments		
Freeze salaries and personnel (FTEs) until shortfall is made up		
Create safeguards to keep City Manager and/or City Council from increasing benefits and spending money the City does not have AND from when the City is in a better financial situation (e.g., don't pick up Staff payments when financial times are good, don't increase Staff pay to cover their pension payments) – is this a ballot measure?		
Create a reserve fund to cover future pension payments		
Create a compensation committee to create policies, oversee compensation and report out to the community		
Create safeguards to protect against pension spiking (have heard conflicting reports on how overtime fits into this today, and in the future)		
Have Staff pay a fair share of costs associated with CalPERS shortfalls (and unfunded levels) rather than the City bearing the full cost, moving forward		

Palos Verdes Estates Ad-Hoc Committee
Committee Brainstorming Ideas (without attribution)
Page 4 of 5

<p>Investigate pros and cons of exiting CalPERS, and of alternative pension management resources</p>		
<p>As a resident I would expect to find the following on the PVE Community website:</p> <p>First: A clear statement of the issue, such as Our community as does many other CA communities owes its employees a pension obligation that has been both earned and is expected to be earned. Our current obligation is approximately \$16,000,000 (need to fill in exact figure). This is a legally binding obligation based on a good faith agreement between our past and current employees.</p> <p>This obligation is a debt, not unlike a mortgage that has to be paid down annually.</p> <p>Second: The following charts (Michael and Victoria are familiar with these charts) represent the community's financial status over the past 5 years: update charts for income vs. expenses, unrestricted available funds balance, and absolute level of pension debt.</p> <p>Third: The city council, the FAC and the Pension Ad Hoc are working to identify solutions</p> <p>A long range financial plan is being developed which will be shared with the community. All prospective new sources of revenue and all cost reduction initiatives will be identified and modeled. (Show income, expense, fund balances and pension liability for each year of the long range plan probably 5 years)</p> <p>Show all Departmental historical costs and prospective budgets on a fully allocated basis, (all costs associated with the activities of that department will be assigned to the specific department) will be shown and benchmarked against cities of similar size and nature. All prospective cost reduction initiatives will be identified and modeled. (Prior 5 years, future 2 to 5 years)</p> <p>A listing from high annual cost to low cost of non-essential activities (annual fully allocated cost)</p> <p>Finally recommended actions to reduce and contain the community's pension liability will be individually financially modeled, and incorporated into the long-range plan.</p>		
<p>Conduct operational review to see if staffing levels can be reduced, and apply savings to pension payments</p>		
<p>Conduct thorough review of contracts and benchmark to comparables to ensure we are paying Staff</p>		

Includes ideas proposed during Ad Hoc Committee brainstorming and ideas emailed to Ad Hoc Committee

Palos Verdes Estates Ad-Hoc Committee
Committee Brainstorming Ideas (without attribution)
Page 5 of 5

appropriately and incurring appropriate pension responsibility		
Issue a pension bond		
Declare bankruptcy (as a means to restructuring contracts and pensions)		
Seek parcel tax to fund up to a certain percent (80%, 85%?), but not 100% (which could lead to a false sense of comfort and future bad financial decision)		
Create clear, simple reporting that shows historical, current and forecasted pension liabilities and payments (by source) and make available to the public		