



2018 City Council Candidate Questions

FINANCES

How do you plan to fund the shortfall in city's long-term pension and health benefits liability?

PAT BOONE

Immediately review all spending projects in the city. Let's not just get rid of waste, but any unnecessary projects, and then develop more funding sources - maybe a sales tax increase, but there may be other ways for funding. I think if we can save money from building garages.

ALISON CORMACK

This will take time and will not be accomplished in one year. Accurately reflecting the full cost of our current employees will force the city to save sufficient funds in the dedicated account now to ensure that in the decades to come we can pay our retired employees their earned pensions, despite any CalPERS shortfall due to overly optimistic rate of return assumptions.

The staff will be returning to the Finance committee on September 16th with their recommendations for how to achieve the requested \$4 million in reductions. In the past, the city manager has been able to reduce spending using attrition, so that may be a component of the plan. This is an area where it would be good to get broader input from the community on their preferences, so using a participatory budgeting process might be helpful as we work to address this problem over time.

TOM DUBOIS

I have studied this issue during my four years, have had long discussions with Council member Filseth and attended a Stanford Symposium on the topic. It's complicated. We've taken steps to increase transparency that are a model for the rest of the state – pushing to make unfunded liabilities more than a footnote in our financial statements and for staff to have the ability to track it closer to real-time (rather than just annually). We need to pay down the unfunded liabilities over the next 40 – 50 years by:

1. Decreasing our budget to stop increasing the unfunded liabilities. We have about an \$8M gap. We asked staff to cut \$4M from the budget this year structurally. We'll need to find another \$4M next year.
2. Make increasing payments into City fund above the payments that Calpers requires that reflect the true rate of return of pension investments. This is like making extra mortgage payments.

ERIC FILSETH

1. Stop adding new pension/OPEB debt each year
 - a. Correct the City's pension accounting vs CalPERS, using realistic investment-return rates
 - i. Done for the General Fund, not yet for other funds
 - ii. Recognize any OpEx shortfall as a standard debt accrual in the City's financial statements. Controversial, but should not be; a basic transparency issue.
 - b. Adjust operating expenses and contributions to the City's Sec 115 Trust accordingly
 - i. In progress
 - c. Evangelize our neighbor cities to do the same, so we don't have to compete for talent with cities who fund their payrolls through debt.
2. Develop an amortization plan for the existing debt -- yet to be done

CORY WOLBACH

1. Continuing our efforts to plan for more realistic (rather than overly optimistic) PERS rates, and the accompanying city obligations.
2. Continue to invest in our 115 trust.
3. Continue to work with our employee groups to ensure our employee costs are financially sustainable - which benefits employees, the city, and residents.
4. Avoid costly and unnecessary projects such as a new publicly funded parking garage in Downtown, which will cost at least \$30M.

This is an area where I think we have good alignment among Council and with staff. Palo Alto has, over the last couple years, really made progress in starting to tackle this tough issue. Of course, we aren't alone, and we need to keep working with our counterparts in other cities and with our legislators to make sure PERS is responsible and honest, and to make sure local governments throughout our state have clarity, resources, and a path to financial security. Financial instability is bad for everyone, and working together is in everyone's interests.