



City of Rialto

Legislation Text

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For City Council Meeting [May 11, 2021]

TO: Honorable Mayor and City Council

APPROVAL: Sean Grayson, Acting City Manager

FROM: Bob Chandler, Interim Finance Director

Request City Council to 1) Receive a Presentation from Representatives of NHA Advisors, the Bayshore Consulting Group and the Law Firm of Norton Rose Fulbright (Collectively, the City's UAL Consultants) on the Options for Restructuring the City's Pension Unfunded Accrued Liability (the UAL), and 2) Provide Direction to City Regarding Next Steps in Addressing the UAL.

(ACTION)

BACKGROUND

The City Council previously adopted a retirement plan with CalPERS pursuant to the Public Employees' Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the "Retirement Law"). The Retirement Law obligates the City to (1) make annual contributions to the System to fund pension benefits for its employees, (2) amortize the unfunded accrued actuarial liability with respect to such pension benefits, and (3) appropriate funds for the purposes described in (1) and (2). As such, the City is obligated to make certain payments to the CalPERS System with respect to its Pension Obligation under the Retirement Law and its CalPERS Contract.

The City of Rialto, and virtually all CalPERS participating agencies, have seen a significant increase in its UAL over the past several years. The City's Unfunded Accrued Liability (the UAL) under its CalPERS retirement plan has seen a 42% increase over the last 7 years; from \$94.2 million in 2014, to \$133.6 million in 2021. And annual payments to amortize the UAL have grown to \$9.9 million in 2020, with future yearly payments projected to grow to \$15.2 million by 2030. As the members of the City Council, and the community, have learned, this significant increase in the UAL is attributable to many factors, including changing actuarial assumptions on the part of CalPERS, enhanced retirement benefits provided to employees when PERS was "Super Funded" around the turn of the century, and the impacts to the CalPERS investment portfolio resulting from the Great Recession.

For several years, the City Council has been working on finding appropriate solutions to address the UAL. There were recommendations that came out of the Budget Advisory Committee in 2018/2019, and subsequently from the Pension Ad Hoc Committee in 2019. In 2021, the City retained the services of the City's UAL Consultants to serve as the City's Municipal Advisors for research and education on the subject of the City's UAL. In the last 3 months, the Council has conducted public workshops, the City's UAL Consultants have engaged in questions and answers with the Council and the public, the Council has received recommendations and feedback from the community, and UAL Working Group discussions have taken place in meetings of the Economic Development Committee;

and as part of its ongoing and multifaceted approach to the UAL, the Council recently authorized a court validation action for Pension Obligation Bonds (POBs) and the establishment of a Section 115 Trust to provide a rate stabilization fund for the City's future pension liabilities.

ANALYSIS/DISCUSSION

As noted, the City Council has recently conducted public workshops and committee meetings addressing the UAL. It, along with the community, have been educated and have discussed and considered many options for addressing the UAL, including the Fresh Start approach, the Chino Model, levying taxes, and even doing nothing. It is now recommended that the Council look more deeply into the available UAL restructuring strategies, which have also been among the options recently discussed and considered. Given the historically low interest rates that continue to be available, and the potential for them to become less favorable over time, further education and consideration of the two debt restructuring options, POBs and Lease Revenue Bonds (LRBs) are merited at this time; especially given that both POBs and LRBs actually offer the realistic prospect of saving significant amounts in future UAL related payments.

ENVIRONMENTAL IMPACT

The request is not a Project as defined by Section 15378 of the California Environmental Quality Act (CEQA). A "Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Pursuant to Section 15378 (b)(5), a project does not include organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY

The request is consistent with Guiding Principle 3A of the Rialto General Plan:

Our City government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business

LEGAL REVIEW

The City Attorney has reviewed and supports this staff report.

FINANCIAL IMPACT

Operating Budget Impact

There is no operating budget impact associated with the proposed recommendation.

Capital Improvement Budget Impact

There is no capital improvement budget impact associated with the proposed recommendation.

Licensing

No Licensing requirement ensues from the proposed recommendation.

RECOMMENDATION

Staff recommends that the City Council:

- Receive a presentation from the City's UAL consultants on options for restructuring the City's UAL, and
- Provide direction regarding next steps in addressing the UAL.