



Administrative Report

N.2., File # 21-2581

Meeting Date: 6/8/2021

To: MAYOR AND CITY COUNCIL
From: MARNI RUHLAND, FINANCE DIRECTOR

TITLE

DISCUSSION AND POSSIBLE ACTION REGARDING REFINANCING THE CITY'S CALPERS UNFUNDED ACCRUED LIABILITY WITH TAXABLE BONDS

EXECUTIVE SUMMARY

Representatives from Kosmont Transactions Services and Ramirez & Co. will be making a presentation to the City Council regarding refinancing the City's CalPERS unfunded accrued liability (UAL) with bonds. Following the presentation (which will provide details of the various options available to the City Council), staff will be looking for direction on three items.

1. Should the City refinance with lease revenue bonds or pension obligation bonds?
2. Should the bonds utilize a level, hybrid or ascending repayment structure?
3. What should be the targeted pension plan(s) funding level?

BACKGROUND

Ramirez & Co., one of the underwriting firms working on the bond issue to refinance the City's CalPERS UAL, has performed a structuring analysis for the bonds. This evening, they will be presenting the analysis they have performed, the results of that analysis, and their observations based on the analysis.

At its May 27, 2021 meeting, the Budget and Finance Commission received the presentation from Kosmont Transactions Services and Ramirez & Co. and was asked to provide a recommendation to the City Council. Their recommendation is as follows.

1. The City should refinance with lease revenue bonds.
2. The bonds should utilize a hybrid repayment structure.
3. The targeted pension plan(s) funding level should be in the 95% to 100% range. (The Commission's preference is that the funding level be towards the higher end of this range.)

COORDINATION

The City has coordinated with Kosmont Transactions Services, Ramirez & Co, and Stifel for an analysis regarding a bond issue to refinance the City's CalPERS UAL.

FISCAL IMPACT

Refinancing the City's UAL will provide substantial budgetary savings from expected pension cost (UAL repayment) increases as currently scheduled to be imposed. The precise amount of savings

will be determined based on the City's chosen plan funding level and results of the bonds sale.

APPROVED BY:

Joe Hoefgen, City Manager

ATTACHMENTS

Presentation (to be provided prior to the meeting)