

CITY OF OAKLAND

AGENDA REPORT

2010 MAY -6 PM 3:09

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Finance and Management Agency
DATE: May 11, 2010

RE: **SUPPLEMENTAL REPORT TO APPROVING RESOLUTION BY THE CITY COUNCIL OF THE CITY OF OAKLAND DIRECTING THE CITY ADMINISTRATOR IN ORDER TO ADDRESS THE CITY'S PENSION FUNDING NEEDS TO (1) NEGOTIATE WITH THE POLICE AND FIRE RETIREMENT BOARD FOR A HOLIDAY FROM PAYMENTS TO THE SYSTEM, (2) FORM A FINANCING TEAM TO FACILITATE ISSUANCE AND SALE OF PENSION OBLIGATION BONDS, (3) RETURN AND SEEK CITY COUNCIL APPROVAL BY RESOLUTION FOR THE ISSUANCE AND SALE OF THE PENSION OBLIGATION BONDS, AND (4) ENTER INTO A THIRD SUPPLEMENTAL ANNUITY DEPOSIT AGREEMENT WITH THE POLICE AND FIRE RETIREMENT SYSTEM**

SUMMARY

At the April 27, 2010 meeting, the Finance and Management Committee asked staff to provide additional information on the Police and Fire Retirement System ("PFRS") Unfunded Actuarial Accrued Liability ("UAAL"), if no additional pension bonds were to be issued.

KEY ISSUES AND IMPACTS

The City's payment "holiday" with regards to the PFRS fund is set to expire on June 30, 2011, at which point the City will be required to contribute an estimated \$43.9M to fund its UAAL. In addition to the UAAL, the City will continue to pay debt service on in the Pension Obligation Bonds previously issued in 1997 and restructured in 2001 in an amount of \$58.5M. In fiscal year 2011/12, the City's total obligation on the PFRS unfunded liability as well as bond debt service payments will total approximately \$102.4M. However, the projected tax override revenue is only \$65.3 million; therefore, there will be a shortfall in the tax override revenue of approximately \$37.1 million. This shortfall, and similarly large shortfalls in future years, will become the liability of the City's General Purpose Fund. A summary of the total obligations of debt service, unfunded liability and shortfall of the expected receipt of tax override revenue are shown in the table in *Attachment A* herein. As presented in the table, the shortfall will start in FY 2011/2012 and will continue to grow. By the end of fiscal year 2025/2026, the cumulative projected shortfall will be approximately \$471.2 million.

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Currently, the City has excess revenues from Tax Override, which could be used to secure additional PFRS pension bonding. Issuing additional pension obligation bonds supported by this excess tax override and negotiating a "holiday" period will relieve the general fund from paying into the PFRS system in the near term by reducing the amount of the unfunded liability that the City has to pay down. Additionally, pre-funding some of the long-term liability will enable the fund to generate greater returns and will thereby further reduce the City's UAAL over the long term.

Respectfully submitted,

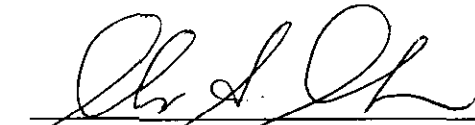


JOSEPH T. YEW, JR.
Finance Director/City Treasurer

Prepared by:
Katano Kasaine, Treasury Manager
Treasury Division

Attachment A – Excess Tax Override Revenues

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE:



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ATTACHMENT A
Excess Tax Override Revenues

Fiscal Year (June 30)	Taxable POBs, Series 1997	Taxable POBs, Series 2001	Tax-Exempt Series 2008A-1	Taxable Series 2008A-2	Total Debt Service	PFRS Unfunded Liabilities	Tax Override Revenues	Annual Excess Tax Override Revenues
2010	39,181,314		14,365,400	2,574,541	56,121,255	-	62,805,647	6,684,392
2011	40,305,000		14,479,650	2,530,483	57,315,133	-	64,061,760	6,746,627
2012		38,375,000	14,571,300	5,592,886	58,539,186	43,900,000	65,342,995	(37,096,191)
2013		39,555,000	14,697,750	5,532,247	59,784,997	45,800,000	66,649,855	(38,935,142)
2014		40,765,000	14,820,750	5,470,053	61,055,803	48,900,000	67,982,852	(41,972,951)
2015		42,010,000	14,935,550	-	56,945,550	51,600,000	69,342,509	(39,203,041)
2016		43,285,000	15,073,350	-	58,358,350	54,300,000	70,729,359	(41,928,991)
2017		44,590,000	15,095,950	-	59,685,950	57,100,000	72,143,946	(44,642,004)
2018		45,925,000	-	-	45,925,000	60,000,000	73,586,825	(32,338,175)
2019		47,295,000	-	-	47,295,000	63,000,000	75,058,561	(35,236,439)
2020		48,700,000	-	-	48,700,000	66,200,000	76,559,733	(38,340,267)
2021		50,140,000	-	-	50,140,000	69,500,000	78,090,927	(41,549,073)
2022		51,620,000	-	-	51,620,000	72,900,000	79,652,746	(44,867,254)
2023		53,130,000	-	-	53,130,000	76,500,000	81,245,801	(48,384,199)
2024		-	-	-	-	80,300,000	82,870,717	2,570,717
2025		-	-	-	-	84,400,000	84,528,131	128,131
2026		-	-	-	-	89,100,000	86,218,694	(2,881,306)
	79,486,314	545,390,000	118,039,700	21,700,208	764,616,222	963,500,000	1,256,871,056	(471,245,166)

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