
Approved as to Form and Legality

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2010 APR 15 PM 3:59

OAKLAND CITY COUNCIL

RESOLUTION No. 82779 C.M.S.

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 A THIRD SUPPLEMENTAL ANNUITY DEPOSIT AGREEMENT WITH THE POLICE AND FIRE RETIREMENT SYSTEM

WHEREAS, the City's employee retirement benefits obligations to the Police and Fire Retirement System (PFRS) represents long-term financial burdens; and

WHEREAS, the Unfunded Actuarial Accrued Liability for PFRS is estimated to be \$435.3 million, as of June 30, 2009, and the Plan's funded ratio is 44% caused by losses due to the economic downturn; and

WHEREAS, in 1997, the City issued \$436M in Taxable Pension Obligation Bonds ("POBs") to fund a portion of its pension liability to members of PFRS, providing a lump-sum payment, from receiving a "holiday" from making payments into PFRS until June 30, 2011, and covenanting instead to make debt service payments on the POBs through that date; and

WHEREAS, funding for the debt service of the POBs is provided under Measure R, as amended by Measure O, which authorized collection of ad valorem tax override revenues until 2026 for the purpose of amortizing obligations of the City to PFRS; and

WHEREAS, at expiration of the "holiday," the City's estimated required contribution to PFRS on July 1, 2011 will be \$43.9 million, while debt service on the POBs will be \$58.5 million; and

WHEREAS, because the City's total PFRS obligation for 2011-2012 fiscal year will total approximately \$102.4 million and is expected to exceed tax override revenue, it is in the best interests of the City that the Council authorize the City Administrator to take immediate action to negotiate with PFRS to restructure its PFRS pension liability; and

WHEREAS, it is in the best interests of the City to issue approximately \$250 million of additional POBs to fund PFRS, increasing the funding level to levels above 75% and allowing the City to negotiate a “holiday” with PFRS, which would relieve the general fund from payments into the system for a negotiated period of time of five (5) to seven (7) years; and

WHEREAS, the Deferred Pension Credit Fund was established by agreement between the City and PFRS in 1988. The Second Supplemental Annuity Deposit Agreement between the City and PFRS entered June 25, 1998, restricts City access to the Deferred Pension Credit Fund to meet City pension obligations, allowing withdrawals by the City as a credit towards City pension obligations only from principal exceeding the Deferred Pension Credit Requirement, defined in the Indenture pursuant to the Special Refunding Revenue Bonds (Pension Financing) 1988 Series A, and/or investment earnings; and

WHEREAS, it is in the best interests of the City to negotiate and enter into a Third Supplemental Annuity Deposit Agreement with PFRS to allowing the City use of the Deferred Pension Credit Fund address its overall pension funding needs; now therefore be it

RESOLVED: That the City Council finds and determines the forgoing recitals to be true and correct and hereby adopts and incorporates them into this Resolution; and be it

FURTHER RESOLVED: That the City Council authorizes the City Administrator to:

(1) negotiate with the PFRS Board for a “holiday”, to relieve the general fund from payments into the system for a period of time of five (5) to seven (7) years based upon a lump sum payment into PFRS by the City financed through the issuance of additional Pension Obligation Bonds;

(2) form a financing team; and

(3) negotiate and enter an amendment to the Third Supplemental Annuity Deposit Agreement with PFRS

and be it

FURTHER RESOLVED: That this Resolution shall take effect immediately upon its passage.

MAY 18 2010

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20__

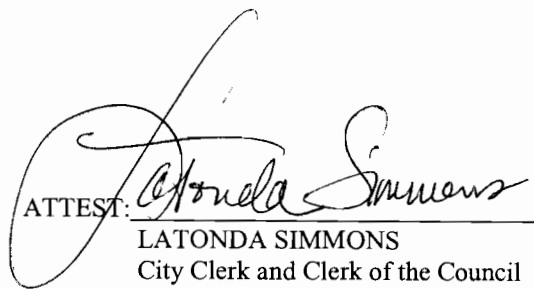
PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, ~~DE LA FUENTE, KAPLAN~~; KERNIHGAN, NADEL, QUAN, REID and PRESIDENT BRUNNER - 6

NOES- De La Fuente - 1

ABSENT- 0

ABSTENTION- Kaplan - 1

ATTEST: 
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California