

Agenda Report

June 28, 2004

TO: City Council

FROM: City Manager

SUBJECT: ADOPTION OF A RESOLUTION OF THE CITY COUNCIL CANCELING A \$6,038,106 DEBENTURE ISSUED TO THE FIRE AND POLICE RETIREMENT SYSTEM ON JANUARY 2, 2004 AND AUTHORIZING THE ISSUANCE OF ONE OR MORE CITY OF PASADENA PENSION OBLIGATION DEBENTURES IN THE AMOUNT OF \$13,735,616 AND AUTHORIZING OTHER MATTERS RELATING THERETO

RECOMMENDATION OF CITY MANAGER

It is recommended that the City Council adopt a Resolution canceling a \$6,038,106 debenture issued to the Fire and Police Retirement System (FPRS) on January 2, 2004 and authorizing the issuance of one or more City of Pasadena Pension Obligation Debentures in the amount of \$13,735,616 and authorizing other matters relating thereto.

BACKGROUND

In 1999, the City of Pasadena and the Fire and Police Retirement System entered into a Supplemental Contribution Agreement. This agreement prescribed the method by which the FPRS is to calculate future potential contributions by City. As part of this agreement, the City agreed to issue net \$100 million in Pension Obligation Bonds. Due to market conditions that resulted in investment losses, the City owed a supplemental contribution of \$6,038,106 for the period ending June 30, 2003. Because of a dispute in the way this supplemental contribution was calculated, staff recommended to the City Council at that time that the City issue a debenture to the FPRS instead of transferring the cash. A resolution to this disagreement has been reached and the staff is now recommending that the earlier debenture be rescinded and that a new debenture in the amount of \$13,735,616 be issued in its place.

DISCUSSION

City representatives have concluded successful negotiations with representative from FPRS. As part of the settlement, the City will issue a Pension Obligation Bond in amount necessary to generate \$40 million in net proceeds and the FPRS will discontinue

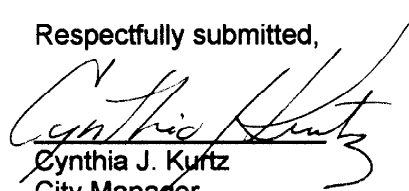
the use of corridors in calculating future supplemental contributions. The \$40 million will be paid to the FPRS in two increments of \$15 million and one increment of \$10 million, with the final payment due on or before January 2, 2005.

One other condition of the agreement is that the City will issue a debenture to the FPRS in order for the FPRS to include this amount in its calculation of its actuarial related and market value of the Plan assets. The debenture will accrue interest at a rate of 8.0% per annum from June 30, 2004 until paid off by the City.

FISCAL IMPACT

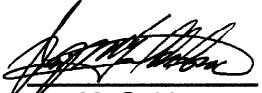
The Pension Obligation Debenture is a General Fund Obligation in the principal amount of \$13,735,616. The City will agree to pay the Debenture in full plus interest that will accrue at a rate of 8.0% per annum from June 30, 2004 until the debenture has been paid. The debenture will be paid no later than August 31, 2004.

Respectfully submitted,



Cynthia J. Kurtz
City Manager

Approved by:



Jay M. Goldstone
Director of Finance