

# Agenda Report

December 15, 2003

TO: City Council

FROM: City Manager

SUBJECT: ADOPTION OF A RESOLUTION OF THE CITY COUNCIL  
AUTHORIZING THE ISSUANCE OF ONE OR MORE  
CITY OF PASADENA PENSION OBLIGATION  
DEBENTURES IN THE AMOUNT OF \$6,038,106 AND  
AUTHORIZING OTHER MATTERS RELATING THERETO

## **RECOMMENDATION OF CITY MANAGER**

It is recommended that the City Council adopt a Resolution authorizing the issuance of one or more City of Pasadena Pension Obligation Debentures in the amount of \$6,038,106 and authorizing other matters relating thereto.

## **BACKGROUND**

In 1999, the City of Pasadena and the Fire and Police Retirement System (FPRS) 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. Through a combination of investment decisions, the timing of these decisions and the timing of changing market conditions, the FPRS proceeded to loose in excess of \$25 million in asset value since the time the bonds were issued. As a result of this performance for the period of June 30, 2002, the City ended up owing and subsequently paid a \$79,648 supplemental contribution. Based upon the continued loss for the period ending June 30, 2003, it has been calculated by the City that the FPRS is owed \$6,038,106.

## **DISCUSSION**

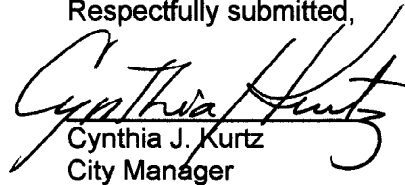
City representatives are about to begin renewed discussions with representatives from the FPRS and will discuss options regarding to the funding of the System. In order to provide both sides with the opportunity to thoroughly discuss the current funding of the System and to discuss ways to resolve current disagreements regarding how to

calculate the required supplemental contributions, staff is recommending the issuance of the Pension Obligation Debenture to the System. This Debenture will be in the amount owed to the Retirement System and will be repaid with interest. The interest rate of 4.14% represents the rate of total return earned in the City's pooled portfolio for fiscal year ending June 30, 2003.

**FISCAL IMPACT**

The Pension Obligation Debenture is a General Fund Obligation in the principal amount of \$6,038,106. The City will agree to pay the Debenture in full plus interest that will accrue at a rate of 4.14% per annum.

Respectfully submitted,



Cynthia J. Kurtz  
City Manager

Approved by:



Jay M. Goldstone  
Director of Finance