

City Council Regular Meeting

K.1

Meeting Date: 07/19/2021

Recommended Scott Barber, Human Resources Director
by:

Prepared by: Scott Barber, Human Resources Director

Finance Angele Ozoemelum
Director

Review:

City Attorney Brett Wallace

Review:

Approved by: Larry Rains

Date 06/23/2021

Submitted:

Type of Resolution

Action

Requested:

SUBJECT:

Approve the sale of Excise Tax Revenue Obligations to finance the unfunded actuarial liability of the City of Casa Grande Police and Fire Department Public Safety Personnel Retirement System Tier 1 & 2 plans.

RECOMMENDATION:

It is recommended that the Mayor and Council approve a resolution approving the sale, execution, and delivery of excise tax revenue obligations in an amount not to exceed \$65,000,000, to finance the unfunded actuarial liability of the City's Police and Fire Department Arizona Public Safety Personnel Retirement System Tier 1 & 2 plans, authorize the execution of all necessary associated documents, and declare an emergency.

DISCUSSION:

Council has long been aware of the existence of the unfunded actuarial liability in our Public Safety Personnel Retirement System (PSPRS) plans for the police and fire departments. Staff introduced the concept of financing that debt outside of the PSPRS with taxable obligations back on March 1st. Subsequent to that presentation, staff assembled a team to develop more details on the concept, including both the potential savings to the City and the potential risks involved. A presentation by representatives of the financial services firms of Stifel, Nicolas & Company, Incorporated and Piper/Sandler was made on June 7th. Based on Council direction, the recommended resolution and

accompanying documents represent all that is necessary to accomplish this bond issue. The emergency clause is typical with these types of transactions and allows the City to move forward expeditiously into the bond market.

FISCAL IMPACT:

As has been explained, this is a refinancing of existing PSPRS debt outside of the System. According to our Underwriters, the estimated net present value expected savings over the life of the obligation issue approximates \$33,516,548. Simultaneously with the closing of the transaction, the City will establish a contingency reserve fund (see policy attached) of approximately \$5.3 million with an unrestricted City fund balance as a hedge against both market and actuarial variables. The obligations will be repaid with the same general fund revenues that would have been applied toward the annual PSPRS pension payment and are expected to be repaid approximately three years early. The City expects to realize ongoing year-to-year savings in our employer share of pension contributions by paying off the unfunded liability and thereby only paying the PSPRS normal costs each year in each of our plans.

ALTERNATIVES:

1. Do not approve the bond issuance and stay the current course or chose another alternative to address the unfunded liability.
-