



Legislation Details (With Text)

File #: 020918 **Version:** 0 **Name:** Resolution Authorizing the Issuance of Series 2003A & Series 2003B Taxable Pension Obligation Revenue Bonds (B)

Type: Resolution **Status:** Adopted

File created: 2/24/2003 **In control:** City Attorney

On agenda: **Final action:** 2/24/2003

Title: RESOLUTION AUTHORIZING THE ISSUANCE OF SERIES 2003A AND SERIES 2003B TAXABLE PENSION OBLIGATION REVENUE BONDS (B) A resolution of the City of Gainesville, Florida , authorizing and providing for the issuance of not to exceed \$100,000,000 in aggregate original principal amount of City of Gainesville, Florida, Taxable Pension Obligation Revenue Bonds, Series 2003A (Employees' Plan) and Series 2003B (Consolidated Plan) for the purpose of funding the unfunded pension obligations of the City with respect to the Employees' Plan and the Consolidated Plan, respectively; providing for the payment of such bonds from legally available non-ad valorem revenues of the City which are budgeted and appropriated by the City on an annual basis and deposited into a sinking fund account for such bonds; providing for the rights and remedies of the holders thereof, and making certain covenants and agreements in connection therewith; providing an effective date; and providing certain other details.

Sponsors:

Indexes:

Code sections:

Attachments: 1. 020918.TIF, 2. 020918_Resolution_20030224

Date	Ver.	Action By	Action	Result
2/24/2003	0	City Commission	Adopted (Resolution)	Pass

RESOLUTION AUTHORIZING THE ISSUANCE OF SERIES 2003A AND SERIES 2003B TAXABLE PENSION OBLIGATION REVENUE BONDS (B)

A resolution of the City of Gainesville, Florida , authorizing and providing for the issuance of not to exceed \$100,000,000 in aggregate original principal amount of City of Gainesville, Florida, Taxable Pension Obligation Revenue Bonds, Series 2003A (Employees' Plan) and Series 2003B (Consolidated Plan) for the purpose of funding the unfunded pension obligations of the City with respect to the Employees' Plan and the Consolidated Plan, respectively; providing for the payment of such bonds from legally available non-ad valorem revenues of the City which are budgeted and appropriated by the City on an annual basis and deposited into a sinking fund account for such bonds; providing for the rights and remedies of the holders thereof, and making certain covenants and agreements in connection therewith; providing an effective date; and providing certain other details.

The actuarial valuations on the Consolidated Police Officers' and Firefighters' Pension Plan (Consolidated Plan) and General Employees' Pension Plan (General Plan) as of September 30, 2002 established an Unfunded Actuarial Accrued Liabilities (UAAL) of \$46,919,566 and \$38,324,116, respectively.

Traditionally these unfunded liabilities are amortized over a period of years through contributions from the employer to the two plans. In the Consolidated Plan, this liability currently carries an interest rate of 8.5%. In the General Plan, the interest on the liability is 9.25%. As calculated by the plans' actuaries, the average annual employer contribution required over the next 30 years to amortize this liability is approximately \$9,700,000.

Given existing market conditions, the City has the opportunity to issue taxable debt to discharge the UAAL at favorable rates relative to the current 8.5% and 9.25% levels. Currently, the true interest cost on a 30-year taxable issue is approximately 6.0%. The proceeds from this financing would be deposited into the respective pension plans, thus retiring the UAAL. The employer would then make the scheduled debt service payments in lieu of the annual UAAL amortization payments to the General and Consolidated Pension Plans.

Pursuant to the discussion of the bond issuance at the City Commission meeting of February 10 staff will work, in concert with union representatives, to develop a contingency plan to address issues related to the fiscal health of the pension plans in the upcoming years.

At current rates, the average annual debt service on a 30-year taxable issue sized to retire the UAAL is approximately \$7,500,000. This produces an annual gross savings of just under \$2.2 million dollars per year over 30 years, or a total gross savings in excess of \$65,600,000. On a present value basis, the savings are approximately \$26,850,000 or approximately \$895,000 per year.

The City Commission: 1) adopt the resolution authorizing and providing for the issuance of the Series 2003A and Series 2003B Taxable Pension Obligation Bonds to retire the Consolidated Police Officers' and Firefighters' Pension Plan and General Employees' Pension Plan Unfunded Actuarial Accrued Liabilities and 2) authorize the City Manager, Administrative Services Director, and Finance Director to retain the required professional services to implement this issue.