



Legislation Text

File #: 200178., **Version:** 1

Bond Resolution Authorizing the Issuance of Special Obligation Revenue Bonds, Series 2020 (B)

A resolution of the City of Gainesville, Florida, authorizing and providing for the issuance of not to exceed \$210,000,000 in aggregate original principal amount of City of Gainesville, Florida, Special Obligation Revenue Bonds, Series 2020 for the purpose of funding a portion of the unfunded pension obligations of the City with respect to the General Employees' Pension Plan and the Consolidated Police Officers' and Firefighters' Pension Plan; 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; providing for the rights and remedies of the holders thereof, and making certain representations, warranties, covenants and agreements in connection therewith; providing an effective date; and providing certain other details.

The actuarial valuations on the General Employees' Pension Plan (General Plan) and Consolidated Police Officers' and Firefighters' Pension Plan (Consolidated Plan) as of September 30, 2019 established an Unfunded Actuarial Accrued Liabilities (UAAL) of \$167,003,360 and \$48,656,155 respectively.

Traditionally these unfunded liabilities are amortized over a period of years through contributions from the employer to the two plans. This liability currently carries an interest rate of 7.9% in both the General Plan and the Consolidated Plan. As calculated by the plans' actuaries, the annual employer contributions required over the next 27 years are expected to total approximately \$440,366,034 for the General Plan and the Consolidated Plan.

Given existing market conditions, the City has the opportunity to issue taxable debt to discharge 95% of each Plan's UAAL at favorable rates relative to the current 7.9% levels. Currently, the true interest cost on a 21-year taxable issue is approximately 3.03%. The proceeds from this financing would be deposited into the respective pension plans, thus retiring 95% of the UAAL in each Plan. The City would then make the scheduled debt service payments in lieu of 95% of the annual UAAL amortization payments to the General Pension Plan and Consolidated Pension Plan.

At current rates, the total debt service on a 21-year taxable issue sized to retire 95% the General Pension Plan and Consolidated Pension Plan UAAL is approximately \$285,605,695. This produces a total gross savings of \$132,742,038 over 21 years. On a present value basis, the savings are approximately \$69,651,690. Actual savings realized will depend on the final borrowing rate and actual investment returns over the long term.

GRU management's recommendation is that savings accrued from the GRU portion of the City of Gainesville Special Obligation Revenue Bonds, Series 2020 be added to cash reserves, and/or utilized to redeem and/or defease outstanding debt.

Recommended Motion: The City Commission: 1) adopt the Bond Resolution authorizing and providing for the issuance of the Special Obligation Revenue Bonds, Series 2020 to retire a portion of the General Employees' Pension Plan and Consolidated Police Officers' and Firefighters' Pension Plan Unfunded Actuarial Accrued Liabilities and 2) authorize the City Manager and Finance Director to retain the required professional services

to implement this issue and 3) approve savings accrued from the GRU portion of the City of Gainesville Special Obligation Revenue Bonds, Series 2020 be added to cash reserves, and/or utilized to redeem and/or defease outstanding debt.