All persons wishing to address the Board must complete a speaker's card, stating their name and the agenda item (including "Open Forum") they wish to address. The Board may take action on items not on the agenda only if findings pursuant to the Sunshine Ordinance and Brown Act are made that the matter is urgent or an emergency. Presentations are limited to three minutes.

Oakland Police and Fire Retirement Board meetings are held in wheelchair accessible facilities. Contact Retirement Systems, 150 Frank Ogawa Plaza, Suite 3332 or call (510) 238-7295 for additional information.

CITY OF OAKLAND

Retirement Systems
150 Frank H. Ogawa Plaza
Oakland, California 94612

AGENDA

RETIREMENT BOARD MEMBERS

Robert Crawford
President

Jaime Godfrey
Vice President

Steve Bernard
Secretary

Ken Bullock
Member

Walter Johnson
Member

John Speakman
Member

Joseph Yew, Jr.
Member

SPECIAL MEETING of the BOARD OF ADMINISTRATION of the OAKLAND POLICE AND FIRE RETIREMENT SYSTEM ("PFRS")

Monday, July 11, 2011 - 3:00 pm
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612

- - - ORDER OF BUSINESS - - -

A. Action on the June 30, 2011 agenda report and recommendation from Councilmember Libby Schaaf for presentation at the July 12, 2011 Finance and Management Committee regarding A Resolution Submitting On The Council's Own Motion, A Proposed Charter Amendment, Entitled, "Measure Allowing the Police and Fire Retirement System Board and City Council to Set an Actuarially Sound Deadline For Fully Funding Its Retirement Plan", To Be Submitted To The Electors At The Next Special or General Municipal Election; And Directing The City Clerk To Fix The Date For Submission Of Arguments And Provide For Notice And Publication In Accordance With The Next Election Date.

B. Action on a report and recommendation from the Finance and Management Agency for presentation at the July 12, 2011 Finance and Management Committee regarding 1) A Resolution of the City Council of the City of Oakland Authorizing and Approving the Option to Fund the Police and Fire Retirement System Unfunded Accrued Actuarial Liability Through a Combination of Pay-As-You-Go Method and the Use of Pension Obligation Bonds; Directing the City Administrator to Negotiate the Terms and Conditions of the Funding Option(s) Approved by City Council for the System and Enter Into an Agreement With the Police and Fire Retirement Board; and (2) A Resolution of the City Council of the City of Oakland Authorizing and Approving the Termination of the Swap Agreement Related to the Oakland Joint Powers Financing Authority, Lease Revenue Boards, 1998 Series A1/A2.

C. Open Forum.

D. Future scheduling.

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2011 JUN 30 PM 6:27

CITY OF OAKLAND
AGENDA REPORT

TO: Finance & Management Committee
ATTN: Chair De La Fuente and committee members
FROM: Councilmember Libby Schaaf
DATE: June 30, 2011

RE: A Resolution Submitting On The Council's Own Motion, A Proposed Charter Amendment, Entitled, "Measure Allowing the Police and Fire Retirement System Board and City Council to Set an Actuarially Sound Deadline For Fully Funding Its Retirement Plan", To Be Submitted To The Electors At The Next Special or General Municipal Election; And Directing The City Clerk To Fix The Date For Submission Of Arguments And Provide For Notice And Publication In Accordance With The Next Election Date.

SUMMARY

This Resolution proposes amending the City Charter to allow the Police and Fire Retirement System (PFRS) Board and City Council to set a final-funding date for the PFRS fund based upon findings from the PFRS Board's official actuary. An actuarially sound deadline may be set at a date later than July 1, 2026, which is the current ultimate date for 100% PFRS funding, as defined in Article XXVI of the Oakland City Charter. This resolution also allows for smoothing during the Fund's final years to protect the City from negative impacts of market volatility.

FISCAL IMPACT

Councilmember Schaaf respectfully requests that the Council approve this resolution and assign an associated ballot to the next regularly scheduled election, so that a ballot will not cause a new election to occur.

An extension to the PFRS Full-Funding Deadline will likely lead to a lowering of the annual contribution obligation that the City must currently resume making to the PFRS Fund, currently set at approximately $45M annually. Actual payments will depend on several factors including the City's decision to issue or not issue Pension Obligation Bonds as well as fluctuations in market conditions that affect the PFRS Fund.

Item: _____
Finance & Management Committee
July 12, 2011

BACKGROUND

The Police and Fire Retirement System (PFRS) Board holds complete plenary and fiduciary authority over PFRS assets, as defined in Article 16 of the California Constitution, which defines public retirement boards. The California Constitution also clarifies that the PFRS Board holds exclusive responsibility for fund administration as well as a mandate to act solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

The PFRS fund was closed in 1976 when the City elected to utilize the California Public Employees' Retirement System ("PERS") for all City Employee Pensions, both for sworn and non-sworn employees. All subsequent sworn police and fire personnel that the City hired became members of PERS. However, the City must continue to contribute to the closed PFRS Fund each year so that all PFRS financial liabilities are fully-funded by July 1, 2026, hereafter referred to as the "Full-Funding Deadline."

PROGRAM DESCRIPTION

The City is obligated to make annual contributions to the PFRS fund so that the fund is fully funded by the Full-funding Deadline, currently defined at July 1, 2026 in Article XXVi, Section 26.6 of the City Charter. The July 1, 2026 is mandated in the City Charter even though the PFRS actuary currently projects that PFRS beneficiaries have life expectancies extending to 2050, resulting in a front-loading of the City's payment obligations to the retirement system that may not be fiscally necessary.

The PFRS fund is currently significantly underfunded due primarily to the fund's exposure to investment losses related to the global economic recession. Market volatility puts the City at risk of having to make unreasonably large annual contributions as the Full-Funding Deadline draws near and this risk may be reduced in a fiscally sound manner by amortizing yearly gains and losses over ten years from the year such gains or losses are realized during the ten years preceding the Full-Funding Deadline. An extension of the contribution period, as justified by an actuarial valuation, could result in significant savings to the City without affecting its duty and ability to fund the PFRS liability and pay retirement benefits to its members. Therefore, the City can adopt a financially and administratively prudent approach to PFRS fund budgeting by amending the City Charter to extend the PFRS Full-Funding Deadline, provided that such extensions are supported by actuarial reports.

By approving this resolution the City Council will submit to the qualified electors of the City of Oakland at it next municipal election, a proposed Charter amendment that allows for an extension of the PFRS Full-Funding Deadline by mutual agreement of the City and the PFRS Board. Any actual

extension of the PFRS Full-Funding Deadline shall be contingent upon an actuarial report, produced by the PFRS Board's actuary, which supports such an extension.
By approving the resolution the City Council will authorize and direct the City Clerk, at least 88 days prior to the next special or general municipal election date, to file with the Alameda County Board of Supervisors and the County Clerk certified copies of this resolution. Any ballot associated with this resolution should be combined with a predetermined election so that this ballot will not cause a new election to occur.

The proposed Charter Amendment text shall be as follows:

Article XXVI: POLICE AND FIRE RETIREMENT SYSTEM

Section 2619(6)

The City shall contribute to the Retirement System such amounts as may be necessary, when added to the contributions referred to in the preceding paragraphs of this Section, to provide the benefits payable under this Article and Articles XIV and XV. The City contributions made periodically during the year shall be such as when added to member contributions will actuarially fund all liabilities for all members prior to July 1, 1976. ~~by July 1, 2026~~ by a date that both the City and Board approve, provided that such full-funding deadline is based on and supported by an actuarial study commissioned by the Board, known hereafter as "Full-Funding Deadline". Additionally, notwithstanding any other language or provision of this Article XXVI or the City Charter, the Board and the City shall have authority by mutual agreement to approve further extensions of the Full-Funding Deadline, provided that actuarial studies commissioned by the Board support each such subsequent change. The Board's and the City's approvals must be authorized by separate resolutions of the Board and the City Council. Additionally, to protect the City from market volatility, beginning ten years prior to the Full-Funding Deadline, each year's gains or losses shall be amortized over ten years from the year such gains or losses are realized. Any fund established pursuant to the 1971 amendment to this subsection and implemented by Retirement Board Resolution No. 3968 which provided for payment of improved or additional benefits shall continue only for the purposes stated herein. Any monies held in such fund as of July 1, 1976, and any interest credited thereon pursuant to Section ~~2602~~(a) shall continue to be payable to members of this system as follows: [remaining text not amended].

In accordance with the Elections Code and Chapter 11 of the Oakland Municipal Code, the City Clerk shall fix and determine a date for submission of arguments for or against said proposed Charter amendment, and said date shall be posted in the Office of the City Clerk. Furthermore, in accordance with the Elections Code and Chapter 11 of the Oakland Municipal Code, the City

Clerk shall provide for notice and publication as to said proposed Charter amendment in the manner provided for by law.

KEY ISSUES AND IMPACTS

The value of assets in the PFRS Trust has dramatically decreased over the last two years due to the economic downturn of the last few years. The Unfunded Actuarial Accrued Liability ("UAAL") associated with the PFRS fund is currently estimated to be approximately $435M – an increase from $375M as of two years ago, according to the City's Finance Agency.

In March 1997, the City issued Pension Obligation Bonds (POBs) in the amount of $417 million to pay the City's contributions to the System through June 2011. In accordance with an agreement entered into at the time the POBs were issued in 1997, the City was not required to contribute until the new fiscal year of July 1, 2011. The City's contribution to PFRS is set to resume July 1, 2011 at an annual amount of $45.6 million, also according to the City's Finance Agency. An extension to the PFRS Full-funding Deadline, should the PFRS Board's actuary find that such an extension is actuarially sound, will help to lessen the dramatic impact that continued annual payments will have on the City's general fund - regardless of whether the City decides to issue new POBs to help fund the UAAL.

SUSTAINABLE OPPORTUNITIES

Economic: The proposed resolution will, if approved by the voters of Oakland, may change the City's annual payments to the PFRS fund. Changes to the annual PFRS Fund payments will directly impact the City's General Fund (1010).

Environmental: The proposed ordinance is unlikely to lead to any environmental impact.

Social Equity: The proposed resolution is unlikely affect conditions of social equity as no changes to PFRS payments will cause the fund to be less than fully funded.

DISABILITY AND SENIOR CITIZEN ACCESS

There is no direct impact or benefit to seniors or people with disabilities.

ACTION REQUESTED OF THE CITY COUNCIL

Councilmember Schaaf recommends that the City Council receives the report and approves the ordinance.

Respectfully submitted,

Libby Schaaf
Oakland City Councilmember, District 4

Prepared by:
Bruce Stoffmacher, Policy Analyst
Office of Oakland Councilmember Libby Schaaf

Item: _____
Finance & Management Committee
July 12, 2011

DRAFT Version #1

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2011 JUN 30 PM 6:50

Approved as to Form and Legality

Office of the City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO._____C.M.S.

INTRODUCED BY COUNCILMEMBERS

A Resolution Submitting On The Council's Own Motion, A Proposed Charter Amendment, Entitled, "Measure Allowing the Police and Fire Retirement System Board and City Council to Set an Actuarially Sound Deadline For Fully Funding Its Retirement Plan", To Be Submitted To The Electors At The Next Special or General Municipal Election; And Directing The City Clerk To Fix The Date For Submission Of Arguments And Provide For Notice And Publication In Accordance With The Next Election Date

WHEREAS, City Charter Article XXVI established the Oakland Police and Fire Retirement System ("PFRS") in 1951 to provide retirement benefits for Police and Fire Department sworn (uniformed) employees and created an independent Police and Fire Retirement Board ("PFRS Board") to manage and administer the funds of the PFRS; and

WHEREAS, pursuant to Article 16 of the California Constitution public retirement boards are independent boards and the Constitution, accordingly (1) grants the PFRS Board plenary authority and the sole and exclusive fiduciary responsibility over the assets of the PFRS and the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries and (2) mandates that the PFRS Board discharge its duties with respect to the PFRS solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system; and

WHEREAS, in 1976 the PFRS was closed and all subsequent sworn police and fire personnel that the City hired became members of the California Public Employees' Retirement System ("PERS"); and

WHEREAS, City Charter section 2619(6) requires that the City contribute to the PFRS, periodically during the year such amounts as may be necessary, when added to member contributions to actuarially fund all liabilities for all PFRS members by July 1, 2026, hereafter referred to as the "Full-Funding Deadline"; and

WHEREAS, while actuaries project that beneficiaries of the PFRS have life expectancies extending to 2050, the City Charter currently requires that PFRS to be fully funded by 2026, resulting in a front-loading of the City's payment obligations to the retirement system that may not be fiscally necessary; and

DRAFT Version #1

WHEREAS, due to the global economic recession, the PF**RS** is significantly underfunded at this time and an extension of the contribution period justified by an actuarial valuation, could result in significant savings to the City without affecting its duty and ability to fund the PF**RS** and pay retirement benefits to its members; and

WHEREAS, market volatility puts the City at risk of having unreasonably large contributions as the Full-Funding Deadline draws near and this risk may be reduced in a fiscally sound manner by amortizing yearly gains and losses over ten years from the year such gains or losses are realized during the ten years preceding the Full-Funding Deadline; and

WHEREAS, it is financially and administratively prudent to amend the City Charter to authorize the City and the PF**RS** Board to approve extensions of the Full-Funding Deadline in the future by mutual agreement, provided that such extensions are supported by actuarial reports; and

WHEREAS, for the foregoing reasons, the City Council desires to submit to the qualified electors of the City of Oakland at it next municipal election, a proposed Charter amendment, now, therefore be it

RESOLVED: That the City Council hereby authorizes and directs the City Clerk, at least 88 days prior to the next special or general municipal election date, to file with the Alameda County Board of Supervisors and the County Clerk certified copies of this resolution; and be it

FURTHER RESOLVED: That the proposed Charter Amendment shall be contingent upon the findings of an actuarial study to be commissioned by the PF**RS** Board; and be it

FURTHER RESOLVED: That the implementation of the Charter Amendment by the City, if it is approved by the voters, shall and will be contingent upon a finding by the PF**RS** Board that the proposed extension of the Full-Funding Deadline, which is approved by the PF**RS** Board and the City, would not have a detrimental or compromising effect on the members' retirement benefits or hghts; and be it

FURTHER RESOLVED: That any further extensions of the Full-Funding Deadline by mutual agreement of the City and the PF**RS** Board, shall and will be contingent upon an actuarial report that supports each such extension; and be it

FURTHER RESOLVED: That the City Charter hereby is amended, to add, delete, or modify sections as set forth below (sections number and titles are indicated in bold type; additions are indicated by <u>underscoring</u> and deletions are indicated by ~~strike-through~~ type; portion of the provisions not cited or not shown in underscoring or strike-through type are not changed); and be it

FURTHER RESOLVED: That the proposed Charter Amendment text shall be as follows:

DRAFT Version #1

DRAFT Version #1

Article XXVI: **POLICE AND FIRE RETIREMENT SYSTEM**

Section 2619(6)

The City shall contribute to the Retirement System such amounts as may be necessary, when added to the contributions referred to in the preceding paragraphs of this Section, to provide the benefits payable under this Article and Articles XIV and XV. The City contributions made periodically during the year shall be such as when added to member contributions will actuarially fund all liabilities for all members prior to July 1, 1976, ~~by July 1, 2026~~ by a date that both the City and Board approve, provided that such full-funding deadline is based on and supported by an actuarial study commissioned by the Board, known hereafter as "Full-Funding Deadline". Additionally, notwithstanding any other language or provision of this Article XXVI or the City Charter, the Board and the City shall have authority by mutual agreement to approve further extensions of the Full-Funding Deadline, provided that actuarial studies commissioned by the Board support each such subsequent change. The Board's and the City's approvals must be authorized by separate resolutions of the Board and the City Council. Additionally, to protect the City from market volatility, beginning ten years prior to the Full-Funding Deadline, each year's gains or losses shall be amortized over ten years from the year such gains or losses are realized. Any fund established pursuant to the 1971 amendment to this subsection and implemented by Retirement Board Resolution No. 3968 which provided for payment of improved or additional benefits shall continue only for the purposes stated herein. Any monies held in such fund as of July 1, 1976, and any interest credited thereon pursuant to Section 2602(a) shall continue to be payable to members of this system as follows: [remaining text not amended].

and be it

FURTHER RESOLVED: That in accordance with the Elections Code and Chapter 11 of the Oakland Municipal Code, the City Clerk shall fix and determine a date for submission of arguments for or against said proposed Charter amendment, and said date shall be posted in the Office of the City Clerk; and be it

FURTHER RESOLVED: That in accordance with the Elections Code and Chapter 11 of the Oakland Municipal Code, the City Clerk shall provide for notice and publication as to said proposed Charter amendment in the manner provided for by law; and be it

FURTHER RESOLVED: That each ballot used at said municipal election shall have printed therein, in addition to any other matter required by law the following:

PROPOSED CHARTER AMENDMENT

MEASURE _____

"Measure Allowing the Police and Fire Retirement System Board and City Council To Set an Actuarially Sound Deadline For Fully Funding Its Retirement Plan"

DRAFT Version #1

Measure _____. Shall section 2619(6) of the Charter of the City of Oakland be amended to allow the Police and Fire Retirement System Board and City Council to set an actuarially sound deadline for fully funding its retirement plan?	Yes	
	No	

FURTHER RESOLVED: That the City Cierk and City Administrator hereby are authorized and directed to take any and all actions necessary under law to prepare for and conduct the next municipal election and appropriate all monies necessary for the City Administrator and City Clerk to prepare for and conduct the next municipal election, consistent with law.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2011

PASSED BY THE FOLLOWING VOTE:

BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF and PRESIDENT REIDAYES-
NOES-
ABSENT-
ABSTENTION-

ATTEST:_____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

Approved as to Form and Legality

_____
Office of the City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO._____C.M.S.

INTRODUCED BY COUNCILMEMBERS

A Resolution Submitting On The Council's Own Motion, A Proposed Charter Amendment, Entitled, "Measure Allowing the Police and Fire Retirement System Board and City Council to Set an Actuarially Sound Deadline For Fully Funding Its Retirement Plan", To Be Submitted To The Electors At The Next Special or General Municipal Election; And Directing The City Clerk To Fix The Date For Submission Of Arguments And Provide For Notice And Publication In Accordance With The Next Election Date

WHEREAS, City Charter Article XXVI established the Oakland Police and Fire Retirement System ("PFRS") in 1951 to provide retirement benefits for Police and Fire Department sworn (uniformed) employees and created an independent Police and Fire Retirement Board ("PFRS Board") to manage and administer the funds of the PFRS; and

WHEREAS, pursuant to Article 16 of the California Constitution public retirement boards are independent boards and the Constitution, accordingly (1) grants the PFRS Board plenary authority and the sole and exclusive fiduciary responsibility over the assets of the PFRS and the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries and (2) mandates that the PFRS Board discharge its duties with respect to the PFRS solely in the interest of, and for the exclusive purposes of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system; and

WHEREAS, in 1976 the PFRS was closed and all subsequent sworn police and fire personnel that the City hired became members of the California Public Employees' Retirement System ("PERS"); and

WHEREAS, City Charter section 2619(6) requires that the City contribute to the PFRS, periodically during the year such amounts as may be necessary, when added to member contributions to actuarially fund all liabilities for all PFRS members by July 1, 2026, hereafter referred to as the "Full-Funding Deadline"; and

WHEREAS, while actuaries project that payments to beneficiaries of the PFRS may extend beyond 2050, the City Charter currently requires that the PFRS Plan be fully funded

by 2026, resulting in the possible front-loading of the City's payment obligations to the retirement system, which may not be fiscally necessary; and

WHEREAS, use of a later date may be possible without jeopardizing the payment of future pensions from the trust; and

WHEREAS, an extension of the contribution period justified by an actuarial valuation, could result in significant savings to the City without affecting its duty and ability to fund the PFRS and pay retirement benefits to its members; and

WHEREAS, market volatility puts the City at risk of having unreasonably large contributions as the Full-Funding Deadline draws near and this risk may be reduced in a fiscally sound manner by amortizing yearly gains and losses over an actuarially sound period of time from the year such gains or losses are realized beginning ten years preceding the Full-Funding Deadline; and

WHEREAS, it is financially and administratively prudent to amend the City Charter to authorize the City and the PFRS Board to approve extensions of the Full-Funding Deadline in the future by mutual agreement, provided that such extensions are supported by actuarial reports; and

WHEREAS, for the foregoing reasons, the City Council desires to submit to the qualified electors of the City of Oakland at it next municipal election, a proposed Charter amendment, now, therefore be it

RESOLVED: That the City Council hereby authorizes and directs the City Clerk, at least 88 days prior to the next special or general municipal election date, to file with the Alameda County Board of Supervisors and the County Clerk certified copies of this resolution; and be it

FURTHER RESOLVED: That the proposed Charter Amendment shall be contingent upon the findings of an actuarial study to be commissioned by the PFRS Board; and be it

FURTHER RESOLVED: That the implementation of the Charter Amendment by the City, if it is approved by the voters, shall and will be contingent upon a finding by the PFRS Board that the proposed extension of the Full-Funding Deadline, which is approved by the PFRS Board and the City, would not have a detrimental or compromising effect on the members' retirement benefits or rights; and be it

FURTHER RESOLVED: That any further extensions of the Full-Funding Deadline by mutual agreement of the City and the PFRS Board, shall and will be contingent upon an actuarial report that supports each such extension; and be it

FURTHER RESOLVED: That the City Charter hereby is amended, to add, delete, or modify sections as set forth below (sections number and titles are indicated in **bold**

type; additions are indicated by underscoring and deletions are indicated by strike-through type; portion of the provisions not cited or not shown in underscoring or strike-through type are not changed); and be it

FURTHER RESOLVED: That the proposed Charter Amendment text shall be as follows:

Article XXVI: **POLICE AND FIRE RETIREMENT SYSTEM**

Section 2619(6)

The City shall contribute to the Retirement System such amounts as may be necessary, when added to the contributions referred to in the preceding paragraphs of this Section, to provide the benefits payable under this Article and Articles XIV and XV. The City contributions made periodically during the year shall be such as when added to member contributions will actuarially fund all liabilities for all members prior to July 1, 1976, by July 1, 2026. The date of July 1, 2026 may be changed, provided that both the City and Board approve and provided that such full-funding deadline is based on and supported by an actuarial study commissioned by the Board, known hereafter as "Full-Funding Deadline". Additionally, notwithstanding any other language or provision of this Article XXVI or the City Charter, the Board and the City shall have authority by mutual agreement to approve further extensions of the Full-Funding Deadline, provided that actuarial studies commissioned by the Board support each such subsequent change. The Board's and the City's approvals must be authorized by separate resolutions of the Board and the City Council. Additionally, to protect the City from market volatility,beginning ten years prior to the Full-Funding Deadline, each year's gains and losses shall be amortized over a period of years from the year such gains or losses are realized. The amortization period shall be set ~~will be determined~~ by the Board based on an actuarial study commissioned by the Board. Nothing in this section shall prevent the City from paying more than its minimum obligation to the Fund.

Any fund established pursuant to the 1971 amendment to this subsection and implemented by Retirement Board Resolution No. 3968 which provided for payment of improved or additional benefits shall continue only for the purposes stated herein. Any monies held in such fund as of July 1, 1976, and any interest credited thereon pursuant to Section 2602(a) shall continue to be payable to members of this system as follows: [remaining text not amended].

and be it

FURTHER RESOLVED: That in accordance with the Elections Code and Chapter 3 of the Oakland Municipal Code, the City Clerk shall fix and determine a date for submission of arguments for or against said proposed Charter amendment, and said date

shall be posted in the Office of the City Clerk; and be it

FURTHER RESOLVED: That in accordance with the Elections Code and Chapter 3 of the Oakland Municipal Code, the City Clerk shall provide for notice and publication as to said proposed Charter amendment in the manner provided for by law; and be it

FURTHER RESOLVED: That each ballot used at said municipal election shall have printed therein, in addition to any other matter required by law the following:

PROPOSED CHARTER AMENDMENT

MEASURE _____

"Measure Allowing the Police and Fire Retirement System Board and City Council to Change the Deadline for Fully Funding its Retirement Plan to an Actuarially Sound Date"

Measure _____. Shall section 2619(6) of the Charter of the City of Oakland be amended to allow the Police and Fire Retirement System Board and City Council to change the deadline for fully funding its retirement plan to an actuarially sound date?	Yes	
	No	

FURTHER RESOLVED: That the City Clerk and City Administrator hereby are authorized and directed to take any and all actions necessary under law to prepare for and conduct the next municipal election and appropriate all monies necessary for the City Administrator and City Clerk to prepare for and conduct the next municipal election, consistent with law.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2011

PASSED BY THE FOLLOWING VOTE:

BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF and PRESIDENT REIDAYES-
NOES-
ABSENT-
ABSTENTION-

ATTEST:_____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

City of Oakland

Meeting Agenda

Office of the City Clerk
Oakland City Hall
1 Frank H. Ogawa Plaza
Oakland, California 94612
LaTonda Simmons, City Clerk

*Concurrent Meeting of the Joint Powers Financing Authority and Finance and Management Committee

Oakland City Hall, 1 Frank H. Ogawa Plaza, Oakland, California 94612

City of Oakland Website: http://www.oaklandnet.com

Tuesday, July 12, 2011 | **12:00 PM** | **Sgt. Mark Dunakin Rm - 1st Floor**

DEFINITION OF TERMS:

Consent Item: any action item that a subject matter Committee has forwarded to the full Council with unanimous recommendation for approval and is not controversial, and does not have a high level of public interest as determined by the Rules Committee.

Non-Consent Item: any action that a subject-matter Committee has forwarded to the full Council without unanimous recommendation for approval, or having a high level of public interest, or is controversial as determined by the Rules Committee.

Action Item: any resolution, ordinance, public hearing, motion, or recommendation requiring official vote and approval of the City Council to be effective.

Informational Item: an item of the agenda consisting only of an informational report that does not require or permit Council action.

Roll Call / Call to Order

COMMITTEE MEMBERSHIP:

Vice Mayor Desley Brooks, District 6; Jane Brunner, District 1; Patricia Kernighan, District 2; Chairperson President Pro Tempore Ignacio De La Fuente, District 5

1 Approval of the Draft Minutes from the Committee Meeting held on June 28, 2011

2 Determination of Schedule of Outstanding Committee Items

3 Subject: State and Federal Budget Status
From: Office Of Budget
Recommendation: Receive An Informational Report Regarding The Status Of The State and Federal Budget Development And Its Potential Impacts On The City Of Oakland [TITLE CHANGE]
(09-0439-8)

4 Subject: Citywide Vacanies/Status Updates ("Golden Handshake")
From: Department Of Human Resources Management

C357010) Or To Negotiate With The Lowest Bidder If Bids Are Deemed Non-Responsive Or Non-Responsible, In Accord With The Project Plans And Specifications In An Amount Not To Exceed Six-Hundred Thousand Dollars ($600,000.00) Without Return To Council; And

5. A Resolution Awarding A Construction Contract To The Lowest, Responsive, Responsible Bidder, For The Broadway Intelligent Transportation Systems (Its) (Project No. C270210) Or To Negotiate With The Lowest Bidder If Bids Are Deemed Non-Responsive Or Non-Responsible, In Accord With The Project Plans And Specifications In An Amount Not To Exceed Eight-Hundred Thousand Dollars ($800,000.00) Without Return To Council; On The July 12, 2011 Finance And Management Committee Agenda
(10-0773)

10 Subject: PFRS Ballot Measure
From: Councilmember Libby Schaaf
Recommendation: Adopt A Resolution Submitting On The Council's Own Motion, A Proposed Charter Amendment, Entitled, "Measure Allowing the Police and Fire Retirement System Board and City Council to Set an Actuarially Sound Deadline For Fully Funding Its Retirement Plan", To Be Submitted To The Electors At The Next Special or General Municipal Election; And Directing The City Clerk To Fix The Date For Submission Of Arguments And Provide For Notice And Publication In Accordance With The Next Election Date.
(10-0786)

11 Subject: Rainy Day Fund Ballot Measure
From: Councilmember Libby Schaaf
Recommendation: Adopt A Resolution Submitting On The Council's Own Motion, A Proposed Charter Amendment, Entitled, “Measure Establishing A 'Rainy Day' Fund For Money Collected When There Is An Unusually Large Surplus, Which May Be Used In Years When There Is A Revenue Shortfall”, To Be Submitted To The Electors At The Next Special Or General Municipal Election; And Directing The City Clerk To Fix The Date For Submission Of Arguments And Provide For Notice And Publication In Accordance With The Next Election Date
(10-0787)

12 Subject: PFRS Funding Options And Swap Termination
From: Finance And Management Agency
Recommendation: Adopt The Following Pieces Of Legislation:

1) A Resolution Of The City Council Of The City Of Oakland Authorizing And Approving The Option To Fund The Police And Fire Retirement System Unfunded Accrued Actuarial Liability Through A Combination Of Pay-As-You-Go Method And The Use Of Pension Obligation Bonds; Directing The City Administrator To Negotiate The Terms And Conditions Of The Funding Option(S) Approved By City Council For The System And Enter Into An Agreement With The Police And Fire Retirement Board; And

THE CITY OF OAKLAND

AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2011 JUN 30 PM 3:46

TO: Office of the City Administrator/ Agency Administrator
Executive Director of the Oakland Joint Powers Financing Authority
ATTN: P. Lamont Ewell, Interim City Administrator
FROM: Finance and Management Agency
DATE: July 12, 2011

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND AUTHORIZING AND APPROVING THE OPTION TO FUND THE POLICE AND FIRE RETIREMENT SYSTEM UNFUNDED ACCRUED ACTUARIAL LIABILITY THROUGH A COMBINATION OF PAY-AS-YOU-GO METHOD AND THE USE OF PENSION OBLIGATION BONDS; DIRECTING THE CITY ADMINISTRATOR TO NEGOTIATE THE TERMS AND CONDITIONS OF THE FUNDING OPTION(S) APPROVED BY CITY COUNCIL FOR THE SYSTEM AND ENTER INTO AN AGREEMENT WITH THE POLICE AND FIRE RETIREMENT BOARD;

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND AUTHORIZING AND APPROVING THE TERMINATION OF THE SWAP AGREEMENT RELATED TO THE OAKLAND JOINT POWERS FINANCING AUTHORITY, LEASE REVENUE BONDS, 1998 SERIES A1/A2

SUMMARY

The Police and Fire Retirement System ("PFRS") provides pension, disability and beneficiary payments to retired Police and Fire sworn officers and under Article XXVI of the City's Charter, the City is obligated to make these payments to PFRS until 2026. PFRS is currently funded at only 37.6% (actuarial value of assets/actuarial liabilities). Given the low funding level, a one-time or ongoing investment into the system has become a matter of fiscal urgency. Moreover, a payment holiday that the City negotiated with PFRS will expire in July 2011. Based on actuarial computafions, the City will be required to deposit to PFRS approximately $45.6 million beginning FY 2011-12.

Resuming the annual required contributions combined with PFRS existing debt obligations, will require funding above the available resources dedicated to PFRS, (Override Tax approved by voters in 1976 and 1988 and a New York Life Insurance Annuity purchased for the system in 1985). As a resuh, payments in excess of the system's revenue will be paid from the General Fund. Faced with multiple year deficits and declining revenues, the City's General Fund will not be able to absorb significant annual contributions without serious reduction in core service levels. Currently, the City has excess tax override revenues that may be used to offset these payments in the near term, but to address PFRS long-term funding, including increasing the funding levels, the City needs to issue pension bonds as a way to protect further deterioration of the General Fund and increase the funding levels of PFRS. Therefore, staff recommends a

hybrid funding option: combining a pay-as you –go method with reduced payments and a one-time deposit of pension bond proceeds into the System.
In addition, a mechanism would be put in place to monitor the PFRS funding level and alert the City if the funding level declines to a certain pre-determined funded ratio. The City would then be required to take action to increase the System's funding level up to the required funded ratio.

Over the past several months, City staff has been actively exploring options to address the PFRS unfunded liability. In addition, staff has been in conversations with the actuary, Bartel & Associates, LLC to review and possibly revise the current actuarial assumptions which may have a signiticant impact on lowering the unfunded liability and the annual required contribution. The proposed resolutions have been prepared which seeks approval from City Council to:

(1) Authorize and approve the option to fund PFRS through a combination of pay-as-you-go method and the use of pension obligation bonds;

(2) Direct the City Administrator to negotiate the terms and conditions of the funding option(s) approved by City Council and enter into an agreement with the PFRS Board; and

(3) Authorize the termination of the swap agreement in connection with the issuance of Oakland Joint Powers Financing Authority, Lease Revenue Bonds, and 1998 Series A1/A2.

Lastly, issuing pension debt does have associated risks and benefits that have to be taken into consideration before issuance: The following are some benetits and risks associated with Pension Bonds issuance:

Benefits
- No annual required contributions from General Fund for a negotiated period
- Increase funding level
- Increase in investment returns with greater asset base
- Reduce annual required contributions after the negotiated period

Risks
- Investment risk, poor performance will cause the market value of asset to decline
- Incorrect actuarial assumptions could result in a further decline in funded ratios
- Decline in assessed values resulting in decline in tax override revenues
- Increase in benetits resulting in increased in liabilities

FISCAL IMPACT

The debt service for the Pension Obligation Bonds (the "2011 POBs") will be payable from excess tax override revenues.

Faced with the current projected budget deficit, resuming annual General Fund contributions of $45.6 million would put more stress on the General Fund. Without PFRS contributions, the City cannot balance the budget without major reductions to core services. By issuing 2011 POBs, the City can minimize General Fund contributions when discretionary funds are scarce and resume contributions when the General Fund can support additional contributions in later years when other non-pension related debt supported by the General Fund matures. Therefore, staff recommends the issuance of 2011 POBs in order to manage this Charter mandated obligation.

BACKGROUND

PFRS is established pursuant to the Retirement Law and is a defined benefit pension system for the members of the City of Oakland (the "City") Police and Fire Department hired prior to July 1, 1976. PFRS is now a closed plan and no new members can join the plan. PFRS provides for the payment of retirement allowances, disability and death benefits to its members and their beneficiaries. As of June 30, 2010, PFRS covered one active employee and 1,152 retired employees. The City Charter dictates how PFRS is managed; the City is required to fund all liabilities for future benefits for all members by June 30, 2026.

Participant Profile		
	July 1, 2010	Average Age
Actives	1	71.7
Service Retirees	531	72.2
Disability Retirees	287	70.5
Beneficiaries	334	80.0
Total	1,153	N/A
Actuarial Liabilities	$792,202,000	N/A
Avg. Liability/Participant	687,079	N/A

Tax Override Revenues

The City is authorized to levy the Tax Override on all taxable property within the City pursuant to Measure R. State legislation enacted in 1985 limits the rate of the levy of the Tax Override to the rate levied by the City in Fiscal Year 1983 or 1984, which was 0.1575% of the assessed value of taxable property within the City. The City has levied the Tax Override at this 0.1575% rate since 1983. The City is authorized pursuant to Measure O to levy the Tax Override through

Fiscal Year 2025-26. The "Tax Override Revenues" are revenues generated and collected by the City in each Fiscal Year as proceeds of its annual tax levy goes to fund PFRS obligations.

In 1997, the City issued Taxable Pension Obligation Bonds ("POBs") of approximately $436 million to fund a portion of the current balance of the City's unfunded liability for retirement benefits for the members of PFRS. These bonds were subsequently restructured in 2001 in a manner which extended their debt service payments through fiscal year 2023 in order to lower the annual debt service payments for the City. As a resuh of the restructuring and subsequent property tax growth, the City's Tax Override Revenues have exceeded annual debt service. In addition, there will be three years of unencumbered revenue stream from 2023 through 2026.

The proceeds of the POBs provided a lump-sum payment equal to the present value of payments the City would otherwise be required to make to amortize the unfunded liability calculated at that point in time through June 30, 2011. As a result, the City received a "holiday" from making payments into the Retirement System until June 30, 2011, and instead covenanted to make debt service payments on the POBs through that date. Funding for the debt service of the POBs is allowed under Measure R and Measure O.

New York Life Annuity and Associated POBs

In 1985, the Redevelopment Agency of the City of Oakland, (the "Agency") issued Certificates of Participation, 1985 Series A (the "1985 COPs") to provide financing for a portion of PFRS. The City entered into an Annuity Deposit Agreement with PFRS and purchased an annuity with New York Life (the "Annuity") to be used to pay a portion of the City's obligation to retired City employees, as set forth in Article XXVI of the City Charter.

In 1988, the City and PFRS amended the Annuity Deposit Agreement and pledged and assigned Pension Credits to the payment of principal of and interest on the City of Oakland Special Refunding Revenue Bonds (Pension Financing) 1988 Series A (the "1988 Series A Bonds"), which refunded the 1985 COPs. The City restructured these bonds three more times in 1998, 2005 and 2008 (the latter being the "2008 Bonds"). The Annuity is currently being used to repay the 2008 Bonds which mature in 2017, after which the remaining Amuity proceeds will go to offset the payments of PFRS unfunded liability.

Swap Payments

When the City restructured the 1988 Series A Bonds in 1998, it entered into a forward-starting synthetic fixed rate swap agreement (the "Swap") with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. (the "Counterparty") in connection with the issuance of Oakland Joint Powers Financing Authority (the "Authority") Lease Revenue Bonds, 1998 Series A1/A2

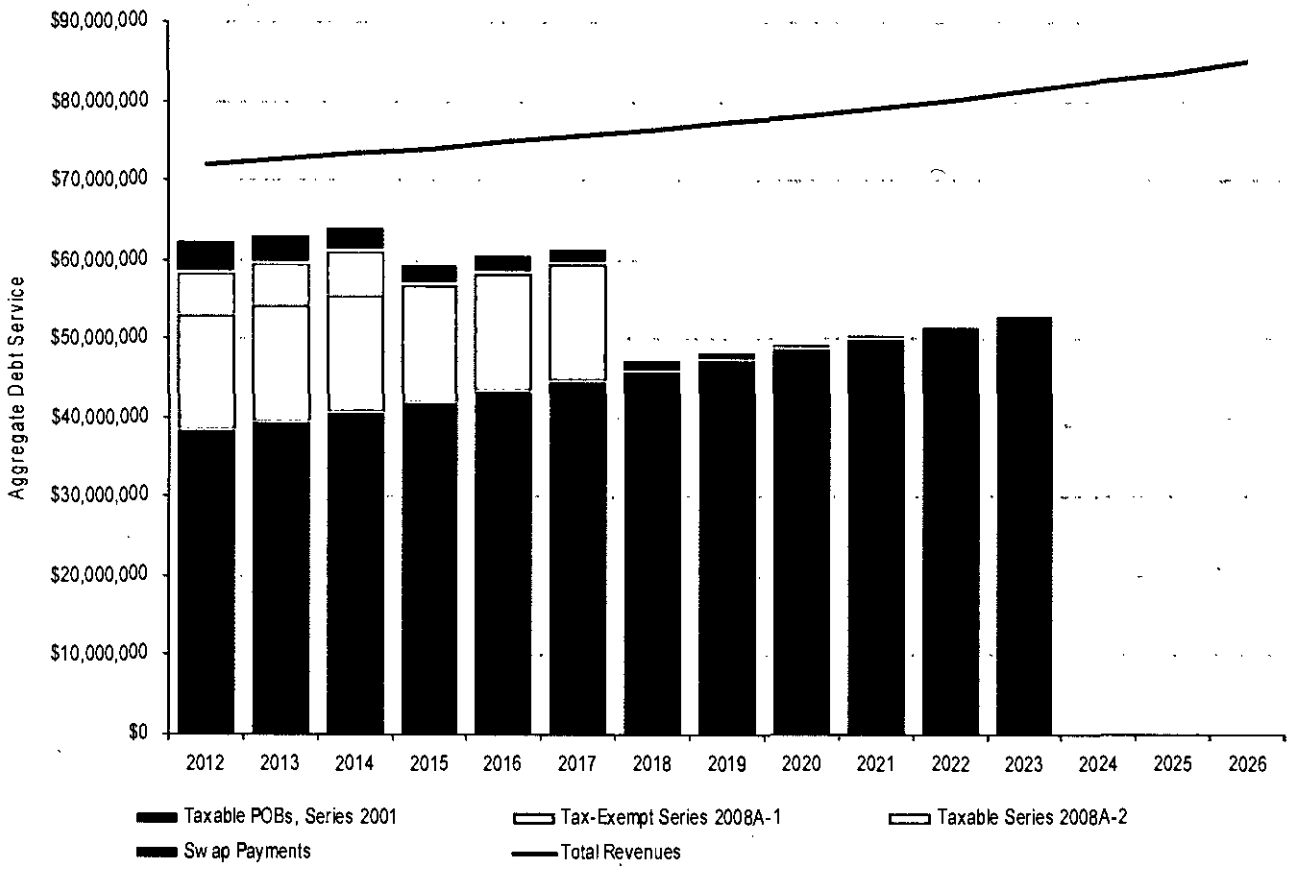
(the "JPFA Bonds"). Because the original series of bonds tied to the Swap were fixed in 2008, the Swap no longer serves its original purpose, which was to mitigate interest rate risk. As of January 30, 2011, the notional amount on the swap is $76.8 million and the swap does not expire until 2021. Due to changes in interest rates since the execution of the Swap, as of June 22, 2011, the Swap had a negative market value of approximately $16.5 million. Therefore, staff is recommending terminating the Swap using the excess tax override revenue reserve. With an estimated annual interest rate swap payments of $3.8 million. By terminating the Swap today, the City can generate cash flow savings.

KEY ISSUES AND IMPACTS

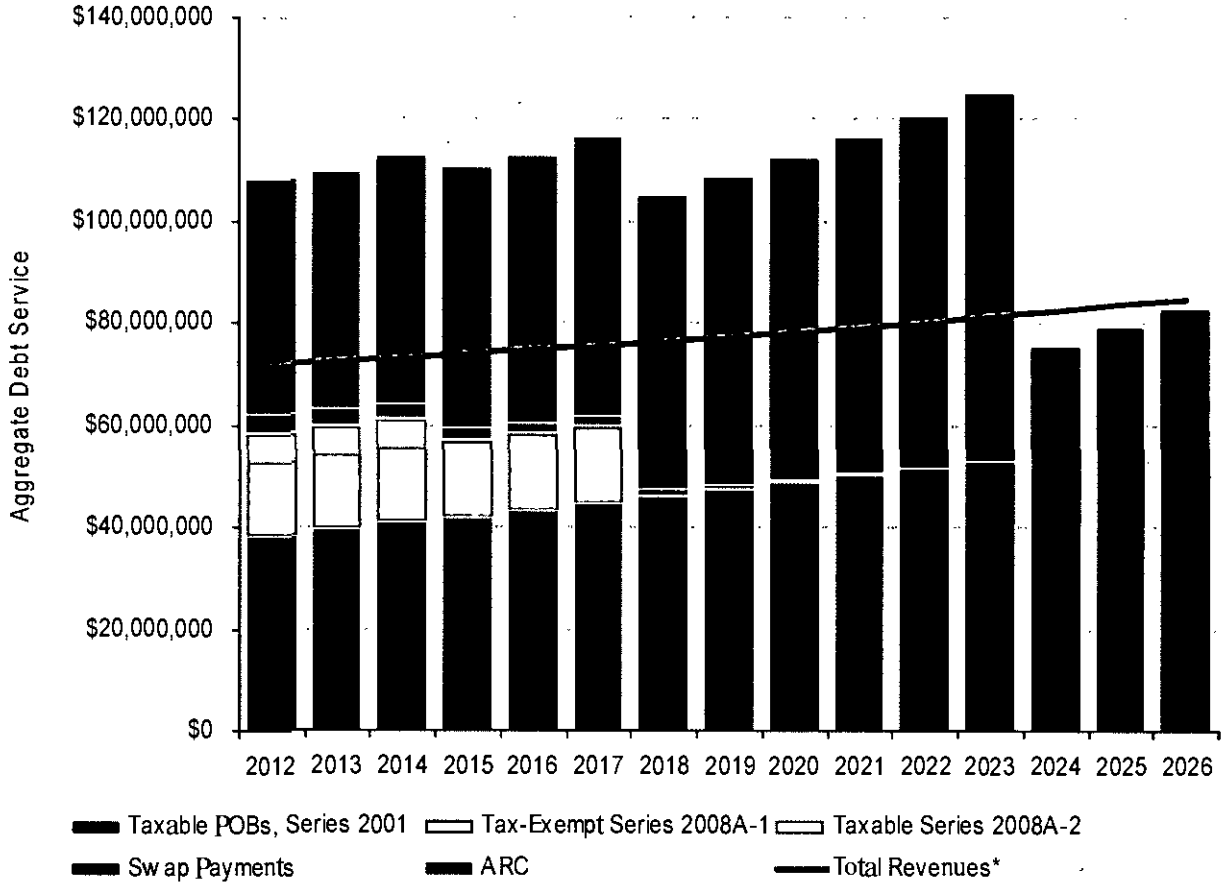
Currently, PFRS has an unfunded liability of $494.4 mifiion with a funding level of 37.6%. Given this low funding level, a one-time revenue source or ongoing investment into the system is critical. Also, staff has been in conversations with the actuary, Bartel and Associates, LLC to review and possibly revise the current actuarial assumptions which include discount rate, mortality and salary (cost of living) rates, which could have a significant impact in lowering the unfunded liability and the annual required contribution.

Funded Ratio	
	July 1, 2010
Actuarial Value of Plan Assets	297,829,000
YOY Change in Plan Assets	*-14.22%*
Actuarial Liability	792,202,000
Unfunded Actuarial Liability	494,373,000
Funded Ratio	37.6%

Also, the "holiday" is set to expire on June 30, 2011, and the City will be required to contribute to PFRS to fund its Unfunded Actuarial Accrued Liability ("UAAL"), which is estimated to be $45.6 million on July 1, 2011. In addition to the UAAL, the City will pay debt service on PFRS pension-related bonds in an amount equal to $62.4 million, which includes the swap payment. Currently, the revenues from the tax override and the annuity are sufficient to pay the debt service payments on the outstanding bonds with some excess residual afterward as depicted in the chart below.



In FY 2011/12, the City's total obligation on the PFRS unfunded liability as well as bond debt service payments will total approximately $108 million. The available revenues from the tax override revenues as well as the annuity are being used to pay debt service payments on the outstanding debt with very little flexibility to cover the annual required contribution to PFRS. The annual required contribution combined with the existing General Fund supported debt service cannot be fully supported by the available revenues as shown in the chart below.



* Total revenues currently exceeds PFRS total debt service without the UAAL

Payments in excess of the available revenues will be paid from the General Fund. The City will use some of the reserve money to offset the payments in fiscal year 2011-12. A summary of the total obligations of debt service, unfunded liability and shortfall of the expected receipt of tax override revenues are shown in the table below. The City may be able to use the excess reserve to offset these shortfalls but only for a short period of time until it's exhausted.

Fiscal Year (June 30)	Total Funding Available for PFRS	Outstanding Debt Service Obligations	Annual Recommended Contribution (ARC)	General Fund Support Required
2012	72,010,614	62,365,892	45,634,000	(35,989,278)
2013	72,685,525	63,184,045	46,500,000	(36,998,520)
2014	73,377,704	64,038,301	48,800,000	(39,460,597)
2015	74,093,747	59,522,606	50,800,000	(36,228,859)
2016	74,840,423	60,541,072	52,500,000	(38,200,649)
2017	75,623,861	61,491,000	55,000,000	(40,867,139)
2018	76,449,484	47,357,932	57,600,000	(28,508,448)
2019	77,322,283	48,366,922	60,300,000	(31,344,639)
2020	78,246,143	49,410,912	63,100,000	(34,264,769)
2021	79,223,748	50,495,456	66,000,000	(37,271,708)
2022	80,257,072	51,620,000	69,100,000	(40,462,928)
2023	81,347,308	53,130,000	72,300,000	(44,082,692)
2024	82,494,925	-	75,700,000	6,794,925
2025	83,699,767	-	79,300,000	4,399,767
2026	84,961,261	-	83,100,000	1,861,261
	1,166,633,865	671,524,138	925,734,000	(430,624,273)

Given the current economic circumstances and the City's budget deficit, resuming the annual required contributions will be an additional stress on the General Fund. Staff recommends that the City negotiate and execute an agreement with the PFRS Board for a payment holiday for a negotiated period of time. The City could resume the annual required contribution in five to six years when other non-pension related debt service begins to decline and supporting revenues increase. The City could avoid the extreme measures that would be required to fund this obligation in the next several years.

Issuing 2011 POBs and Pay-As-You-Go Contribution

Issuing additional pension obligation bonds supported by excess tax override, negotiating the terms and conditions of the funding option (s) approved by Council and entering into an

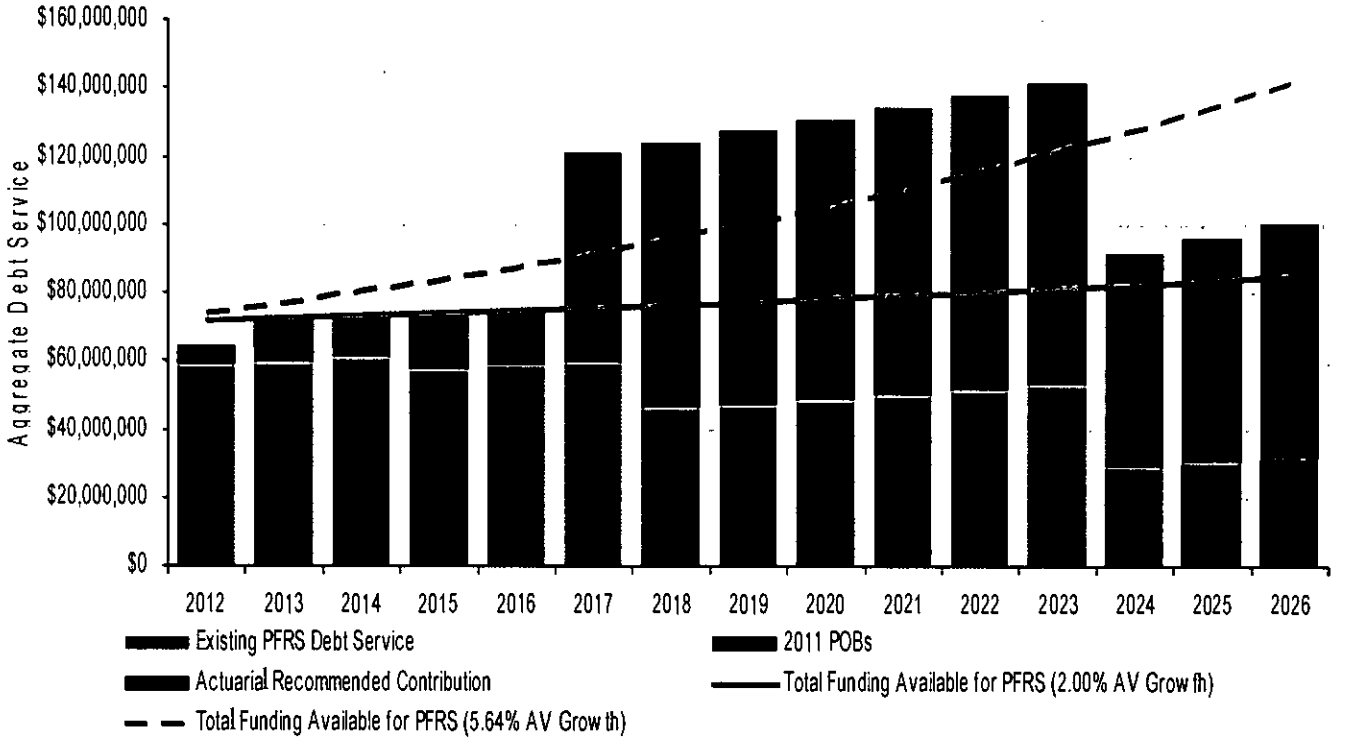
agreement with the PFRS Board will relieve the General Fund from paying into the PFRS system for a period of time and increase the funding level close to 70%.

The 2011 POBs would be structured to match the available Tax Override Revenues through FY 2025-26, and the annual required contributions will resume after the negotiated period ends when the City can support addhional contributions due to the declining debt starting in FY 2015-16. In the later years, other non-POBs related debt will mature (i.e., museum, convention center, and master leases) thus reducing the General Fund debt obligations resulting in declining debt.

In conjunction with issuing 2011 POBs, the City will make $5 million contribution from FY 2012-13 through FY 2016-17, which will lower the annual net General Fund payments from FY 2016-17 through FY 2025-26 and lower total General Fund debt service payments. The chart below shows the estimated debt issuance effective December 2011.

Fiscal Year Ending	Actuarial Recommended Contributions (ARC)	Less: Minimum Contribution	Net Actuarial Recommended Contributions (ARC)	Discounted Amount at 7.00%	Recommended Contribution
2012	$45,634,000		$45,634,000	$43,632,158	
2013	46,500,000	(5,000,000)	41,500,000	37,083,650	
2014	48,800,000	(5,000,000)	43,800,000	36,578,400	$221,773,954
2015	50,800,000	(5,000,000)	45,800,000	35,746,399	5 Year Contribution
2016	52,500,000	(5,000,000)	47,500,000	34,647,879	
2017	55,000,000	(5,000,000)	50,000,000	34,085,469	
2018	57,600,000		57,600,000	36,697,626	
2019	60,300,000		60,300,000	35,904,511	
2020	63,100,000		63,100,000	35,113,756	
2021	66,000,000		66,000,000	34,324,806	
2022	69,100,000		69,100,000	33,586,011	
2023	72,300,000		72,300,000	32,842,401	
2024	75,700,000		75,700,000	32,137,249	
2025	79,300,000		79,300,000	31,463,152	
2026	83,100,000		83,100,000	30,813,873	

The 2011 POBs will provide an amount sufficient to fund five years of required contribution to the System with a debt service pattern that would keep all debt payment to remain below the revenues pledge to PFRS.



In addition, a mechanism would be put in place to monitor the PFRS funding level and alert the City if the funding ratio declines below a certain pre-determined threshold level. This would be a funding trigger requiring the City to explore alternatives to increase funding level.

Associated Benefits /Risks of Issuing Pension Bonds

Staff would like to note that there are associated benefits and risks involved in issuing pension obligation bonds which must be taken into consideration before any approvals. Some of the risks benefits are summarized below:

BENEFITS	RISKS
▪ Protect the General Fund from making any Annual Required Contributions for five years ▪ Fund up the System to a funded ratio close to 70% ▪ Increase absolute investment returns based on a greater asset base ▪ Reduce Amual Required Contributions after the holiday period	▪ Investment performance is poor and market value of assets declines ▪ Actuarial assumptions are incorrect and further contributions are needed ▪ Future decline in Assessed Values cause the primary funding source, tax override revenues, to decline ▪ Further benefit increases cause the projected liabilities to increase

SUSTAINABLE OPPORTUNITIES

There is no impact to economic, environmental or social equity opportunities following actions under this report.

DISABILITY AND SENIOR CITIZEN ACCESS

There is no impact to disability or senior citizen access following actions under this report.

RECOMMENDATION(S) AND RATIONALE

Due to the City's fiscal situation, staff recommends moving forward with utilizing Pension Obligation Bonds combined with Pay-As-You-Go to manage this mandated debt.

Staff further recommends that Council approve this resolution and direct the City Administrator to negotiate the terms and conditions with PFRS Board for paying into the system, for a period of time based on a lump sum payment into PFRS by the City and financed through the issuance of the 2011 POBs. In addition, staff recommends that Council authorize the termination of the swap agreement.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council approve the resolution and authorize the following actions:

(1) Authorize and approve the option to fund PFRS through a combination of pay-as-you-go method and the use of pension obligation bonds;

(2) Direct the City Administrator to negotiate the terms and conditions of the funding option(s) approved by City Council and enter into an agreement with the PFRS Board; and

(3) Authorize the termination of the swap agreement in connection with the issuance of Oakland Joint Powers Financing Authority, Lease Revenue Bonds, 1998 Series A1/A2.

Respectfully submitted,

JOSEPH T. YEW, JR.
Director, Finance and Management Agency

Prepared by:
Katano Kasaine, Treasury Manager
Treasury Department

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE:

Office of the City Administrator/
Acting Agency Administrator

Item: _____
Finance and Management Committee
July 12, 2011

Approved as to Form and Legality

Oakland City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO._____C.M.S.

Introduced by Councilmember _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND AUTHORIZING AND APPROVING THE OPTION TO FUND THE POLICE AND FIRE RETIREMENT SYSTEM UNFUNDED ACCRUED ACTUARIAL LIABILITY THROUGH A COMBINATION OF THE PAY-AS-YOU-GO METHOD AND THE USE OF PENSION OBLIGATION BONDS; AND DIRECTING THE CITY ADMINISTRATOR TO NEGOTIATE THE TERMS AND CONDITIONS OF THE FUNDING OPTION(S) APPROVED BY CITY COUNCIL FOR THE SYSTEM AND ENTER INTO AN AGREEMENT WITH THE POLICE AND FIRE RETIREMENT BOARD

WHEREAS, the Police and Fire Retirement System ("**PFRS**") is established pursuant to the Retirement Law and is a defined benefit pension system for the members of the City of Oakland (the "City") Police and Fire Departments hired prior to July 1, 1976; and

WHEREAS, Article XXVI of the City Charter provides the City shall make such contributions to the System periodically during the year that, when added to the contributions of System members, will actuarially fund all liabilities for all System members by July 1, 2026; and

WHEREAS, the most recent adopted actuarial study of the **PFRS**, dated July 1, 2010 (the "Actuarial Study"), determined that the actuarial present value of future employer normal cost ("Employer Liability") is $792 million; and

WHEREAS, the "holiday" that the City negotiated with the **PFRS** system will expire on June 30, 2011, and the City is required to contribute approximately $45.6 million annually to **PFRS** to fund its unfunded accrued actuarial liability (**UAAL**) beginning July 1, 2011; and

WHEREAS, the City Council desires to authorize and approve the option of pension obligation bonds in conjunction with an annual contribution of approximately $5,000,000 for the period July 1, 2012 through June 30, 2017 to fund **PFRS**; and

WHEREAS, it is in the best interest of the City that Council authorize the City Administrator to negotiate the terms and conditions of the funding option(s) approved by City Council for the System and enter into an agreement with the PFRS, which would relieve the general fund from payments into the system for a negotiated period of time; and

RESOLVED, that to meet the City's obligations to the PFRS under Article XXVI of the City Charter to fund the system, the City Council hereby authorizes the City Administrator to move forward with the option of issuing Pension Obligation Bonds and an annual contribution of approximately $5,000,000 for the period of July 1, 2012 through June 30, 2017, and be it

FURTHER RESOLVED, that the City Council authorize the City Administrator to negotiate the terms and conditions of the funding option(s) approved by City Council for the System and enter into agreement with the PFRS Board for a negotiated period of time based upon a lump sum payments into PFRS by the City financed through the issuance of additional Pension Obligation Bonds and thereafter resume the annual required contribution on July 1, 2017 which is determined by an actuarial; and be it

FURTHER RESOLVED, that this Resolution shall take effect immediately upon its passage.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20_____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIHGAN, NADEL, QUAN, and PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST:

_____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

Approved as to Form and Legality

Oakland City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION No._____C.M.S.

Introduced by Councilmember _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND AUTHORIZING AND APPROVING THE TERMINATION OF THE SWAP AGREEMENT RELATED TO THE OAKLAND JOINT POWERS FINANCING AUTHORITY, LEASE REVENUE BONDS, 1998 SERIES A1/A2

WHEREAS, the City entered into a forward-starting synthetic fixed rate swap agreement (the "Swap Agreement") with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. in the comection with the issuance of Oakland Joint Powers Financing Authority, Lease Revenue Bonds, 1998 Series A1/A2; and

WHEREAS, the Swap Agreement no longer serves its original purpose to mitigate interest rate risks because the interest rates on the original series of bonds tied to the Swap were restructured to fixed rates in 2008, the City Council finds that termination of the Swap Agreement in the best interest of the City; now therefore be it

RESOLVED, that the City Coumcil authorizes the termination of the swap agreement in the connection with the issuance of Oakland Joint Powers Financing Authority, Lease Revenue Bonds, 1998 Series A1/A2; and be it

FURTHER RESOLVED, that this Resolution shall take effect immediately upon its passage.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20_____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIHGAN, NADEL, QUAN, and PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST:

_____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

City of Oakland

Meeting Agenda

Office of the City Clerk
Oakland City Hall
1 Frank H. Ogawa Plaza
Oakland, California 94612
LaTonda Simmons, City Clerk

*Concurrent Meeting of the Joint Powers Financing Authority and Finance and Management Committee

Oakland City Hall, 1 Frank H. Ogawa Plaza, Oakland, California 94612

City of Oakland Website: http://www.oaklandnet.com

Tuesday, July 12, 2011 | **12:00 PM** | **Sgt. Mark Dunakin Rm - 1st Floor**

DEFINITION OF TERMS:

Consent Item: any action item that a subject matter Committee has forwarded to the full Council with unanimous recommendation for approval and is not controversial, and does not have a high level of public interest as determined by the Rules Committee.

Non-Consent Item: any action that a subject-matter Committee has forwarded to the full Council without unanimous recommendation for approval, or having a high level of public interest, or is controversial as determined by the Rules Committee.

Action Item: any resolution, ordinance, public hearing, motion, or recommendation requiring official vote and approval of the City Council to be effective.

Informational Item: an item of the agenda consisting only of an informational report that does not require or permit Council action.

Roll Call / Call to Order

COMMITTEE MEMBERSHIP:

Vice Mayor Desley Brooks, District 6; Jane Brunner, District 1; Patricia Kernighan, District 2; Chairperson President Pro Tempore Ignacio De La Fuente, District 5

1 Approval of the Draft Minutes from the Committee Meeting held on June 28, 2011

2 Determination of Schedule of Outstanding Committee Items

3 Subject: State and Federal Budget Status
From: Office Of Budget
Recommendation: Receive An Informational Report Regarding The Status Of The State and Federal Budget Development And Its Potential Impacts On The City Of Oakland [TITLE CHANGE]
(09-0439-8)

4 Subject: Citywide Vacanies/Status Updates ("Golden Handshake")
From: Department Of Human Resources Management

C357010) Or To Negotiate With The Lowest Bidder If Bids Are Deemed Non-Responsive Or Non-Responsible, In Accord With The Project Plans And Specifications In An Amount Not To Exceed Six-Hundred Thousand Dollars ($600,000.00) Without Return To Council; And

5. A Resolution Awarding A Construction Contract To The Lowest, Responsive, Responsible Bidder, For The Broadway Intelligent Transportation Systems (Its) (Project No. C270210) Or To Negotiate With The Lowest Bidder If Bids Are Deemed Non-Responsive Or Non-Responsible, In Accord With The Project Plans And Specifications In An Amount Not To Exceed Eight-Hundred Thousand Dollars ($800,000.00) Without Return To Council; On The July 12, 2011 Finance And Management Committee Agenda
(10-0773)

10 Subject: PFRS Ballot Measure
From: Councilmember Libby Schaaf
Recommendation: Adopt A Resolution Submitting On The Council's Own Motion, A Proposed Charter Amendment, Entitled, "Measure Allowing the Police and Fire Retirement System Board and City Council to Set an Actuarially Sound Deadline For Fully Funding Its Retirement Plan", To Be Submitted To The Electors At The Next Special or General Municipal Election; And Directing The City Clerk To Fix The Date For Submission Of Arguments And Provide For Notice And Publication In Accordance With The Next Election Date.
(10-0786)

11 Subject: Rainy Day Fund Ballot Measure
From: Councilmember Libby Schaaf
Recommendation: Adopt A Resolution Submitting On The Council's Own Motion, A Proposed Charter Amendment, Entitled, “Measure Establishing A 'Rainy Day' Fund For Money Collected When There Is An Unusually Large Surplus, Which May Be Used In Years When There Is A Revenue Shortfall”, To Be Submitted To The Electors At The Next Special Or General Municipal Election; And Directing The City Clerk To Fix The Date For Submission Of Arguments And Provide For Notice And Publication In Accordance With The Next Election Date
(10-0787)

12 Subject: PFRS Funding Options And Swap Termination
From: Finance And Management Agency
Recommendation: Adopt The Following Pieces Of Legislation:

1) A Resolution Of The City Council Of The City Of Oakland Authorizing And Approving The Option To Fund The Police And Fire Retirement System Unfunded Accrued Actuarial Liability Through A Combination Of Pay-As-You-Go Method And The Use Of Pension Obligation Bonds; Directing The City Administrator To Negotiate The Terms And Conditions Of The Funding Option(S) Approved By City Council For The System And Enter Into An Agreement With The Police And Fire Retirement Board; And

(10-0777)

2) A Resolution Of The City Council Of The City Of Oakland Authorizing And Approving The Termination Of The Swap Agreement Related To The Oakland Joint Powers Financing Authority, Lease Revenue Bonds, 1998 Series A1/A2
(10-0777-1)

13 Subject: Henry J. Kaiser - Lease Revenue Bonds
From: Finance And Management Agency
Recommendation: Adopt The Following Pieces Of Legislation:

1) An Ordinance Authorizing the Substitution of City Hall for the Henry J. Kaiser Convention Center Securing the Existing Obligations for the Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Convention Centers), Series 2001; Approving the Execution and Delivery of Amendments to Leases to Substitute such Property and Authorizing the Taking of all Necessary Actions Relating Thereto; And
(10-0684)

2) A Resolution of the Oakland Joint Powers Financing Authority Authorizing the Substitution of City Hall for the Henry J. Kaiser Convention Center Securing the Existing Obligations for the Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Convention Centers), Series 2001; Approving the Execution and Delivery of Amendments to Leases to Substitute such Property and Authorizing the Taking of all Necessary Actions Relating Thereto
(10-0684-1)

Open Forum (TOTAL TIME AVAILABLE: 15 MINUTES)

Adjournment

* In the event of a quorum of the City Council participates on this Committee, the meeting is noticed as a Special Meeting of the City Council; however no final City Council action can be taken.

NOTE: Americans With Disabilities Act
If you need special assistance to participate in Oakland City Council and Committee meetings please contact the Office of the City Clerk. When possible, please notify the City Clerk 48 hours prior to the meeting so we can make reasonable arrangements to ensure accessibility. Also, in compliance with Oakland's policy for people with environmental illness or multiple chemical sensitivities, please refrain from wearing strongly scented products to meetings.

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