

**ROSS VALLEY FIRE DEPARTMENT
STAFF REPORT**

For the meeting of: October 14, 2015

To: Board of Directors
From: Mark E. Mills, Fire Chief
Subject: Pension Obligation Bond

RECOMMENDATION:

Staff recommends the Board receive and file the report.

BACKGROUND:

In the 2015/2016 budget the CalPERS Safety Plan employer contribution rate was modified by CalPERS to reflect a higher mortality rate for employees. Additionally, a new amortization was implemented over a fixed 30-year period. This created a new Unfunded Liability for the department in the amount of \$323,997 annually, which only applies to the prior authority members. The total amount of the liability was \$8,061,535. Financing the entire amount through CalPERS for 30 years will result in the Department paying approximately \$12,000,000 in interest. Staff was directed to begin researching additional funding possibilities to reduce future interest costs.

After receiving the report and presentation by Sperry Capital at the September meeting, staff was directed to continue exploring the pension bond issue and to make further recommendations.

DISCUSSION:

The Executive Management Committee met and discussed the possible options and timeframes that the Board could opt to use. While utilizing a pension obligation bond was clearly presented as the most economical action in the long run, the Committee decided that until the 2012 Side Fund Bond is retired at the end of fiscal year 2017, the Board should wait to issue another bond.

The 2012 Side Fund Bond is roughly \$500,000 annually and the new bond was projected to be \$600,000 annually. Once the older bond is retired the agency should have enough cash flow from the jurisdictions to afford the possible new bond.

The Management Committee will continue to explore possible bond funding over the next fiscal year and develop specific plans to be presented to the Board. New software opportunities are being researched in order to accurately predict the necessary investments and returns to make a sound recommendation.

FISCAL IMPACT:

None to the Department at this time.

AGENDA ITEM # 4
Date 10/14/15