

Pension Certificates of Participation

June 16, 2020



Pension COP

Consideration of an Ordinance to authorize issuance of Pension Certificates of Participation (COP) Debt

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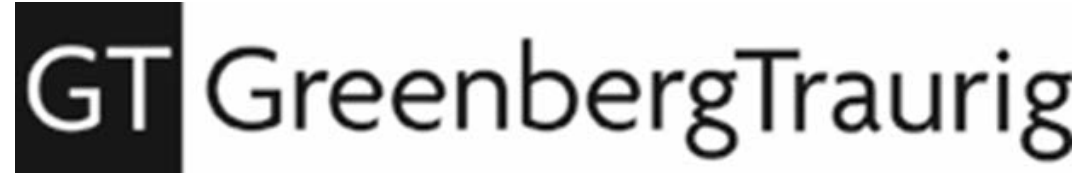




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The Team



STIFEL



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The Team

- City of Flagstaff
 - Greg Clifton, Rick Tadder, Brandi Suda
- Public Safety Personnel Retirement: Mike Townsend
- Public Policy Partners, LLC: Dianne McCallister
- Greenberg Traurig
 - Michael Cafiso, Paul Gales
- Stifel, Nicolaus & Company, Inc
 - Phoenix: Mark Reader, Erika Coombs, Randie Stein, Jack Leeper
 - Chicago: Omar Daghestani, Rushda Mustafa, Jenai Booker



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PSPRS Pension Information

- Plan information
 - Multi-employer pension plan, managed by PSPRS
 - City of Flagstaff has two trust funds, one for police and one for fire employees
- Current status and funding ratios

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Flagstaff Police	\$ 32,642,259	\$ 84,860,189	\$ 52,217,930	38.5%
Flagstaff Fire	\$ 34,260,196	\$ 93,870,030	\$ 59,609,834	36.5%
City of Flagstaff Totals	\$ 66,902,455	\$ 178,730,219	\$ 111,827,764	37.4%



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Goals for the Pension COP

- Reaffirm 100% Funded PSPRS Plans for Police and Fire
- Reaffirm incorporate a Contingency Reserve Fund to manage future liability changes due to market and actuarial changes
- Total amortization period 20 or 21 years
- Level debt funding to manage General Fund expenses



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Certificates of Participation – Financing Structure

- Annual budget appropriation nature of COP financing requires real property to serve as collateral – unlike revenue bonds where specific revenues are pledged
- Previous COP financings completed by the City include the Core Facilities and Court Facility
- Common to have value of real property approximate principal amount of the COPs – current real property approximates 40%-45%



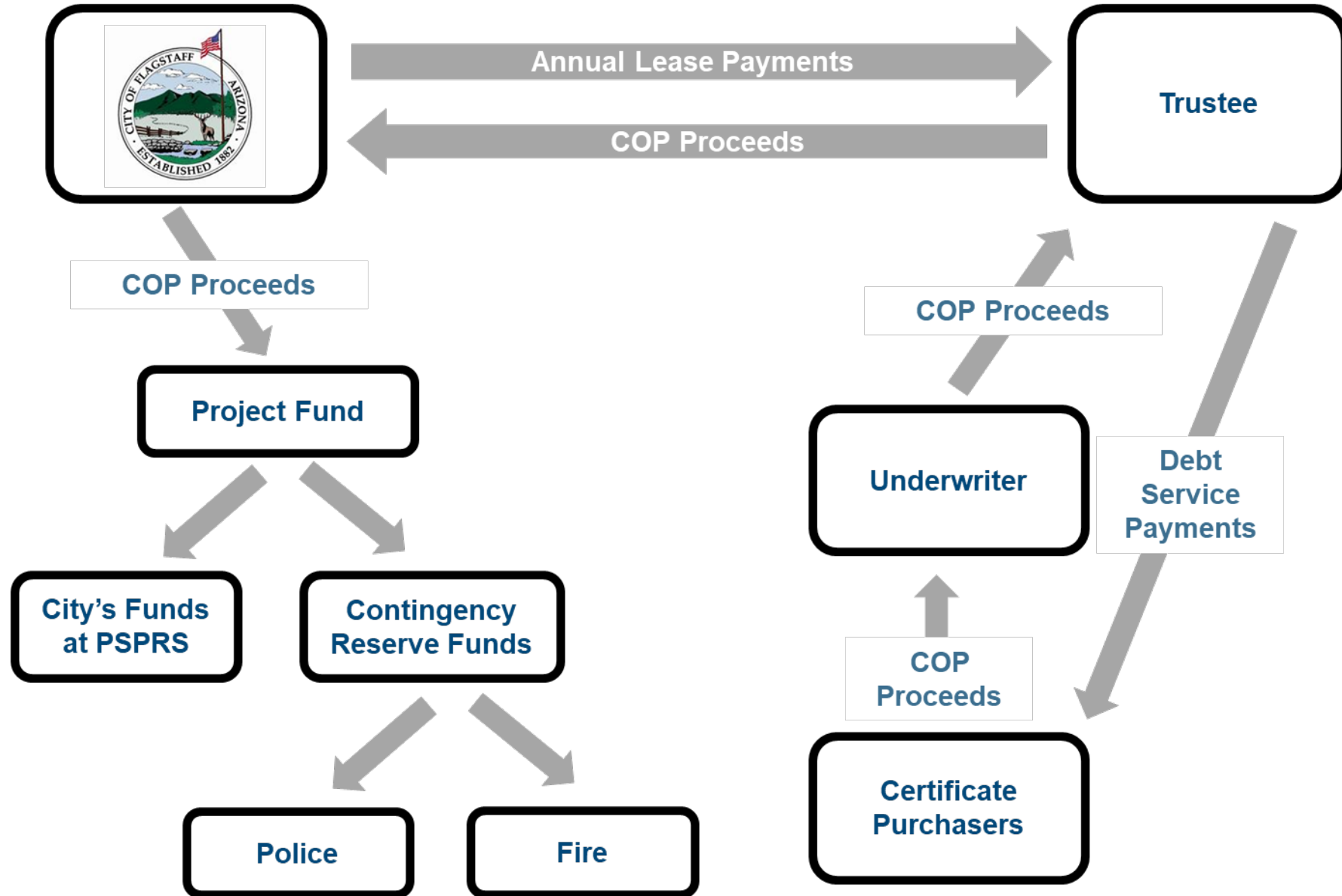
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Certificates of Participation – Financing Structure

- Real property being pledged for the Pension COP
 - Current underlying credit ratings (AA-) and confidence by our Underwriter will require reasonable / essential real property
 - Fire Stations, City Hall, Library, Milligan House, Aquaplex, Jay Lively Activity Center, Visitor Center, Youth Center, Police Warehouse
 - Final real property pledge to be finalized with goal to minimize amount of property



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Sizing the Pension COP

- Approval not to exceed \$135 million
- PSPRS Funding (\$112M-\$120M)
 - Considers 6/30/19 actuarial
 - Adjustments for market changes related to COVID-19 Pandemic
 - Fiscal Year 2019-20 contributions
- Contingency Reserve Funds (\$14.2M)
 - Considers future risk to mitigate-Market and Actuarial Changes



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Certificates of Participation – Estimated Sources and Uses

- The City’s proposed structure allows ongoing cost savings while shortening the pension amortization, creating budgetary certainty with level debt payments and provisioning for future contingencies
- 100% funded pension plans at the close of the transaction
- \$14.2 million deposit to Contingency Reserve Fund (CRF)
- Creates level budgetary payments over 20 years
- Shortens amortization of City’s pension debt

COPS SERIES 2020A (TAXABLE)	
	Total
Dated Date	8/1/2020
Final Maturity Date	5/1/2040
All-In TIC	3.63%
Average Life	11.52 years
Bond Par Amount	\$131,540,000
Sources and Uses of Funds	
Issue Par Amount	\$131,540,000
Pension Fund	\$116,060,000
Contingency Reserve Fund	\$14,239,000
Cost of Issuance	\$365,000
Underwriter’s Discount	\$874,900
Rounding	\$1,100
Total Sources and Uses	\$131,540,000

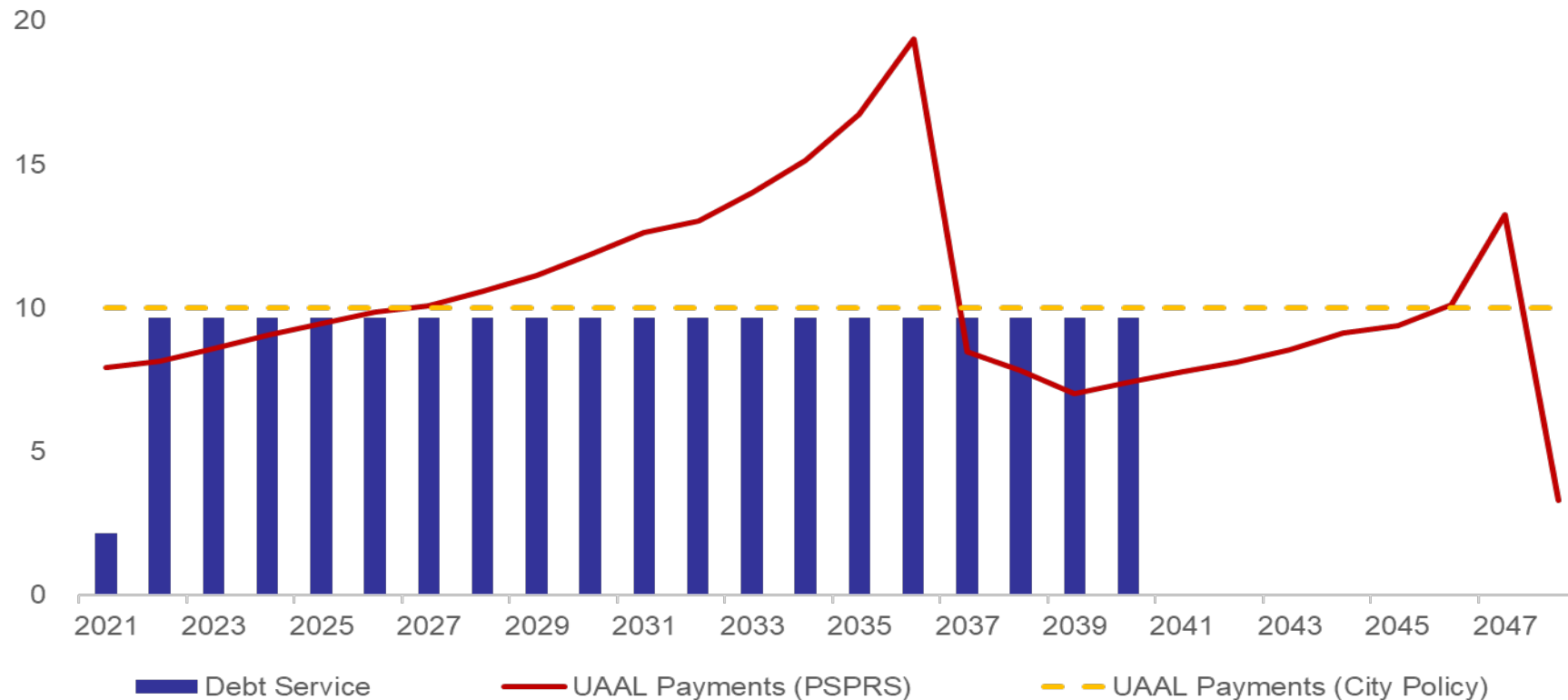


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Certificates of Participation

- Targeting Annual Debt Service of Less Than \$10 Million Per Year, the City can refinance its pension liability by FY2040 and generate approximately \$64.2 million (48.32%) of NPV savings





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Timeline

- June 16th: 1st Read of the Pension COP Ordinance
- June 23rd: 2nd Read and Adoption of the Pension COP Ordinance
- June 30th: Print and Post the Preliminary Offering Statement
- June 30-July 20: Marketing of Pension COP
- Week of July 20th: Pricing of Pension COP
- Mid August: Closing of Pension COP, distribution on funds
- December: PSPRS 6/30/20 report, request mid-term report



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Council Direction

- Amortization Period 20-21 Years
- Level of General Fund savings
- Properties under consideration
- Size of debt issuance



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Questions?