

MINUTES
CITY COUNCIL OF THE CITY OF LA HABRA
SPECIAL MEETING

Thursday, April 08, 2021

PRELIMINARY: These Minutes to be considered for approval May 17, 2021.

SPECIAL MEETING 3:00 P.M.:

CALL TO ORDER: Mayor Espinoza called the Special Meeting of the City Council of the City of La Habra to order at 3:00 p.m. in the City Council Chamber, located at 100 East La Habra Boulevard, La Habra, California.

INVOCATION: Assistant City Attorney Collins

PLEDGE OF ALLEGIANCE: Councilmember Gomez

COUNCILMEMBERS PRESENT: Mayor Espinoza
Mayor Pro Tem Medrano
Councilmember Gomez
Councilmember Shaw
Councilmember Simonian

COUNCILMEMBERS ABSENT: None

OTHER OFFICIALS PRESENT: City Manager Sadro
Assistant City Attorney Collins
City Clerk Swindell
Assistant City Clerk Barone

PUBLIC COMMENTS: None

STUDY SESSION:

1. PRESENTATION OF PENSION OBLIGATION BONDS (POB) OPTIONS, ANALYSIS, AND REVIEW

City Manager Sadro provided a brief overview of the study session proceedings. He introduced Finance Director Shannon to present the staff report.

City Council discussion included: challenges associated with bond issuance; current court proceedings; current bond market trend of POBs; explanation of the Court validation cost and how it would be funded; status of POB's for surrounding cities; clarification of why the Government Finance Officers Association (GFOA) recommended against POB; and cost of actuary modeling.

Director of Finance Shannon presented the staff report and gave a review of the PowerPoint presentation which covered four sections as follows: History of City of La Habra Pensions; Review of Pension Obligation Bonds; Primer on Risks/Benefits of Pension Obligation Bonds; and Recommendation.

Finance Manager Ponvanit spoke regarding Section I - The History of City of La Habra Pensions which included two CalPERS plans; one for Safety (Sworn) and one for Miscellaneous (Non-

Sworn) each with three levels: Classic Members, Tier II Members, and PEPRA Members. He noted that there were the following four membership types: Active, Transferred, Terminated, and Retired. He reviewed the Projected Pension Contributions and rates; Safety Side Fund Liability; and Enacted Pension Solutions.

City Manager Sadro spoke regarding City funding needed for pension benefits for current and future retirees.

Jim Fabian, with Fieldman, Rolapp & Associates, Inc., the City's municipal advisor, spoke regarding Section II - Review of Pension Obligation Bonds (POB) that included: the definition of a POB; the Court Validation process; Taxable Lease Revenue Bonds issued by three Southern California cities; potential benefits and risks of POBs; Government Finance Officers Association (GFOA) recommendations regarding POBs; strategies to mitigate POB risks; historical PERS Rate of Return and future investment earnings; recent POBs by other CA cities; City of La Habra pension funding situation; current payment amortization for Miscellaneous and Safety groups, and combined; Unfunded Accrued Liability (UAL) for Miscellaneous and Safety Plans Bases; UAL Potential Funding Options; summary of POB scenario assumptions; POB savings summary; proportional savings profile; level savings profile; hybrid of proportional and level savings profile; and POB next recommended steps.

Mary Beth Redding, Actuary with Bartel & Associates, LLC, spoke regarding Section III - Primer on Risks/Benefits of Pension Obligation Bonds that included: POB costs and savings; selecting size of POB; and what to do with POB savings.

City Manager Sadro stated that proactive measures taken by the City over the past several years included: employee paid pension costs; City Council direction for the creation of a 115 Trust Fund; and the current balance of the 115 Trust of approximately \$3 million for future pension obligations. He noted that CalPERS may potentially decrease its rate which would cause the City to pay an increased employer rate. He encouraged the placement of set aside funds into the 115 Trust Fund. He confirmed that the next step would be the Court Validation process at a cost of approximately \$30,000 that would be paid from the City's General Fund.

Mayor Espinoza opened public testimony at 4:05 p.m. There was no public testimony.

Moved by Councilmember Simonian, seconded by Mayor Pro Tem Medrano, and CARRIED (4-1) THAT THE CITY COUNCIL:

- A. RECEIVE AND FILE THE POB REPORT AND PRESENTATION;
- B. AUTHORIZE STAFF TO INITIATE A COURT VALIDATION PROCESS AT A COST OF APPROXIMATELY \$30,000; AND
- C. DIRECT STAFF TO PROCEED WITH THE ADDITIONAL EVALUATION OF POTENTIAL POB FOR CITY COUNCIL CONSIDERATION ONCE THE COURT VALIDATION PROCESS IS COMPLETE.

Said motion CARRIED by the following roll call vote:

AYES: Mayor Espinoza, Mayor Pro Tem Medrano,
Councilmember Gomez, Councilmember Simonian

NOES: Councilmember Shaw

ABSENT: NONE

ABSTAIN: NONE

ADJOURNMENT: Mayor Espinoza adjourned the Special City Council meeting at 4:07 p.m., to Monday, April 19, 2021, at 5:30 p.m. in the Council Closed Session Room 112c, 100 East La Habra Boulevard, followed by the Regular Meeting at 6:30 p.m. in the City Council Chamber.

Respectfully submitted,

Laurie Swindell, CMC
City Clerk