

# Sacramento Public Library Authority

October 22, 2009 Agenda I tem 10.0: Settlement Agreement with County of Sacramento Regarding 1996 Pension Obligation Bonds

TO: Sacramento Public Library Authority Board Members

FROM: Rick Teichert, Deputy Director, Administrative Services

RE: Settlement Agreement with County of Sacramento Regarding

1996 Pension Obligation Bonds

### **RECOMMENDED ACTIONS:**

1. **Approve** the Settlement Agreement that resolves the 1996 Pension Obligation Bond Agreement with the County of Sacramento.

- **2. Approve** the transfer of \$3,415,800 from funds reserved in County Fund 11 for this purpose to the County's debt payment fund for Pension Obligation Bonds.
- **3. Authorize** the Library Director to sign all documents related to this agreement within the approved terms.

#### **REASON FOR RECOMMENDATION**

The County of Sacramento issued Pension Obligation Bonds (POBs) in 1995 in order to reduce the County's amortization costs of funding the unfunded actuarial accrued liability (UAAL) over a 27 year period. The Library's share of the Pension Obligation Bonds funding the UAAL on behalf of Library employees that were formerly County employees was \$2,912,474. A portion of the Pension Obligation Bonds was refinanced in 2003 to take advantage of favorable market conditions.

The Library and County of Sacramento entered into an agreement in May 1996 determining the Library's share of the UAAL and establishing the repayment requirement for its share of the POBs over the life of the POBs. The agreement includes the ability for the Library to secure an actuarial valuation of the unfunded liability on June 30, 2006, and to pay off the balance of any outstanding amount to settle the agreement and POB obligation. The agreement requires an assessment of 2% of the value of the outstanding unfunded liability from June 2006 through the 2022 maturity date of the bonds as a prepayment cost to mitigate any market risk during that period.

Library and County staff have reviewed the prepayment calculation in total and have determined the payoff amount to be \$3,415,800. Library staff is recommending approval to transfer funds in this amount, from the \$3.5 million reserved in County Fund 11 for this purpose, to the County's debt payment fund for POBs. This action will settle the Library's funding obligation related to the issuance of POBs for its former County employees who will receive retirement payments from the Sacramento County Employees' Retirement System (SCERS).



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### Fiscal Impact

The payoff amount for the Library Authority's share of the 1995 and 2003 pension obligation bonds was calculated beginning with the balance determined by the actuarial report dated July 5, 1995. This beginning balance was then adjusted for payments received from the Library Authority in fiscal years 1995-96 through 2005-06, as well as an overpayment in two of those years and a determination of excess assets available as of the actuarial report dated June 30, 2006. Interest at the rate of 2% was then applied to the adjusted remaining principal balance through the maturity dates of the bonds, per Section 4 of the 1996 Agreement between the Library Authority and the County. The settlement amount determined using this approach is \$3,415,800.

## **ATTACHMENTS**

Exhibit A: Settlement Agreement Resolving the 1996 Pension Obligation Bond Agreement

#### SETTLEMENT AGREEMENT

This	Settlement	Agreem	ent is mad	le as of $\_$	,	2009	by and b	etwe	er
the	SACRAME	NTO PI	JBLIC LIE	BRARY A	AUTHORITY	(also	referred	to	as
"Autl	nority") and	the COU	INTY OF S	ACRAME	ENTO (also ref	erred t	to as "Cou	unty"	').

#### RECITALS

- A. Effective June 22, 1996, certain Sacramento Public Library staff members who were employees of the County of Sacramento ceased being County of Sacramento employees and became employees of the Sacramento Public Library Authority. In connection with that transfer, the Sacramento Public Library Authority and the County of Sacramento entered into an agreement dated May 28, 1996, relating to certain Pension Obligations Bonds (POBs) that the County of Sacramento had previously issued ("THE 1996 AGREEMENT").
- B. In THE 1996 AGREEMENT, the Authority agreed to reimburse the County for the costs of retiring that share of the known funded liability which was funded with the proceeds of the POBs issued by the County on July 5, 1995, including the debt service on such bonds, that pertained to County employees who were transferred to Authority employment.
- C. While THE 1996 AGREEMENT calls for annual payment on the POBs by the Authority to the County until July 1, 2022, Section 4 of THE 1996 AGREEMENT provides that the Authority may prepay at any time its remaining obligation relating to the POBs.
- D. Section 4 of THE 1996 AGREEMENT further provides that the Authority's prepayment shall include 2% interest on the Authority's outstanding obligation from the date of prepayment to final maturity of the POBs.
- E. Due to the variable rate nature of a portion of the POBs, there is uncertainty from year to year of the amount the Authority must pay as its share of POB debt service.
- F. The parties have agreed that payment of \$3,415,800.00 by the Authority to the County will fully and finally settle the Authority's "known and/or future funded liability" obligations due and owing to the County covered by Section 4 of THE 1996 AGREEMENT.

NOW, THEREFORE, the parties agree as follows:

1. RECITALS A through F are hereby incorporated into this Agreement as though fully set forth.

- 2. A copy of THE 1996 AGREEMENT is attached hereto as Attachment A.
- 3. The parties agree that upon payment by the Authority to the County in the amount of \$3,415,800.00, the Authority shall be absolved and released from any further obligations to the County in connection with the POBs that are the subject of Section 4 of THE1996 AGREEMENT, including the POBs originally issued on July 5, 1995 and partially refunded on July 23, 2003. Attachment B explains the calculation upon which the agreed-upon amount is based.
- 4. The parties agree that payment will be made by the Authority to the County within thirty days of approval of this Agreement by both parties. Such payment shall be accomplished by County withholding the amount stated in Paragraph 3 of this Settlement Agreement from the County Library Fund, which would otherwise by distributed to the Authority.
- 5. The parties agree that this settlement is limited to prepayment of the known funded liability. This settlement is not intended to address, waive, compromise or otherwise affect the parties' rights and responsibilities with respect to the unfunded liability in Section 3 of THE1996 AGREEMENT or to satisfy the prepayment provisions of Section 5 of THE 1996 AGREEMENT.
- 6. The parties hereto, by their execution of this Agreement, represent to every other party that they have reviewed each term of this Agreement with their counsel, or have had the opportunity for such review with their counsel and, and that hereinafter no party shall deny the validity of this Agreement on the ground that the party did not have the advice of counsel generally or advice of their counsel in the aforementioned dispute. Each party has had the opportunity to receive legal advice with respect to the advisability of this Agreement.
- 7. Each party has had the opportunity to participate in drafting and preparation of this Agreement. Any construction to be made in this Agreement or any of its terms shall not be construed against any one party.
- 8. This Agreement may be executed in one or more counterparts, all of which together shall constitute one and the same Agreement.
- 9. In the event that any term, covenant, condition, or provision of this Agreement shall be held by a court of competent jurisdiction or an administrative body to be invalid or against public policy, the parties shall use their best efforts to negotiate and implement amendments to this Agreement that are necessary to and consistent with the purpose of this Agreement and the intent of the parties. In the event the parties are not

able to reach an Agreement on a material provision after good faith efforts to negotiate and implement such amendments within ninety (90) days following the final judgment of the court's ruling or a final binding administrative determination, this Agreement shall terminate by operation of this provision at close of business on the ninetieth (90th) day.

- 10. Both parties hereby waive any claims against the other, its officers, agents or employees from damage or loss caused by any suit or proceeding directly or indirectly attacking the validity of this Agreement, or any part thereof, or by any judgment or award in any suit or proceeding declaring this Agreement null, void, or voidable or delaying the same or any part thereof from being carried out.
- 11. No addition to or alteration of the terms of this Agreement shall be valid unless made in the form of a written amendment to this Agreement, which is formally approved and executed by the governing bodies of each of the parties.

SACRAMENTO PUBLIC LIBRARY AUTHORITY	COUNTY OF SACRAMENTO			
By Library Director	By Chair, Board of Supervisors			
APPROVED AS TO FORM:	APPROVED AS TO FORM:			
Authority Counsel	County Counsel			