**CITY OF LONG BEACH**

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802

September 7, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Rejection of CalPERS Payment Deferral Option

DISCUSSION

On June 1, 2004, the City Council approved the City Manager's request to apply to CalPERS for deferment of a portion of the City's Fiscal Year 2005 (FY 05) retirement plan payments (Attachment 1).

The City applied for, and subsequently received approval to defer a portion of the FY 05 retirement plan payments to CalPERS. As stated in the June 1, 2004 City Council letter, staff has completed a review of the costs of this deferment. It was also stated that staff would return to the City Council for final consideration as to whether to accept the payment deferral, as the deferral was being explored as an option that could be considered to balance the FY 05 Budget. The Proposed FY 05 Budget, as submitted to the Mayor and now to the City Council, is balanced without relying on a deferral of pension payments.

Given the high cost of the one-year deferral, which would have to be repaid along with 7.75 percent interest beginning in FY 07, it is recommended that the City not defer any of its scheduled pension payments at this time. In addition, the Mayor and the Budget Oversight Committee, in their respective responses to the FY 05 Proposed Budget, are also recommending that the City not defer the pension payments.

This letter was reviewed by Deputy City Attorney Christina Checél on August 23, 2004 and by Budget Management Officer David M. Wodynski on August 26, 2004.

TIMING CONSIDERATIONS

None.

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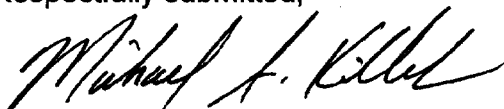
FISCAL IMPACT

By not accepting this pension payment deferral, the City will avoid the high 7.75 percent interest associated with this option. By this action, the City will also continue to be in compliance with the City Council's adopted financial policy number ten that states the City should not enter into long-term debt to cover operating costs.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Recommend that the City not accept from CalPERS the deferral of any of its scheduled pension payments at this time.

Respectfully submitted,



MICHAEL A. KILLEBREW
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

for 
GERALD R. MILLER
CITY MANAGER

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Attachment