

CITY OF SELMA

CALPERS PENSION RESTRUCTURING PROJECT

JUDICIAL VALIDATION AUTHORIZATION



NHA | ADVISORS
Financial & Policy Strategies.
Delivered.

JANUARY 18, 2022

Background & Tonight's Action

- ▶ City of Selma currently has an approximate \$18 million Unfunded Accrued Liability (“UAL”) with CalPERS (6/30/2022 projected valuation)
 - ▶ The City’s UAL has increased 56%, from \$11.4M to \$17.8M, over the last 7 years; primarily due to CalPERS assumptions changes (lowering of discount rate to 7%) and investment underperformance
- ▶ **CalPERS FY 2020-21 returns of 21.3% and a lowering of the discount rate to 6.80% (announced November 2021) is projected to decrease the City’s UAL to ≈\$13M**
- ▶ Creating, discussing, and evaluating a CalPERS pension funding plan, with a full array of options reviewed, is essential for long-term fiscal sustainability and, importantly, to meet the needs and priorities of the community
- ▶ To preserve the UAL restructuring as an option a judicial validation action will be required
 - ▶ City seeks court judgment that confirms CalPERS UAL is debt that can be refinanced by filing legal action against “all interested persons” and providing newspaper and other public notice of action
 - ▶ Expected to take 3 to 4 months to complete



Documents and Actions Being Approved

- ▶ Resolution (Validation Action)
 - ▶ Engagement of Financing Team
 - ▶ Norton Rose (Bond and Disclosure Counsel)
 - ▶ NHA Advisors (Municipal Advisor)
 - ▶ Approves form of Indenture of Trust
 - ▶ Authorizes proceeding with validation action
- ▶ Indenture
 - ▶ Legal document pursuant to which bonds would ultimately be issued by the City; approval of form is part of validation action



UAL Restructuring Process

Preliminary Timetable

