

Fitzgerald Public Finance
Underwriter to Local Governments
A Division of Gates Capital Corporation, New York
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**City of Costa Mesa
CalPERS Safety Fire Plan's Side Fund Payoff
May 21, 2014**

Safety Fire Side Fund valuation as of 6/30/14: \$24,918,230

Amortization period to payoff Safety Fire Side Fund: 20 years

Interest rate on CalPERS Safety Fire Side Fund loan to City: 7.50%

Safety Fire Side Fund payments increase 3% per year

Safety Fire Side Fund payment during FY 2014: \$1,881,462

Safety Fire Side Fund payment during FY 2033: \$3,299,155

City's total payments to CalPERS over amortization period: \$48,674,215

CalPERS encourages cities to payoff Side Funds

Fitzgerald Public Finance Side Fund Payoff for Costa Mesa*

Interest rate: 5.357%

Total annual payments over amortization period: \$41,152,300

City Benefits: Savings 15.45% \$ 7,521,915

PERS contribution rate for FY 2015 will reduce

*Note: Based on current taxable interest rates

John C. Fitzgerald
Managing Director

Fitzgerald Public Finance
Financial Advisor or Underwriter to Local Governments
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Draft Letter to CalPERS

(To Be Placed on city of Costa Mesa Letterhead)

Date _____

Public Employee's Retirement System
Benefit Services Division
P.O. Box 2796
Sacramento, CA 95812-2796

Fax: 916-795-3005

Re: Authorization Letter for City of Costa Mesa: Safety Fire Plan's Side Fund
Employer # _____ (Put City's number here)

Dear Sir/Madam:

I am the _____ (Put title here) of the city of Costa Mesa, acting for and on behalf of the city of Costa Mesa (the "City"). The City is considering paying off its Safety Fire Plan's Side Fund obligation to CalPERS. Please be advised that Mr. John C. Fitzgerald of Gates Capital Corporation, Los Angeles (Underwriter), is hereby authorized to speak to you for the purpose of obtaining pertinent information relating to the City's Safety Fire Plan's Side Fund obligation owed to CalPERS. Pleas provide Mr. Fitzgerald with whatever information he may request.

If you have any questions, please do not hesitate to call me at the following telephone number: _____.

Very Truly Yours,

Name _____

Title _____

cc: John C. Fitzgerald, Fax 213-955-5992

FINANCIAL AND DEMOGRAPHIC INFORMATION

Plan's Side Fund

At the time your plan joined the Risk Pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of your plan, in addition to your existing unfunded liability. The side fund for your plan as of the June 30, 2012 valuation is shown in the following table.

Your side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is 7.5 percent. A positive side fund will cause your required employer contribution rate to be reduced by the Amortization of Side Fund shown above in Required Employer Contributions. A negative side fund will cause your required employer contribution rate to be increased by the Amortization of Side Fund. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period shown below.

Plan's Side Fund Reconciliation

	June 30, 2011	June 30, 2012
Side Fund as of valuation date*	\$ (24,530,390)	\$ (24,803,797)
Adjustments	0	0
Side Fund Payment	1,568,069	1,661,369
Side Fund one year later	\$ (24,803,797)	\$ (24,941,538)
Adjustments	0	0
Side Fund Payment	1,661,369	1,826,662
Side Fund two years later	\$ (24,941,538)	\$ (24,918,230) <i>6/30/14</i>
Amortization Period	21	20
Side Fund Payment during last year	\$ 1,826,662	\$ 1,881,462 <i>6/30/14</i>

* If your agency employed superfunded vouchers in fiscal year 2011-12 to pay employee contributions, the June 30, 2012 Side Fund amount has been adjusted by a like amount without any further adjustment to the Side Fund's amortization period. Similarly, the Side Fund has been adjusted for the increase in liability from any recently adopted Class 1 or Class 2 contract amendments. Also, the Side Fund may be adjusted or eliminated due to recent lump sum payments. Contract amendments and lump sum payments may result in an adjustment to the Side Fund amortization period.

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