



**Peralta Community College District
OPEB (Other Post Employment Benefits)
Bond Program Overview
June 8, 2021**



The Basic Concept

- The initial purpose of the District's OPEB (Other Post-Employment Benefits) Bond Program was to (1) fund the District's outstanding OPEB obligations for certain District retirees, (2) generate additional funds through the investment of borrowed proceeds, and (3) to shift and stabilize the District's general fund costs over time
- In December 2005, the District issued bonds which allowed for the deposit of \$150 million into a trust that would be used to pay health care benefit costs for retirees hired before July 1, 2004 (pre-2004 retirees), which had previously been a pay-as-you-go general fund obligation
- In exchange, the District's general fund became obligated to make debt service payments on the bonds
- Moneys in the Retiree Health Benefit Program Fund are currently actively managed. Since April 2011, the investment activity has been overseen by an independent Retirement Board



Financing Structures

- The financing structures used to implement the OPEB Bond Program are complex, and management of the program is not quite as simple as the basic concept would suggest
- The original 2005 transaction was structured as on series of fixed-rate bonds and six tranches of convertible auction rate securities
- During the financial crisis in 2008, the auction rate securities system failed. The District's current plan is to convert future tranches to variable rate demand obligations on their conversion date
- In November 2006, the District entered a series of forward starting swaps with Morgan Stanley which was designed to reduce the risk of higher interest rates in the future on its variable rate bonds
- In addition, the District subsequently executed three separate transactions to restructure its existing obligations



Snapshot of the OPEB Bond Program

- **December 2005:** District issues \$153.7 million in OPEB Bonds to fund \$150 million deposit into Retiree Health Benefit Program Fund (District Fund 94 or Trust I).
- **October 2006:** District modifies \$8.8 million in bonds maturing from 2006-2008 maturity and extends to 2049 at an additional estimated debt service cost of \$19.7 million.
- **November 2006:** District enters \$394 million of forward starting interest rate swaps and separately establishes a Retirement Board
- **February 2009:** District refunds bonds from 2009-2015 to mature between 2010 and 2015 at an additional estimated debt service cost of \$12.7 million.
- **June 2011:** OPEB Charge established with FY2011 funds directed to Trust I.
- **October 2011:** District refunds bonds previously issued in February 2009 to mature between 2012 and 2031 at an additional estimated debt service cost of \$49.6 million.
- **August 2015:** Conversion of B-2 Tranche from ARS to VRDOs.
- **August 2016:** First year that District is required to pay bond principal as originally structured.
- **August 2020:** Payoff of B-2 Tranche and conversion of B-3 Tranche from ARS to VRDOs.



Sources and Uses of OPEB Bond Program

Sources

Retiree Health Benefit Program Fund/Trust I/Fund 94

- All funds deposited into Trust I and net earnings of those funds
- There exists a surplus of funds in Trust I, in part due to \$47 million in additional contributions from the District

Peralta CCD General and Other Funds

- Unrestricted and restricted general fund
- Unrestricted funds on hand
- The District's general fund is obligated OPEB Program expenditures, including retiree health benefits, debt service, interest rate swaps, letter of credit and remarketing fees

Uses

Retiree Health Benefits

- Healthcare premiums for eligible retirees hired prior to July 1, 2004

Bond Debt Service, Swaps, and Fees

- Bond principal and interest
- Interest rate swaps
- Direct-pay letters of credit
- Remarketing fees
- Advisory fees (Legal, Trustee, Investment Advisor, Consultants)
- Restructurings, interest rate swaps, and credit enhancement costs have increased expected debt service and fees significantly



Long-Term Estimated OPEB Bond Program Expenses

FYE	2005 Bonds		2006 Modification		2011 Bonds		Swap, Net	Remarketing	Fees		Heath Care Costs	Total
	Principal	Interest	Principal	Interest	Principal	Interest			LOC/Draw	Other		
2016	\$ -	\$ 101,920	\$ 84,253	\$ 643,554	\$ 2,265,000	\$ 3,308,435	\$ 1,615,621	\$ 23,676	\$ 136,758	\$ 25,000	\$ 10,484,708	\$ 18,688,925
2017	\$ 6,875,000	\$ 233,521	\$ 90,271	\$ 638,101	\$ -	\$ 3,257,869	\$ 1,403,826	\$ 33,877	\$ 195,296	\$ 53,000	\$ 9,424,530	\$ 22,205,290
2018	\$ 7,325,000	\$ 364,118	\$ 96,289	\$ 632,271	\$ 1,095,000	\$ 3,228,687	\$ 986,595	\$ 26,779	\$ 154,685	\$ 53,000	\$ 10,821,901	\$ 24,784,323
2019	\$ 8,125,000	\$ 411,609	\$ 102,307	\$ 626,065	\$ 1,270,000	\$ 3,163,438	\$ 468,439	\$ 18,930	\$ 110,226	\$ 275,000	\$ 8,075,130	\$ 22,646,142
2020	\$ 8,750,000	\$ 216,399	\$ 108,325	\$ 619,482	\$ 1,695,000	\$ 3,076,867	\$ 292,763	\$ 10,411	\$ 61,999	\$ 275,000	\$ 8,357,760	\$ 23,464,006
2021	\$ 7,375,000	\$ 1,232,523	\$ 114,343	\$ 612,524	\$ 2,465,000	\$ 2,950,455	\$ 864,157	\$ 30,762	\$ 177,807	\$ 275,000	\$ 10,640,937	\$ 26,738,508
2022	\$ 7,800,000	\$ 1,010,952	\$ 120,361	\$ 605,189	\$ 1,570,000	\$ 2,825,020	\$ 889,834	\$ 38,068	\$ 218,380	\$ 275,000	\$ 10,925,580	\$ 26,278,383
2023	\$ 8,325,000	\$ 865,090	\$ 132,397	\$ 597,291	\$ 2,120,000	\$ 2,706,499	\$ 561,281	\$ 29,924	\$ 172,500	\$ 275,000	\$ 11,108,433	\$ 26,893,414
2024	\$ 9,200,000	\$ 595,025	\$ 138,415	\$ 588,828	\$ 2,400,000	\$ 2,556,995	\$ 424,040	\$ 21,063	\$ 122,376	\$ 275,000	\$ 11,208,885	\$ 27,530,626
2025	\$ 9,925,000	\$ 294,813	\$ 150,451	\$ 579,801	\$ 2,965,000	\$ 2,375,544	\$ 235,878	\$ 11,325	\$ 67,297	\$ 275,000	\$ 11,420,067	\$ 28,300,176
2026	\$ 7,925,000	\$ 1,492,792	\$ 156,469	\$ 570,210	\$ 4,005,000	\$ 2,136,248	\$ 1,091,824	\$ 40,403	\$ 231,857	\$ 275,000	\$ 11,442,991	\$ 29,367,793
2027	\$ 8,325,000	\$ 1,636,213	\$ 168,505	\$ 560,054	\$ 2,825,000	\$ 1,899,599	\$ 1,189,830	\$ 52,074	\$ 298,216	\$ 275,000	\$ 11,476,138	\$ 28,705,629
2028	\$ 8,850,000	\$ 1,126,438	\$ 180,541	\$ 549,146	\$ 3,590,000	\$ 1,670,107	\$ 884,777	\$ 43,488	\$ 249,239	\$ 275,000	\$ 11,657,154	\$ 29,075,890
2029	\$ 9,875,000	\$ 959,254	\$ 186,559	\$ 537,675	\$ 3,950,000	\$ 1,394,557	\$ 748,955	\$ 33,812	\$ 194,932	\$ 275,000	\$ 11,530,878	\$ 29,686,621
2030	\$ 10,600,000	\$ 629,375	\$ 204,613	\$ 525,450	\$ 4,740,000	\$ 1,076,981	\$ 444,652	\$ 23,534	\$ 136,307	\$ 275,000	\$ 11,509,033	\$ 30,164,946
2031	\$ 11,650,000	\$ 308,427	\$ 216,650	\$ 512,286	\$ 5,340,000	\$ 708,608	\$ 211,480	\$ 12,247	\$ 72,370	\$ 275,000	\$ 11,436,407	\$ 30,743,473
2032	\$ 8,225,000	\$ 2,648,946	\$ 228,686	\$ 498,369	\$ 7,025,000	\$ 256,729	\$ 1,623,494	\$ 59,756	\$ 342,063	\$ 275,000	\$ 11,358,629	\$ 32,541,671
2033	\$ 8,550,000	\$ 2,180,292	\$ 240,722	\$ 483,700	\$ -	\$ -	\$ 1,580,872	\$ 80,883	\$ 461,857	\$ 275,000	\$ 11,234,855	\$ 25,088,180
2034	\$ 8,975,000	\$ 2,124,990	\$ 258,776	\$ 468,091	\$ -	\$ -	\$ 1,547,856	\$ 72,223	\$ 412,100	\$ 275,000	\$ 11,053,707	\$ 25,187,743
2035	\$ 10,225,000	\$ 1,831,829	\$ 276,830	\$ 451,353	\$ -	\$ -	\$ 1,197,202	\$ 62,430	\$ 356,626	\$ 275,000	\$ 10,777,426	\$ 25,453,696
2036	\$ 10,850,000	\$ 1,492,650	\$ 294,884	\$ 433,487	\$ -	\$ -	\$ 1,086,347	\$ 51,894	\$ 297,135	\$ 275,000	\$ 10,529,663	\$ 25,311,061
2037	\$ 12,100,000	\$ 1,120,733	\$ 312,938	\$ 414,493	\$ -	\$ -	\$ 742,426	\$ 40,042	\$ 230,295	\$ 275,000	\$ 10,015,223	\$ 25,251,149
2038	\$ 13,000,000	\$ 786,025	\$ 330,992	\$ 394,370	\$ -	\$ -	\$ 540,736	\$ 27,438	\$ 158,668	\$ 275,000	\$ 9,647,313	\$ 25,160,542
2039	\$ 14,275,000	\$ 242,177	\$ 355,065	\$ 372,931	\$ -	\$ -	\$ 196,135	\$ 13,603	\$ 79,802	\$ 275,000	\$ 9,283,571	\$ 25,093,283
2040	\$ 8,675,000	\$ 3,495,623	\$ 379,137	\$ 349,987	\$ -	\$ -	\$ 2,199,497	\$ 91,325	\$ 520,819	\$ 275,000	\$ 8,917,385	\$ 24,903,773
2041	\$ 8,825,000	\$ 3,833,446	\$ 403,209	\$ 325,539	\$ -	\$ -	\$ 2,626,733	\$ 128,429	\$ 731,987	\$ 275,000	\$ 8,463,233	\$ 25,612,575
2042	\$ 9,100,000	\$ 3,590,563	\$ 427,281	\$ 299,586	\$ -	\$ -	\$ 2,213,140	\$ 119,691	\$ 680,978	\$ 275,000	\$ 8,097,686	\$ 24,803,925
2043	\$ 10,650,000	\$ 3,238,925	\$ 457,371	\$ 271,940	\$ -	\$ -	\$ 2,223,525	\$ 109,576	\$ 623,684	\$ 275,000	\$ 7,720,520	\$ 25,570,541
2044	\$ 11,150,000	\$ 2,925,646	\$ 487,461	\$ 242,414	\$ -	\$ -	\$ 1,803,460	\$ 98,794	\$ 562,974	\$ 275,000	\$ 7,411,699	\$ 24,957,449
2045	\$ 12,750,000	\$ 2,526,042	\$ 517,552	\$ 211,008	\$ -	\$ -	\$ 1,730,468	\$ 86,221	\$ 492,411	\$ 275,000	\$ 7,115,231	\$ 25,703,932
2046	\$ 13,525,000	\$ 2,133,713	\$ 547,642	\$ 177,720	\$ -	\$ -	\$ 1,308,541	\$ 73,144	\$ 417,316	\$ 275,000	\$ 6,830,622	\$ 25,288,697
2047	\$ 15,125,000	\$ 1,656,096	\$ 583,750	\$ 142,364	\$ -	\$ -	\$ 1,037,792	\$ 58,571	\$ 334,770	\$ 275,000	\$ 6,557,397	\$ 25,770,740
2048	\$ 16,400,000	\$ 1,205,896	\$ 619,858	\$ 104,752	\$ -	\$ -	\$ 820,169	\$ 42,687	\$ 244,941	\$ 275,000	\$ 6,295,101	\$ 26,008,404
2049	\$ 17,650,000	\$ 677,808	\$ 661,985	\$ 64,694	\$ -	\$ -	\$ 402,926	\$ 25,336	\$ 147,085	\$ 275,000	\$ 6,043,297	\$ 25,948,132
2050	\$ 19,300,000	\$ 49,858	\$ 704,111	\$ 22,003	\$ -	\$ -	\$ 36,308	\$ 4,812	\$ 27,506	\$ 83,500	\$ -	\$ 20,228,098
	\$ 360,275,000	\$ 49,239,722	\$ 10,338,997	\$ 15,126,726	\$ 49,320,000	\$ 38,592,636	\$ 37,231,580	\$ 1,697,226	\$ 9,723,262	\$ 8,739,500	\$ 328,873,090	\$ 909,157,740

Note: Estimated. Subject to change based on factors such as, but not limited to: retiree health benefit costs, variable interest rates, swap index, remarketing fees, liquidity fees, and professional fees. "Other Fees" includes Retirement Board Consultant, Retirement Board Counsel and Bond Trustee.



OPEB Bond Program Payments

- The District began making payments on the “B” tranches of bonds in FY2017, increasing total debt service and fees from \$8.2 million in FY2016 to \$16.7 million in FY2021
- The District’s unrestricted general fund revenues have decreased from \$148.8 million in FY2016 to \$144.8 million in FY2021
- The OPEB Bond Payment Plan has used the two sources of funds to pay for the OPEB Bond Program
 - District’s General Fund
 - General Fund “OPEB Charge” or “Dedicated OPEB Appropriation”
 - Unrestricted General Fund or “Supplemental Appropriation”
 - OPEB Special Reserve Fund/Fund 69
 - Trust I/Fund 94

Annual OPEB Bond Obligation

FYE	Dedicated & Supplemental Appropriation	Special Reserve Fund Draw	Trust I Draw	Total
2016	\$8,182,483	\$0	\$0	\$8,182,483
2017	5,852,760	0	6,875,000	12,727,760
2018	6,402,959	7,325,000	0	13,727,959
2019	6,171,012	0	8,125,000	14,296,012
2020	6,107,987	0	8,750,000	14,857,987
2021E	8,600,000	2,800,000	5,300,000	16,700,000
2022E	8,600,000	0	6,900,000	15,500,000

Source: District. In FY2017 and FY2018, the District deposited \$3.25 million from the general fund annually to Trust I. FY2021 numbers are from Final Adopted Budget, FY2022 numbers estimated.



Draft Long-Term OPEB Bond Payment Plan

- The long-term bond payment plan included increasing general fund appropriations to reduce dependency of surplus draws from Trust I
- Under a scenario where the District increases its budgetary allocations to debt service by \$1 million annually, draws are estimated to continue through FY2032
- Long-term planning is dependent on future assumptions of trust fund earnings and interest rates among other factors

FYE	General Fund			Trust I	Total Sources
	Supplemental	Dedicated	Total		
2022	\$2,299,209	6,300,000	8,599,209	6,900,000	\$15,499,209
2023	3,301,114	6,300,000	9,601,114	6,180,000	15,781,114
2024	4,301,486	6,300,000	10,601,486	5,770,000	16,371,486
2025	5,304,282	6,300,000	11,604,282	5,330,000	16,934,282
2026	6,304,030	6,300,000	12,604,030	5,480,000	18,084,030
2027	7,299,519	6,300,000	13,599,519	3,830,000	17,429,519
2028	8,299,501	6,300,000	14,599,501	2,980,000	17,579,501
2029	9,301,016	6,300,000	15,601,016	2,690,000	18,291,016
2030	10,304,675	6,300,000	16,604,675	2,140,000	18,744,675
2031	11,301,962	6,300,000	17,601,962	1,750,000	19,351,962
2032	12,298,892	6,300,000	18,598,892	2,810,000	21,408,892
2033	8,550,000	6,300,000	14,850,000	0	14,850,000
2034	8,975,000	6,300,000	15,275,000	0	15,275,000
2035	10,225,000	6,300,000	16,525,000	0	16,525,000
2036	10,850,000	6,300,000	17,150,000	0	17,150,000
2037	12,100,000	6,300,000	18,400,000	0	18,400,000
2038	13,000,000	6,300,000	19,300,000	0	19,300,000
2039	14,275,000	6,300,000	20,575,000	0	20,575,000
2040	8,675,000	6,300,000	14,975,000	0	14,975,000
2041	8,825,000	6,300,000	15,125,000	0	15,125,000
2042	9,100,000	6,300,000	15,400,000	0	15,400,000
2043	10,650,000	6,300,000	16,950,000	0	16,950,000
2044	11,150,000	6,300,000	17,450,000	0	17,450,000
2045	12,750,000	6,300,000	19,050,000	0	19,050,000
2046	13,525,000	6,300,000	19,825,000	0	19,825,000
2047	15,125,000	6,300,000	21,425,000	0	21,425,000
2048	16,400,000	6,300,000	22,700,000	0	22,700,000
2049	17,650,000	6,300,000	23,950,000	0	23,950,000
2050	19,300,000	6,300,000	25,600,000	0	25,600,000
	301,440,687	182,700,000	484,140,687	45,860,000	530,000,687

Note: Subject to change based on multiple factors, including, but not limited to OPEB Reserve Fund levels, Trust I surplus determination, variable interest rates, swap rates, and fees.



Trust I Draws to Pay Principal

- **The Indenture allows it.**

“If the District at any time determines that any or all of the amounts held in the Retiree Health Benefit Program Fund are or will not be required for the payment of current or future Retiree Health Benefit Costs, the District may submit a Request of the District to the Trustee, requesting the Trustee to transfer such amounts from the Retiree Health Benefit Program Fund... to be applied to redeem Outstanding Bonds...”

Indenture of Trust - Section 3.04(b)

- **The Board of Trustees unanimously approved a process to allow it.**

“the District has determined that it is necessary and appropriate to establish procedures for determining whether Trust 1 has a Surplus for making disbursements from Trust 1 for the purpose of making OPEB Bond Payments in accordance with the Indenture, and for providing notice of such disbursements to the Retirement Board”

Resolution 19-20/44 – April 7, 2020

- **It had always been contemplated as part of the bond program, with the 1st draw for principal in FY2007.**

“The District will create a revocable/restricted trust and bond fund will be deposited with a Trustee and invested in a CalPERS-like asset allocation. OPEB Bonds are a general fund obligation of the District and can only be used to pay retiree medical benefits or retire OPEB Bonds”

Special Board Workshop Minutes - December 3, 2005



Board Approved Trust I Surplus Calculation

Resolution 19-20/44

- A surplus occurs when assets exceed liabilities, when calculated as follows:
 - **Assets:** Value of assets in Trust as of June 30, 2020
 - **Liabilities:** Value of Net OPEB Liability as of June 30, 2020, using the Supplemental Valuation Report

Assets	\$204,031,534
Liabilities	\$151,571,393
Surplus	\$52,460,141

- The District has retained Total Compensation Systems to determine its OPEB liabilities
- Under GASB 75, the District's Net OPEB Liability as presented in its annual financial audit is calculated using a discount rate equal to "AA" rated tax-exempt bonds with a 20-year maturity (2.20% for 2020)
- In the 2019 FCMAT report, the recommendation was to use a discount rate based on the estimated long-term return on assets in the Trust "so it has a more realistic liability number for the pre-2004 amount"
 - The Supplemental Valuation Report uses a discount rate of 6.30%
 - The annualized rate of return on Trust I from April 2, 2012 through June 30, 2020 was 6.53%