



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



# The Basic Concept

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- 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

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- 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

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- **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         |
|      | <b>301,440,687</b> | <b>182,700,000</b> | <b>484,140,687</b> | <b>45,860,000</b> | <b>530,000,687</b> |

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

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- **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 1<sup>st</sup> 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

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## 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%