

**District’s OPEB Bond Payment Plan Update - Informational Item
April 13, 2021**

The purpose of this informational item is to update the Board of Trustees on the OPEB Bond Payment plan for FY 2021-22.

Background

On April 7, 2020, the Board of Trustees unanimously passed Resolution 19/20-44 (the “Resolution”), providing for an annual budget update on the OPEB Bond Payment Plan and enacting procedures for the determination of a surplus for the Retiree Health Benefit Fund (also referred to as District Fund 94 and Trust I).

OPEB Bond Payment Plan

The below table reflects the OPEB Bond Payment Plan for FY 2020-21 and FY 2021-22. The OPEB Bond Payment Plan for FY 2021-22 is in draft form. Total expenditures for debt service and associated fees are estimated at \$15.5 million for FY 2021-22, down from \$16.7 million in the current fiscal year. This is due in part to a decrease in debt service from the 2011 Refunding Bonds and one-time fees paid in association with the 2020 B-3 Bond Conversion. The anticipated draw for the payment of principal on the OPEB Bonds from Trust I is \$6.9 million.

	2020-2021 (Budget)	2021-2022 (Est.)	Difference
Sources			
Dedicated OPEB Appropriation (Fund 01)	\$6.5 million	\$6.3 million	-\$0.2 million
Supplemental Appropriation (Fund 01)	\$2.1 million	\$2.3 million	\$0.2 million
Trust I Draw (Fund 94)	\$5.3 million	\$6.9 million	\$1.6 million
OPEB Special Reserve Draw (Fund 69)	\$2.8 million	0	-\$2.8 million
Total	\$16.7 million	\$15.5 million	-\$1.2 million
Uses*			
Bond Principal	\$10.0 million	\$9.5 million	-\$0.5 million
Bond Interest & Interest Rate Swaps	\$5.6 million	\$5.5 million	-\$0.1 million
Letter of Credit, Remarketing and Other Fees	\$1.1 million	\$0.5 million	-\$0.6 million
Total	\$16.7 million	\$15.5 million	-\$1.2 million

*Approximately 69.6% of total annual expenditures relating to the OPEB Bonds are paid in August each FY.

The District’s 2021-22 Tentative Budget is to be approved by July 1, 2021 followed by the Final Budget by September 15, 2021. After approval of the 2021-22 Tentative Budget, funds will be transferred from the custodial trustee to the Trustee for the OPEB Bonds ahead of the payment of bond principal on August 5, 2021.

Determination of Surplus

The District has retained Total Compensation Systems, Inc. as actuary to the District to calculate the District’s actuarial accrued liability as of July 1, 2020. On February 9, 2021, the Board of Trustees was presented the actuarial reports for the fiscal year ending June 30, 2020 as an informational item containing the Net OPEB Liability for employees hired prior to July 1, 2004 (“pre-2004” employees) and

on and after July 1, 2004 (“post-2004” employees). As of June 30, 2020, the Net OPEB Liability for pre-2004 employees was \$230,562,491. This amount reflects a discount rate of 2.20% which was equal to the Bond Buyer 20 Index (An average interest cost of “AA” rated tax-exempt 20-year bonds) on the same date. The Governmental Accounting Standards Board Rule 74 reduced the assumed discount rate on the District’s OPEB liability from 6.75% starting with District’s 2018 actuarial report.

Following the process outlined in the Resolution, the District also received a Supplemental Valuation Report that used a discount rate of 6.30%. All other assumptions in the Supplemental Valuation Report remain unchanged. The Net OPEB Liability in the Supplemental Valuation Report was calculated to be \$151,571,393 for pre-2004 employees.

The District’s current custodial trustee for Trust I is Neuberger Berman. In an Investment Report for Trust I, as of June 30, 2020, the total assets were valued at \$204,031,534. Such Investment Report is on file with the Clerk of the Board of Trustees. For purposes of the Resolution, the total assets as of June 30 and the Net OPEB Liability in the Supplemental Valuation Report are required for the determination of surplus for consideration from which a draw could be made for payment of principal on the OPEB Bonds.

Based on these values, the Trust I value exceeds the Net OPEB Liability reported in the Supplemental Valuation Report as of June 30, 2020. The difference between the Trust I and the Net OPEB Liability is \$52,460,141, which the District has determined is a Surplus for the purpose of making an OPEB Bond Payment as permitted by Section 3.04(b) of the Indenture, supporting the proposed draw of \$6.9 million from Trust I (as reflected above) for payment of principal on the OPEB Bonds in FY 21-22.

Note: The District has received a more recent quarterly update for the assets in Trust I. As of December 31, 2020, the total assets in Trust I were valued at \$228,349,064.