



# Peralta Community College District Retirement Board

October 8, 2015  
OPEB Program Update

# 2005 Approach to Addressing Retiree Benefits

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- ▶ Original plan to level out the cost of Retiree Health over a 45 year period, as a percentage of the general fund
- ▶ The 2005 bond proceeds were to be used to reimburse the District for the payment of Retiree Health Benefits
- ▶ The District projected that the investment earnings would fund its Retiree Health Care costs, assuming an annual return of 6%



# Bond Issuance 2005

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- ▶ In 2005, the District's OPEB Liability was estimated at \$133.8 million
- ▶ In December 2005, the District issued \$153,749,832 of taxable bonds
  - ▶ Interest rates ranged from 4.71% to 5.516%

# Bond Issuance 2006 to 2011

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- ▶ In October 2006, the District restructured \$8,800,000 of the 2005 bonds
  - ▶ Interest rate of 6.25% to 2049
- ▶ In February 2009 the District refunded \$48,725,000 B-1 Tranche of the 2005 bonds and converted to fixed rate bonds
  - ▶ Interest rate of 4.415% to 6.423% to 2015
- ▶ In October 2011, the District refunded/restructured \$53,505,000 of the 2009 bonds
  - ▶ Interest rates of 3.47% to 7.30% to 2031
- ▶ These restructures effectively deferred debt service on the bonds into the future providing relief to the district's general fund
- ▶ In 2011, the District's OPEB Liability was estimated at \$214 million



# Bond Issuance 2015

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- ▶ August 5, 2015, the District converted \$38,450,000 auction rate securities— that were due to mature— from 2005 to fixed rate securities that were bought by Barclays
- ▶ On August 20, 2015, the District converted \$38,450,000 fixed rate securities to variable rate bonds
  - ▶ Barclays remarketed the bonds to investors
  - ▶ Letter of Credit from Barclays Bank
    - ▶ Credit facility: rated Aa2/VMIG1 and A-/A-2
    - ▶ Liquidity facility: direct pay/ cash flow
  - ▶ Initial weekly interest rate 0.22%
  - ▶ Current weekly interest rate 0.20%
- ▶ In 2015, the District's OPEB Liability is estimated at \$152.4 million



# A Win for Peralta

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- ▶ District avoided a potential 17% interest rate on bonds
- ▶ District has reduced debt service on these bonds using variable interest rates thereby mitigating the impact on the General Fund
- ▶ District retains the option to redeem these bonds at any time
- ▶ Bonds will be paid off in 2020
- ▶ Four month team effort
  - ▶ District, KNN, Orrick, Hanson Bridgett, Barclays



# Next Steps

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- ▶ Develop a Plan to Address ACCJC Accreditation Recommendation #1 (District)
- ▶ Develop a Plan to Address OPEB Liability
- ▶ Develop a Long Term Plan to fund OPEB Program Debt Service
- ▶ Communicate & Share

