Orange Unified School District

2008 Taxable Retirement Health Benefits Funding Bonds
Summary and Analysis of the Challenge Facing the District

April 18, 2019

PiperJaffray

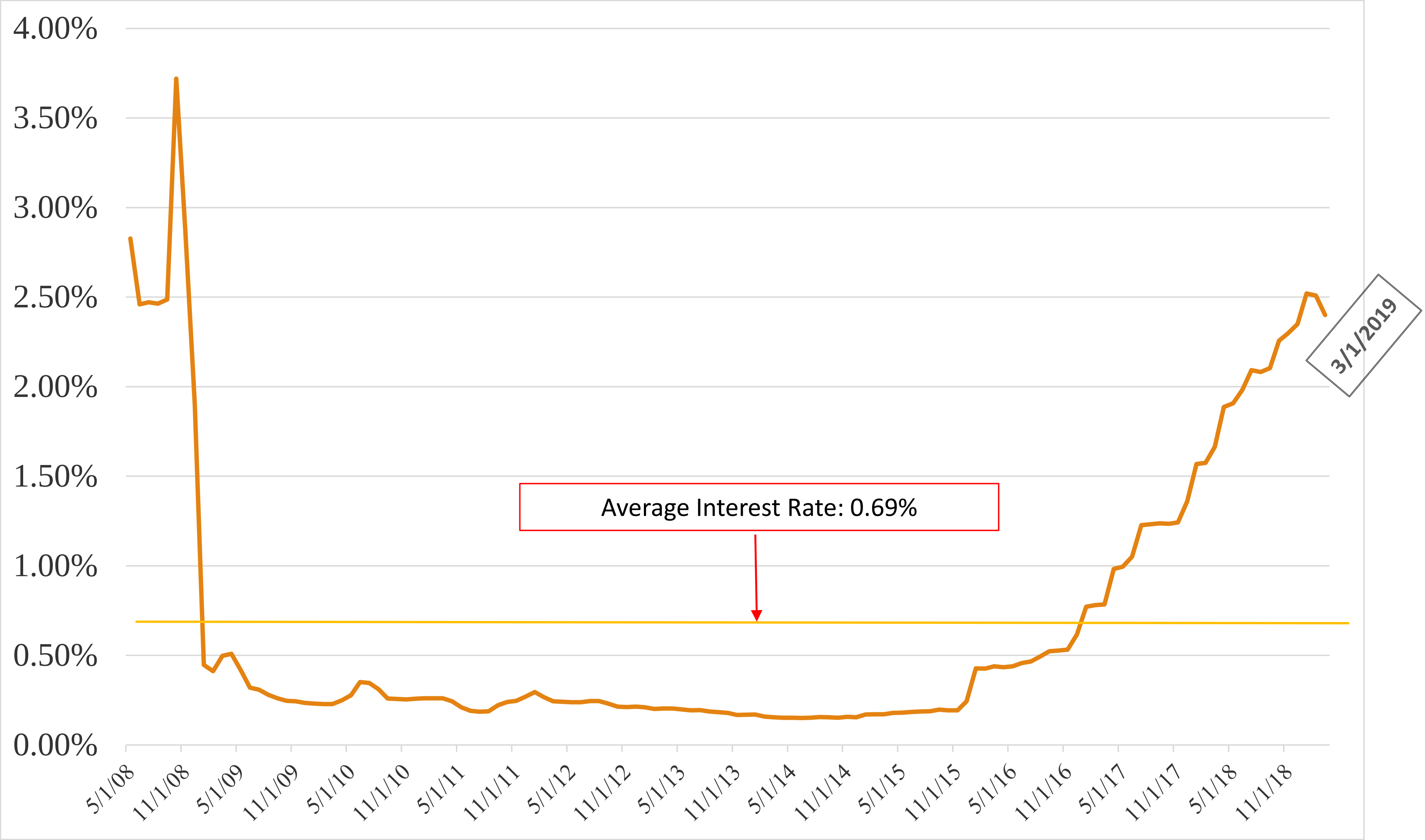
SECTION I
BACKGROUND ON
2008 TAXABLE RETIREMENT HEALTH BENEFITS FUNDING BONDS

Orange Unified School District
Issued the 2008 Retirement Health Benefits Bonds

- The District desired to Pre-Fund its Retirement Medical and Other Health Benefits Obligation
  - Eligible and Former Employees Pursuant to Labor Contracts with Orange Unified Education Association and with California School Employees Association Chapter #67
  - Legal Basis was the Refinancing of an Existing Obligation Prescribed by Law
  - Proceeds used to cover operational costs - Bonds Would Need to be "Taxable Bonds"
- In May 2008, the District Entered Into a Purchase Agreement:
  - Purchaser (Dexia Credit Local) for $94,765,000
  - Account Trustee is Zion's Bank
- District's General Fund is the Source of Repayment
  - Repayment Period: Final Maturity would be May 1, 2043 (up to 35 Years)
  - Established Fund 71 (Non-revocable Trust)
  - Funds earmarked solely for Retiree Health Benefits

SECTION II
DISTRICT CHALLENGES

Factor #1
Variable Interest Load – Tied to 1 Month LIBOR
(Historical Rates From May 2008 to March 2019)



1-Month LIBOR Increased By 2.30% Since November 2015

Factor #2
Bond Principal Repayment Schedule

Redemption Date	Principal Amount To Be Redeemed
5/1/2009	$1,000,000
5/1/2010	$1,100,000
5/1/2011	$1,300,000
5/1/2012	$1,500,000
5/1/2013	$1,600,000
5/1/2014	$1,600,000
5/1/2015	$1,700,000
5/1/2016	$2,000,000
5/1/2017	$2,100,000
5/1/2018	$2,100,000
5/1/2019	$2,000,000
5/1/2020	$2,000,000
5/1/2021	$1,900,000
5/1/2022	$2,700,000
5/1/2023	$2,700,000
5/1/2024	$2,800,000
5/1/2025	$2,800,000
5/1/2026	$2,800,000
5/1/2027	$2,800,000
5/1/2028	$2,800,000
5/1/2029	$2,900,000
5/1/2030	$3,000,000
5/1/2031	$3,200,000
5/1/2032	$3,500,000
5/1/2033	$3,700,000
5/1/2034	$3,900,000
5/1/2035	$4,200,000
5/1/2036	$4,200,000
5/1/2037	$4,200,000
5/1/2038	$4,100,000
5/1/2039	$4,000,000
5/1/2040	$3,700,000
5/1/2041	$3,400,000
5/1/2042	$2,900,000
5/1/2043	$2,565,000
Total Issued	$94,765,000
Total Repaid	$16,000,000
Total Outstanding	**$78,765,000**

$94,765,000
Issued in May 2008

$16,000,000
Repaid to Date

$78,765,000
Remains Outstanding

Factor #3
Historical Debt Service Payments

Fiscal Year	Principal Paid	Interest Paid	Total Debt Service Paid
2008-09	$1,000,000	$2,719,247	$3,719,247
2009-10	$1,100,000	$1,053,571	$2,153,571
2010-11	$1,300,000	$1,053,804	$2,353,804
2011-12	$1,500,000	$1,007,071	$2,507,071
2012-13	$1,600,000	$971,834	$2,571,834
2013-14	$1,600,000	$913,122	$2,513,122
2014-15	$1,700,000	$888,040	$2,588,040
2015-16	$2,000,000	$987,541	$2,987,541
2016-17	$2,100,000	$1,267,075	$3,367,075
2017-18	$2,100,000	$1,865,791	$3,965,791
2018-19 (Budgeted)	$2,000,000	$2,119,351	$4,119,351
Total Repaid	**$18,000,000**	**$14,846,447**	**$32,846,447**

Potential Debt Service Payment Scenarios

	Scenario #1 LIBOR Remains Same	Scenario #2 LIBOR Increases by 1.150%	Scenario #3 LIBOR Increases by 2.300%
Assumed Interest Rate	3.340% (March 2019 LIBOR + 0.850%)	4.490% (March 2019 LIBOR + 2.000%)	5.640% (March 2019 LIBOR + 3.150%)
Fiscal Year	Repayment Schedule	Repayment Schedule	Repayment Schedule
2018-19	$4,405,415	$4,405,415	$4,405,415
2019-20	$4,557,810	$4,826,914	$5,096,022
2020-21	$4,391,303	$4,939,404	$5,487,510
2021-22	$5,125,631	$5,937,714	$6,749,806
2022-23	$5,035,471	$5,839,781	$6,644,098
2023-24	$5,045,033	$5,818,197	$6,591,369
2024-25	$4,951,534	$5,692,498	$6,433,469
2025-26	$4,858,035	$5,566,799	$6,275,570
2026-27	$4,764,536	$5,441,100	$6,117,671
2027-28	$4,671,037	$5,315,401	$5,959,771
2028-29	$4,677,260	$5,289,328	$5,901,402
2029-30	$4,680,144	$5,258,766	$5,837,394
2030-31	$4,779,410	$5,323,340	$5,867,276
2031-32	$4,971,719	$5,478,562	$5,985,410
2032-33	$5,054,289	$5,520,690	$5,987,096
2033-34	$5,130,180	$5,553,839	$5,977,503
2034-35	$5,299,114	$5,677,636	$6,056,162
2035-36	$5,158,866	$5,489,088	$5,819,314
2036-37	$5,018,617	$5,300,539	$5,582,465
2037-38	$4,778,647	$5,012,365	$5,246,086
2038-39	$4,542,016	$4,728,680	$4,915,346
2039-40	$4,109,281	$4,250,232	$4,391,185
2040-41	$3,686,563	$3,785,252	$3,883,942
2041-42	$3,074,420	$3,134,488	$3,194,557
2042-43	$2,643,514	$2,670,553	$2,697,593
Total	**$115,409,846**	**$126,256,582**	**$137,103,432**

Assumes LIBOR Remains Where It is Today Until Maturity

Assumes LIBOR Increases By 1.150% Over the Next 36 Months and Then Remains Unchanged Until Maturity

Assumes LIBOR Increases By 2.300% Over the Next 36 Months and Then Remains Unchanged Until Maturity

SECTION III
PROPOSED ACTION PLAN

Three Components of Proposed Action Plan

Component 1

Utilize existing available Fund 71 Reserves to apply and smooth out annual payments

Component 2

Refund a Portion of the 2008 Retirement Health Benefits Bonds

- Protect the District Against rising costs due to increases in LIBOR-Based Interest Rates
- Lock-In to Relatively Low Interest Rates

Component 3

Allow a Portion of the Loan Balance to remain in Variable Interest Rate Mode

- LIBOR + 0.85% are excellent terms and are not available in today's market
- Historically, interest rates decline significantly during tough economic times

Timeline Considerations

April 2019
Discussion with the Board on the Potential Action Plan

May 2019 and June 2019
Finalize Auditing Fund 71 Irrevocable Trust Account
Determine optimal pay-down schedules of outstanding debt

July 2019 Through September 2019
Determine optimal loan balance to refund and secure fixed rate low interest loan

Post September 2019
Closely Monitor Variable Interest Rates and LIBOR Index
Continuously evaluate refunding opportunities