Livermore/Amador Valley Transit Authority

2022 Pension Liability Assessment

SEPTEMBER 19, 2022

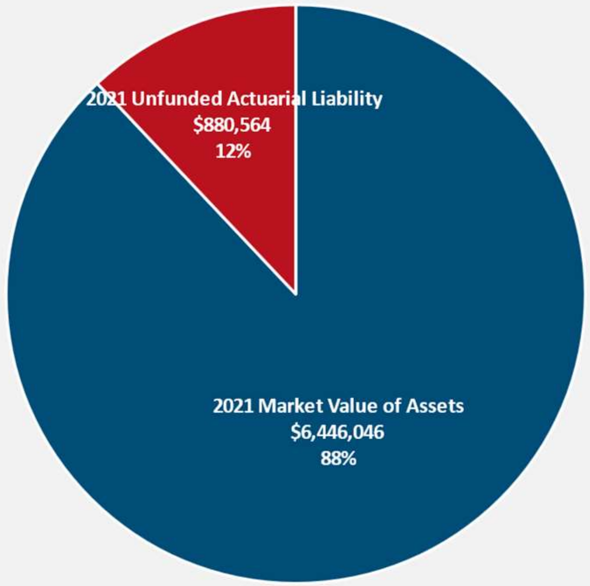
CalMuni Advisors

Presenters

- Andrew Flynn, Managing Director
  California Municipal Advisors LLC – Independent Registered Municipal Advisor (Fiduciary)
  - Assures Authority's financial and policy interests are protected
  - Intermediary between Broker/Dealer or Placement Agent and Authority
  - Manages financial transaction details on behalf of Authority

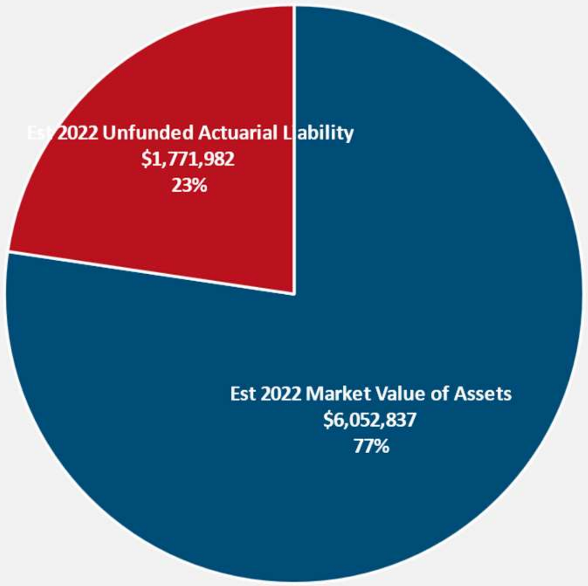
Pension Funding Status

2021 Pension Funding Status



- Total Accrued Liability = $7.3M
- Market Value of Assets = $6.4M
- Shortfall = $904K (12.0% of what is needed)
  - Accrues interest at 6.8% interest rate = $335.6K interest
  - Total Unfunded Liability with interest = $1.2M
  - Amortizes over time (currently 15 years)

2022 Estimated Pension Funding Status



- Total Pension Obligations = $7.8M
- Pension Assets = $6.1M
- Shortfall = $1.8M (22.7% of what is needed)
  - Accrues interest at 6.8% interest rate = $1.4M interest
  - Total Unfunded Liability with interest = $3.2M
  - Amortizes over time (currently 23 years)

Pension Funding Status

Description	Miscellaneous*	PEPRA - Misc*		Combined
2021 Total Accrued Liability	$6,444,823	$881,787	-	$7,326,610
2021 Market Value of Assets	$5,540,428	$905,618	-	$6,446,046
2021 Unfunded Actuarial Liability (UAL)	**$904,395**	**-$23,831**	**-**	**$880,564**
2021 % Funded	**86.0%**	**102.7%**	**-**	**88.0%**
2022 New UAL Estimate	$776,214	$115,204	-	$891,418
2022 Total UAL Estimate	$1,680,609	$91,373	-	$1,771,982
2022 % Funded Estimate	**75.6%**	**90.3%**	**-**	**77.4%**

Source: CalPERS Actuarial Valuation as of June 30, 2021

** Included in analysis*

Definitions:

- Total Accrued Liability = What You Need
- Market Value of Assets = What You Have
- Unfunded Actuarial Liability = What You Owe

Two Pension Plans:

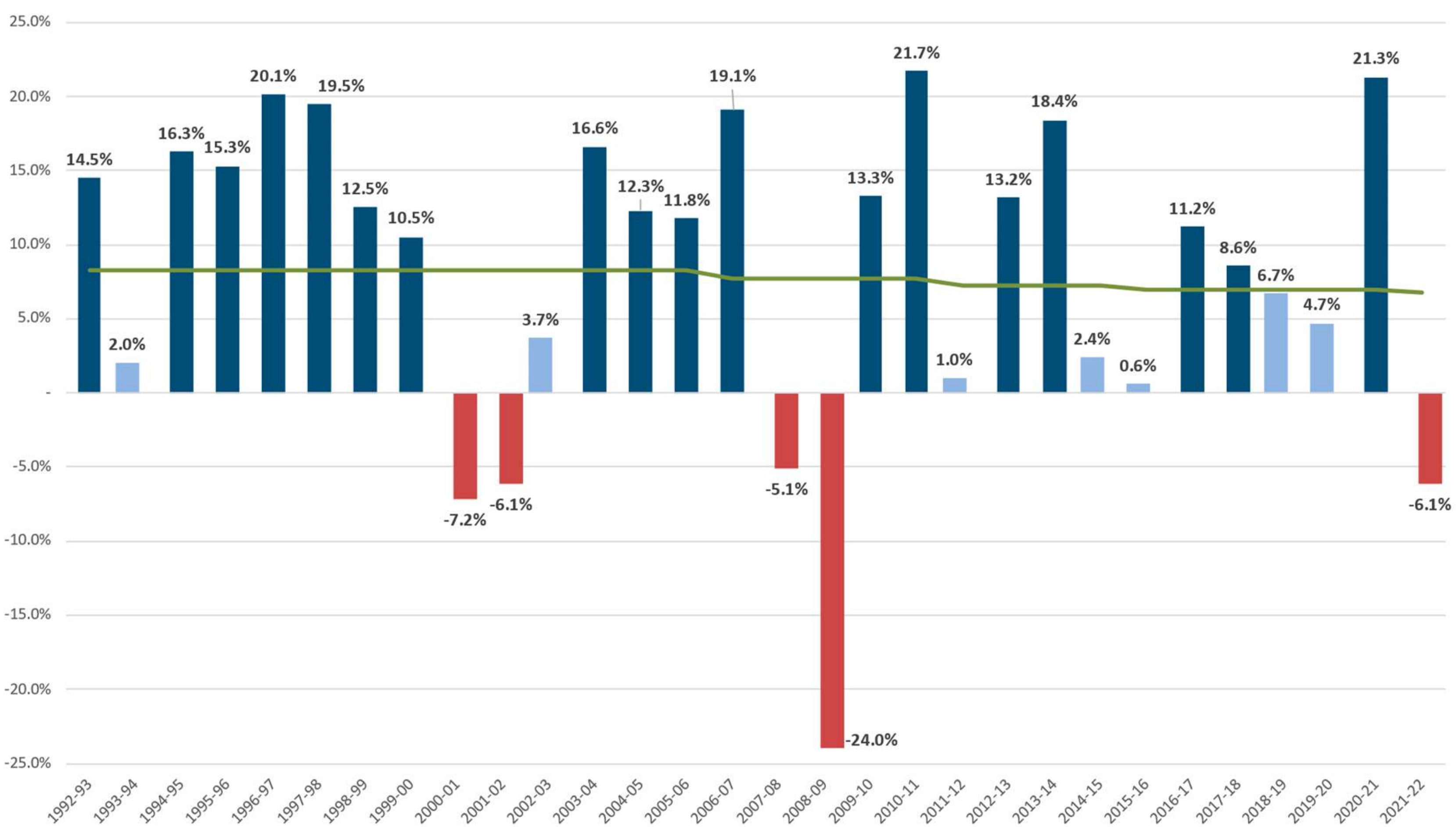
- Classic: Miscellaneous
- PEPRA: Miscellaneous

Miscellaneous
represents a significant savings opportunity

Investment Risk and Returns

CalPERS Historical Average Rates of Return through 2021-22:

Past: 5 years – 7.0%   10 years – 8.1%   15 years – 5.9%   20 years – 7.6%   25 years – 7.2%



2050: 55% of pension benefits funded by investment returns

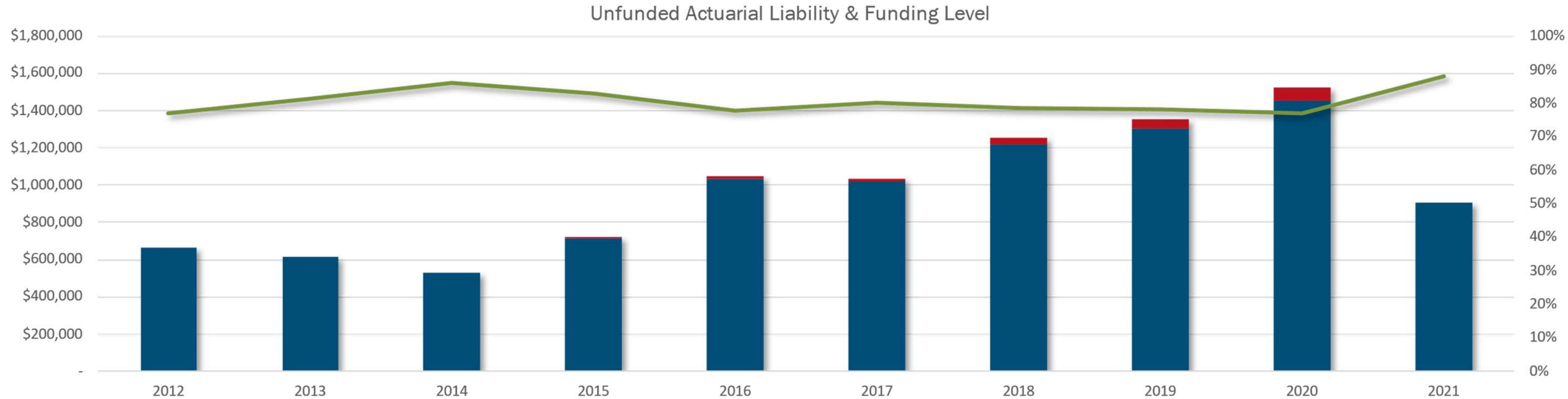
CalPERS manages pension investments

Authority bears all investment risk

Failure by CalPERS to achieve target investment returns does not relieve Authority from pension benefit guarantees to employees and retirees

Lower returns => higher UAL and higher pension payments by Authority

Pension Funding History



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PEPRA - Misc	-	-$447	-$1,539	$2,536	$14,602	$14,712	$32,238	$48,183	$70,708	-$23,831
Miscellaneous	$662,535	$615,331	$528,626	$711,740	$1,032,345	$1,019,085	$1,221,047	$1,304,216	$1,455,661	$904,395
% Funded	77.18%	81.29%	86.14%	83.01%	77.73%	80.11%	78.52%	78.11%	76.94%	87.98%

Owe

$218K

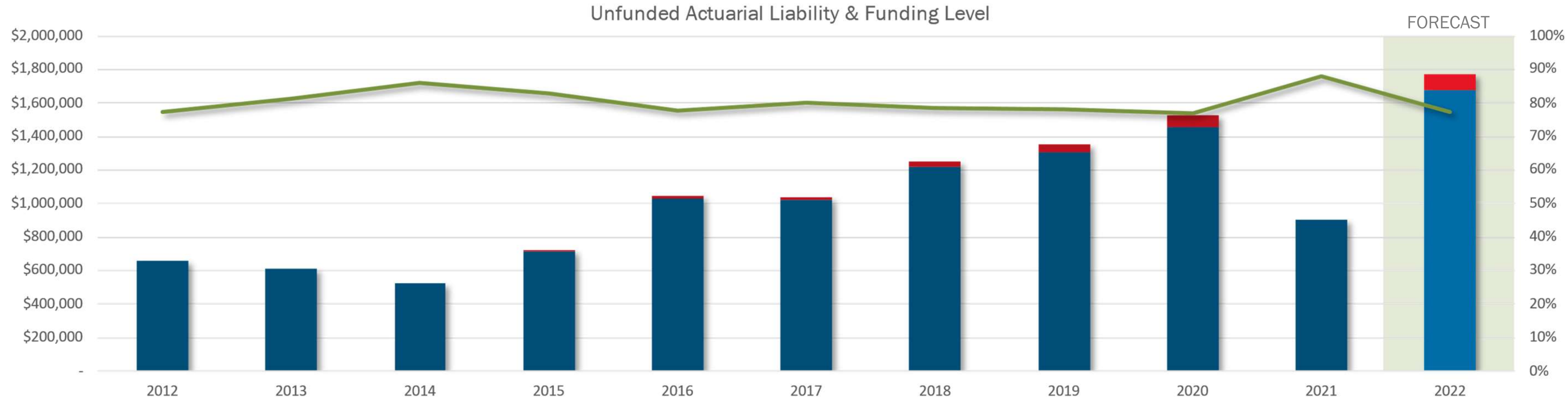
more

Funded Level

10.8%

higher

Pension Funding History with Forecast



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% Funded	77.18%	81.29%	86.14%	83.01%	77.73%	80.11%	78.52%	78.11%	76.94%	87.98%	77.35%

Owe

$1.1M

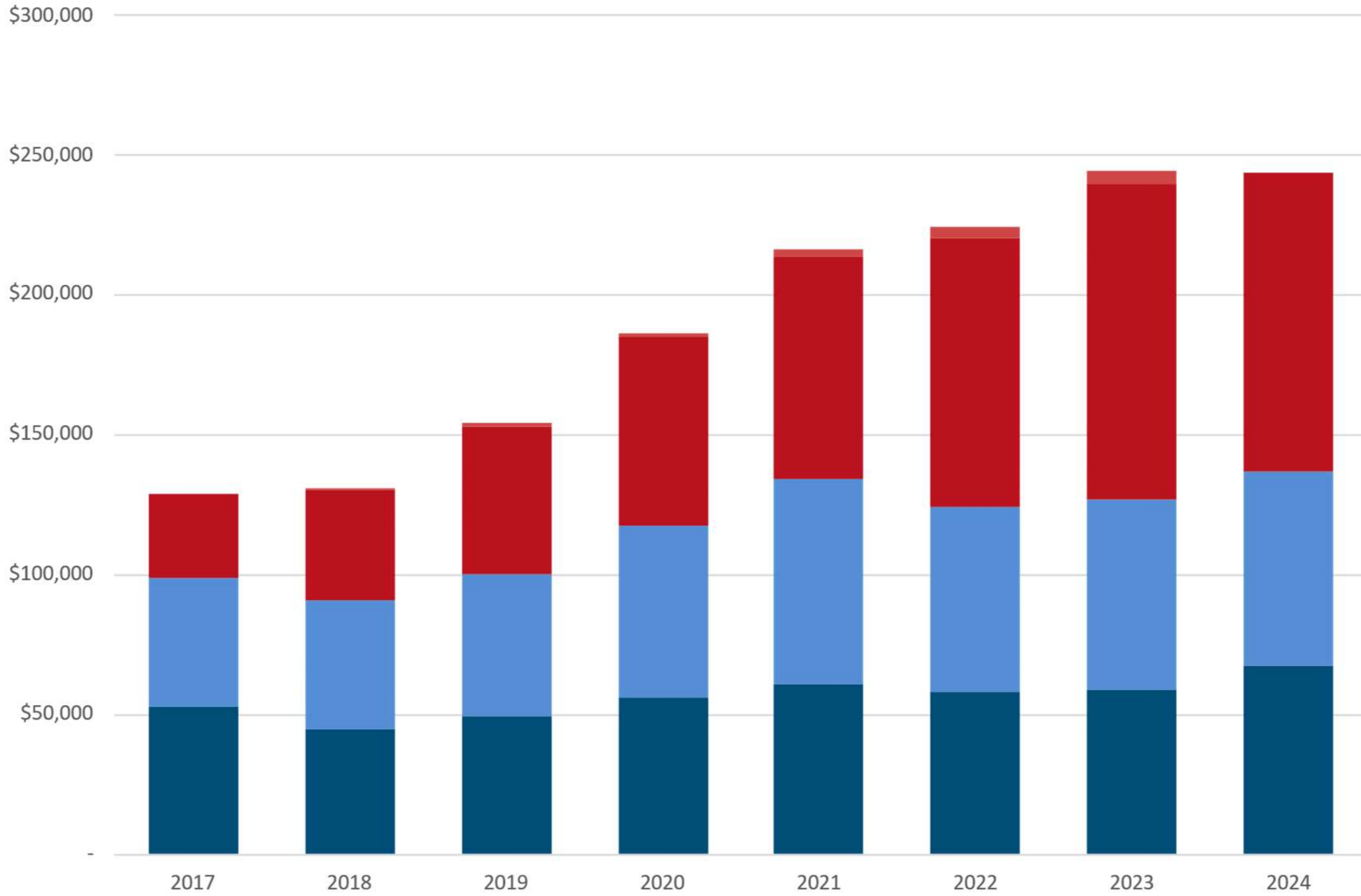
more

Funded Level

0.2%

higher

Pension Payments



	2017	2018	2019	2020	2021	2022	2023	2024
UAL - PEPRA - Misc	-	867	1,184	1,693	2,628	3,877	4,542	-
UAL - Miscellaneous	30,279	39,011	52,764	67,324	79,210	96,237	113,208	107,045
Normal - PEPRA - Misc	45,507	45,881	50,772	61,314	73,671	65,980	68,105	69,151
Normal - Miscellaneous	53,067	45,005	49,409	56,251	60,709	58,215	58,521	67,633

Annual Pension Payment Increase

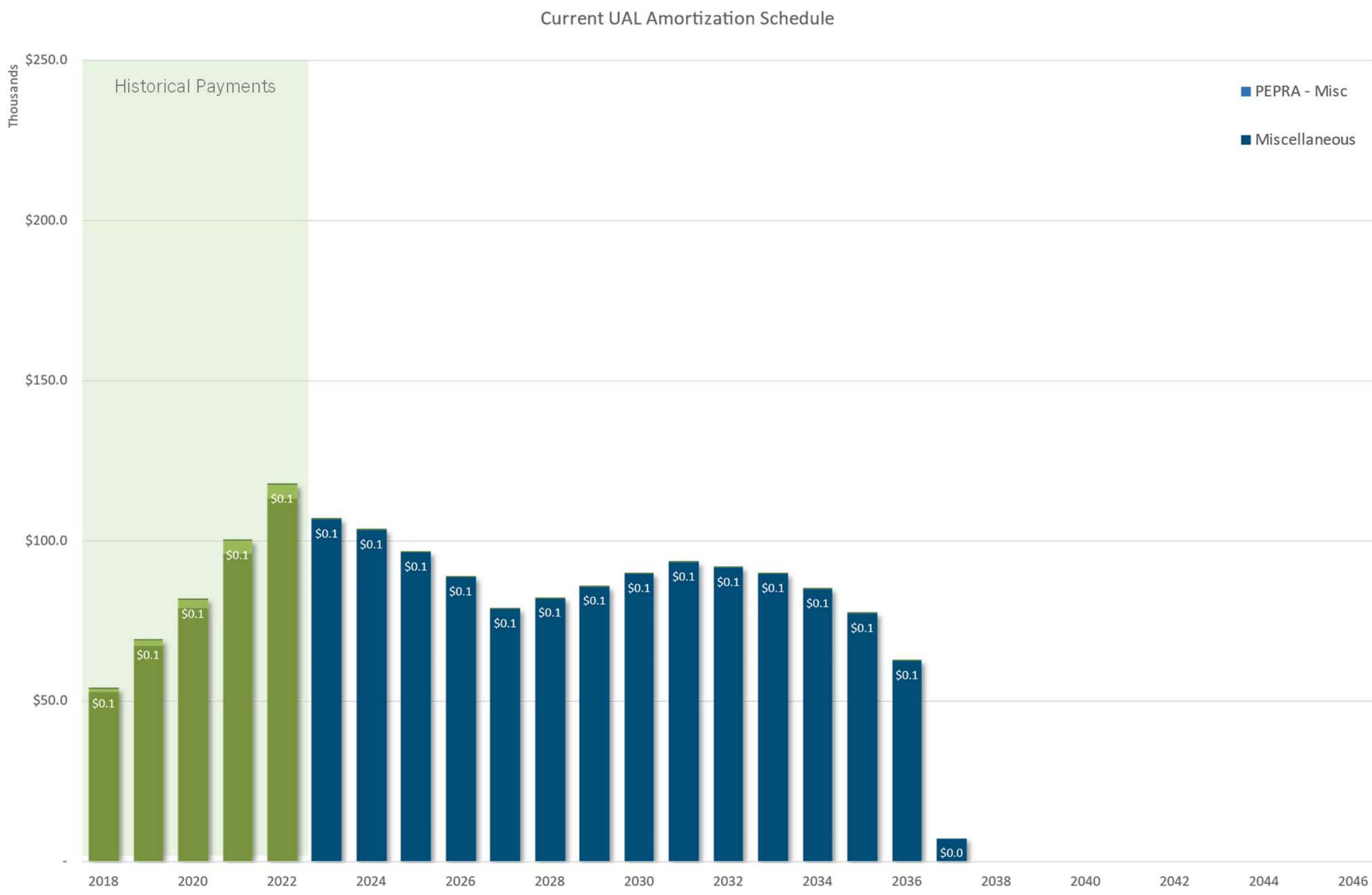
$113K

in eight years

UAL as a Percent of Total Payments

2017	2022
23.5%	43.9%

Where Things Currently Stand



06/30/2021 Actuarial Valuation

Funded Percent

88.0%

INCLUDES:

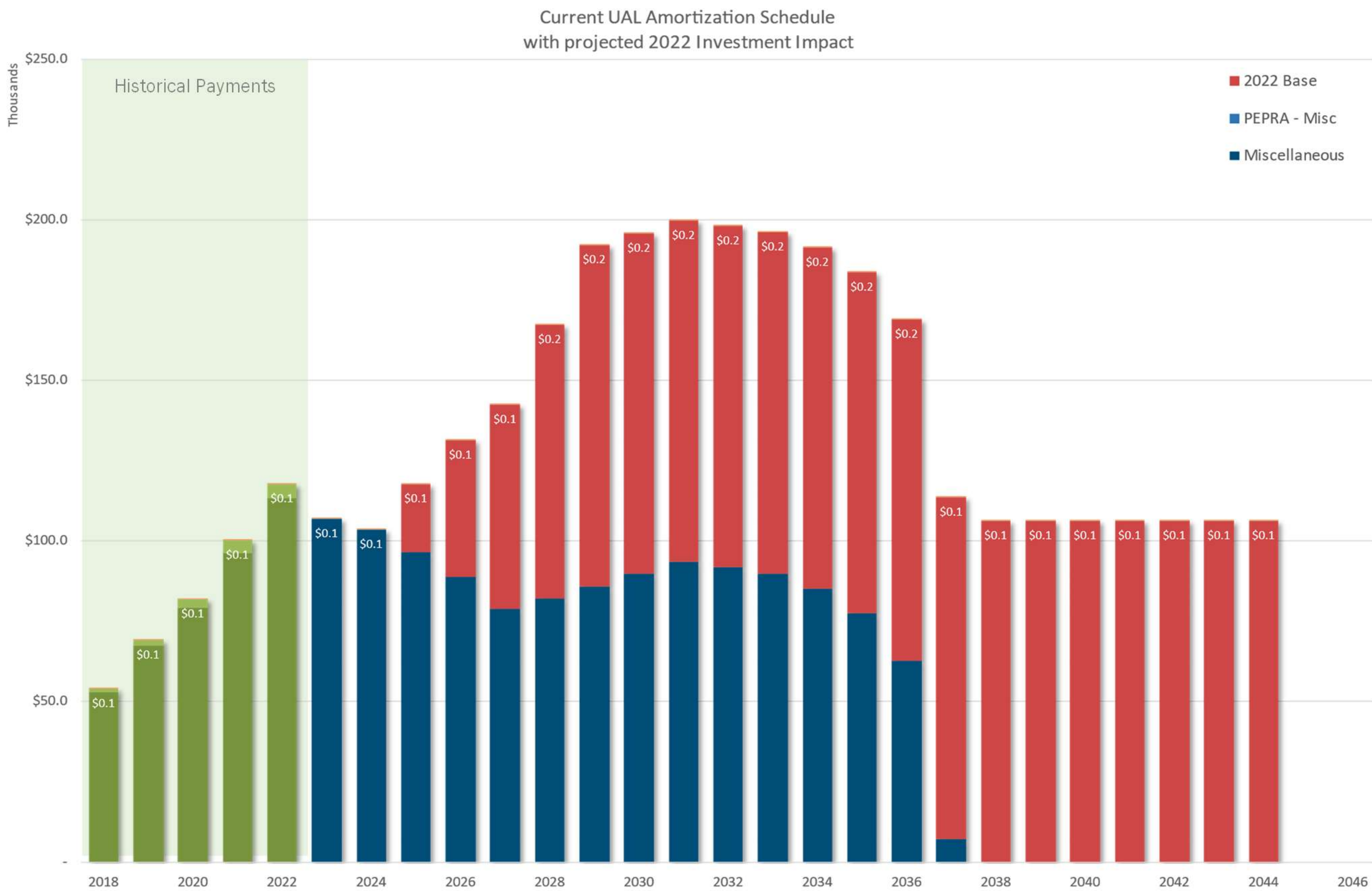
- UAL Payments Only

DOES NOT INCLUDE:

- Misc – Normal Cost (12.5% of salaries)
- PEPRA Misc – Normal Cost (7.7% of salaries)

	As of 2021
Principal	$0.90M
Interest	$0.34M
Total Due	$1.24M

Estimated 2022 Investment Impact



06/30/2021 Actuarial Valuation

Funded Percent

77.4%

INCLUDES:

- UAL Payments Only
- Estimated impact of -6.1% Return

DOES NOT INCLUDE:

- Misc – Normal Cost (12.5% of salaries)
- PEPRA Misc – Normal Cost (7.7% of salaries)

	As of 2021
Principal	$1.77M
Interest	$1.38M
Total Due	$3.15M

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Pension Liability Management Policy

The development of a robust Pension Liability Management Policy is one of the key building blocks to maintaining a healthy funding status for the Authority's pension plans.

- Establishes long-term targets for plan funding levels and a roadmap for annual review and action.
- Provides direction and prioritization for the use of surplus funds for developing, maintaining, and utilizing Authority reserves.
- Develops a comprehensive waterfall framework for current and future staff to manage reserves for current and future liability management.

SHORT-TERM CASH FLOW MANAGEMENT

- Achieve budget predictability
- Extend UAL payments over longer term

LONG-TERM COST MANAGEMENT

- Reduce overall interest cost for the Authority
- Prepay or accelerate UAL payments

Pension UAL Mitigation Techniques

The range of options available to address unfunded liabilities range from incremental items that are reviewed and considered annually, to one-time items that can potentially provide robust impact.

PAY DOWN

1. UAL Prepayment
   - Annual prepayment
   - From reserves, one-time revenues and fund surpluses
   - Base Targeting/Allocation
2. Fresh Start / Informal Fresh Start
3. New Sources of Revenue

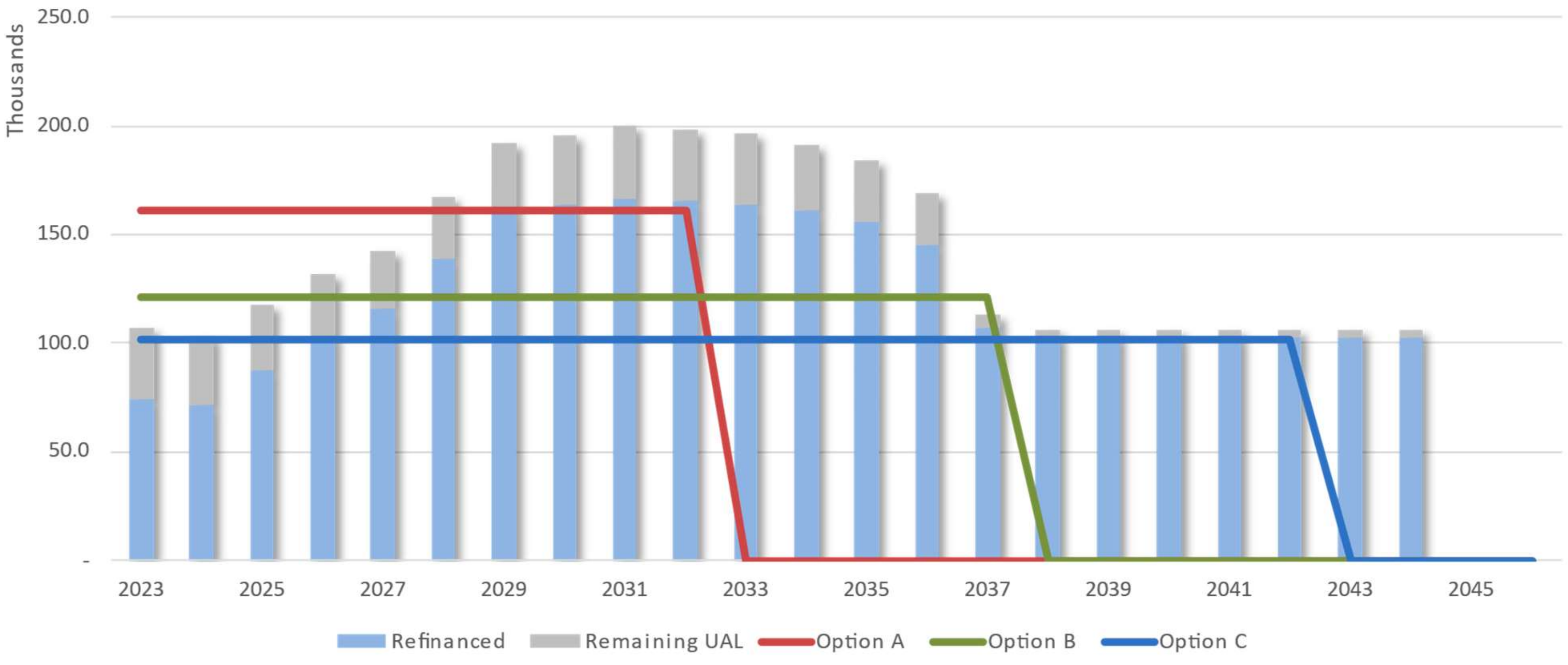
REFINANCE

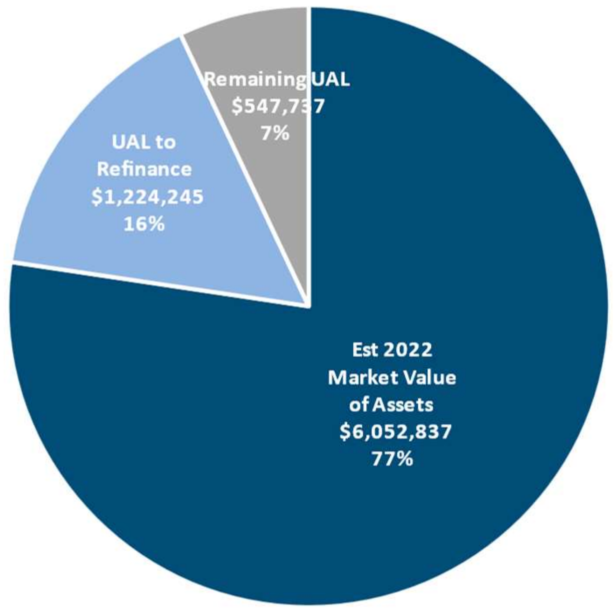
4. Savings from Debt Refundings
5. Capital Financing
   - From CIP Reserves
   - Pay-Go Programs
6. Pension Refinancing
   - Lease Financing/Enterprise/Other

STABILIZE – 115 Trust

- Annual Funding
  - Percent of Normal Cost
  - From Reserves & Fund Surpluses
- Refinancing Savings
  - Sequestered savings
  - Options for future Bond Calls

Baseline Refinancing Scenarios

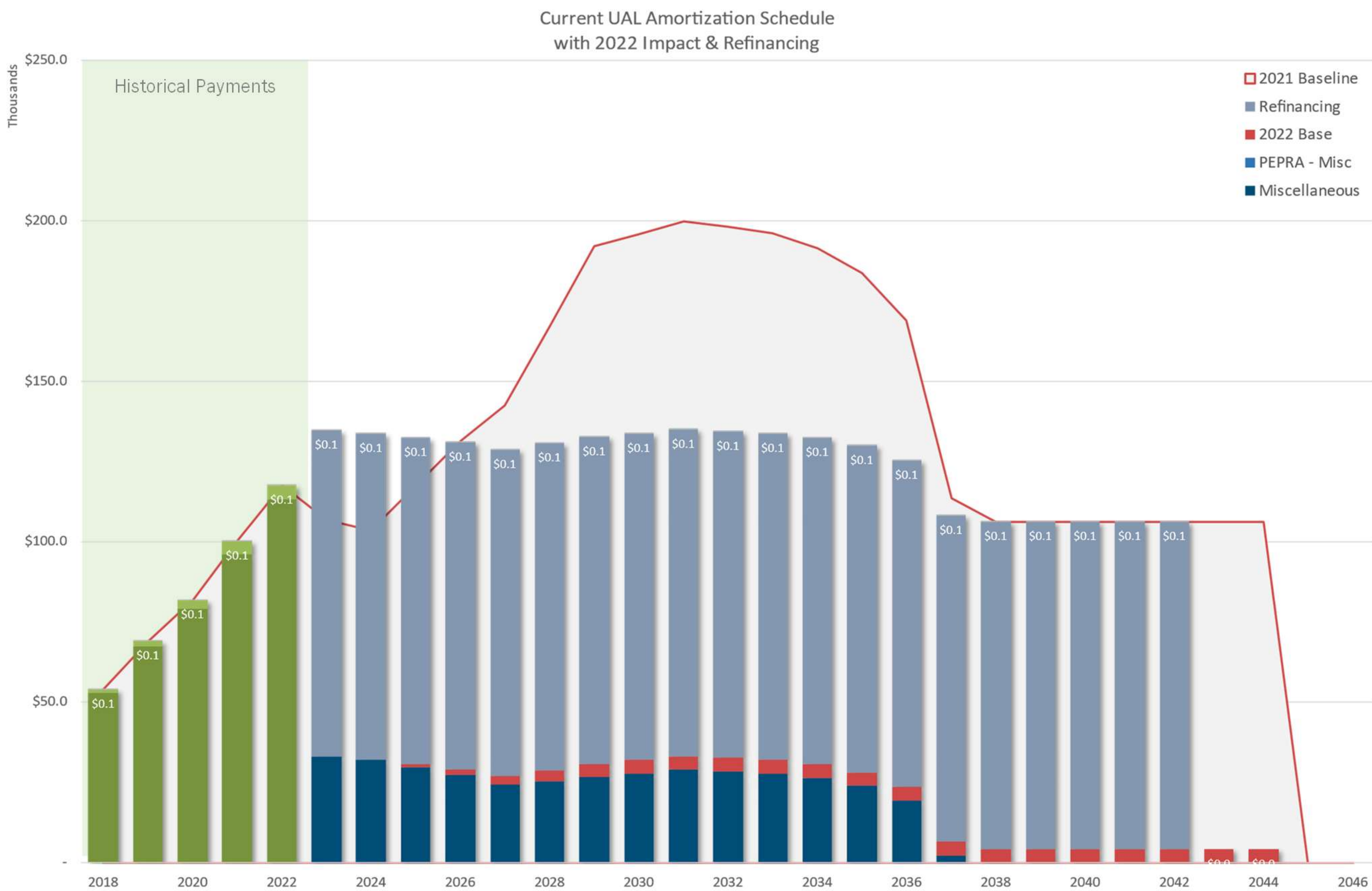




Scenario	Term	% of UAL Refunded	Total Financing Cost	Est Interest Rate	Cash Flow Savings			
					Years 1-10	Years 11-15	Years 16-25	Total
Current CalPERS UAL			$1,771,982	7.00%	$ -	$ -	$ -	$ -
UAL Refinanced (69.09%)			$1,224,245					
A	10 years	69%	($1,324,245)	3.75%	($365,784)	$937,075	$510,398	$1,081,689
B	15 years	69%	($1,324,245)	4.25%	$34,680	$331,098	$510,398	$876,175
C	20 years	69%	($1,324,245)	4.50%	$228,606	$224,455	$204,989	$658,050

- Includes assumed impact of the 2022 -6.1% investment earnings.
- Savings are based on 6.8% CalPERS discount rate. CalPERS is currently reassessing this and the discount rate and may change.
- Interest Rate estimates are based on current market rates. Actual rates may vary.
- Refinancing amounts include semi-annual loan payments and costs of issuance.

Post-Refinancing Depiction



06/30/2021 Actuarial Valuation

Funded Percent

93.0%

INCLUDES:

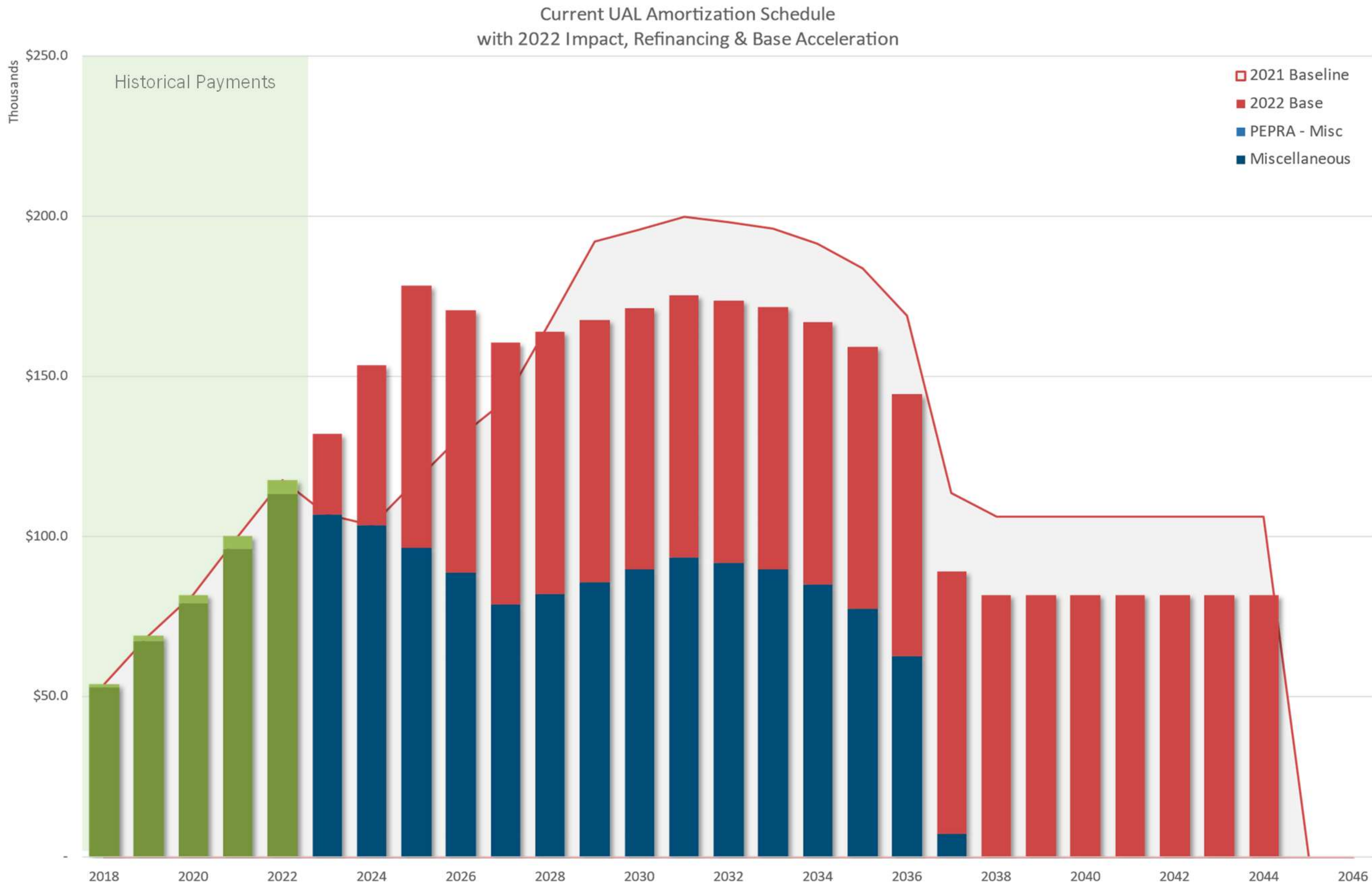
- UAL Payments Only
- Estimated impact of -6.1% Return
- 20-year Refinancing

DOES NOT INCLUDE:

- Misc – Normal Cost (12.5% of salaries)
- PEPRA Misc – Normal Cost (7.7% of salaries)

	As of 2021	Est. Savings
Principal	$1.77M	-
Interest	$0.72M	$0.66M
Total Due	$2.49M	$0.66M

Base Acceleration Only



06/30/2021 Actuarial Valuation

Funded Percent

77.4%

INCLUDES:

- UAL Payments Only
- Estimated impact of -6.1% Return
- Base Acceleration

DOES NOT INCLUDE:

- Misc – Normal Cost (12.5% of salaries)
- PEPRA Misc – Normal Cost (7.7% of salaries)

	As of 2021	Est. Savings
Principal	$1.77M	-
Interest	$1.18M	$0.20M
Total Due	$2.95M	$0.20M

How We Can Help

- Step 1: Stakeholder Education & Communication
- Step 2: Develop Pension Liability Management Plan/Policy
- Step 3: Implement Initial Pension Liability Management Initiatives
  - Additional Discretionary Payments Strategies and Calculations
- Step 4: Refunding Strategies and Debt Issuance Management
- Step 5: Provide On-Going Pension Liability Management Support
  - Review of Annual CalPERS Valuation Reports
  - Reserve Contribution Calculations
  - Additional Discretionary Payments Strategies and Calculations

Next Steps in a Typical Process

Assess Current CalPERS Reports — 1 – 2 weeks*

- Determine current UAL payment requirements
- Assess Funding Percent Status
- Review alternative options available through CalPERS

Pension Liability Management Meetings — 1 – 2 months*

- Multi-step effort for staff and Board
- Education on CalPERS framework, cost drivers, and current approach.
- Overview of UAL funding strategies

Adopt Pension Liability Management Policy — 1 month*

- Based on Pension Liability Management Meetings.
- Draft Pension Management policy that meets the unique fiscal needs of the Authority.
- Presentation to Board for adoption.

Assess Refinancing Strategies — 2 - 3 months*

- At the direction of the Board & Staff, CalMuni will perform various analyses on refinancing strategies.
- Board determination on whether a refinancing is appropriate for Authority.
- Initiate and complete UAL refinancing if appropriate.

Annual Pension Assessment — Ongoing*

- During each year's budget cycle, perform annual pension performance assessment.
- Determine future funded percent based on CalPERS investment performance and actuarial changes.
- Implement policy strategies to maintain funded percent and healthy reserves.

** Timeline is indicative only and can be slowed or accelerated based upon need and objectives of the Authority.*

QUESTIONS? Contact Us

Cameron Weist

The Weist Law Firm

(831) 438-7900

cameron@weistlaw.com

Andrew Flynn

California Municipal Advisors LLC

(415) 310-1255

andrew.flynn@calmuniadvisors.com

Brianna Gonzalez

The Weist Law Firm

(831) 438-7900

brianna@weistlaw.com

Lloyd Hedenland

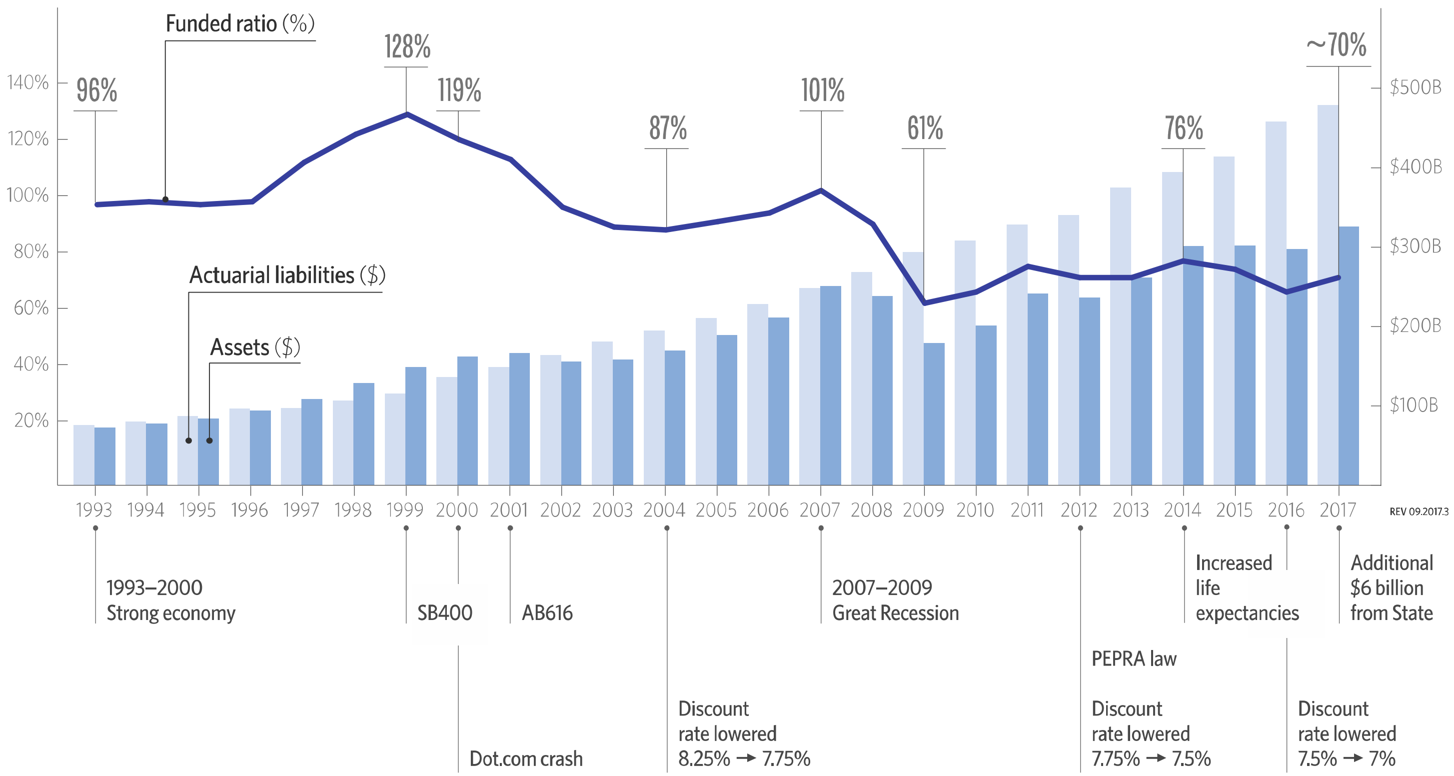
The Weist Law Firm

(916) 258-4046

lloyd@weistlaw.com

APPENDIX

CalPERS Funding Performance



1999 – CalPERS 128% funded ("Super Funded" Status)

2000 – SB 400 / AB 616 increased benefits retroactively

2000-02 – dot.com investment losses:
- 2000-01: -7.2%
- 2001-02: -6.1%

Loss of "Super Funded" Status

2008-09 – The Great Recession:
- Investment Loss: - 27% ($67 Bn)
- Full impact: - 34.75% (27% + 7.75% discount rate)
- CalPERS 61% funded

2012 – PEPRA reduced benefits for new employees

2020 – CalPERS is 71% funded

Pension Cost Increase Drivers

- ➢ Enhanced Pension Benefits (SB 400 / AB 616)
- ➢ Investment Performance vs Overly Optimistic Return Expectations
- ➢ People Living and Drawing Pensions Longer
- ➢ Fewer Active Workers for Each Retiree
- ➢ CalPERS Assumption Changes
  - Discount rate reduction
  - Actuarial Amortization Policy
  - Mortality rates

Refinancing Considerations – Benefits & Risks

Benefits

- Enhanced budget predictability from new "flattened" repayment structure
- Estimated near-term cashflow savings from lower interest rate
- Present value (PV) savings achieved if CalPERS earns more than the refunding interest rate
- Increased "funded status" of Authority's retirement plan
- Cash flow savings can be utilized to build up reserves, pay down future UAL increases, set up reserves for future OPEB costs, or any other legal purpose of the Authority
- Interest rates are presently at all-time lows

Risks

- CalPERS Reinvestment Risk: CalPERS will have more money to invest
  - Same for any UAL prepayment
- PV Savings not guaranteed: CalPERS has to earn more than the refunding interest rate
  - Easier to achieve than earning CalPERS' own 7% discount rate
- Listed as "debt" on Authority's financial statements
  - UAL is also shown as liability on financial statements
- For asset-secured structures, Authority's owned assets may be required as collateral

The Sale Process - Options

Selecting the method of sale for a transaction is determined based upon a range of variables by the Issuer and Financing Team in order to ensure that the needs of the Issuer are met and the target outcome is achieved.

	Public Sale	Private Placement
Transaction Size	Flexible	Up to $30M
Pricing	Lower Rates Higher Costs of Issuance	Higher Rates Lower Costs of Issuance
Time to Close	3+ Months	2+ Months
Issuer Involvement Level	High	Low to Moderate
Structure	Standardized	More Flexible
Term	Up to 40 years; typically 30 years	Up to 20 years
Due Diligence	Issuer, counsel, Rating Agency	Bank
Prepayment Flexibility	Limited without cost	Various Options
Structure	Rigid and Standardized	More Flexible
Credit Rating	Required	Not Required
Debt Service Reserve	More Often	Less Often
Continuing Disclosure Requirements	Strict	More Flexible Options

The Sale Process - Timeline

The sale process varies depending on which approach an issuer selects.

- The public sale process is longer and more complex it can often lead to more competitive pricing
- The private placement process is simpler but reduces the number of potential investors often resulting in higher rates.

Public Sale 90-120 days	Private Placement 60-90 days
Select Financing Team	Select Financing Team
Develop plan of finance	Develop plan of finance
Draft legal documents	Draft legal documents
Draft investor disclosure (Official Statement)	Prepare and distribute Request for Proposals to lenders
Obtain credit rating and bond insurance (as needed)	Receive proposals and lock interest rate
Obtain Board approval	Complete lender due diligence & obtain credit approval
Market bonds to investor community	Obtain Board approval
Collect orders and set interest rates	Close transaction and transfer funds to CalPERS
Close transaction and transfer funds to CalPERS	Make timely payments and provide ongoing disclosure
Make timely payments and provide ongoing disclosure	Keep records
Keep records	

Recent Pension Refinancing Activity

California Municipal Advisors and Weist Law have worked together on 14 recent pension refinancings.

Issuer	Amount	Type
North County Fire Protection District	$10,794,000	Private Placement
City of Arcata	$3,226,000	Private Placement
Calaveras County Water District	$5,665,000	Private Placement
City of Ukiah	$49,875,000	Public Placement
Penn Valley Fire Protection District	$1,037,884	Private Placement
San Benito County Water District	$3,016,000	Private Placement
City of Susanville	$10,601,500	Private Placement
Bonita Sunnyside Fire Protection	$5,127,000	Private Placement
Lake Valley Fire Protection District	$10,952,522	Private Placement
Arcata Fire Protection District	$4,754,000	Private Placement
Ebbetts Pass Fire Protection District	$3,518,000	Private Placement
Oceano Community Services District	$906,000	Private Placement
Rancho Adobe Fire Protection District	$5,610,000	Public Placement
City of Cotati	$4,087,760	Public Placement

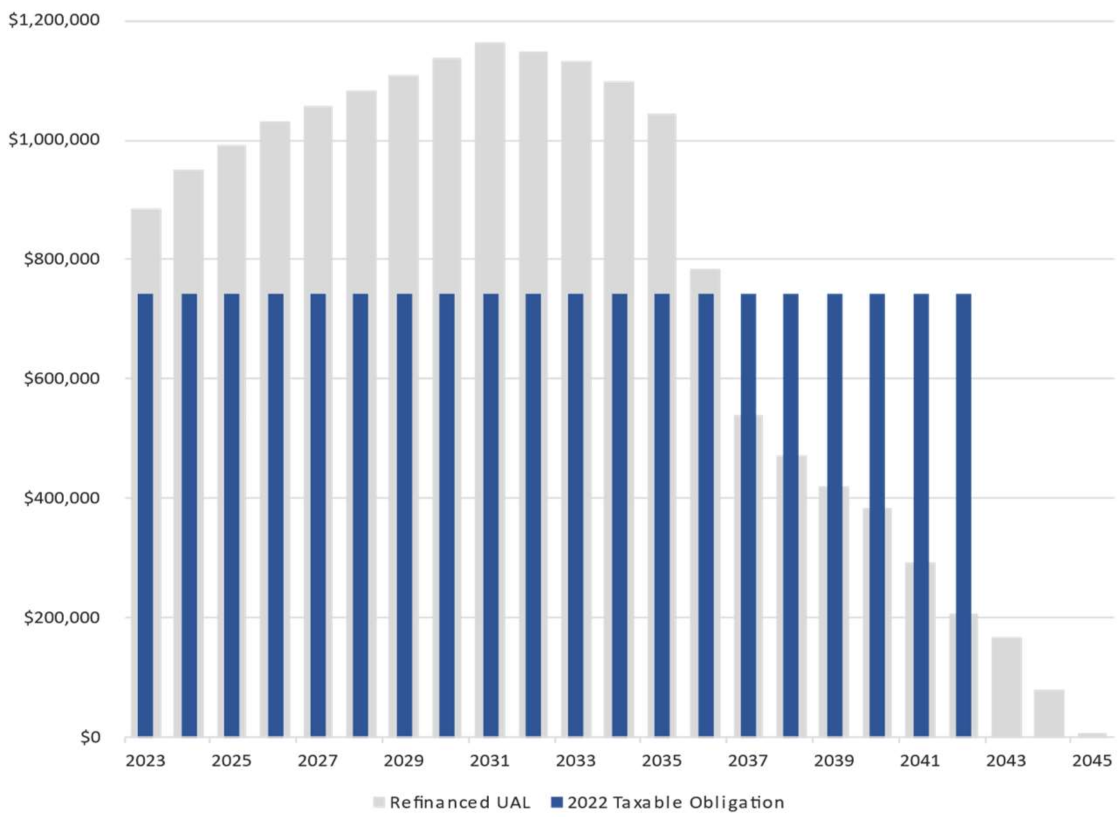
☐ *Denotes transactions that have a case study located in the appendix*

Case Study: North County Fire Protection District

The North County Fire Protection District of Monterey County (the "District") issued a $10,794,000 Series 2022 Taxable Revenue Bonds for a CalPERS UAL Prepayment Project. The transaction was completed to refinance a portion of the District's outstanding unfunded accrued liability ("UAL") associated with the District's pension plans.

Transaction Highlights

The District's Board of Directors authorized the UAL Prepayment Project in the form of a public offering in December 2021. From December 2021 to March 2022, Weist Law fully prepared all required ratings presentations, reports and documentation, including a full Official Statement, to carry out the refinancing on a publicly offered basis. During that same time period, interest rates continued to rise due to the lingering effects of Covid-19, significant inflationary pressures, fed rate hikes and the outbreak of war in Ukraine.



The team at felt it was their fiduciary duty reconvene with the District's Board to discuss the recent market headwinds and generate a strong financing strategy to withstand volatility. The team attended several in person Board meetings to give market updates and warned of the corresponding decrease in expected savings. The financing team, worked together to quickly create a back up plan for the issuance.

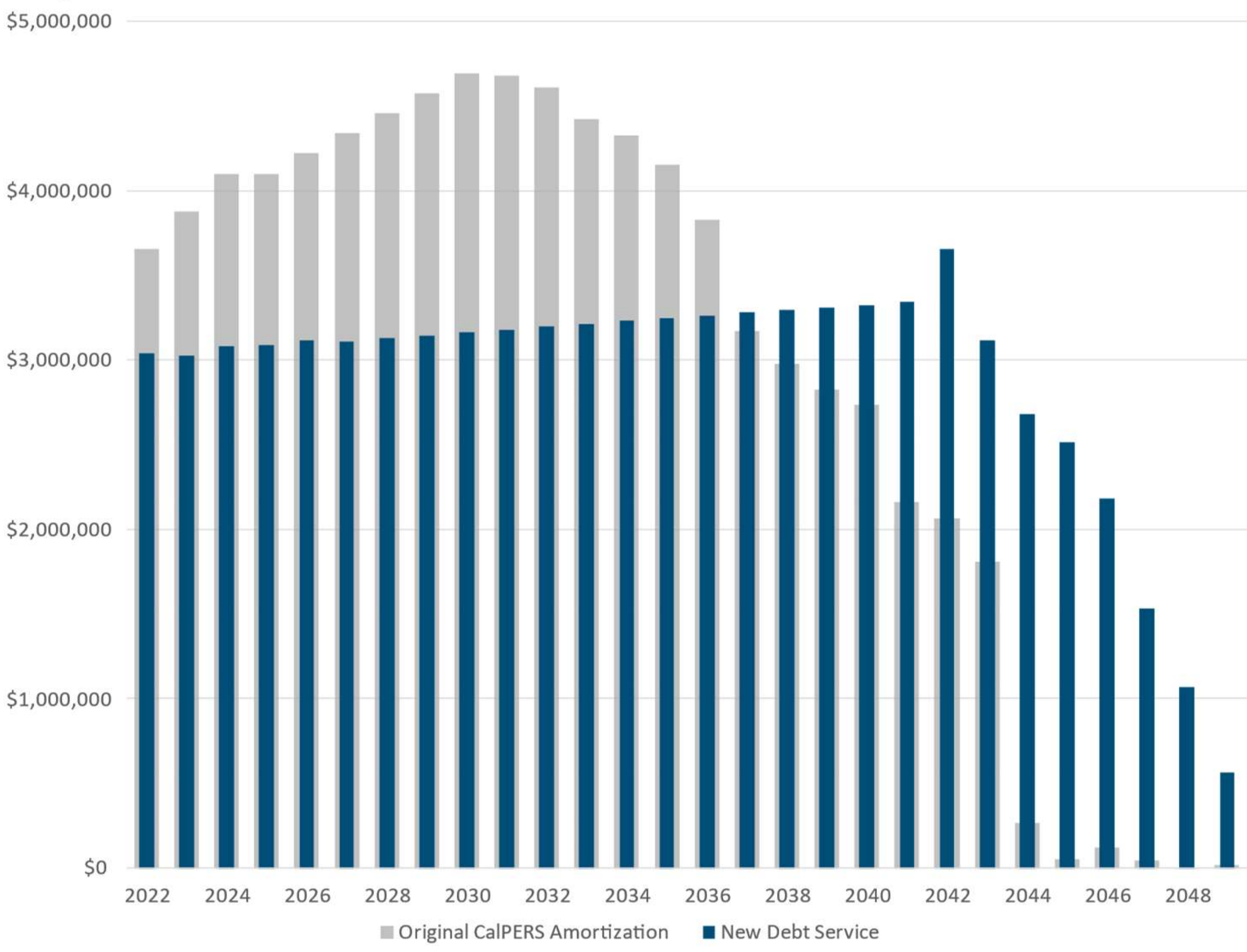
The team reached out to several banks that regularly invest in municipal debt obligations to get their indicative rates. One bank in particular that Bond Counsel works with frequently, was able to offer a December 2021 rate and even slightly sweeten their offer to 3.2% for a 20-year term. The Board approved the switch from a public offering to a private placement process and accepted the bank term sheet for a 20-year term at a 3.20% rate.

Successful Outcome

- The transaction resulted in total projected cash flow savings to the District of approximately $3,580,000 and as importantly reshaped 23 years of escalating payments to level debt service payments over the 20-year term of the 2022 Obligations.
- 50% of the Savings are being sequestered into a 115 Trust to further stabilize District's Pension Plans pursuant to the Pension Management Policy developed by Weist Law and CalMuni Advisors.
- Due to an innovative Net Revenue pledge structure, the District was able to achieve a 20-year taxable interest rate of 3.20% (even during a highly inflationary period).

Case Study: City of Ukiah, California

The City of Ukiah, California issued $49,875,000 2020 Taxable Lease Revenue Bonds (CalPERS Prepayment Project). The transaction was completed to refinance the City's outstanding unfunded accrued liability (UAL) associated with their CalPERS "classic" Miscellaneous, Fire Safety and Police Safety pension plans.



Transaction Highlights

Due to the accumulation of amortizing UAL bases over the years, the City was facing steeply increasing UAL cost curves, with the UAL Payments approximately doubling from FY 2020 to FY 2032-33. Weist Law worked closely with the City of Ukiah to spearhead a complex legal and financing strategy culminating in the City's pension plan funded status rising from approximately 70% funded to over 93% funded.

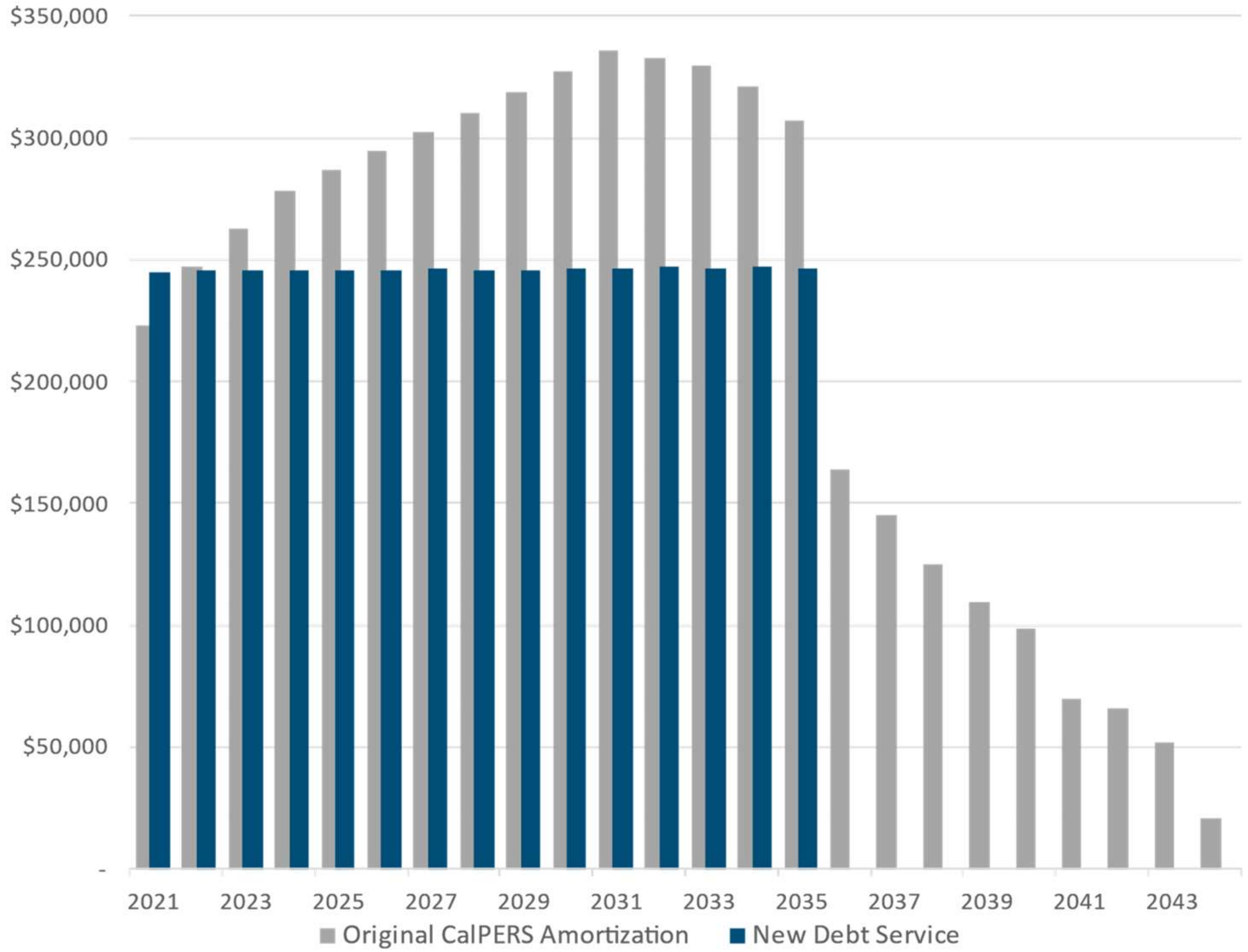
Projected savings over the first 15 years is projected to be greater than $24 million, which provided much needed budget resiliency due to the uncertainties surrounding Covid-19 impacts and allowed the City to more securely address uncertainties related to future CalPERS performance.

Successful Outcome

- By reshaping the escalating UAL payments to near-level debt service payments, the transaction provided the City with budget predictability and resiliency over the 29-year term of the Bonds.
- The Bonds received an S&P rating of A+ and were issued without a reserve fund, which created further fiscal efficiencies.
- The City was able to recognize savings and utilize them to set aside funds to pay down future UAL bases and maintain their CalPERS funding targets.

Case Study: San Benito County Water District

The San Benito County Water District issued $3,016,000 Series 2021 Taxable Revenue Obligations (CalPERS UAL Prepayment Project), issued to refinance the District's outstanding unfunded accrued liability (UAL) associated with their CalPERS "classic" pension plans.



Transaction Highlights

Weist Law, as Bond Counsel, and CalMuni Advisors, as Municipal Advisor, worked with the San Benito County Water District to provide in-depth analysis of the District's pension plans and the various mitigation strategies for each of the plans. The comprehensive study sessions evolved into discussion of a refinancing of outstanding UAL as one of the mitigation strategies to reverse the trend of escalating year-over-year payments being made to CalPERS.

Based on the analysis, projected savings over the first 15 years was anticipated to be greater than $750,000, providing much needed budget resiliency and allowed the District to more securely address uncertainties related to future CalPERS performance.

Successful Outcome

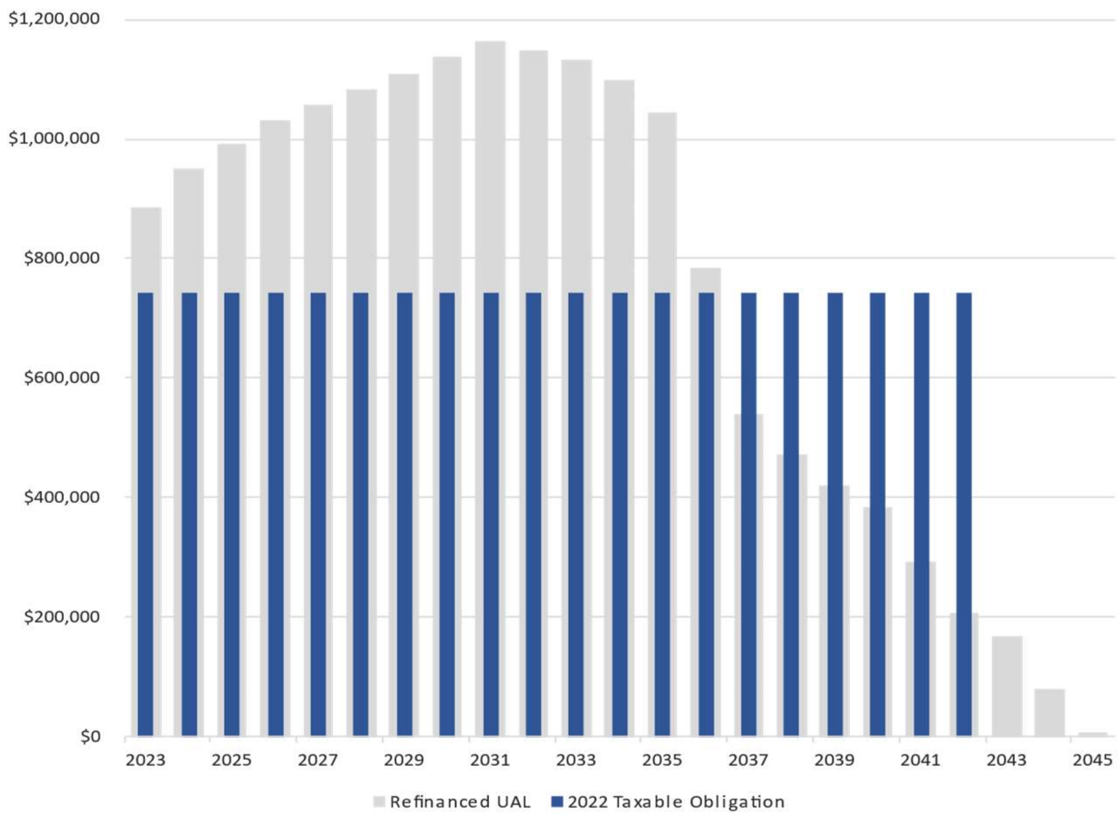
- The transaction resulted in total cash flow savings to the District of approximately $1,595,000 and as importantly, reshaped escalating payments to level debt service payments over the 15-year term of the 2021 Obligations.
- Due to a unique Net Revenue pledge structure, the District was able to achieve a 15-year taxable interest rate of 2.94% which equates to a 2.05% tax-exempt rate with total costs of issuance under $70,000.

Case Study: City of Susanville, California

The City of Susanville engaged CalMuni Advisors in order to prepare for a public offering of taxable debt in order to make a large additional discretionary prepayment to CalPERS for their unfunded accrued liability (the "UAL").

Transaction Highlights

For pension debt to be legally financed, the legal structure must either be "validated" through a judicial validation proceeding or some other alternative legal theory arranged. The team at Weist Law filed a validation judgment in the Superior Court of Lassen County. The validation action was then challenged by the Howard Jarvis Taxpayers Association. To defend the validation action through the judicial process could take a year or longer before funding could be approved. During that same time period, interest rates continued to rise due to the lingering effects of Covid-19, significant inflationary pressures, fed rate hikes, and the outbreak of war in Ukraine. Therefore, the team felt it was their fiduciary duty to reconvene with the City Council to discuss the recent market headwinds and generate a strong financing strategy to withstand volatility.



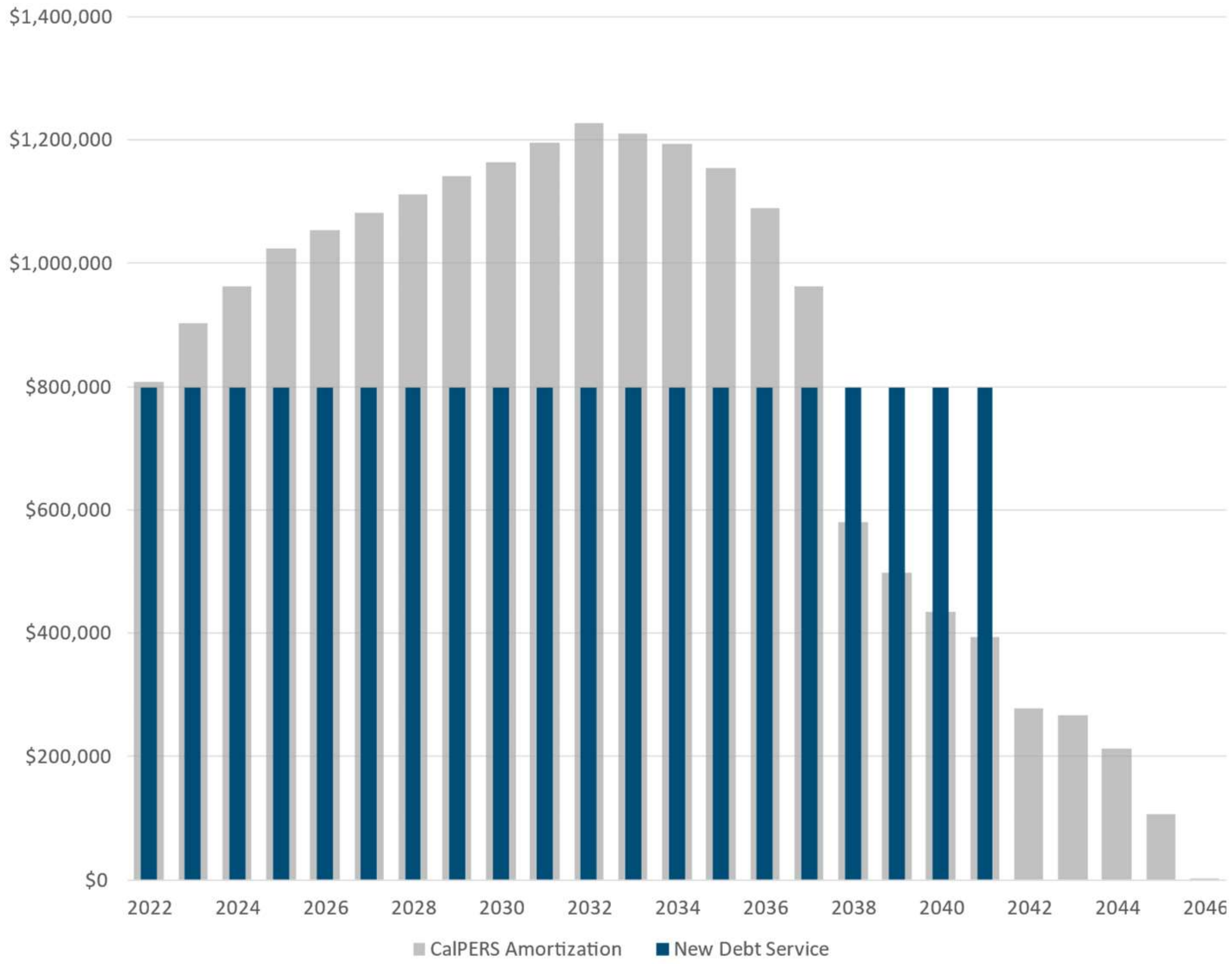
After analyzing all viable options, the team found that it would be most advantageous to the City to restructure the financing by utilizing lease arrangements for a private offering. Lease financings have judicial precedence in California, known as the "Offner-Dean-Rider Lease Exception" to the California Constitutional Debt Limitations. The team reached out to several banks that regularly invest in municipal debt obligations to get their indicative rates. One bank was able to offer a competitive rate of 3.5% for a 20-year term. Council approved the switch from a public offering to a private placement process and accepted the bank term sheet for a 20-year term at a 3.50% rate.

Successful Outcome

- The transaction resulted in total projected cash flow savings to the City of approximately $2,338,712
- Due to an innovative Net Revenue and asset pledge structure, the City was able to achieve a 20-year taxable interest rate of 3.50% (even during a highly inflationary period).
- The Financing Team was able to achieve a favorable interest rate in the midst of rapidly rising interest rates (rates had increased to over 4.40% at the time) and quickly "pivot" the financing structure in the best interests of the client–all within a span of less than 60 days. This "pivot" resulted in additional savings to the City of approximately $1,000,000 over what would have been achievable through a private placement

Case Study: Lake Valley Fire Protection District

Lake Valley Fire Protection District issued $10,952,522 Series 2021 Taxable Revenue Obligations (CalPERS UAL Prepayment Project). The transaction was completed to refinance the District's outstanding unfunded accrued liability (UAL) associated with their CalPERS "classic" Miscellaneous and Fire Safety Pension Plans.



Transaction Highlights

Due to the accumulation of UAL bases over the years, the District was facing steeply increasing UAL cost curves, with the UAL payments approximately doubling from FY 2020 to FY 2032. This UAL growth was recognized as a growing concern to the District as it would increasingly impact the General Fund.

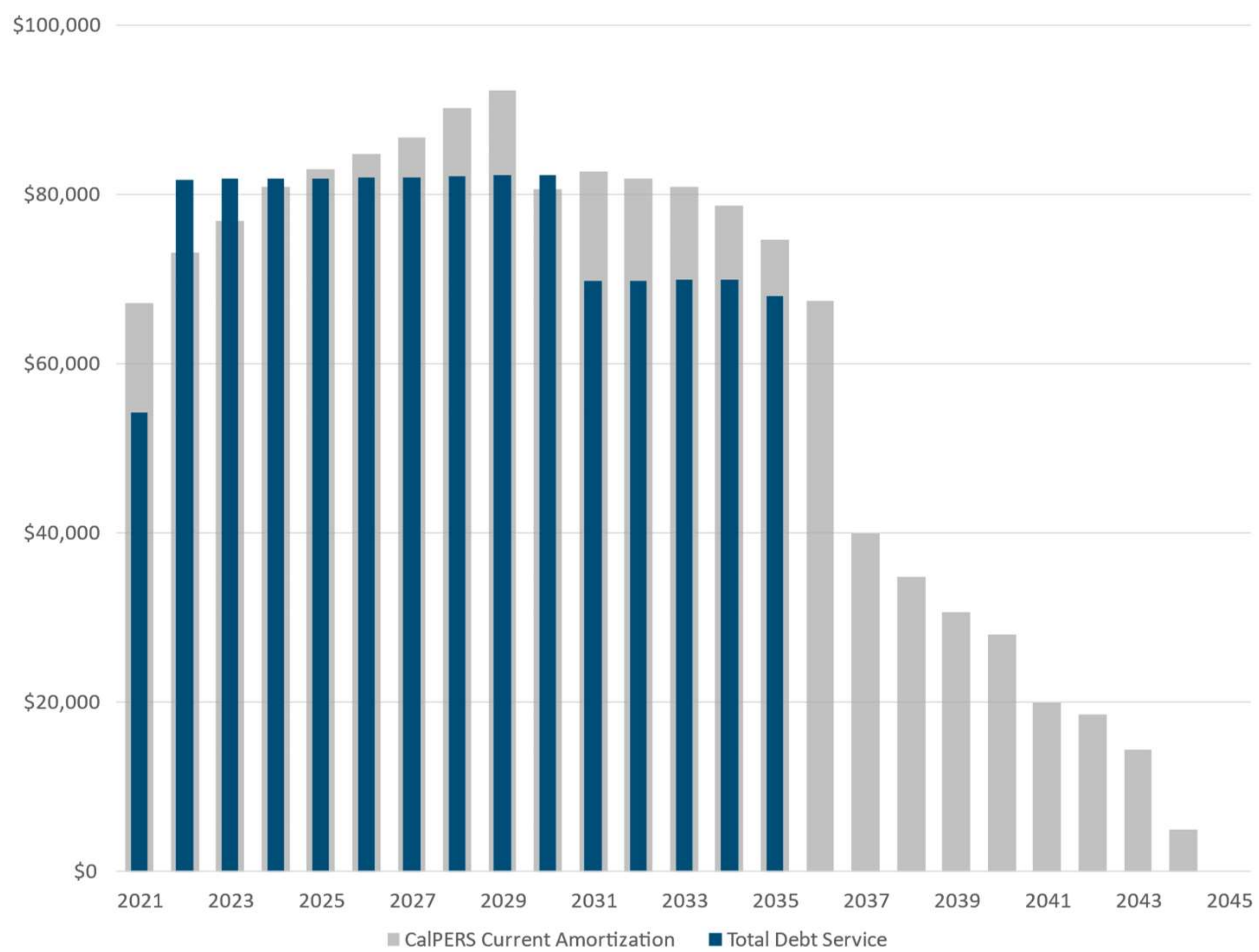
CalMuni Advisors and Weist Law worked with the District to provide in-depth analyses of the District's pension plans and the various mitigation strategies for each plan. The study sessions resulted in a plan to refinance the outstanding UAL of the classic plans in order to provide a 20-year level debt service thus providing budget predictability while also providing cash flow savings to the District.

Successful Outcome

- The transaction resulted in total cash flow savings to the District of approximately $4,255,811 and as importantly, reshaped escalating payments to level debt service payments over the 20-year term of the 2021 Obligations.
- With a taxable 4.00% interest rate locked in, the District is positioned to benefit from savings that will allow it to more proactively manage future unfunded liabilities and maintain a healthy funding status of its pension plans.

Case Study: Oceano Community Services District

Oceano Community Services District issued $906,000 Series 2021 Taxable Revenue Obligations (CalPERS UAL Prepayment Project). The transaction was completed to refinance the District's outstanding unfunded accrued liability (UAL) associated with their CalPERS "classic" Miscellaneous and Fire Safety Pension Plans.



Transaction Highlights

The refinancing transaction was successfully structured to mimic a standard Net Revenue pledge structure with industry standard rate covenants and parity debt provisions (unlike pension obligation bonds which do not have parity bond tests, etc., which can make future financings very difficult and/or very expensive). The effect of the Refinancing was to (i) allow UAL pension costs to be financed at best possible interest rates, (ii) allow for future financings at best terms, (iii) move the financed UAL pension cost from maintenance and operation expenses to debt service on parity with all other outstanding parity debt, and (iv) automatically increase the District's debt service coverage ratio (because pension costs are treated as M&O, but when financed are moved "below the line" to debt service secured by Net Revenues).

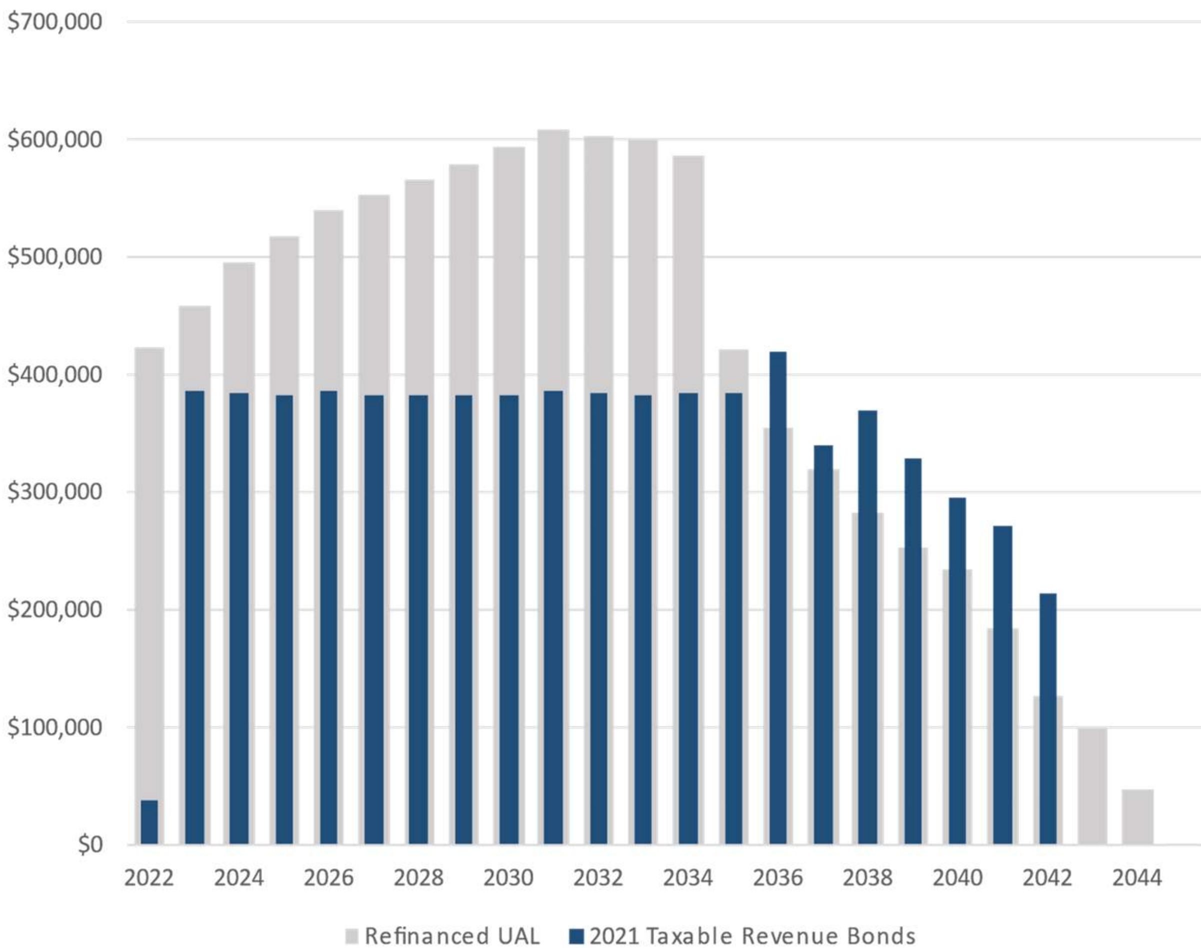
Successful Outcome

- The transaction resulted in total cash flow savings to the District of approximately $334,000 and as importantly, reshaped escalating payments to level debt service payments over the 15-year term of the 2021 Obligations.

- Due to a unique Net Revenue pledge structure, the District was able to achieve a 15-year taxable interest rate of 3.5% which equates to a 2.3% tax-exempt rate with total costs of issuance of less than $76,000.

Case Study: Rancho Adobe Fire District

Rancho Adobe Fire District issued $5,610,000 Series 2021 Taxable Revenue Obligations (CalPERS UAL Prepayment Project). The transaction was completed to refinance the District's outstanding unfunded accrued liability (UAL) associated with their CalPERS Safety, Miscellaneous and PEPRA Safety Pension Plans.



Transaction Highlights

The refinancing transaction was successfully structured to mimic a standard Net Revenue pledge structure with industry standard rate covenants and parity debt provisions (unlike pension obligation bonds which do not have parity bond tests, etc., which can make future financings very difficult and/or very expensive). The effect of the Refinancing was to (i) allow UAL pension costs to be financed at best possible interest rates, (ii) allow for future financings at best terms, (iii) move the financed UAL pension cost from maintenance and operation expenses to debt service on parity with all other outstanding parity debt, and (iv) automatically increase the District's debt service coverage ratio (because pension costs are treated as M&O, but when financed are moved "below the line" to debt service secured by Net Revenues).

Successful Outcome

- The transaction resulted in total cash flow savings to the District of approximately $2,184,033 and as importantly, reshaped escalating payments to level debt service payments over the 20-year term of the 2021 Obligations.

- Due to a unique Net Revenue pledge structure, the District was able to achieve a 20-year taxable interest rate of 2.91%.

"I would recommend Weist Law to anyone looking for the utmost in professional help with financial and municipal bond law. They are truly experts in their field. I cannot imagine that our transactions would have gone this smoothly with any other firm."

Jennifer Granholm, *Business Manager*
Rancho Adobe Fire District