



City of Placentia Press Release

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Placentia's Pension Lease Revenue Bonds Results in Millions in Savings for the City

PLACENTIA, CA – In order to save taxpayers millions of dollars, the City of Placentia has successfully refinanced the City's Unfunded Accrued Liability (UAL) with the California Public Employees' Retirement System (CalPERS). This initiative was implemented to address the City's outstanding unfunded pension liability with CalPERS, which is estimated to be over \$48 million for the fiscal year 2020-21 and continues to grow rapidly due to the limited performance of CalPERS' investments. This refinancing was accomplished through the structuring of Pension Lease Revenue Bonds (LRBs) designed to eliminate the City's UAL debt with CalPERS. The City's goal was to save the city an estimated \$13 million, but the Pension LRB refinancing is now expected to provide a savings of \$14.3 million.

In July 2020, the City assembled a financing team to evaluate the potential issuance of bonds to refinance the City's UAL with CalPERS. In September 2020, the City held a Community Workshop and presented the UAL Refinancing plan using Pension LRBs. Lease Revenue Bonds are a common and widely accepted structure in California that utilize a lease/lease-back structure of certain City assets. The Pension LRB amount issued was \$53 million.

"Like many other California cities, the City's pension costs have grown significantly over the last decade," said Mayor Ward Smith. "Much like the concept of refinancing your home, the City has refinanced its pension liability at historically low interest rates, which are substantially lower than the 7% that CalPERS is charging the City on its liability."

Pension LRB proceeds will be used to pay off the City's UAL to CalPERS, prepay the remaining monthly UAL payments due in Fiscal Year 2020-21, deposit the estimated FYE June 2020 increase to the UAL with the bond trustee for a future payment to CalPERS, and pay costs of issuance.

"The City has remained committed to making prudent and transparent budgetary decisions that lead toward fiscal sustainability," said City Administrator Damien R. Arrula. "This issuance of pension lease revenue bonds addresses the City's debt obligations while preserving key programs and services for our residents today and well into the future."

"Despite the current economic climate, we have found ourselves in a favorable position to refinance our pension liability by issuing lease revenue bonds, and these efforts will save the City approximately \$14.3 million over the next 25 years," said Finance Director Jessica Brown.

The City's Pension LRBs were marketed and sold on October 29, 2020, and were expected to sell in two to three days; however, the City's bonds ended up selling within hours.

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