



# Irrevocable Trust Accounts

**ORANGE UNIFIED SCHOOL  
DISTRICT**

Board Meeting: August 15, 2019



# Presentation Overview



Futuris Trust (Irrevocable Trust)



Fund 71 Trust (Irrevocable Trust)



Financial Audit of Fund 71 Trust



Audit Recommendations (Board Items 7A, 7B, 7C)



Debt Service Financial Analysis &  
Recommendations



# Futuris Trust Account – Established in 2008

- ❖ 2008 District sold \$95 million in bonds which proceeds were then invested in stock market
- ❖ From returns on investments, the District was to pay for Retired Employee Health Benefit Costs (OPEB)
- ❖ Futuris Trust is fully funded based on latest OPEB Actuarial Report
- ❖ Irrevocable Trust
  - Funds can not be transferred back or used for other purposes
- ❖ Historical Prospective
  - Early years investment portfolio incurred losses
  - For several years the District did not withdraw funds
    - District conducted an audit to identify outstanding balance for reimbursement



# Fund 71 Account – Established in 2008

- ❖ Irrevocable Trust
  - Funds can not be transferred back or used for other purposes
- ❖ Funds are withdrawn from Futuris Fund and Deposited into Fund 71
  - Payments are made to insurance vendors for Retired Employee Health Benefit Costs
- ❖ Historical Prospective
  - During the early years of investment, the General Fund made additional transfers to pay for retiree benefits
  - In later years, funds were withdrawn from the Futuris Trust to reimburse District



# Financial Audit – District Trust Accounts

- ❖ Outstanding issue:
  - Did the Trust fully reimburse the General Fund?
- ❖ Last July, the District hired an auditor whom specialized in trust accounts
  - Clifton Larson Allen, LLP was contracted
    - Tina Henton, Principal Auditor
    - Audit Period 2008/09 to 2018/19
    - Published Audit Report with recommendations





# Audit Recommendations

1. No Audit Findings
  - Reaffirms accuracy of District Records
2. Reconciled Account Balances
  - General Fund had not been reimbursed \$10,830,047
3. Transfer from Fund 71 to Futuris Trust
  - Resolution: Board Item 7A
4. Recommends pay down of debt service
  - Resolution: Board Item 7B
6. Recommends establishing a new fund (Fund 17)
  - General Fund to regularly deposit funds for Debt Service Payments
  - Resolution: Board Item 7C
7. Input for Resolutions
  - Orange County Department of Education
  - Legal
  - Auditors
  - Trustee Consultant
  - Debt Service Advisor



The background features a large white circle centered on a black field. To the left, a series of overlapping circles in shades of gray and white create a tunnel-like effect. To the right, several thin white concentric circles are visible.

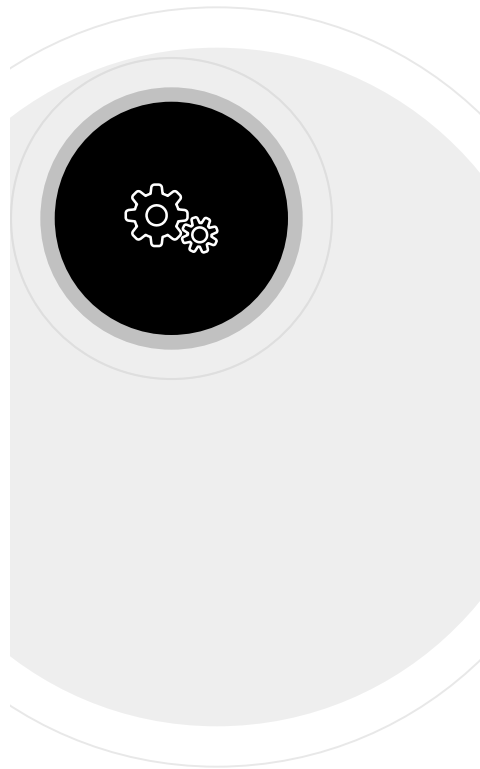
# **Debt Service Financial Analysis & Recommendations**



# Debt Service Principal Payment Schedule

Redemption Date	Principal Payments
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
<b>YTD Paid</b>	<b>\$18,000,000</b>

Redemption Date	Principal Payments
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
<b>Balance</b>	<b>\$76,765,000</b>





# Current Repayments Schedules (Inclusive of Accrued Interest)

1	2	3	4
Fiscal Year	Current Principal	(LIBOR @ 3.08%) Current Interest	Total
2019-20	\$2,000,000	\$1,965,009	\$3,965,009
2020-21	\$1,900,000	\$2,297,699	\$4,197,699
2021-22	\$2,700,000	\$2,237,130	\$4,937,130
2022-23	\$2,700,000	\$2,153,977	\$4,853,977
2023-24	\$2,800,000	\$2,070,567	\$4,870,567
2024-25	\$2,800,000	\$1,984,334	\$4,784,334
2025-26	\$2,800,000	\$1,898,101	\$4,698,101
2026-27	\$2,800,000	\$1,811,868	\$4,611,868
2027-28	\$2,800,000	\$1,725,635	\$4,525,635
2028-29	\$2,900,000	\$1,639,146	\$4,539,146
2029-30	\$3,000,000	\$1,549,576	\$4,549,576
2030-31	\$3,200,000	\$1,456,670	\$4,656,670
2031-32	\$3,500,000	\$1,357,348	\$4,857,348
2032-33	\$3,700,000	\$1,249,044	\$4,949,044
2033-34	\$3,900,000	\$1,134,580	\$5,034,580
2034-35	\$4,200,000	\$1,013,700	\$5,213,700
2035-36	\$4,200,000	\$884,350	\$5,084,350
2036-37	\$4,200,000	\$755,001	\$4,955,001
2037-38	\$4,100,000	\$625,908	\$4,725,908
2038-39	\$4,000,000	\$499,895	\$4,499,895
2039-40	\$3,700,000	\$377,475	\$4,077,475
2040-41	\$3,400,000	\$264,294	\$3,664,294
2041-42	\$2,900,000	\$160,866	\$3,060,866
2042-43	\$2,565,000	\$72,413	\$2,637,413
<b>Total</b>	<b>\$76,765,000</b>	<b>\$31,184,586</b>	<b>\$107,949,586</b>



# Projections include Pre-Paying Principal Balance by \$10,830,000

1 Fiscal Year	2 Current Principal	3 Prepaid Amount	4 Revised Principal	5 Revised Interest Schedule	6 Revised Repayment Schedule
2019-20	\$2,000,000	\$0	\$2,000,000	\$1,856,281	\$3,856,281
2020-21	\$1,900,000	\$0	\$1,900,000	\$1,964,162	\$3,864,162
2021-22	\$2,700,000	\$635,000	\$2,065,000	\$1,905,223	\$3,970,223
2022-23	\$2,700,000	\$570,000	\$2,130,000	\$1,841,460	\$3,971,460
2023-24	\$2,800,000	\$600,000	\$2,200,000	\$1,775,681	\$3,975,681
2024-25	\$2,800,000	\$525,000	\$2,275,000	\$1,707,734	\$3,982,734
2025-26	\$2,800,000	\$455,000	\$2,345,000	\$1,637,490	\$3,982,490
2026-27	\$2,800,000	\$375,000	\$2,425,000	\$1,565,065	\$3,990,065
2027-28	\$2,800,000	\$300,000	\$2,500,000	\$1,490,188	\$3,990,188
2028-29	\$2,900,000	\$315,000	\$2,585,000	\$1,412,977	\$3,997,977
2029-30	\$3,000,000	\$330,000	\$2,670,000	\$1,333,147	\$4,003,147
2030-31	\$3,200,000	\$445,000	\$2,755,000	\$1,250,699	\$4,005,699
2031-32	\$3,500,000	\$655,000	\$2,845,000	\$1,165,621	\$4,010,621
2032-33	\$3,700,000	\$760,000	\$2,940,000	\$1,077,758	\$4,017,758
2033-34	\$3,900,000	\$865,000	\$3,035,000	\$986,970	\$4,021,970
2034-35	\$4,200,000	\$1,065,000	\$3,135,000	\$893,243	\$4,028,243
2035-36	\$4,200,000	\$965,000	\$3,235,000	\$796,436	\$4,031,436
2036-37	\$4,200,000	\$860,000	\$3,340,000	\$696,537	\$4,036,537
2037-38	\$4,100,000	\$650,000	\$3,450,000	\$593,391	\$4,043,391
2038-39	\$4,000,000	\$440,000	\$3,560,000	\$486,857	\$4,046,857
2039-40	\$3,700,000	\$20,000	\$3,680,000	\$376,910	\$4,056,910
2040-41	\$3,400,000	\$0	\$3,400,000	\$264,294	\$3,664,294
2041-42	\$2,900,000	\$0	\$2,900,000	\$160,866	\$3,060,866
2042-43	\$2,565,000	\$0	\$2,565,000	\$72,413	\$2,637,413
<b>Total</b>	<b>\$76,765,000</b>	<b>\$10,830,000</b>	<b>\$65,935,000</b>	<b>\$27,311,402</b>	<b>\$93,246,402</b>



# Comparison of Debt Services Payments Before Prepayment vs After Payment

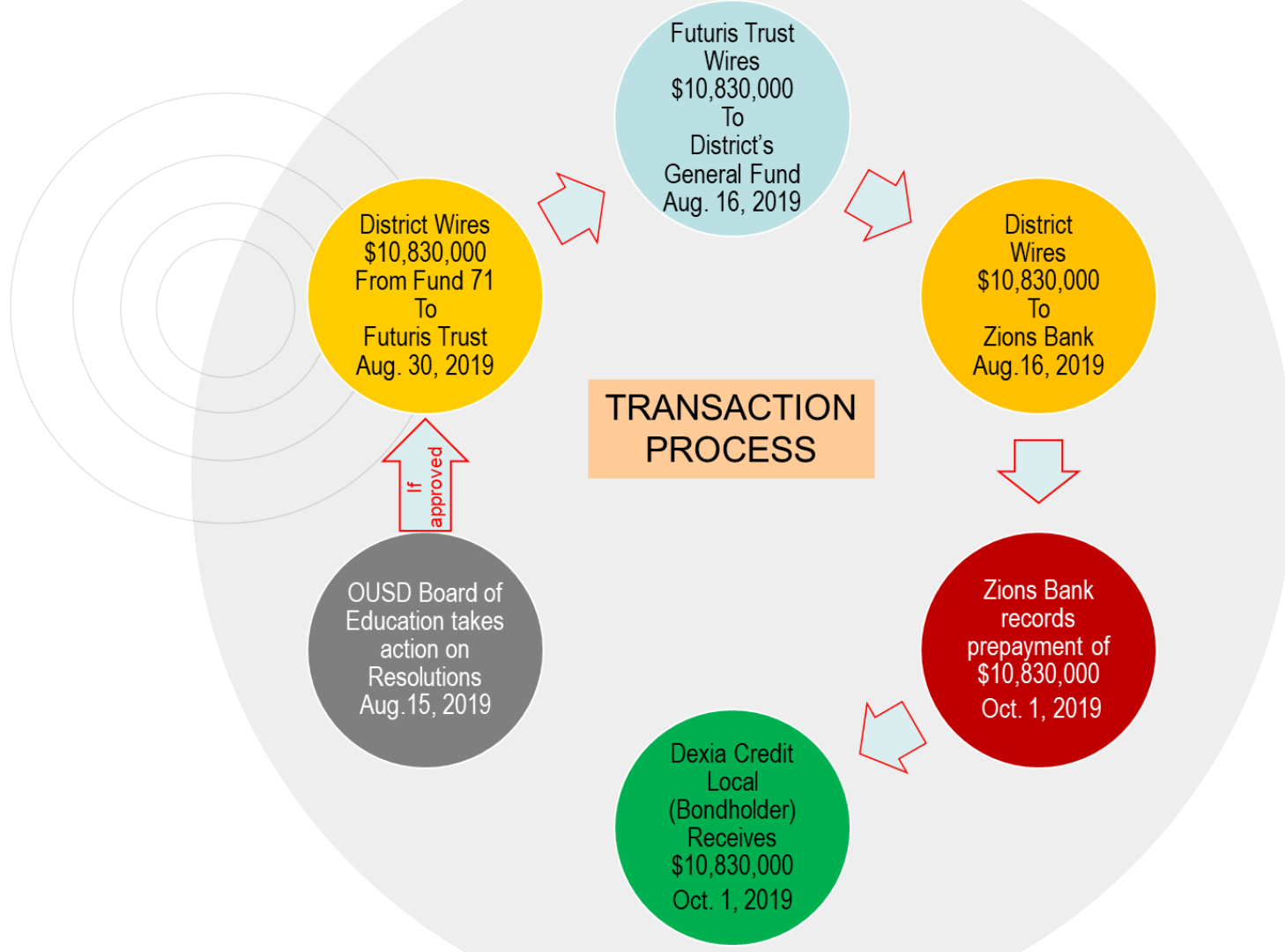
Fiscal Year	Before Prepayment	After Prepayment
2019-20	\$3,965,009	\$3,856,281
2020-21	\$4,197,699	\$3,864,162
2021-22	\$4,937,130	\$3,970,223
2022-23	\$4,853,977	\$3,971,460
2023-24	\$4,870,567	\$3,975,681
2024-25	\$4,784,334	\$3,982,734
2025-26	\$4,698,101	\$3,982,490
2026-27	\$4,611,868	\$3,990,065
2027-28	\$4,525,635	\$3,990,188
2028-29	\$4,539,146	\$3,997,977
2029-30	\$4,549,576	\$4,003,147
2030-31	\$4,656,670	\$4,005,699
2031-32	\$4,857,348	\$4,010,621
2032-33	\$4,949,044	\$4,017,758
2033-34	\$5,034,580	\$4,021,970
2034-35	\$5,213,700	\$4,028,243
2035-36	\$5,084,350	\$4,031,436
2036-37	\$4,955,001	\$4,036,537
2037-38	\$4,725,908	\$4,043,391
2038-39	\$4,499,895	\$4,046,857
2039-40	\$4,077,475	\$4,056,910
2040-41	\$3,664,294	\$3,664,294
2041-42	\$3,060,866	\$3,060,866
2042-43	\$2,637,413	\$2,637,413
<b>Total</b>	<b>\$107,949,586</b>	<b>\$93,246,402</b>

VS

Maximum Payments

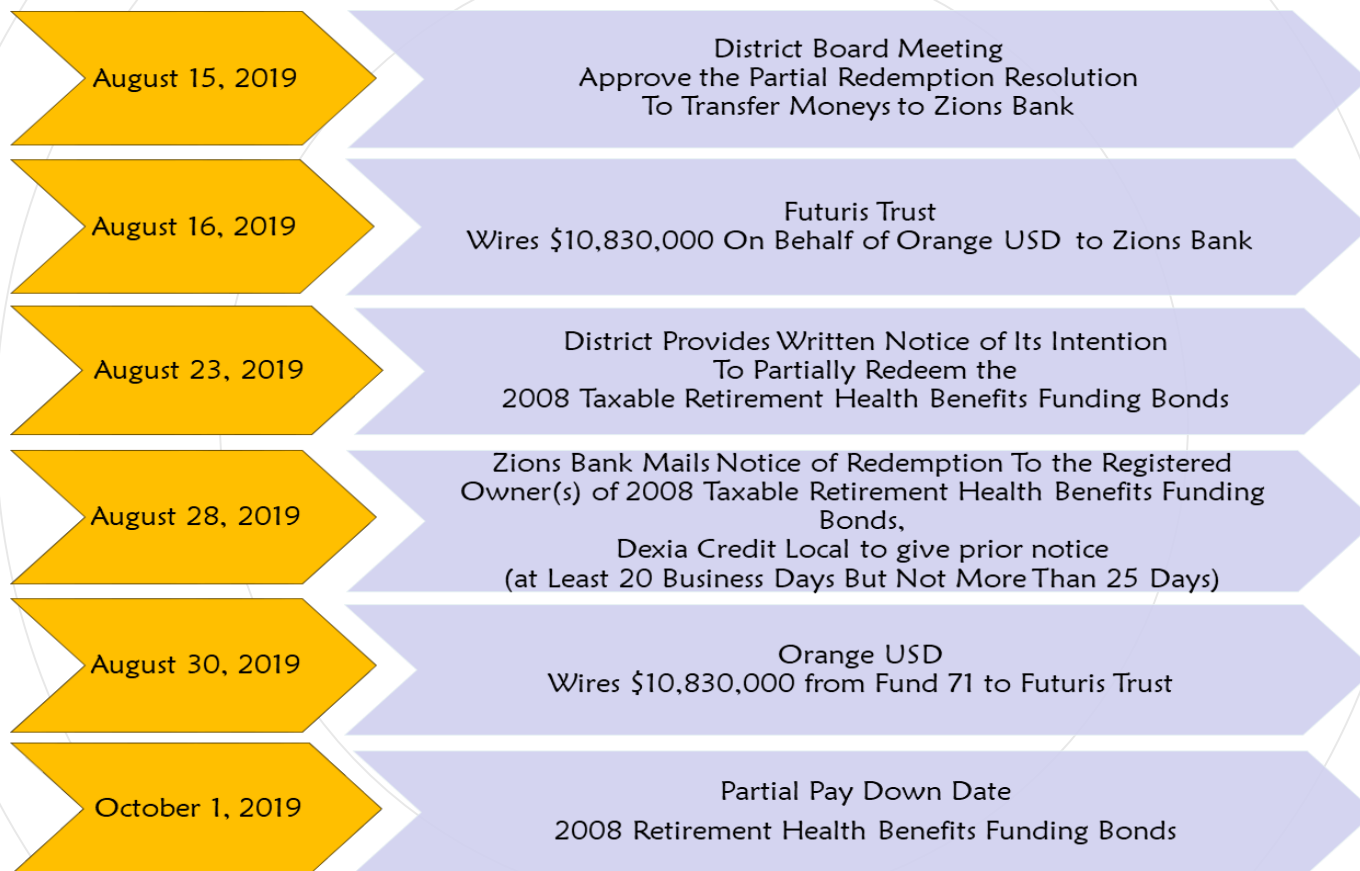
Total Payments Reduced  
by  
**\$14,703,184**







# Transaction Timelines







## **Next Steps**

September 12 Board Meeting:  
Discussion with the Board  
regarding converting a portion of  
debt structure from  
variable to fixed interest



# Fixed Interest Rates vs Variable Interest Rates (In Current Taxable Municipal Bond Market)

Year	Fixed Interest Rate	Variable Interest Rate
2020	2.009%	3.080%
2021	2.029%	3.080%
2022	2.046%	3.080%
2023	2.071%	3.080%
2024	2.191%	3.080%
2025	2.438%	3.080%
2026	2.538%	3.080%
2027	2.651%	3.080%
2028	2.701%	3.080%
2029	2.751%	3.080%
2030	2.821%	3.080%
2031	2.871%	3.080%
2032	2.951%	3.080%
2033	3.021%	3.080%
2034	3.071%	3.080%
2035	3.425%	3.080%
2036	3.425%	3.080%
2037	3.425%	3.080%
2038	3.425%	3.080%
2039	3.425%	3.080%
2040	3.631%	3.080%
2041	3.631%	3.080%
2042	3.631%	3.080%
2043	3.631%	3.080%

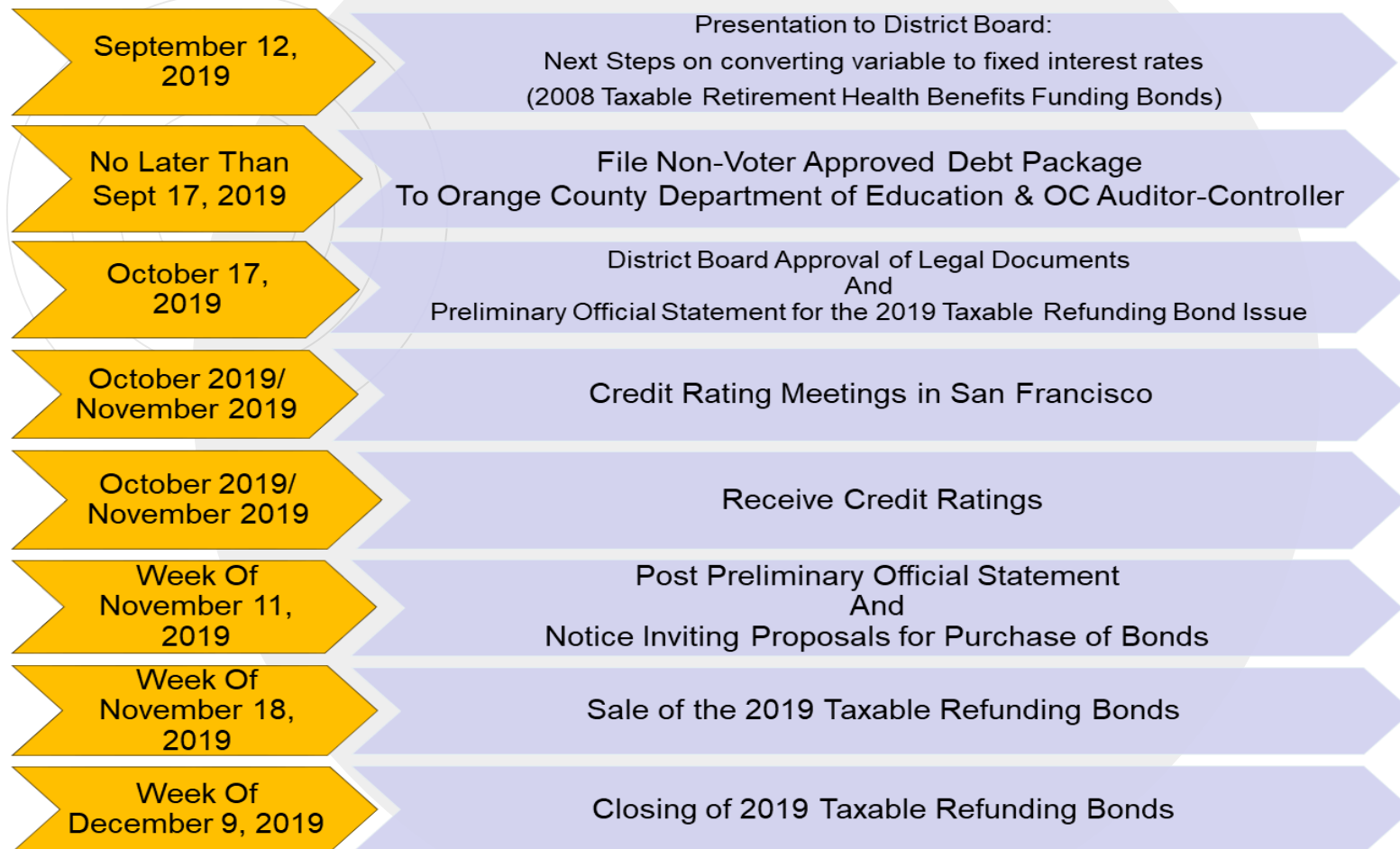
**Average Rates are Lower By: .57%**

**Crossover Point**

**Average Rates are Higher By: .44%**



# Tentative Timelines





# In Closing

## ❖ Staff Recommendations:

- Seeking Board Approve on Resolutions 7A, 7B & 7C as stated
  - Authorize staff to transfer funds to pay down outstanding debt service, which will provide OUSD long-term savings
  - In accordance with Audit Report, establish Fund 17 to record debt service transaction

## ❖ Board Member Comments or Questions

