

OPEB Funding Policy Recommendation

This recommended OPEB Funding policy is comprised of 3 funding components ("legs"). There is no prioritization among or interconnectivity between the 3 funding components. Each funding component is considered separately and independent of each of the other funding components.

Leg 1 of 3 (REGULAR RECURRING ANNUAL FUNDING)

Funding Basis: OPEB Deposit Incorporated into Annual Budget Process

County will include in upcoming budget year's General Fund Budget a line item expenditure for OPEB Liability Fund Deposit in an amount equal to 30% - 50% of County's total out of pocket OPEB expense in prior Fiscal Year.

Timing of BOC Action: BOC authorizes as part of upcoming annual Budget adoption (County Manager to advise on deposit amount)
i.e., if \$10M out of pocket OPEB expense in FY22, then \$3M to \$5M OPEB deposit to be included in FY24 General Fund budget

Leg 2 of 3 (CONDITIONAL FUNDING)

Funding Basis: OPEB Deposit Conditional on Meeting Financial Performance Criteria in Prior Fiscal Year

Qualifier: Net Total *Uncommitted* Add to Fund Balance of prior FY must exceed \$5M after:
1) All financial policy metrics of the County are confirmed at desired levels to protect County's triple-A ratings
2) Cost of all planned capital projects in current approved 7-yr CIP have been appropriately adjusted for any change in market conditions

Qualifier Is Met: County will deposit to its OPEB Liability Fund an amount equal to 25% of Net Total Uncommitted Add to Fund Balance of prior Fiscal Year such that deposit does not exceed \$10M.

Timing of BOC Action: BOC to authorize OPEB deposit no earlier than concurrent to County Staff presentation of prior Fiscal Year ACFR results and no later than Wrap-Up Ordinance of the fiscal year

Scenario:

- * Assume FY22 (the prior FY) Net Total Uncommitted Add to Fund Balance is \$25M
- * \$25M exceeds \$5M Qualifier minimum
- * So OPEB deposit = \$6.25M (25% of \$25M)
- * Any OPEB deposit will range from \$1.25M (25% of \$5M floor) to \$10M (flat cap)

i.e., in scenario above the \$6.25M calculated deposit for FY22 would be authorized by BOC sometime after ACFR presentation in January 2023 up to possible inclusion in FY23 Wrap Up Ordinance

Qualifier Isn't Met: No OPEB deposit

Leg 3 of 3 (CONDITIONAL FUNDING)

Funding Basis: OPEB Deposit Conditional on Issuance of Type of Debt

Qualifier: County issues a Limited Obligation Bond Refunding to achieve economic savings

Qualifier Is Met: County will deposit to its OPEB Liability Fund certain economic savings realized resulting from issuance of LOBs Refundings. Deposit amount shall be calculated as an amount equal to the debt service savings realized in first full fiscal year following retirement of existing (original) LOBs.

Timing of BOC Action: BOC to authorize in wrap up ordinance of first full fiscal year following retirement of existing (original) LOBs

Scenario: LOBs Refunding Issued March of 2023 to refund prior LOBs for economic savings

(\$ in Millions)

	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
Original LOBs Debt Service:	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
New LOBs Refunding Debt Service:	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2
Annual Savings Realized	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8

i.e., In scenario above \$800,000 would be deposited to OPEB Fund in Wrap-Up Ordinance of FY24

Qualifier Isn't Met: No OPEB deposit