CASE STUDY: RIVERSIDE COUNTY, CALIFORNIA

$719,995,000

County of Riverside, California

Taxable Pension Obligation Bonds

Series 2020

Senior Manager

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BACKGROUND:

Raymond James originally presented strategies for the County to address their pension liability and was hired by the County in 2017. As part of our engagement, we provided the following ideas, analysis and education materials:

- Developed a selective base refunding concept where the County identified specific bases (discrete UAL components arising from unique actuarial experience—benefit changes, gains/losses, early retirement offers, etc.) to pay down with POB proceeds.
- Prepared materials for County staff to educate the Board, Pension Advisory Committee, and Debt Advisory Committee to provide full transparency about existing pension fund challenges and alternatives for addressing them.
- Evaluated strategies including exiting CalPERS (financially infeasible), “fresh starts,” additional discretionary contributions, additional contributions to the County’s Section 115 trust, and POBs.
- In connection with the County’s actuarial consultant, presented a discussion of the inherent reinvestment risk of POBs as well as a point by point rebuttal of the Government Finance Officers Associate (GFOA)’s cautionary perspective on POBs.
- Analysis presented included a “likelihood of success” for each considered set of bases. The County was able to look at projected employer contributions (both UAL and normal cost) with and without POBs, along with a probability of success metric: whether the County’s future contributions would increase or decrease with the proposed POBs.
- Ultimately, the County decided to target a probability of success of over 80% for the POBs.

Raymond James’ bankers took a very active role in developing disclosure that explicitly conveyed our selective base refunding idea, created a new “financial policies” section as well as new modules that highlight the County’s considerable liquidity (borrowable resources), private lease financing obligations and its response to COVID-19.

SUMMARY:

On Wednesday, April 22, 2020 during a very volatile market we received in excess of $2.9 billion of orders following the order period for $719.955 million of bonds. We reduced spreads by 10 basis points on the first three maturities, kept spreads unchanged in years 4 and 5, increased spreads by 5 basis points years 6 through 10, and reduced the spread on the Index eligible term bond by 15 basis points. The County achieved an all-in TIC of 3.53% and gross savings of $231 million versus the status quo CalPERS amortization.