

PERALTA COMMUNITY COLLEGE DISTRICT
Board of Trustees Agenda Report
For the Trustee Meeting Date of March 29 , 2011

ITEM # 21

ITEM TITLE:

Other Post Employment Benefits (OPEB) Debt Service Restructure Recommendation and SWAP Termination

SPECIFIC BOARD ACTION REQUESTED:

Approve recommendation to restructure debt service (annual principal and interest payments) in fiscal years 2012 through 2016 and approve recommendation to terminate B-1 SWAP agreement.

ITEM SUMMARY:

Recommendation 1 -- Restructure the near term (1-5 years) principal and interest payments on the bonds. As it currently stands, the principal and interest payments are as follows:

Fiscal Year	Current Payment Amount
2012	\$8,104,273
2013	\$9,159,221
2014	\$10,366,629
2015	\$11,745,840
2016	\$19,823,771

Under the current program structure, these annual payments would be obligations of the General Fund. Given the rate at which the payments would increase year to year in addition to the cuts imposed upon us from the State's budget situation, General Fund relief is quickly needed (especially given the high probability of the State going to an all cuts budget for 2011-12). Our recommendation is to restructure the principal and interest payments over this 5 year period to:

	Restructured Payment Amount	General Fund Relief
2012	\$5,286,677	\$2,817,596
2013	\$6,528,954	\$2,630,267
2014	\$6,988,688	\$3,377,941
2015	\$7,704,914	\$4,040,926
2016	\$8,909,087	\$10,914,684

The General Fund Relief amounts would be amortized and paid over an extended 20 year period (2012-2032). Again, the intent and purpose behind this recommendation is to provide near-term operating budget relief.

Recommendation 2 -- Terminate the B-1 SWAP agreement

Currently the District has 6 SWAP agreements outstanding. Each agreement matures in 5 year increments beginning in 2010. The first agreement went into effect in August of 2010 and as a result we are currently paying Morgan Stanley approximate \$154,000 every 5 weeks. The current recommendation is to terminate

(buy out) this agreement. The cost of doing so is approximately \$3 million. This recommendation is also echoed by our SWAP advisor. The rationale is that the current day to day market changes in interest rates will not significantly change the approximately \$3 million cost to terminate the agreement.

BACKGROUND/ANALYSIS:

ALTERNATIVES/OPTIONS:

EVALUATION AND RECOMMENDED ACTION:

SOURCE OF FUNDS (AND FISCAL/BUDGETARY IMPACT):

WOULD PROVIDE GENERAL FUND BUDGETARY RELIEF IN FISCAL YEARS 2012 THROUGH 2016.

OTHER DEPARTMENTS IMPACTED BY THIS ACTION (E.G. INFORMATION TECHNOLOGY):

YES _____ No X

COMMENTS:

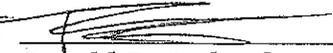
WHO WILL BE PRESENTING THIS ITEM AT THE BOARD MEETING?

DID A BOARD STANDING COMMITTEE RECOMMEND THE ITEM? YES _____ No X
_____ IF "YES", PLEASE INCLUDE THAT INFORMATION IN YOUR SUMMARY.

(*****Board contract approval is subject to negotiation and execution by the Chancellor.)

PLEASE ACQUIRE SIGNATURES IN THIS ORDER:

DOCUMENT PREPARED BY:

Prepared by: 
Ronald P. Gerhard,
Vice Chancellor for Finance & Administration

Date: 3/24/11

DOCUMENT PRESENTED AND APPROVED BY:

Presented and approved by: 
Ronald P. Gerhard,
Vice Chancellor for Finance & Administration

Date: 3/24/11

FINANCE DEPARTMENT REVIEW

Finance review required Finance review *not* required

If Finance review is required, determination is: Approved Not Approved

If not approved, please give reason: _____

Signature: 
Ronald P. Gerhard,
Vice Chancellor for Finance & Administration

Date: 3/24/11

GENERAL COUNSEL (Legality and Format/adherence to Education Codes):

Legal review required Legal review *not* required

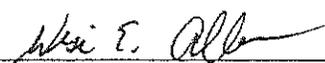
If Legal review is required, determination is: Approved Not Approved

Signature: _____
Thuy T. Nguyen, General Counsel

Date: _____

CHANCELLOR'S OFFICE APPROVAL

Approved, and Place on Agenda Not Approved, but Place on Agenda

Signature: 
Wise Allen, Chancellor

Date: 3/24/11

