

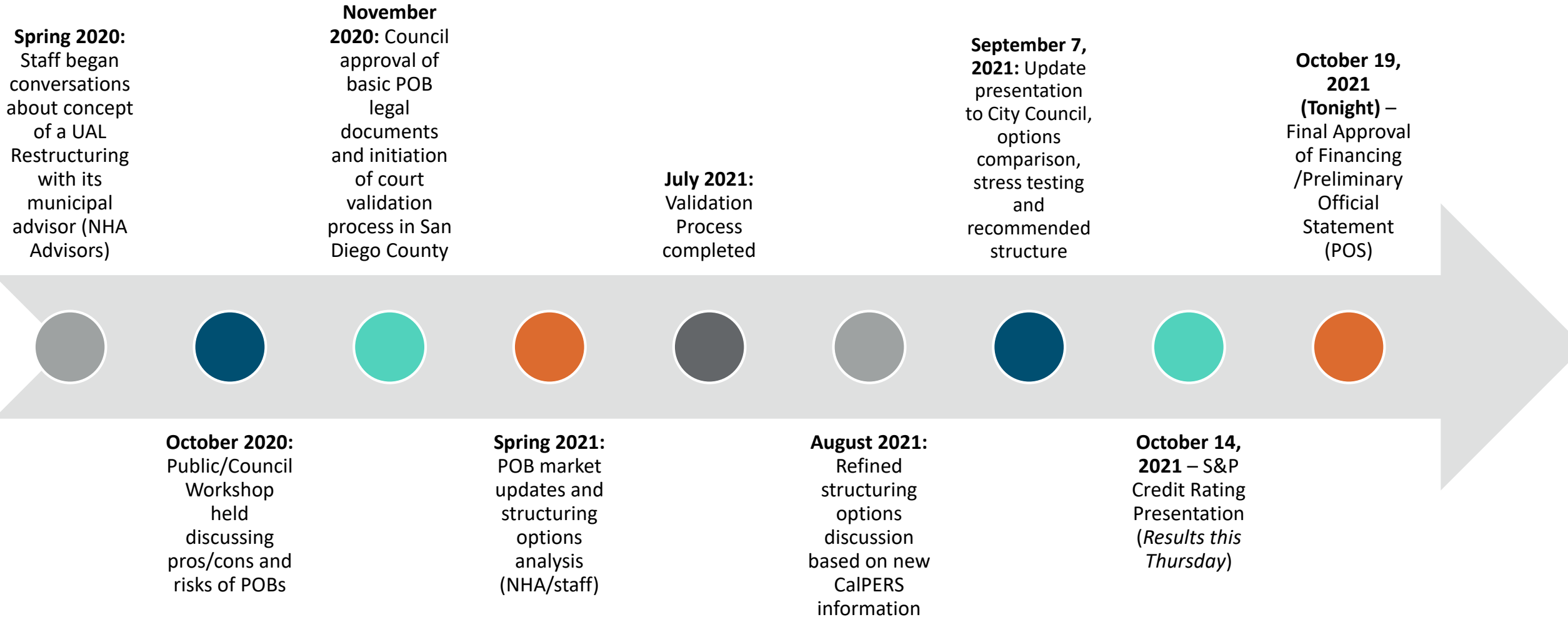


2021 PENSION OBLIGATION BOND FINAL APPROVAL

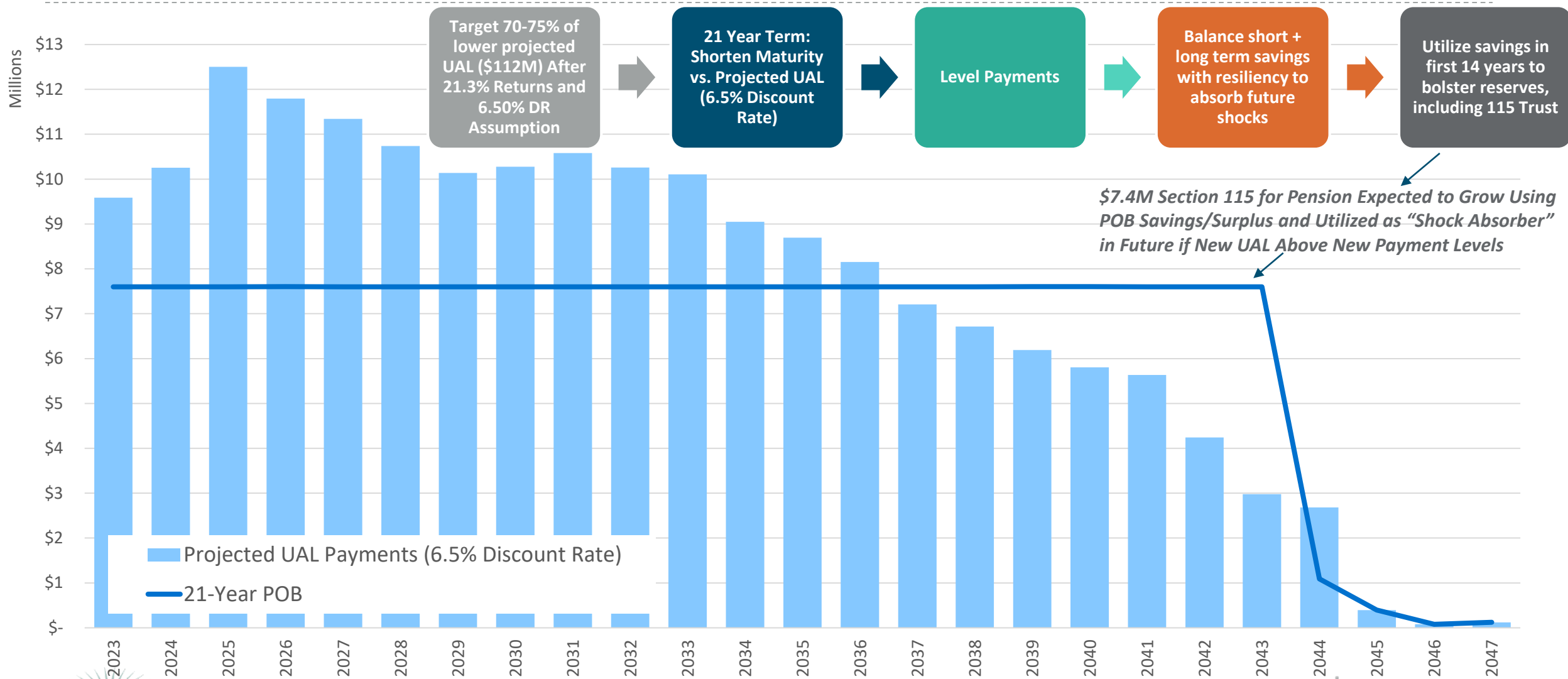
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OCTOBER 19, 2021

National City Pension Obligation Bond Process Update/Overview



Final Restructuring Strategy



Estimated Savings

Assumes CalPERS Earns 6.50% On Average Over Next 21 Years

Metrics	21-Year POB
\$ UAL Funded (11/16/21)	\$83,260,000
% UAL Funded (Current Asset Valuations)	70%
Funded Ratio (Current Asset Valuations)	90%
Projected UAL After 6.5% Discount Rate	\$111,650,223
% UAL Funded (Projected After FY 2021 Returns)	75%
Funded Ratio (Projected After FY 2021 Returns)	95%
Maturity	21 Years
Average Life	11.8 Years
Interest Rate	3.10%
Present Value Savings (%)	26.01%
Present Value Savings (\$)	\$23,417,884
Cumulative Savings	\$24,243,835
Savings (2023-2036)	\$37,081,215
Avg. Annual Savings (2023-2036)	\$2,648,658
Avg. Annual Payments Through Maturity (POB + Unrefunded UAL)	\$7,599,759

Revisiting POB Risks: CalPERS Reinvestment Risk

Stress Tests to Quantify Downside Risk

CalPERS 5-Year Average Annual Return: 10.5%
 CalPERS 10-Year Average Annual Return: 8.8%
 CalPERS 20-Year Average Annual Return: 7.4%
 CalPERS 30-Year Average Annual Return: 7.5%

- ▶ Savings is ultimately dependent on future CalPERS returns, which are unknown at time of issuance
 - ▶ If CalPERS earnings less than 6.5%, savings will be less than shown on previous pages
 - ▶ If CalPERS earns more than 6.5%, savings will be more than shown on previous page
- ▶ Rule of Thumb: Present value savings occur ONLY if PERS earns greater returns than pension bond interest rate (i.e., 3.10% in current market)
 - ▶ Near-term losses exacerbate this risk given large lump sum deposit into the market

Estimated UAL Sensitivity (\$83M POB)					
	5% Discount Rate / Earnings	6% Discount Rate / Earnings	-5% Market Crash (FY 2023 Returns) and 6.5% Thereafter	-15% Market Crash (FY 2023 Returns) and 6.5% Thereafter	-24.6% Market Crash (FY 2023 Returns) and 6.5% Thereafter
Baseline PV Savings	\$23,417,884	\$23,417,884	\$23,417,884	\$23,417,884	\$23,417,884
Reduction in PV Savings	\$13,411,302	\$4,771,851	\$8,653,891	\$16,179,013	\$23,417,884
Net PV Savings (\$)	\$10,006,582	\$18,646,033	\$14,763,993	\$7,238,871	\$0
Net PV Savings (%)	11.53%	21.48%	17.01%	8.34%	0%

Next Steps

- ▶ **October 19**
 - ▶ **Final POS (Preliminary Official Statement) Approval by City Council**
- ▶ **October 21**
 - ▶ Receive S&P credit rating
- ▶ **Late October**
 - ▶ Send POS to investors and begin marketing 2021 POBs
- ▶ **First Week November**
 - ▶ Price bonds and lock/set interest rates
- ▶ **Mid-November**
 - ▶ Closing financing and wire CalPERS funds to pay-off portion of UAL