



# Proposal to Prepare Fiscal Analysis Evaluating Reorganization of Kensington Special Districts



**Submitted to:**



and





December 8, 2023

Ms. Mary Morris-Mayorga  
Kensington Fire Protection District  
Mr. David Aranda  
Kensington Police Protection and Community Services District  
10940 San Pablo Avenue  
El Cerrito, CA 94530

Dear Ms. Morris-Mayorga and Mr. Aranda,

Ridgeline Municipal Strategies, LLC ("Ridgeline") is pleased to submit this proposal to prepare a Fiscal Study Evaluating Reorganization of Kensington Special Districts ("Fiscal Study").

Ridgeline is a registered municipal advisory and financial consulting firm assisting California's special districts with financial planning and financing. Our team has over 30 years of combined experience in addressing financing needs of local communities. We have completed over 60 financial consulting assignments and over 150 municipal financings that raised more than \$1 billion in proceeds.

We believe that a comprehensive planning approach is fundamental to the financial health and decision-making process of public agencies. In preparing the Fiscal Study, we will work with you to ensure that all expenses, costs, revenues, and other funding sources and uses are properly captured and incorporated into the fiscal model.

We have read and will comply with all terms and conditions of your RFP. Our proposal is firm and valid for 90 days.

We look forward to working with you on this Fiscal Study.

I, Dmitry Semenov, the Principal of Ridgeline, will be the designated contact on your Project. You can reach me at (916) 250-1590 and [dsemenov@ridgelinemuni.com](mailto:dsemenov@ridgelinemuni.com).

Sincerely,  
RIDGELINE MUNICIPAL STRATEGIES, LLC

A handwritten signature in blue ink, appearing to read "Dmitry Semenov", is written over a faint, light blue circular stamp or watermark.

Dmitry Semenov  
Principal



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**RIDGELINE MUNICIPAL STRATEGIES, LLC  
PROPOSAL TO PREPARE FISCAL ANALYSIS  
EVALUATING REORGANIZATION  
of  
KENSINGTON SPECIAL DISTRICTS**



**INTRODUCTION**

On November 10, 2023, the Kensington Fire Protection District (“KFPD”) and Kensington Police Protection and Community Services District (“KPPCSD”) (collectively, the “Districts”) issued a Request for Proposals (the “RFP”) for the Fiscal Analysis Evaluating Reorganization of Kensington Special Districts (the “Fiscal Study”). Ridgeline Municipal Strategies, LLC (“Ridgeline”) is presenting this proposal in response to the RFP.

**FIRM BACKGROUND and PRIOR EXPERIENCE**

**Firm Overview**

Founded in February 2021, Ridgeline’s vision is to provide personalized, innovative, and independent municipal advisory and financial consulting services to California communities. While we are a young firm, the members of our team have over 30 years of industry experience, completed over 60 various financial consulting assignments, and participated in the preparation and sale of over 150 municipal bond issues, bank loans, and private placements that raised over \$1 billion in financing proceeds.

The public safety (fire and police protection) sector is a core focus of our practice.

**RELEVANT EXPERIENCE OVERVIEW**

<b>FIRE and POLICE SERVICE FOCUS</b>	<b>ANALYSIS &amp; PLANNING</b>
22 public safety clients	11 public safety financing studies
<b>FISCAL STUDIES</b>	<b>LOCAL KNOWLEDGE</b>
7 fiscal studies	Northern CA and Bay Area experience

## Public Safety Clients

The public safety sector experience of Ridgeline and its principal is as follows:

No	Agency Name	Project Description
1	Alpine FPD	UAL Refunding
2	Bonita-Sunnyside FPD	UAL Refunding; Continuing Disclosure
3	Borrego Springs FPD	UAL Refunding
4	Cameron Park CSD	Park and Fire Fee Nexus Study
5	City of Hayward	Fire Station / Police Facility Financing
6	City of Placerville	Police Vehicles and Communication Equipment Financing
7	City of San Marcos	Regional Fire Safety Training Center Financing
8	Cosumnes CSD	Ambulance Financing
9	County of Madera	Fire Apparatus Financing
10	Ebbetts Pass FPD	Pension Cost Optimization, UAL Refunding
11	Kelseyville FPD	Fire Mitigation Fee Nexus Study
12	Lake County FPD	Pension Cost Optimization, UAL Refunding, Fee Nexus Study
13	Lake Valley FPD	UAL Refunding
14	Lakeport FPD	Fire Mitigation Fee Nexus Study
15	Lakeside FPD	Pension Cost Optimization, UAL Refunding, Fire Station Financing
16	Moraga-Orinda FPD	Fiscal Impact Study
17	Multnomah Co Rural FPD No 10	Fire Station Financing
18	Northshore FPD	Fire Mitigation Fee Nexus Study
19	Oceano CSD	UAL Refunding; Fiscal Consulting
20	Penn Valley FPD	UAL Refunding
21	Rancho Adobe FPD	UAL Refunding
22	South Lake County FPD	Fire Mitigation Fee Nexus Study

## Fiscal Analysis Experience

Fiscal analysis is incorporated into most of our work. Specific fiscal study experience of our team members includes the following assignments:

- Town of Moraga & Moraga-Orinda FPD – Rancho Laguna Fiscal Impact Study;
- Placer County – Forest Ranch Fiscal Analysis;
- Placer County – Martis Valley Community Plan Fiscal Analysis;
- City of Auburn – Home Depot Fiscal Analysis
- City of Woodland – Automall Fiscal Analysis;
- City of Woodland / Yolo County – Spring Lake Specific Plan Fiscal Analysis;
- Sacramento County – Arden Arcade Incorporation Fiscal Analysis.

Additionally, the members of our team have performed in-depth fiscal and financial sustainability / credit risk analysis of over 100 public agencies.

## **Project Organization and Project Team**

The following Ridgeline team members will work with the Districts on the Fiscal Study:

*Mr. Dmitry Semenov*, Principal, will be the Project Manager and primary consultant on all Project tasks. He specializes in advising public agencies on fiscal and credit strategies, debt issuance and management, infrastructure, facilities, and equipment financing, and pension cost optimization. Mr. Semenov has completed over 150 municipal financings that raised more than \$1 billion in funding proceeds. Prior to launching Ridgeline, he spent over 10 years in commercial banking, serving fire districts, cities, counties, water and wastewater agencies, transportation agencies, school districts, special districts, and other types of public agencies on the West Coast. He also worked for over 15 years in the public finance consulting and community development field.

Mr. Semenov is a registered Municipal Advisor Professional (Series 50 license) and Municipal Advisor Principal (Series 54 license) with the SEC and MSRB and holds a Master of Business Administration degree from the University of California, Davis and a Bachelor of Science degree in Economics from the Plekhanov University of Economics.

*Mr. Jordan Bird*, Associate, will provide analytical support on the Project. He specializes in fiscal analysis, as well as risk and credit assessment of public agencies. Mr. Bird has performed risk assessment and in-depth financial and fiscal analysis for dozens of local government agencies on the West Coast. Prior to joining the Ridgeline team, he spent over three years as a financial analyst at commercial banks focusing on municipal lending to fire districts, water and wastewater agencies, cities, counties, special districts, and school districts. Mr. Bird holds a Bachelor of Science degree in Economics from the California Polytechnic State University, San Luis Obispo, CA.

*Ms. Galina Rybakova*, Research Associate, will provide analytical and research support on the Project. She specializes in fiscal and data analysis. Prior to joining Ridgeline, she spent a decade working as a data and corporate finance analyst with several financial institutions and manufacturing companies. Ms. Rybakova holds a Bachelor of Science degree in Economics from the State University of Technology and Computer Science, Moscow, Russia.

## PROJECT APPROACH

As the Districts and the public are evaluating the fiscal sustainability of fire and police protection, parks and recreation, and solid waste collection services in the area, it is of utmost importance that detailed and comprehensive fiscal analysis supports the deliberations and the decision-making process.

Ridgeline takes a practical approach to fiscal analysis, rooted in pragmatic realities of prudent financial management that we take into consideration while preparing clients for issuing debt and performing credit due diligence. Our calculations are not theoretical concepts, but rather hands-on cash flow evaluations designed to prepare public agencies for long-term fiscal resiliency and ability to meet the high expectations of lenders and municipal bond investors. We feel that this is particularly important for the Fiscal Study, since the KPPCSD has significant debt exposure. With the possibility of more debt issuance to fund the permanent police station, it is important to start preparing for that as early as practically possible.

One of the most significant financial issues facing California local governments in general and public safety agencies in particular (given their large concentration of Safety employees) is the growing unfunded pension liability and the associated pension costs. Ridgeline has been actively helping the public safety community with optimization of unfunded pension liabilities. While the KPPCSD has issued pension obligation bonds to address its pension liabilities, new unfunded pension obligations have continued to accumulate and need to be proactively managed.

We intend to utilize our hands-on knowledge of pension obligations and CalPERS' practices to help the Districts evaluate alternative approaches to managing their pension costs and identify cost saving strategies.

To ensure quality and efficiency of the Fiscal Study process, we propose the following Project approach:

- **Research Stage:**
  - Gather and review Project-related information, including but not limited to:
    - audited financial statements.
    - budgets and financial forecasts.
    - El Cerrito Fire Services contract.
    - board meeting packets.
    - strategic plans.
    - alternative governance models report.
    - loan agreements.
    - CalPERS and OPEB actuarial valuation reports.

- capital project and equipment programs.
- anticipated grant revenue information.
- reserve policies.
- information pertaining to permanent police station location and costs.
- data on property tax base and growth projection scenarios.
- information on past and proposed tax measures.
- any other relevant information available from the Districts.

A kick-off meeting will be held with the Districts' teams (staff, board members, and any necessary third parties). While the meeting could be done virtually, we recommend an in-person meeting at the Districts' offices, if circumstances allow. During the meeting we will be looking for input on the following topics:

- Strategic initiatives, major upcoming capital projects and equipment purchases, and challenges and opportunities that each District is facing.
- Tax base and growth projections.
- Revenue sources.
- Anticipated funding initiatives (debt financing, grant funding, etc.).
- Reserve targets.
- Regulatory and contractual requirements.
- Billing and collection procedures.
- Desired fiscal analysis alternatives.
- Any other input and themes that need to be incorporated into the Fiscal Study.

During the meeting we will identify and document the Districts' goals and priorities, explore various fiscal alternatives and identify the preferred one, determine capital projects and associated funding mechanisms to be included in the analysis, etc.

Our proposal assumes that the kick-off meeting will be held jointly with both Districts.

- **Analysis Stage:**
  - Based on the information gathered during the Research Stage, Ridgeline will develop fiscal models, analyze historical revenues and expenses, and develop detailed projections for each Project alternative:
    - The KFPD operating independently;
    - The KPPCSD operating independently; and,
    - The Districts operating on a consolidated basis.



The projections will be done for a 10-year period. The models will incorporate staffing assumptions, known and anticipated revenue and cost increases, as well as reserve targets. The revenue and expense categories will generally follow the pattern used in the audited financial statements and budgets to allow for easy verification of data and comparison with future actual performance. Particular attention will be given to the following issues:

- pension and OPEB costs and cost control measures;
- contractual obligations related to the El Cerrito Fire Services contract;
- staffing, major equipment, and capital improvement costs and reserves (including permanent police station, as applicable) and funding sources, including debt issuance and possible grant funding resources;
- borrowing capacity assessment; and
- Districts' ability to meet their existing and anticipated future debt-related financial covenants and maintain targeted reserve levels.

The models will allow the Project team to evaluate the long-term fiscal sustainability of the KFPD and the KPPCSD as independent districts, as well as the long-term fiscal sustainability of the Districts operating on a consolidated basis.

The model outputs will be provided to the Districts' staff for review and comments.

- Once the financial models are approved by the Districts, Ridgeline will prepare the detailed Fiscal Study report, documenting the research, assumptions, analysis, findings, and recommendations. The report will provide substantiated conclusions as to whether the Districts can sustainably operate independently and/or on a consolidated basis. The report will be provided to the Districts in a draft form first to allow for review and comments.

The report will be finalized once the Districts confirm that it has been prepared to their satisfaction.

- **Public Presentation Stage:**

- Ridgeline will prepare and deliver presentations to the Districts' boards of directors and to the public and/or the Contra Costa County LAFCo, if necessary. Presentation materials will be provided to the Districts' staff for review and approval ahead of time.

## **SCOPE OF WORK**

To complete the Scope of Services outlined in the RFP, Ridgeline proposes the following scope of work.

### **Task 1: Fiscal Analysis of KPPCSD and KFPD as Independent Districts**

Ridgeline will develop a separate fiscal model for each District as an independent operation. The analysis will include 3-5 years of historical financial data, a 10-year projection for the existing revenue sources, operating expenses, capital improvements, reserves, etc. and an evaluation of the fiscal capacity of each District to continue providing services. The analysis will account for the present and future capital and operational needs of each Districts and include the following:

1. The projected cost of the KPPCSD's requirement to secure a permanent police station location in Kensington under the following scenarios:
  - a. the KPPCSD using its own buildings and land vs. purchasing land and building a new structure; and
  - b. the KPPCSD sharing space with the KFPD in the Kensington Public Safety Building.
2. The KFPD's contractually obligated reserves for the El Cerrito Fire Services contract.
3. The KFPD's current reserve policy for fire engine and vehicle replacement.
4. Staffing costs and capital reserves required to manage and maintain the Kensington Public Safety Building.
5. For each District, Ridgeline will develop a projection of the CalPERS pension costs and OPEB costs, including normal costs and amortization of the unfunded accrued liability, Section 115 Trust contributions, repayment of pension obligation bonds, etc., to the extent applicable. We will work closely with the Districts' staff and CalPERS and third party actuaries to develop future liability projections.
6. An assessment of each District's borrowing capacity.

Ridgeline will work with the Districts' team to obtain on-going feedback and review of the analysis throughout the work process.

#### **Task 1 deliverables:**

- Separate fiscal models for each District, prepared in Excel and provided to the Districts in the PDF format.
- Brief technical memorandum documenting the assumptions, methodologies, and results of the fiscal analysis.

## **Task 2: Fiscal Analysis of KPPCSD and KFPD as a Consolidated District**

Ridgeline will develop a fiscal model for the two Districts operating as a consolidated district. The analysis will incorporate assumptions from Task 1 and include a 10-year projection for the existing revenue sources, operating expenses, capital improvements, reserves, etc. and an evaluation of the fiscal capacity of the consolidated district to provide services. The consolidated fiscal analysis will address the following topics:

- An assessment of the consolidation's impact on general fund balances, liquid cash reserves, and capital reserves for dedicated purposes.
- The full immediate and long-term cost of rehousing the Kensington Police Department in an essential service structure in Kensington.
- Identify potential cost savings and increases due to consolidation and potential impacts on the Districts' ability to continue providing their services on a consolidated basis.
- Analysis of staffing changes and the associated CalPERS pension impacts.
- An assessment of the consolidated District's borrowing capacity and its comparison to the borrowing capacities of the Districts operating independently.

The analysis will be consistent with Government Code Section 56653(b)(5). The Districts may need to develop additional documentation to meet the requirements of Government Code Sections 56653(b)(1)-(4).

Task 2 deliverables:

- Fiscal models for the consolidated district, prepared in Excel and provided to the Districts in the PDF format.
- Brief technical memorandum documenting the assumptions, methodologies, and results of the fiscal analysis.

## **Task 3: Fiscal Study Report Preparation and Presentation**

Based on the work completed in prior tasks, Ridgeline will prepare the Fiscal Study report, which will incorporate the following information:

- The description of both Districts and their services.
- Service area description.
- Overview of financial operations for the last 3-5 years.
- The 10-year financial projections developed during Tasks 1 and 2.
- Summary of the capital facilities program.

- The fiscal models developed during Tasks 1 and 2.
- Fiscal analysis assumptions and methodology.
- Comparative analysis of the studied operating scenarios.

The report will be prepared as follows:

- The preliminary report will allow for the District teams' review and comments.
- The administrative draft report will be presented at the Districts' Board of Directors meetings.
- The final report will include the final Board of Directors and staff changes.

The report will be delivered to the Districts in the PDF format. The printing and reproduction costs of the hard copies are not included in the budget and will be the responsibility of the Districts.

The Fiscal Study and its results will be presented at each District's board meeting and subsequently at a public town hall and/or LAFCO meeting. The Project budget includes a total of three (3) presentations.

Task 3 deliverables:

- Preliminary, Administrative Draft, and Final Fiscal Study Reports
- Presentation materials for the District board meetings and public town hall / LAFCO meeting.

## **PROJECT TIMELINE**

We anticipate the following Project timeline:

- Contract Award – February 1, 2024
- Information Gathering and Review (2-3 weeks) – February 2024
- Kick-off Meeting – Early March 2024
- Fiscal Model Development and Review (3-4 weeks) – March – April 2024
- Report Preparation and Review (4-5 weeks) – April – May 2024
- District Board Meetings – May – June 2024 (depending on Districts' schedules)
- Town Hall / LAFCO Meeting – June – July 2024 (depending on Districts' schedules)

The timeline can be revised as necessary. Our current work pipeline allows us to complete the Fiscal Study within the outlined schedule, assuming timely feedback from the Districts.

The timeline assumes one week review time for the fiscal models and report by the Districts' staff. Board meeting materials will be provided one week prior to board meetings.

Districts' staff will be responsible for scheduling and coordinating the board meetings and the public town hall / LAFCO meeting.

## PROJECT BUDGET

To complete the Scope of Work, Ridgeline proposes a **not-to-exceed budget of \$49,620**, as detailed in the table below.

Ridgeline will be compensated on a time and materials basis, not-to-exceed total budget. Time may be re-allocated between tasks and team members, as necessary. Invoices will be submitted to the Districts monthly.

If there are material changes to the Scope of Work, a revised budget may be negotiated by a mutual written agreement between Ridgeline and the Districts.

**Kensington Fire Protection District & Kensington Police Protection and Community Services District  
 Fiscal Study Project Budget**

Task	Description	Hours [1]			Total	Total Cost [1]
		Principal @ \$315/hr	Associate @ \$195/hr	RA @ \$95/hr		
<b>1</b>	<b>Fiscal Analysis of KPPCSD and KFPD as Independent Districts</b>					
1.1	Gather and Review Project Information / Data	8	8	2	18	\$4,270
1.2	Kick-Off Meeting / Client Interviews	6	6	0	12	\$3,060
1.3	Fiscal Model Development	16	32	4	52	\$11,660
<b>2</b>	<b>Fiscal Analysis of KPPCSD and KFPD as a Consolidated District</b>	8	16	0	24	\$5,640
<b>3</b>	<b>Fiscal Study Report Preparation and Presentation</b>					
3.1	Report Preparation	20	36	8	64	\$14,080
3.2	Board Meetings and Town Hall Presentations	24	6	4	34	\$9,110
	<b>Travel Expenses</b>					\$1,800
	<b>TOTAL</b>	<b>82</b>	<b>104</b>	<b>18</b>	<b>204</b>	<b>\$49,620</b>

[1] Time and cost are estimates and will vary. Billings will be done on T&M basis for actual amount of time required, not to exceed total amount shown.

Our budget includes one (1) in-person kick-off meeting with the Districts’ team, two (2) in-person Board meetings and one (1) in-person town hall / LAFCO meeting. Additional in-person meetings will be billed at \$1,200 per meeting (includes travel costs).

All project deliverables will be provided electronically in the PDF format. Printing and reproduction costs will be responsibility of the Districts and are not included in the budget.

## REFERENCES

We encourage you to contact our references listed below:

1. *Lake County Fire Protection District* – fire mitigation fee nexus study, pension cost optimization strategy, comprehensive pension liability management policy, unfunded accrued liability refunding (2022-23).

Ms. Miasha Rivas, Finance Analyst

Mr. Willie Sapeta, Fire Chief

(707) 994-2170

[mrivas@lakecountyfire.com](mailto:mrivas@lakecountyfire.com)



2. *City of San Juan Bautista* – Fiscal and feasibility analysis, financing strategy and financing for water and wastewater compliance projects (full system rebuild) (2021 – on-going):

- a. Project fiscal feasibility analysis for the EPA;
- b. Water and wastewater rate study preparation support;
- c. Financial planning, budget development, financing strategy development and implementation, DWR and EPA negotiation support;
- d. Phase 1 SRF and USDA financing - \$18m and \$10.3m – completed;
- e. Phase 1 interim project financing (bank line of credit) - \$14.6m – completed;
- f. Successful grant applications to USDA (\$6.5m), EPA STAG (\$1m), and State of California (\$3m);
- g. On-going USDA, SRF and interim financings for Phase 2.

Mr. Don Reynolds, City Manager

(831) 594-6322

[citymanager@san-juan-bautista.ca.us](mailto:citymanager@san-juan-bautista.ca.us)



3. *Lakeside Fire Protection District* – Comprehensive pension cost optimization strategy, pension liability management policy, issuance of \$27.9M pension obligation bonds (public sale), \$4.6M fire station renovation financing (2018-23).

Mr. Don Butz, Fire Chief

(619) 390-2350

[dbutz@lakesidefire.org](mailto:dbutz@lakesidefire.org)



## **EXCEPTIONS TO THE RFP**

We have read the Fiscal Study RFP dated November 10, 2023. Based on the reviewed information, we believe that we fully understand the Fiscal Study scope and are able to accomplish the work to the Districts' satisfaction.

We do not request any exceptions to the Scope of Work.

We would like to request the following exceptions to the Agreement language:

- As a registered municipal advisory firm under the regulatory authority of the U.S. Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB"), we are required to include certain provisions and disclosures into all our contracts. We request that the following language be added to the Consultant Agreement:

"Ridgeline is a registered municipal advisor with the Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"), pursuant to the Securities Exchange Act of 1934 Rule 15Ba1-2. This Agreement designates Ridgeline as the District's independent registered municipal advisor ("IRMA") with regard to the attached Scope of Services for purposes of SEC Rule 15Ba1-1(d)(3)(vi) (the "IRMA Exemption"). Ridgeline shall not be responsible for, or have any liability in connection with, verifying that Ridgeline is independent from any other party seeking to rely on the IRMA Exemption (as such independent status is required pursuant to the IRMA Exemption, as interpreted from time to time by the SEC). The District acknowledges and agrees that any reference to Ridgeline, its personnel, and its role as IRMA, including in the written representation of the District required under SEC Rule 15Ba1-1(d)(3)(vi)(B) shall be subject to prior approval by Ridgeline. The District further agrees not to represent that Ridgeline is the District's IRMA with respect to any aspect of a municipal securities issuance or municipal financial product, outside of the attached Scope of Services or without Ridgeline's prior written consent.

MSRB Rule G-42 requires that municipal advisors make written disclosures to its clients of all material conflicts of interest and certain legal or disciplinary events. Such disclosures are provided in Ridgeline's Disclosure Statement delivered to the District together with this Agreement as Attachment \_\_\_\_."

The Disclosure Statement referenced above is enclosed as Appendix A.

- The following language should be added to the Agreement:



#### ELECTRONIC DELIVERY OF DOCUMENTS

Client agrees that delivery of information and documents shall be in a manner acceptable to Ridgeline, and Client agrees and acknowledges that delivery shall normally be via electronic means, including, but not limited to, an emailed hyper-link to the email address provided to Ridgeline by Client. Client hereby consents to such electronic delivery of all documents and information required pursuant to this Agreement, acknowledges that this form of electronic delivery constitutes delivery to Client of the information linked thereto or contained therein and agrees and acknowledges that: (i) Client's consent to electronic delivery means that Client will receive an email that contains either a hyper-link that will connect Client to the relevant information on a particular web page of Ridgeline's website or the web site of a third-party or an attachment, such as a PDF file or other document; (ii) Client has access to this media and the ability to print and/or download the information provided thereby; (iii) Client will update Client's electronic contact information immediately if Client's email address changes; (iv) Client agrees to maintain a working and operational email address, and maintain a computer system that is able to accept and incorporate then-current standards of communication; and (v) Client's consent to electronic delivery, as described herein, is valid until Client effectively revokes such consent. Occasional requests for paper documents will not trigger revocation. Client may revoke such consent to electronic delivery at any time by providing written notice to Ridgeline.

#### LIMITATION OF LIABILITY

Except to the extent caused by willful misconduct, bad faith, gross negligence, or reckless disregard of obligations or duties under this Agreement on the part of Ridgeline or any of its associated persons, neither Ridgeline nor any of its associated persons shall have liability to any person for any act or omission in connection with performance of its services hereunder, or for any error of judgment or mistake of law, or for any loss arising out of any issuance of municipal securities, any municipal financial product or any other financial product or investment, or for any financial or other damages resulting from the Client's election to act or not to act, as the case may be, contrary to or, absent negligence on the part of Ridgeline or any of its associated persons, upon any advice or recommendation provided by Ridgeline to the Client.

## **APPENDIX A: DISCLOSURE OF CONFLICTS OF INTEREST AND OTHER INFORMATION FOR RIDGELINE MUNICIPAL STRATEGIES, LLC**

### **I. Introduction**

Ridgeline Municipal Strategies, LLC (hereinafter, referred to as “Ridgeline”) is a registered municipal advisor with the Securities and Exchange Commission (the “SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”), pursuant to the Securities Exchange Act of 1934 Rule 15Ba1-2.

The MSRB is the primary rulemaking body for the municipal securities industry in general and municipal advisors in particular. Their website can be accessed at [www.msrb.org](http://www.msrb.org). The website includes, among other things, the municipal advisory client brochure, which describes protections that are provided by the MSRB’s rules and the process for filing complaints with appropriate regulatory authorities. The municipal advisory client brochure can be accessed at:

<http://www.msrb.org/~media/Files/Resources/MSRB-MA-Clients-Brochure.ashx?la=en>.

In accordance with MSRB rules, this disclosure statement is provided by us to each client prior to the execution of our advisory agreement with written disclosures of all material conflicts of interests and legal or disciplinary events that are required to be disclosed with respect to providing financial advisory services pursuant to MSRB Rule G-42(b) and (c)(ii). Ridgeline employs a number of resources to identify and subsequently manage actual or potential conflicts of interest in addition to disclosing actual and potential conflicts of interest provided herein.

### ***Fiduciary Duty***

Ridgeline has a fiduciary duty to the Client and must provide both a Duty of Care and a Duty of Loyalty that includes the following.

#### *Duty of Care:*

- Exercise due care in performing its municipal advisory activities;
- Possess the degree of knowledge and expertise needed to provide the Client with informed advice;
- Make a reasonable inquiry as to the facts that are relevant to the Client’s determination as to whether to proceed with a course of action or that form the basis for any advice provided to the Client; and,
- Undertake a reasonable investigation to determine that we are not providing any recommendations on materially inaccurate or incomplete information.
- We must have a reasonable basis for:
  - Any advice provided to or on behalf of the Client;
  - Any representations made in a certificate that we sign that will be reasonably foreseeably relied upon by the Client, any other party involved in the municipal securities transaction or municipal financial product, or investors in the Client’s securities; and,
  - Any information provided to the Client or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

*Duty of Loyalty:*

We must deal honestly and with the utmost good faith with the Client and act in the Client's best interests without regard to the financial or other interests of Ridgeline. We will eliminate or provide full and fair disclosure (included herein) to the Client about each material conflict of interest (as applicable). We will not engage in municipal advisory activities with the Client, as a municipal entity, if we cannot manage or mitigate our conflicts in a manner that permits us to act in the Client's best interest.

*How We Identify and Manage Conflicts of Interest*

**Code of Ethics.** Ridgeline requires all of its employees to conduct all aspects of our business with the highest standards of integrity, honesty and fair dealing. All employees are required to avoid even the appearance of misconduct or impropriety and avoid actual or apparent conflicts of interest between personal and professional relationships that would or could interfere with an employee's independent exercise of judgment in performing the obligations and responsibilities owed to a municipal advisor and our clients.

**Policies and Procedures.** Ridgeline has adopted policies and procedures that include specific rules and standards for conduct. Some of these policies and procedures provide guidance and reporting requirements about matters that allow us to monitor behavior that might give rise to a conflict of interest. These include policies concerning the making of gifts and charitable contributions, entertaining clients, and engaging in outside activities, all of which may involve relationships with clients and others that are important to our analysis of potential conflicts of interest.

**Supervisory Structure.** Ridgeline has both a compliance and supervisory structure in place that enables us to identify and monitor employees' activities, both on a transaction and firm-wide basis, to ensure compliance with appropriate standards. Prior to undertaking any engagement with a new client or an additional engagement with an existing client, appropriate municipal advisory personnel will review the possible intersection of the client's interests, the proposed engagement, our engagement personnel, experience and existing obligations to other clients and related parties. This review, together with employing the resources described above, allows us to evaluate any situations that may be an actual or potential conflict of interest.

**Disclosures.** Ridgeline will disclose to clients those situations that it believes would create a material conflict of interest, such as:

- 1) any advice, service or product that any affiliate may provide to a client that is directly related to the municipal advisory work of Ridgeline;
- 2) any payment made to obtain or retain a municipal advisory engagement with a client;
- 3) any fee-splitting arrangement with any provider of an investment or services to a client;
- 4) any conflict that may arise from the type of compensation arrangement we may have with a client; and
- 5) any other actual or potential situation that Ridgeline is or becomes aware of that might constitute a material conflict of interest that could reasonably be expected to impair our ability to provide advice to or on behalf of clients consistent with regulatory requirements.

If Ridgeline identifies such situations or circumstances, we will prepare meaningful disclosure describing the implications of the situation and how we intend to manage the situation. Ridgeline will also disclose any legal or disciplinary events that are material to a client's evaluation or the integrity of our management or advisory personnel. Ridgeline will provide this disclosure (or a means to access this information) in writing prior to starting our proposed engagement, and will provide such additional information or

clarification as the client may request. Ridgeline will also advise clients in writing of any subsequent material conflict of interest that may arise, as well as the related implications, its plan to manage that situation, and any additional information such client may require.

## **II. General Conflict of Interest Disclosures**

### ***Disclosure of Conflicts Concerning the Firm's Affiliates***

Ridgeline does not have any affiliates that provide any advice, service, or product to or on behalf of the Client that is directly or indirectly related to the municipal advisory activities to be performed by Ridgeline.

### ***Disclosure of Conflicts Related to the Firm's Compensation***

Ridgeline has not made any payments directly or indirectly to obtain or retain the Client's municipal advisory business.

Ridgeline has not received any payments from third parties to enlist Ridgeline's recommendation to the Client of its services, any municipal securities transaction or any municipal finance product.

Ridgeline has not engaged in any fee-splitting arrangements involving Ridgeline and any provider of investments or services to the Client.

From time to time, Ridgeline may be compensated by a municipal advisory fee that is or will be set forth in an agreement with the client to be, or that has been, negotiated and entered into in connection with a municipal advisory service. Payment of such fee may be contingent on the closing of the transaction and the amount of the fee may be based, in whole or in part, on a percentage of the principal or par amount of municipal securities or municipal financial product. While this form of compensation is customary in the municipal securities market, it may be deemed to present a conflict of interest since we may appear to have an incentive to recommend to the client a transaction that is larger in size than is necessary. Further, Ridgeline may also receive compensation in the form of a fixed fee arrangement. While this form of compensation is customary, it may also present a potential conflict of interest if the transaction ultimately requires less work than contemplated and we are perceived as recommending a more economically friendly pay arrangement. Finally, Ridgeline may contract with clients on an hourly fee basis. If Ridgeline and the client do not agree on a maximum amount of hours at the outset of the engagement, this arrangement may pose a conflict of interest as we would not have a financial incentive to recommend an alternative that would result in fewer hours. Ridgeline manages and mitigates all of these types of conflicts by disclosing the fee structure to the client, and by requiring that there be a review of the municipal securities transaction or municipal financial product to ensure that it is suitable for the client in light of various factors, after reasonable inquiry, including the client's needs, objectives, and financial circumstances.

### ***Disclosure Concerning Provision of Services to State and Local Government, and Non-Profit Clients***

Ridgeline regularly provides financial advisory services to state and local governments, their agencies, and instrumentalities, and non-profit clients. While our clients have expressed that this experience in providing services to a wide variety of clients generally provides great benefit for all of our clients, there may be or may have been clients with interests that are different from (and adverse to) other clients. If for some reason any client sees our engagement with any other particular client as a conflict, we will mitigate this conflict by engaging in a broad range of conduct, if and as applicable. Such conduct may include one or any combination of the following: 1) disclosing the conflict to the client; 2) requiring that there be a review of the municipal securities transaction or municipal financial product to ensure that it is suitable for the client in light of various factors, including the client's needs, objectives and financial circumstances; 3) implementing procedures that establishes a "firewall" that creates physical, technological and procedural

barriers and/or separations to ensure that non-public information is isolated to particular area such that certain governmental transaction team members and supporting functions operate separately during the course of work performed; and 4) in the rare event that a conflict cannot be resolved, we will withdraw from the engagement.

***Disclosure Related to Legal and Disciplinary Events***

As registered municipal advisors with the SEC and the MSRB, pursuant to the Securities Exchange Act of 1934 Rule 15Ba1-2, our legal, disciplinary and judicial events are required to be disclosed on our forms MA and MA-I filed with the SEC, in 'Item 9 Disclosure Information' of form MA, 'Item 6 Disclosure Information' of form MA-I, and if applicable, the corresponding disclosure reporting page(s). To review the foregoing disclosure items and material change(s) or amendment(s), if any, clients may electronically access Ridgeline filed forms MA and MA-I on the SEC's Electronic Data Gathering, Analysis, and Retrieval system, listed by date of filing starting with the most recently filed at [www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

Ridgeline does not have any legal or disciplinary events or disciplinary history on its Form MA and Form(s) MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgements, liens, civil judicial actions, customer complaints, arbitrations, and civil litigation. There have been no material changes to a legal or disciplinary event disclosure on any form MA or Form MA-I filed with the SEC.

***Disclosure Related to Recommendations***

If Ridgeline makes a recommendation of a municipal securities transaction or municipal financial product or if the review of a recommendation of another party is requested in writing by the Client and is within the scope of the engagement, Ridgeline will determine, based on the information obtained through reasonable diligence of Ridgeline whether a municipal securities transaction or municipal financial product is suitable for the Client. In addition, Ridgeline will inform the Client of:

- the evaluation of the material risks, potential benefits, structure, and other characteristics of the recommendation;
- the basis upon which Ridgeline reasonably believes that the recommended municipal securities transaction or municipal financial product is, or is not, suitable for the Client; and,
- whether Ridgeline has investigated or considered other reasonably feasible alternatives to the recommendation that might also or alternatively serve the Client's objectives.

If the Client elects a course of action that is independent of or contrary to the advice provided by Ridgeline, Ridgeline is not required on that basis to disengage from providing services to the Client.

***Disclosure Related to Record Retention***

Pursuant to the SEC record retention regulations, Ridgeline is required to maintain in writing, all communications and created documents between Ridgeline and the Client for five (5) years.

**III. Specific Conflicts of Interest Disclosures – Client**

To our knowledge, following reasonable inquiry, as of the commencement of the Project, we are not aware of any actual or potential conflict of interest that could reasonably be anticipated to impair our ability to provide advice to or on behalf of the Client in accordance with applicable standards of conduct of MSRB Rule G-42. If we become aware of any potential conflict of interest that arises after this disclosure, we will disclose the detailed information in writing to the Client in a timely manner.

Ridgeline does not act as principal in any of the transactions related to its role / work on the Project.

Ridgeline does not have any other engagements or relationships that might impair Ridgeline's ability to either render unbiased and competent advice to or on behalf of the Client, or to fulfill our fiduciary duty to the Client, as applicable.