

July 26, 2022

Bill Hansell  
General Manager  
Kensington Fire Protection District  
217 Arlington Avenue  
Kensington, CA 94707

RE: Kensington Fire Protection District Continuing Disclosure & Arbitrage Rebate Compliance –  
Regulatory Disclosure Letter

Dear Bill,

NHA Advisors, LLC (“NHA Advisors”) is required to send this Regulatory Disclosure Letter per Municipal Securities Rulemaking Board (“MSRB”) rules. This letter specifies the terms and details of the work that NHA Advisors will perform for the Kensington Fire Protection District (the “District”) relating to the above referenced project (the “Project”). Additionally, this letter provides certain duties and disclosures that municipal advisors must present to all clients prior to beginning work on a municipal transaction.

### **Scope of Municipal Advisory Activities to be Performed**

A detailed Scope of Services can be found in Exhibit A.

### **Independent Registered Municipal Advisor (“IRMA”)**

If acting in the capacity of an Independent Registered Municipal Advisor (“IRMA”), with regard to the IRMA exemption of the U. S. Securities and Exchange Commission (“SEC”) Rule, NHA Advisors will review all third-party recommendations submitted to NHA Advisors in writing by the District.

### **Term of the Project**

The Project will commence on August 1, 2022 and end on June 30, 2027, unless the term of the Project is otherwise terminated or extended. Any extensions must be mutually agreed upon by all parties in writing.

### **Termination of NHA Advisors’ Role on Project**

The District may terminate NHA Advisors’ role on the Project at any time and without cause upon written notification to NHA Advisors.

In the event of termination, NHA Advisors shall be entitled to compensation for services performed to the effective date of termination. The District, however, may condition payment of such compensation upon NHA Advisors delivering to the District any or all documents, photographs, computer software, video and audio tapes, and other materials provided to NHA Advisors or prepared by or for NHA Advisors or the District in connection with NHA Advisors’ work on the Project.

NHA Advisors may terminate upon 45 days' written notice to the District and shall include in such notice the reasons for termination.

### **Compensation and Out-of-Pocket Expenses**

A detailed proposal for compensation and expenses can be found in Exhibit B.

### **Fiduciary Duty**

NHA Advisors is registered as a Municipal Advisor with the SEC and MSRB. As such, NHA Advisors has a fiduciary duty to the District and must provide both a Duty of Care and a Duty of Loyalty that entail the following.

#### **Duty of Care:**

- a) exercise due care in performing its municipal advisory activities;
- b) possess the degree of knowledge and expertise needed to provide the District with informed advice;
- c) make a reasonable inquiry as to the facts that are relevant to the District's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the District; and
- d) undertake a reasonable investigation to determine that NHA Advisors is not forming any recommendation on materially inaccurate or incomplete information; NHA Advisors must have a reasonable basis for:
  - i. any advice provided to or on behalf of the District;
  - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the District, any other party involved in the municipal securities transaction or municipal financial product, or investors in the District securities; and
  - iii. any information provided to the District or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

#### **Duty of Loyalty:**

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

### **Conflicts of Interest and Other Matters Requiring Disclosures**

As of the commencement date of the Project, there are no actual or potential material conflicts of interest, other than those noted below, that NHA Advisors is aware of that might impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If NHA Advisors becomes aware of any material potential conflict of interest that arises after this disclosure, NHA Advisors will disclose the detailed information in writing to the District in a timely manner.

The following are potential conflicts of interest to be considered.

- NHA Advisors represents that in connection with the issuance of municipal securities, NHA Advisors may receive compensation from the District for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, NHA Advisors hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding NHA Advisors' ability to provide unbiased advice to enter into such transaction. This potential conflict of interest will not impair NHA Advisors' ability to render unbiased and competent advice or to fulfill its fiduciary duty to the District.
- The fee paid to NHA Advisors increases the cost of investment to the District. The increased cost occurs from compensating NHA Advisors for municipal advisory services provided.
- NHA Advisors serves a wide variety of other clients that may, from time to time, have interests that could have a direct or indirect impact on the interests of another NHA Advisors client. For example, NHA Advisors serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the District. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, NHA Advisors could potentially face a conflict of interest arising from these competing client interests. NHA Advisors fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the District.
- Gerald Craig Hill, the Managing Principal of NHA Advisors is currently serving as an outside director for the HdL Companies based in Diamond Bar, CA. HdL Companies is a software and professional services consulting company providing revenue data and collections information to local governments, potentially including NHA Advisors' clients. HdL Companies have affiliates including, but not limited to, HdL Coren & Cone. From time to time, NHA Advisors utilizes the services of HdL Coren & Cone for its clients. NHA Advisors is mindful of this conflict of interest and fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith when this situation arises.
- NHA Advisors does not have any affiliate that provides any advice, service, or product to or on behalf of the District that is directly or indirectly related to the municipal advisory activities to be performed by NHA Advisors.
- NHA Advisors has not made any payments directly or indirectly to obtain or retain NHA Advisors' municipal advisory business.
- NHA Advisors has not received any payments from third parties to enlist NHA Advisors' recommendation to the District of its services, any municipal securities transaction, or any municipal finance product.
- NHA Advisors has not engaged in any fee-splitting arrangements involving NHA Advisors and any provider of investments or services to the District.
- NHA Advisors does not have any legal or disciplinary event that is material to the District's evaluation of the municipal advisory or the integrity of its management or advisory personnel.
- NHA Advisors does not act as principal in any of the transaction(s) related to this Project.
- During the term of the municipal advisory relationship, this disclosure will be promptly amended or supplemented to reflect any material changes in or additions to the terms or information within this disclosure and the revised writing will be promptly delivered to the District.

Pursuant to MSRB Rule G-10, on Investor and Municipal Advisory Client Education and Protection, Municipal Advisors are required to provide certain written information to their municipal entity and obligated person clients which include the following:

- NHA Advisors is currently registered as a Municipal Advisor with the SEC and the MSRB.
- Within the MSRB website at [www.msrb.org](http://www.msrb.org), District may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.

### **Legal Events and Disciplinary History**

NHA Advisors does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The District may electronically access NHA Advisors' most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:

[www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html)

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.

### **Recommendations**

If NHA Advisors 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 District and is within the scope of the engagement, NHA Advisors will determine, based on the information obtained through reasonable diligence of NHA Advisors whether a municipal securities transaction or municipal financial product is suitable for the District. In addition, NHA Advisors will inform the District of:

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

If the District elects a course of action that is independent of or contrary to the advice provided by NHA Advisors, NHA Advisors is not required on that basis to disengage from the District.

### **Record Retention**

Effective July 1, 2014, pursuant to the SEC record retention regulations, NHA Advisors is required to maintain in writing, all communication and created documents between NHA Advisors and the District for five (5) years.

If there are any questions regarding the above, please do not hesitate to contact NHA Advisors.

Sincerely,

A handwritten signature in black ink that reads "Rob Schmidt". The signature is written in a cursive, slightly slanted style.

Rob Schmidt, Vice President  
NHA Advisors, LLC

## EXHIBIT A

### SCOPE OF SERVICES

The scope of work will generally include, but will not be limited to, the following services:

#### **TASK 1: ARBITRAGE REBATE CONSULTING**

The Kensington Fire Protection District (the “District”) is required to conduct routine calculations of the earnings on its tax exempt obligations to determine if it has earned any “positive arbitrage” (actual interest earnings were greater than allowable interest earnings when calculated at the arbitrage yield) and submit a payment to the Internal Revenue Service (“IRS”) for any excess interest earnings. The calculation and payment of any rebate liability is due within 60 days of each fifth Computation Period or Bond Year, at final maturity, or upon full redemption.

The District is engaging NHA Advisors to perform tasks related to this arbitrage rebate calculation. The scope of work will generally include, but may not be limited to, the following services:

- Review pertinent bond documents
- Work with the District and Fiscal Agent/Trustee to obtain all account statements pertaining to the specified time period
- Review account statements
- Analyze cash flows for the various funds/accounts held by the Fiscal Agent/Trustee
- Calculate positive or negative arbitrage
- Prepare a memorandum summarizing the results of the analysis
- Assist the District with preparation of IRS Form 8038-T, as necessary

#### **TASK 2: CONTINUING DISCLOSURE AND CDIAC REPORTING COMPLIANCE SERVICES**

The District and its related entities (the “District”) are required to file periodic disclosure reporting with the Municipal Securities Rulemaking Board (“MSRB”), California Debt and Investment Advisory Commission (“CDIAC”), and in some cases, with the underwriter, bond insurer, trustee, or other parties for the District’s debt obligations. The District desires to appoint NHA Advisors, LLC (“NHA Advisors”) to assist with the compliance of these obligations.

##### **A. CDIAC Annual Debt Transparency Reporting (SB 1029):**

Effective January 1, 2017, state and local issuers are required to submit an annual debt transparency report for any issue of debt for which they have submitted a Report of Final Sale to CDIAC during the reporting period. The annual debt transparency report is due to CDIAC no later than January 31<sup>st</sup> of each year (beginning January 31, 2018) for any debt outstanding at any point during the prior fiscal year.

NHA Advisors will work with the District to complete and file these reports with CDIAC prior to January 31<sup>st</sup> each year.

**B. Marks-Roos CDIAC Yearly Fiscal Status Reporting (“YFSR”):**

Any joint powers authority (“Authority”) selling bonds on or after January 1, 1996 that uses the proceeds to acquire one or more local obligations is required to report annually on the fiscal status of the Authority bonds and the local obligations acquired. Reports must be submitted to CDIAC no later than October 30<sup>th</sup> each year.

NHA Advisors will work with the District to ensure that all reports are completed and filed with CDIAC prior to October 30<sup>th</sup> each year.

**C. Private Placement Debt and Other Loan Reporting:**

The District has issued privately placed debt or other loans that require reporting to the purchaser or other parties. NHA Advisors will assist the District with the disclosure obligations as outlined in the governing document (continuing disclosure agreement, indenture, lease agreement, term sheet, etc.).

**EXHIBIT B**

**COMPENSATION SCHEDULE**

**TASK 1: ARBITRAGE REBATE CONSULTING**

For work described in the Scope of Services, NHA Advisors will be compensated for each applicable bond issue as follows:

- Project Setup: \$500 (invoice at first annual calculation)
- Annual Arbitrage Rebate Calculation: \$500 per year of calculation (invoiced annually)
- Summary Memorandum: \$500 (invoiced each fifth year or upon final calculation)
- Preparation of IRS Form 8038-T: \$750 (if necessary)

The following information provides a snapshot of the initial fees associated with the District’s current arbitrage rebate obligations. As additional debt is issued, new arbitrage rebate obligations will be billed according to the rate schedule provided above.

A summary of the estimated budget is provided in the following table.

Obligations	Annual Calculation Dates	Estimated 5-Year Budget <sup>(1)</sup>
2022 Lease Financing	June 30	\$3,500

1) Assumes preparation of IRS Form 8038-T and a rebate payment to the IRS are not required.

**TASK 2: CONTINUING DISCLOSURE AND CDIAC REPORTING COMPLIANCE SERVICES**

For the services outlined in Task 2, NHA Advisors will be compensated as follows.

**A. CDIAC Annual Debt Transparency Reporting (SB 1029):**

For services described in Subtask A of the Scope of Services, NHA Advisors shall be paid a fixed **annual fee of \$500 per report**, payable upon successful submission of the reports. At present, we estimated that the District has one (1) obligation outstanding that requires CDIAC Annual Debt Transparency Reporting.

CDIAC Annual Debt Transparency Reporting	Annual Fee
2022 Lease Financing	\$500
<b>Total Annual Fee</b>	<b>\$ 500</b>



**B. Marks-Roos CDIAAC Yearly Fiscal Status Reporting:**

For services described in Subtask B of the Scope of Services, NHA Advisors shall be paid a fixed **annual fee of \$400 per report**, payable upon successful submission of the reports. At present, we estimated that the District has no obligations outstanding that require Marks-Roos CDIAAC Yearly Fiscal Status Reporting.

Marks-Roos CDIAAC Yearly Fiscal Status Reporting	Annual Fee
None	N/A
<b>Total Annual Fee</b>	<b>\$ 0</b>

**C. Private Placement Debt and Other Loan Reporting:**

For services described in Subtask C of the Scope of Services, NHA Advisors shall be paid a fixed annual fee payable upon successful submission of the report. The following table provides a snapshot of the initial fee associated with the District’s current obligations:

Private Placement Debt and Other Loan Reporting	Annual Fee <sup>(1)</sup>
2022 Lease Financing	\$750
<b>Total Annual Fee</b>	<b>\$ 750</b>

1) *In the event that the purchasing bank requests additional information beyond what is outlined in the scope of work, this fee will increase commensurate with the additional work required to provide such information.*

Future Obligations

In the event that the District issues additional privately placed debt or other loans that require periodic reporting, the annual fee will be commensurate with the amount of work required.

**Task 2 - Grand Total Annual Fee** - The initial combined annual fee for the services outlined in Task 2 will be **\$1,100\***.

Grand Total – Task 2	Projected On-going Annual Fee*
Subtask A: CDIAAC Annual Debt Transparency Reporting	\$500
Subtask B: Marks-Roos CDIAAC Yearly Fiscal Status Reporting	\$0
Subtask C: Private Placement Debt and Other Loan Reporting	\$750
<b>Grand Total Annual Fee</b>	<b>\$1,250</b>

\* *As prior obligations mature or new debt is issued, the Scope of Services and annual budget for services will change in accordance with the fees outlined above.*

**Out-of-Pocket Expenses** – No expenses will be passed along to the District without prior authorization. Expenses will be limited to third-party contractor work and data purchases required to secure specific

information required to complete the respective reports. Data costs will be passed on to the District with no additional markup.

**MUNICIPAL ADVISOR AGREEMENT  
BETWEEN  
KENSINGTON FIRE PROTECTION DISTRICT  
AND  
NHA ADVISORS, LLC**

THIS AGREEMENT for consulting services is made by and between the Kensington Fire Protection District (the “District”) and NHA Advisors, LLC (“Consultant”) (together referred to as the “Parties”) as of August 1, 2022 (the “Effective Date”).

**SECTION 1 – SERVICES**

As the District’s registered municipal advisor, subject to the terms and conditions set forth in this Agreement, Consultant shall provide to the District the services described in the Scope of Services attached as Exhibit A, and incorporated herein, at the time and place and in the manner specified therein. In the event of a conflict in or inconsistency between the terms of this Agreement and Exhibit A, the Agreement shall prevail.

If acting in the capacity of an Independent Registered Municipal Advisor (“IRMA”) with regard to the “IRMA exemption” of the SEC Rule, Consultant will review all third-party recommendations submitted to the District in writing, if requested.

**Recommendation.** If Consultant 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 District and is within the scope of the engagement, Consultant will determine, based on the information obtained through reasonable diligence of Consultant whether a municipal securities transaction or municipal financial product is suitable for the District. In addition, Consultant will inform the District of:

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

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

**1.1 Term of Services.** The term of this Agreement shall begin on the Effective Date and shall end on June 30, 2027 or upon completion of the Scope of Services described in Exhibit A, unless the term of the Agreement is otherwise terminated or extended, as provided for in Section 8. The time provided to Consultant to complete the services required by this Agreement shall not affect the District’s right to terminate the Agreement, as referenced in Section 8.

- 1.2 **Standard of Performance.** Consultant shall perform all services required pursuant to this Agreement according to the standards observed by a competent practitioner of the profession in which Consultant is engaged.
- 1.3 **Assignment of Personnel.** Consultant shall assign only competent personnel to perform services pursuant to this Agreement. In the event the District, in its sole discretion, at any time during the term of this Agreement, desires the reassignment of any such persons, Consultant shall, immediately upon receiving notice from the District of such desire of the District, reassign such person or persons.
- 1.4 **Time.** Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary to meet the standard of performance provided in Section 1.1 above and to satisfy Consultant's obligations hereunder.

## **SECTION 2 - COMPENSATION**

The District hereby agrees to pay Consultant compensation for services outlined in the Scope of Services (Exhibit A) under the Compensation Schedule (Exhibit B).

The District shall pay Consultant for services rendered pursuant to this Agreement at the time and in the manner set forth herein. The payments specified below shall be the only payments from the District to Consultant for services rendered pursuant to this Agreement. Consultant shall submit all invoices to the District in the manner specified herein. Except as specifically authorized by the District in writing, Consultant shall not bill the District for duplicate services performed by more than one person.

Consultant and the District acknowledge and agree that compensation paid by the District to Consultant under this Agreement is based upon Consultant's estimated costs of providing the services required hereunder, including salaries and benefits of employees and subcontractors of Consultant. Consequently, the parties further agree that compensation hereunder is intended to include the costs of contributions to any pensions and/or annuities to which Consultant and its employees, agents, and subcontractors may be eligible. The District therefore has no responsibility for such contributions beyond compensation required under this Agreement.

- 2.1 **Invoices.** Consultant shall submit invoices, not more often than once a month during the term of this Agreement, based on the cost for services performed and reimbursable costs incurred prior to the invoice date. Invoices shall contain the following information:
  - The beginning and ending dates of the billing period.
  - At the District's option, for each work item in each task, a copy of the applicable time entries or time sheets shall be submitted showing the name of the person doing the work, the hours spent by each person, a brief description of the work, and each reimbursable expense.
  - For work performed on an hourly Compensation Schedule, the total number of hours of work performed under the Agreement by Consultant and each employee, agent, and subcontractor of Consultant performing services hereunder.

- 2.2 Monthly Payment.** The District shall make monthly payments, based on invoices received, for services satisfactorily performed, and for authorized reimbursable costs incurred. The District shall have 30 days from the receipt of an invoice that complies with all of the requirements above to pay Consultant.
- 2.3 Final Payment.** The District shall pay the final sum due pursuant to this Agreement within 60 days after completion of the services and submittal to the District of a final invoice, if all services required have been satisfactorily performed.
- 2.4 Total Payment.** The District shall pay for the services to be rendered by Consultant pursuant to this Agreement. The District shall not pay any additional sum for any expense or cost whatsoever incurred by Consultant in rendering services pursuant to this Agreement. The District shall make no payment for any extra, further, or additional service pursuant to this Agreement.
- In no event shall Consultant submit any invoice for an amount in excess of the maximum amount of compensation provided above either for a task or for the entire Agreement, unless the Agreement is modified prior to the submission of such an invoice by a properly executed change order or amendment.
- 2.5 Hourly Fees.** Fees for work performed by Consultant on an hourly basis shall not exceed the amounts shown on the compensation schedule attached hereto as Exhibit B.
- 2.6 Reimbursable Expenses.** Reimbursable expenses are specified in Exhibit B. Expenses will typically include third-party data collection or services not provided by the District. Reimbursable expenses are in addition to the total amount of compensation provided under this Agreement that shall not be exceeded.
- 2.7 Payment of Taxes.** Consultant is solely responsible for the payment of employment taxes incurred under this Agreement and any similar federal or state taxes.
- 2.8 Payment upon Termination.** In the event the District or Consultant terminates this Agreement pursuant to Section 8, the District shall compensate Consultant for all outstanding costs and reimbursable expenses incurred for work satisfactorily completed as of the date of written notice of termination. Consultant shall maintain adequate logs and timesheets to verify costs incurred to that date.
- 2.9 Authorization to Perform Services.** Consultant is not authorized to perform any services or incur any costs whatsoever under the terms of this Agreement until receipt of authorization from the Contract Administrator.

### **SECTION 3 - FACILITIES AND EQUIPMENT**

Except as set forth herein, Consultant shall, at its sole cost and expense, provide all facilities and equipment that may be necessary to perform the services required by this Agreement. The District shall make available to Consultant only the facilities and equipment listed in this section, and only under the terms and conditions set forth herein.

The District shall furnish physical facilities such as desks, filing cabinets, and conference space, as may be reasonably necessary for Consultant's use while consulting with the District employees and reviewing

records and the information in possession of the District. The location, quantity, and time of furnishing those facilities shall be in the sole discretion of the District. In no event shall the District be obligated to furnish any facility that may involve incurring any direct expense, including but not limited to computer, long-distance telephone or other communication charges, vehicles, and reproduction facilities.

#### **SECTION 4 - INSURANCE REQUIREMENTS**

Before beginning any work under this Agreement, Consultant, at its own cost and expense, unless otherwise specified below, shall procure the types and amounts of insurance listed below against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work hereunder by Consultant and its agents, representatives, employees, and subcontractors. Consistent with the following provisions, Consultant shall provide proof satisfactory to the District of such insurance that meets the requirements of this section and under forms of insurance satisfactory in all respects, and that such insurance is in effect prior to beginning work to the District. Consultant shall maintain the insurance policies required by this section throughout the term of this Agreement. The cost of such insurance shall be included in Consultant's bid. Consultant shall not allow any subcontractor to commence work on any subcontract until Consultant has obtained all insurance required herein for the subcontractor(s) and provided evidence that such insurance is in effect to the District. Verification of the required insurance shall be submitted and made part of this Agreement prior to execution. Consultant shall maintain all required insurance listed herein for the duration of this Agreement.

**4.1 Workers' Compensation.** Consultant shall, at its sole cost and expense, maintain Statutory Workers' Compensation Insurance and Employer's Liability Insurance for any and all persons employed directly or indirectly by Consultant. The Statutory Workers' Compensation Insurance and Employer's Liability Insurance shall be provided with limits of not less than \$1,000,000 per accident. In the alternative, Consultant may rely on a self-insurance program to meet those requirements, but only if the program of self-insurance complies fully with the provisions of the California Labor Code. Determination of whether a self-insurance program meets the standards of the Labor Code shall be solely in the discretion of the Contract Administrator. The insurer, if insurance is provided, or Consultant, if a program of self-insurance is provided, shall waive all rights of subrogation against the District and its officers, officials, employees, and volunteers for loss arising from work performed under this Agreement.

**4.2 Commercial General and Automobile Liability Insurance.**

**4.2.1 General Requirements.** Consultant, at its own cost and expense, shall maintain commercial general and automobile liability insurance for the term of this Agreement in an amount not less than \$1,000,000 per occurrence, combined single limit coverage for risks associated with the work contemplated by this Agreement. If Commercial General Liability Insurance or an Automobile Liability form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit. Such coverage shall include but shall not be limited to, protection against claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from activities contemplated under this Agreement, including the use of owned and non-owned automobiles.

**4.2.2 Minimum Scope of Coverage.** Commercial general coverage shall be at least as broad as Insurance Services Office Commercial General Liability occurrence form CG 0001 (most recent edition) covering comprehensive General Liability on an “occurrence” basis. Automobile coverage shall be at least as broad as Insurance Services Office Automobile Liability form CA 0001 (most recent edition), Code 1 (any auto). No endorsement shall be attached limiting the coverage.

**4.2.3 Additional Requirements.** Each of the following shall be included in the insurance coverage or added as a certified endorsement to the policy:

- a) The Insurance shall cover on an occurrence or an accident basis, and not on a claims-made basis.
- b) The District, its officers, officials, employees, and volunteers are to be covered as additional insured as respects: liability arising out of work or operations performed by or on behalf of Consultant; or automobiles owned, leased, hired, or borrowed by Consultant.
- c) For any claims related to this Agreement or the work hereunder, Consultant’s insurance covered shall be primary insurance as respects the District, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the District, its officers, officials, employees, or volunteers shall be excess of Consultant’s insurance and shall not contribute with it.
- d) Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after 30 days’ prior written notice has been provided to the District.

**4.3 Professional Liability Insurance.**

**4.3.1 General Requirements.** Consultant, at its own cost and expense, shall maintain for the period covered by this Agreement professional liability insurance for licensed professionals performing work pursuant to this Agreement in an amount not less than \$1,000,000 covering the licensed professionals’ errors and omissions. Any deductible or self-insured retention shall not exceed \$250,000 per claim.

**4.3.2 Claims-Made Limitations.** The following provisions shall apply if the professional liability coverage is written on a claims-made form:

- a) The retroactive date of the policy must be shown and must be before the date of the Agreement.
- b) Insurance must be maintained, and evidence of insurance must be provided for at least five years after completion of the Agreement or the work, so long as commercially available at reasonable rates.

- c) If coverage is canceled or not renewed and it is not replaced with another claims-made policy form with a retroactive date that precedes the date of this Agreement, Consultant must purchase an extended period coverage for a minimum of five years after completion of work under this Agreement.
- d) A copy of the claim reporting requirements must be submitted to the District for review prior to the commencement of any work under this Agreement.

**4.4 All Policies Requirements.**

**4.4.1 Acceptability of Insurers.** All insurance required by this section is to be placed with insurers with a Best’s rating of no less than A:VII.

**4.4.2 Verification of Coverage.** Prior to beginning any work under this Agreement, Consultant shall furnish the District with complete copies of all policies delivered to Consultant by the insurer, including complete copies of all endorsements attached to those policies. All copies of policies and endorsements shall show the signature of a person authorized by that insurer to bind coverage on its behalf. If the District does not receive the required insurance documents prior to Consultant beginning work, it shall not waive Consultant’s obligation to provide them. The District reserves the right to require complete copies of all required insurance policies at any time.

**4.4.3 Deductibles and Self-Insured Retentions.** Consultant shall disclose to and obtain the written approval of the District for the self-insured retentions and deductibles before beginning any of the services or work called for by any term of this Agreement. At the option of the District, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the District, its officers, employees, and volunteers; or Consultant shall provide a financial guarantee satisfactory to the District guaranteeing payment of losses and related investigations, claim administration and defense expenses.

**4.4.4 Wasting Policies.** No policy required by this Section 4 shall include a “wasting” policy limit (i.e., limit that is eroded by the cost of defense).

**4.4.5 Waiver of Subrogation.** Consultant hereby agrees to waive subrogation which any insurer or contractor may require from vendor by virtue of the payment of any loss. Consultant agrees to obtain any endorsements that may be necessary to affect this waiver of subrogation.

The Workers’ Compensation policy shall be endorsed with a waiver of subrogation in favor of the entity for all work performed by the contractor, its employees, agents, and subcontractors.

**4.4.6 Subcontractors.** Consultant shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all the requirements stated herein.



**4.5 Remedies.** In addition to any other remedies the District may have if Consultant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, the District may, at its sole option exercise any of the following remedies, which are alternatives to other remedies the District may have and are not the exclusive remedy for Consultant's breach:

- obtain such insurance and deduct and retain the amount of the premiums for such insurance from any sums due under the Agreement;
- order Consultant to stop work under this Agreement or withhold any payment that becomes due to Consultant hereunder, or both stop work and withhold any payment, until Consultant demonstrates compliance with the requirements hereof; and/or
- terminate this Agreement.

## **SECTION 5 – CONSULTANT'S RESPONSIBILITIES AND INDEMNIFICATION**

Consultant is registered as a Municipal Advisor with the SEC and Municipal Securities Rulemaking Board ("MSRB"). As such, Consultant has a fiduciary duty to the District and must provide both a Duty of Care and a Duty of Loyalty that entail the following.

### **Duty of Care:**

- a) exercise due care in performing its municipal advisory activities;
- b) possess the degree of knowledge and expertise needed to provide the District with informed advice;
- c) make a reasonable inquiry as to the facts that are relevant to the District's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the District; and
- d) undertake a reasonable investigation to determine that Consultant is not forming any recommendation on materially inaccurate or incomplete information; Consultant must have a reasonable basis for:
  - i. any advice provided to or on behalf of the District;
  - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the District, any other party involved in the municipal securities transaction or municipal financial product, or investors in the District securities; and
  - iii. any information provided to the District or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

### **Duty of Loyalty:**

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

## **Conflicts of Interest and Other Matters Requiring Disclosures**

As of the commencement date of the Project, there are no actual or potential material conflicts of interest, other than those noted below, that Consultant is aware of that might impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If Consultant becomes aware of any material potential conflict of interest that arises after this disclosure, Consultant will disclose the detailed information in writing to the District in a timely manner.

The following are potential conflicts of interest to be considered.

- Consultant represents that in connection with the issuance of municipal securities, Consultant may receive compensation from the District for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, Consultant hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding Consultant's ability to provide unbiased advice to enter into such transaction. This potential conflict of interest will not impair Consultant's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the District.
- The fee paid to Consultant increases the cost of investment to the District. The increased cost occurs from compensating Consultant for municipal advisory services provided.
- Consultant serves a wide variety of other clients that may, from time to time, have interests that could have a direct or indirect impact on the interests of another Consultant client. For example, Consultant serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the District. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, Consultant could potentially face a conflict of interest arising from these competing client interests. Consultant fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the District.
- Gerald Craig Hill, the Managing Principal of NHA Advisors is currently serving as an outside director for the HdL Companies based in Diamond Bar, CA. HdL Companies is a software and professional services consulting company providing revenue data and collections information to local governments, potentially including NHA Advisors' clients. HdL Companies have affiliates including, but not limited to, HdL Coren & Cone. From time to time, NHA Advisors utilizes the services of HdL Coren & Cone for its clients. NHA Advisors is mindful of this conflict of interest and fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith when this situation arises.
- Consultant does not have any affiliate that provides any advice, service, or product to or on behalf of the District that is directly or indirectly related to the municipal advisory activities to be performed by Consultant.
- Consultant has not made any payments directly or indirectly to obtain or retain Consultant's municipal advisory business.

- Consultant has not received any payments from third parties to enlist Consultant's recommendation to the District of its services, any municipal securities transaction, or any municipal finance product.
- Consultant has not engaged in any fee-splitting arrangements involving Consultant and any provider of investments or services to the District.
- Consultant does not have any legal or disciplinary event that is material to the District's evaluation of the municipal advisory or the integrity of its management or advisory personnel.
- Consultant does not act as principal in any of the transaction(s) related to this Project.
- During the term of the municipal advisory relationship, this disclosure will be promptly amended or supplemented to reflect any material changes in or additions to the terms or information within this disclosure and the revised writing will be promptly delivered to the District.

Pursuant to MSRB Rule G-10, on Investor and Municipal Advisory Client Education and Protection, Municipal Advisors are required to provide certain written information to their municipal entity and obligated person clients which include the following:

- Consultant is currently registered as a Municipal Advisor with the SEC and the MSRB.
- Within the MSRB website at [www.msrb.org](http://www.msrb.org), District may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.

### **Recommendations**

If Consultant 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 District and is within the scope of the engagement, Consultant will determine, based on the information obtained through reasonable diligence of Consultant whether a municipal securities transaction or municipal financial product is suitable for the District. In addition, Consultant will inform the District of:

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

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

## **Record Retention**

Effective July 1, 2014, pursuant to the Securities and Exchange Commission (SEC) record retention regulations, Consultant is required to maintain in writing, all communication and created documents between Consultant and the District for five (5) years.

## **Indemnification**

Consultant shall indemnify, defend with counsel acceptable to the District, and hold harmless the District and its officers, officials, employees, agents and volunteers from and against any and all liability, loss, damage, claims, expenses, and costs (including without limitation, attorney's fees and costs and fees of litigation) (collectively, "Liability") of every nature arising out of or in connection with Consultant's performance of the Services or its failure to comply with any of its obligations contained in this Agreement, except such Liability caused by the sole negligence or willful misconduct of the District.

Consultant's obligation to defend and indemnify shall not be excused because of Consultant's inability to evaluate Liability or because Consultant evaluates Liability and determines that Consultant is not liable to the claimant. Consultant must respond within 30 days, to the tender of any claim for defense and indemnity by the District, unless this time has been extended by the District. If Consultant fails to accept or reject a tender of defense and indemnity within 30 days, in addition to any other remedy authorized by law, so much of the money due Consultant under and by virtue of this Agreement as shall reasonably be considered necessary by the District, may be retained by the District until disposition has been made of the claim or suit for damages, or until Consultant accepts or rejects the tender of defense, whichever occurs first.

With respect to third party claims against Consultant, Consultant waives any and all rights of any type to express or implied indemnity against the Indemnitees.

Notwithstanding the forgoing, to the extent this Agreement is a "construction contract" as defined by California Civil Code Section 2782, as may be amended from time to time, such duties of Consultant to indemnify shall not apply when to do so would be prohibited by California Civil Code Section 2782.

In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the District, Consultant shall indemnify, defend, and hold harmless the District for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of the District.

## **SECTION 6 - STATUS OF CONSULTANT**

- 6.1 Independent Contractor.** At all times during the term of this Agreement, Consultant shall be an independent contractor and shall not be an employee of the District. The District shall have the right to control Consultant only insofar as the results of Consultant's services rendered pursuant to this Agreement and assignment of personnel pursuant to Subparagraph 1.3; however, otherwise the District shall not have the right to control how Consultant accomplishes services rendered pursuant to this Agreement. Notwithstanding any other District, state, or federal policy, rule, regulation, law, or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing

services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any and all claims to, any compensation, benefit, or any incident of employment by the District, including but not limited to eligibility to enroll in the California Public Employees Retirement System (PERS) as an employee of the District and entitlement to any contribution to be paid by the District for employer contributions and/or employee contributions for PERS benefits.

- 6.2 **Consultant Not an Agent.** Except as the District may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of the District in any capacity whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind the District to any obligation whatsoever.

## **SECTION 7 - LEGAL REQUIREMENTS**

- 7.1 **Governing Law.** The laws of the State of California shall govern this Agreement.
- 7.2 **Compliance with Applicable Laws.** Consultant and any subcontractors shall comply with all laws applicable to the performance of the work hereunder.
- 7.3 **Other Governmental Regulations.** To the extent that this Agreement may be funded by fiscal assistance from another governmental entity, Consultant and any subcontractors shall comply with all applicable rules and regulations to which the District is bound by the terms of such fiscal assistance program.
- 7.4 **Licenses and Permits.** Consultant represents and warrants to the District that Consultant and its employees, agents, and any subcontractors have all licenses, permits, qualifications, and approvals of whatsoever nature that are legally required to practice their respective professions. Consultant represents and warrants to the District that Consultant and its employees, agents, any subcontractors shall, at their sole cost and expense, keep in effect during the term of this Agreement any licenses, permits, and approvals that are legally required to practice their respective professions. In addition to the foregoing, Consultant and any subcontractors shall obtain and maintain during the term of this Agreement valid Business Licenses from the District.
- 7.5 **Legal Events and Disciplinary History.** Consultant does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations, and civil litigation. The District may electronically access Consultant's most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:

[www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html)

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.

- 7.6 **Nondiscrimination and Equal Opportunity.** Consultant shall not discriminate, based on a person's race, religion, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, or sexual orientation, against any employee, applicant for employment, subcontractor, bidder for a subcontract, or

participant in, recipient of, or applicant for any services or programs provided by Consultant under this Agreement. Consultant shall comply with all applicable federal, state, and local laws, policies, rules, and requirements related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any services that are the subject of this Agreement, including but not limited to the satisfaction of any positive obligations required of Consultant thereby.

Consultant shall include the provisions of this Subsection in any subcontract approved by the Contract Administrator or this Agreement.

## **SECTION 8 - TERMINATION AND MODIFICATION**

**8.1 Termination.** The District may cancel this Agreement at any time and without cause upon written notification to Consultant.

Consultant may cancel this Agreement upon 45 days' written notice to the District and shall include in such notice the reasons for cancellation.

In the event of termination, Consultant shall be entitled to compensation for services performed to the effective date of termination; the District, however, may condition payment of such compensation upon Consultant delivering to the District any or all documents, photographs, computer software, video and audio tapes, and other materials provided to Consultant or prepared by or for Consultant or the District in connection with this Agreement.

**8.2 Extension.** The District may, in its sole and exclusive discretion, extend the end date of this Agreement beyond that provided for in Subsection 1.1. Any such extension shall require a written amendment to this Agreement, as provided for herein. Consultant understands and agrees that, if the District grants such an extension, the District shall have no obligation to provide Consultant with compensation beyond the maximum amount provided for in this Agreement. Similarly, unless authorized by the Contract Administrator, the District shall have no obligation to reimburse Consultant for any otherwise reimbursable expenses incurred during the extension period.

**8.3 Amendments.** The parties may amend this Agreement only by a writing signed by all the parties.

**8.4 Assignment and Subcontracting.** The District and Consultant recognize and agree that this Agreement contemplates personal performance by Consultant and is based upon a determination of Consultant's unique personal competence, experience, and specialized personal knowledge. Moreover, a substantial inducement to the District for entering into this Agreement was and is the professional reputation and competence of Consultant. Consultant may not assign this Agreement or any interest therein without the prior written approval of the Contract Administrator. Consultant shall not subcontract any portion of the performance contemplated and provided for herein, other than to the subcontractors noted in the proposal, without prior written approval of the Contract Administrator.

- 8.5 Survival.** All obligations arising prior to the termination of this Agreement and all provisions of this Agreement allocating liability between the District and Consultant shall survive the termination of this Agreement.
- 8.6 Options upon Breach by Consultant.** If Consultant materially breaches any of the terms of this Agreement, the District's remedies shall include, but not be limited to, the following:
- 8.6.1** Immediately terminate the Agreement
  - 8.6.2** Retain the plans, specifications, drawings, reports, design documents, and any other work product prepared by Consultant pursuant to this Agreement
  - 8.6.3** Retain a different consultant to complete the work described in Exhibit A not finished by Consultant
  - 8.6.4** Charge Consultant the difference between the cost to complete the work described in Exhibit A that is unfinished at the time of breach and the amount that the District would have paid Consultant pursuant to Section 2 if Consultant had completed the work

#### **SECTION 9 - MISCELLANEOUS PROVISIONS**

- 9.1 Attorneys' Fees.** If a party to this Agreement brings any action, including an action for declaratory relief, to enforce or interpret the provision of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees in addition to any other relief to which that party may be entitled. The court may set such fees in the same action or in a separate action brought for that purpose.
- 9.2 Venue.** In the event that either party brings any action against the other under this Agreement, the parties agree that trial of such action shall be vested exclusively in the state courts of California in the county in which the District is located.
- 9.3 Severability.** If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of this Agreement not so adjudged shall remain in full force and effect. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.
- 9.4 No Implied Waiver of Breach.** The waiver of any breach of a specific provision of this Agreement does not constitute a waiver of any other breach of that term or any other term of this Agreement.
- 9.5 Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of and shall apply to and bind the successors and assigns of the parties.
- 9.6 Use of Recycled Products.** Consultant shall prepare and submit all reports, written studies, and other printed material on recycled paper to the extent it is available at equal or less cost than virgin paper.

- 9.7 Conflict of Interest.** Consultant may serve other clients, but none whose activities within the corporate limits of the District or whose business, regardless of location, would place Consultant in a “conflict of interest,” as that term is defined in the Political Reform Act, codified at California Government Code Section 81000 *et seq.*

Consultant shall not employ any the District official in the work performed pursuant to this Agreement. No officer or employee of the District shall have any financial interest in this Agreement that would violate California Government Code Sections 1090 *et seq.*

Consultant hereby warrants that it is not now, nor has it been in the previous 12 months, an employee, agent, appointee, or official of the District. If Consultant was an employee, agent, appointee, or official of the District in the previous twelve months, Consultant warrants that it did not participate in any manner in the forming of this Agreement. Consultant understands that, if this Agreement is made in violation of Government Code § 1090 *et seq.*, the entire Agreement is void and Consultant will not be entitled to any compensation for services performed pursuant to this Agreement, including reimbursement of expenses, and Consultant will be required to reimburse the District for any sums paid to Consultant. Consultant understands that, in addition to the foregoing, it may be subject to criminal prosecution for a violation of Government Code § 1090 and, if applicable, will be disqualified from holding public office in the State of California.

As of the date of the Agreement, there are no actual or potential conflicts of interest that Consultant is aware of that might impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If Consultant becomes aware of any potential conflict of interest that arise after this disclosure, Consultant will disclose the detailed information in writing to the District in a timely manner.

The fee paid to Consultant increases the cost of investment to the District. The increased cost occurs from compensating Consultant for municipal advisory services provided.

Consultant does not act as principal in any of the transaction(s) related to this Agreement.

During the term of the municipal advisory relationship, this agreement will be promptly amended or supplemented to reflect any material changes in or additions to the terms or information within this agreement and the revised writing will be promptly delivered to the District.

- 9.8 Solicitation.** Consultant agrees not to solicit business at any meeting, focus group, or interview related to this Agreement, either orally or through any written materials.

- 9.9 Contract Administration.** This Agreement shall be administered by the District General Manger (“Contract Administrator”). All correspondence shall be directed to or through the Contract Administrator or his or her designee.

- 9.10 Notices.** Any written notice to Consultant shall be sent to:

Eric Scriven, Principal  
NHA Advisors, LLC  
4040 Civic Center Drive, Suite 200  
San Rafael, CA 94903



Any written notice to the District shall be sent to:

Bill Hansell, General Manager  
Kensington Fire Protection District  
217 Arlington Avenue  
Kensington, CA 94707

**10.11 Integration.** This Agreement, including the Scope of Services attached hereto and incorporated herein as Exhibits A and B represents the entire and integrated agreement between the District and Consultant and supersedes all prior negotiations, representations, or agreements, either written or oral.

Exhibit A: Scope of Services

Exhibit B: Compensation Schedule

**10.12 Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one agreement.

The Parties have executed this Agreement as of the Effective Date.

KENSINGTON FIRE PROTECTION DISTRICT

NHA ADVISORS, LLC



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**Bill Hansell, General Manager**

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**Eric Scriven, Principal**

## EXHIBIT A

### SCOPE OF SERVICES

The scope of work will generally include, but will not be limited to, the following services:

#### **TASK 1: ARBITRAGE REBATE CONSULTING**

The Kensington Fire Protection District (the “District”) is required to conduct routine calculations of the earnings on its tax exempt obligations to determine if it has earned any “positive arbitrage” (actual interest earnings were greater than allowable interest earnings when calculated at the arbitrage yield) and submit a payment to the Internal Revenue Service (“IRS”) for any excess interest earnings. The calculation and payment of any rebate liability is due within 60 days of each fifth Computation Period or Bond Year, at final maturity, or upon full redemption.

The District is engaging Consultant to perform tasks related to this arbitrage rebate calculation. The scope of work will generally include, but may not be limited to, the following services:

- Review pertinent bond documents
- Work with the District and Fiscal Agent/Trustee to obtain all account statements pertaining to the specified time period
- Review account statements
- Analyze cash flows for the various funds/accounts held by the Fiscal Agent/Trustee
- Calculate positive or negative arbitrage
- Prepare a memorandum summarizing the results of the analysis
- Assist the District with preparation of IRS Form 8038-T, as necessary

#### **TASK 2: CONTINUING DISCLOSURE AND CDIAC REPORTING COMPLIANCE SERVICES**

The District and its related entities (the “District”) are required to file periodic disclosure reporting with the Municipal Securities Rulemaking Board (“MSRB”), California Debt and Investment Advisory Commission (“CDIAC”), and in some cases, with the underwriter, bond insurer, trustee, or other parties for the District’s debt obligations. The District desires to appoint Consultant, LLC (“Consultant”) to assist with the compliance of these obligations.

##### **A. CDIAC Annual Debt Transparency Reporting (SB 1029):**

Effective January 1, 2017, state and local issuers are required to submit an annual debt transparency report for any issue of debt for which they have submitted a Report of Final Sale to CDIAC during the reporting period. The annual debt transparency report is due to CDIAC no later than January 31<sup>st</sup> of each year (beginning January 31, 2018) for any debt outstanding at any point during the prior fiscal year.

Consultant will work with the District to complete and file these reports with CDIAC prior to January 31<sup>st</sup> each year.

##### **B. Marks-Roos CDIAC Yearly Fiscal Status Reporting (“YFSR”):**

Any joint powers authority (“Authority”) selling bonds on or after January 1, 1996 that uses the proceeds to acquire one or more local obligations is required to report annually on the fiscal status

of the Authority bonds and the local obligations acquired. Reports must be submitted to CDIAC no later than October 30<sup>th</sup> each year.

Consultant will work with the District to ensure that all reports are completed and filed with CDIAC prior to October 30<sup>th</sup> each year.

**C. Private Placement Debt and Other Loan Reporting:**

The District has issued privately placed debt or other loans that require reporting to the purchaser or other parties. Consultant will assist the District with the disclosure obligations as outlined in the governing document (continuing disclosure agreement, indenture, lease agreement, term sheet, etc.).

## EXHIBIT B

### COMPENSATION SCHEDULE

#### **TASK 1: ARBITRAGE REBATE CONSULTING**

For work described in the Scope of Services, NHA Advisors will be compensated for each applicable bond issue as follows:

- Project Setup: \$500 (invoice at first annual calculation)
- Annual Arbitrage Rebate Calculation: \$500 per year of calculation (invoiced annually)
- Summary Memorandum: \$500 (invoiced each fifth year or upon final calculation)
- Preparation of IRS Form 8038-T: \$750 (if necessary)

The following information provides a snapshot of the initial fees associated with the District's current arbitrage rebate obligations. As additional debt is issued, new arbitrage rebate obligations will be billed according to the rate schedule provided above.

A summary of the estimated budget is provided in the following table.

Obligations	Annual Calculation Dates	Estimated 5-Year Budget <sup>(1)</sup>
2022 Lease Financing	June 30	\$3,500

1) Assumes preparation of IRS Form 8038-T and a rebate payment to the IRS are not required.

#### **TASK 2: CONTINUING DISCLOSURE AND CDIAC REPORTING COMPLIANCE SERVICES**

For the services outlined in Task 2, Consultant will be compensated as follows.

##### **A. CDIAC Annual Debt Transparency Reporting (SB 1029):**

For services described in Subtask A of the Scope of Services, Consultant shall be paid a fixed **annual fee of \$500 per report**, payable upon successful submission of the reports. At present, we estimated that the District has one (1) obligation outstanding that requires CDIAC Annual Debt Transparency Reporting.

CDIAC Annual Debt Transparency Reporting	Annual Fee
2022 Lease Financing	\$500
<b>Total Annual Fee</b>	<b>\$ 500</b>

**B. Marks-Roos CDIAC Yearly Fiscal Status Reporting:**

For services described in Subtask B of the Scope of Services, Consultant shall be paid a fixed **annual fee of \$400 per report**, payable upon successful submission of the reports. At present, we estimated that the District has no obligations outstanding that require Marks-Roos CDIAC Yearly Fiscal Status Reporting.

Marks-Roos CDIAC Yearly Fiscal Status Reporting	Annual Fee
None	N/A
<b>Total Annual Fee</b>	<b>\$ 0</b>

**C. Private Placement Debt and Other Loan Reporting:**

For services described in Subtask C of the Scope of Services, Consultant shall be paid a fixed annual fee payable upon successful submission of the report. The following table provides a snapshot of the initial fee associated with the District’s current obligations:

Private Placement Debt and Other Loan Reporting	Annual Fee <sup>(1)</sup>
2022 Lease Financing	\$750
<b>Total Annual Fee</b>	<b>\$ 750</b>

1) *In the event that the purchasing bank requests additional information beyond what is outlined in the scope of work, this fee will increase commensurate with the additional work required to provide such information.*

Future Obligations

In the event that the District issues additional privately placed debt or other loans that require periodic reporting, the annual fee will be commensurate with the amount of work required.

**Task 2 - Grand Total Annual Fee** - The initial combined annual fee for the services outlined in Task 2 will be **\$1,250\***.

Grand Total – Task 2	Projected On-going Annual Fee*
Subtask A: CDIAC Annual Debt Transparency Reporting	\$500
Subtask B: Marks-Roos CDIAC Yearly Fiscal Status Reporting	\$0
Subtask C: Private Placement Debt and Other Loan Reporting	\$750
<b>Grand Total Annual Fee</b>	<b>\$1,250</b>

\* *As prior obligations mature or new debt is issued, the Scope of Services and annual budget for services will change in accordance with the fees outlined above.*

**Out-of-Pocket Expenses** – No expenses will be passed along to the District without prior authorization. Expenses will be limited to third-party contractor work and data purchases required to secure specific

information required to complete the respective reports. Data costs will be passed on to the District with no additional markup.