



KENSINGTON FIRE PROTECTION DISTRICT

DATE: October 13, 2021

TO: Board of Directors
Kensington Fire Protection District

RE: **Agenda Item 5a**
NHA Municipal Advisors Presentation

SUBMITTED BY: Bill Hansell, General Manager

Background

In my General Manager's Report of September 8, 2021, I noted the progress made on referrals and interviews for the services of a Municipal Advisor, who could both analyze and advise the District on a long-term financial strategy, as well as study the best way to utilize the District's reserves for the Public Safety Building renovation project and other capital intensive projects. Three firms responded to the RFP and were interviewed. I consulted with Director Kosel and President Nagel on the results of the discussions, and am happy to report that NHA Advisors was selected.

Eric Scriven and Craig Hill of NHA were introduced at the October 1, 2021 Finance Committee Meeting and discussed their approach to the work. They received questions and comments from the committee, and have provided the attached document which they will present at the October 13, 2021 Board of Directors Meeting. As stated at the Finance Committee Meeting, the hope is to receive feedback on their proposed scope of work, which they will then use to come back with an initial analysis at the November Board Meeting. Subsequent presentations will follow into 2022.

The timing of their engagement coincides with the Schematic Design construction cost update of the renovation project, and will be essential as we proceed through more advance Design Development and Construction Document phases over the next few months. As the drawings progress, the cost estimates will be revised and NHA will be able to adjust their recommendations accordingly. Since public bids on both the renovation project and the temporary facilities project will not be available until next year, NHA will remain engaged as we see what the actual market conditions present and when cash flow will be directed to the building work. NHA is familiar with our Grant Writer, Sudi Shoja of Engineering Solutions Services, so I will facilitate their coordination as we find out more about grant opportunities and potential awards.

Please note that, although the renovation project requires focus given its scale and planning, I have asked NHA to consider all of the District's financial needs and aspirations in a long-term strategy. Those include staffing and regular operations projections, as well as potential emergency preparedness initiatives. These will need to be further detailed and discussed with the Board as NHA moves forward. While the attached presentation focuses on the building, there is certainly an even larger picture that needs to be assessed.

KENSINGTON FIRE PROTECTION DISTRICT

FACILITIES FUNDING KICK OFF DISCUSSION



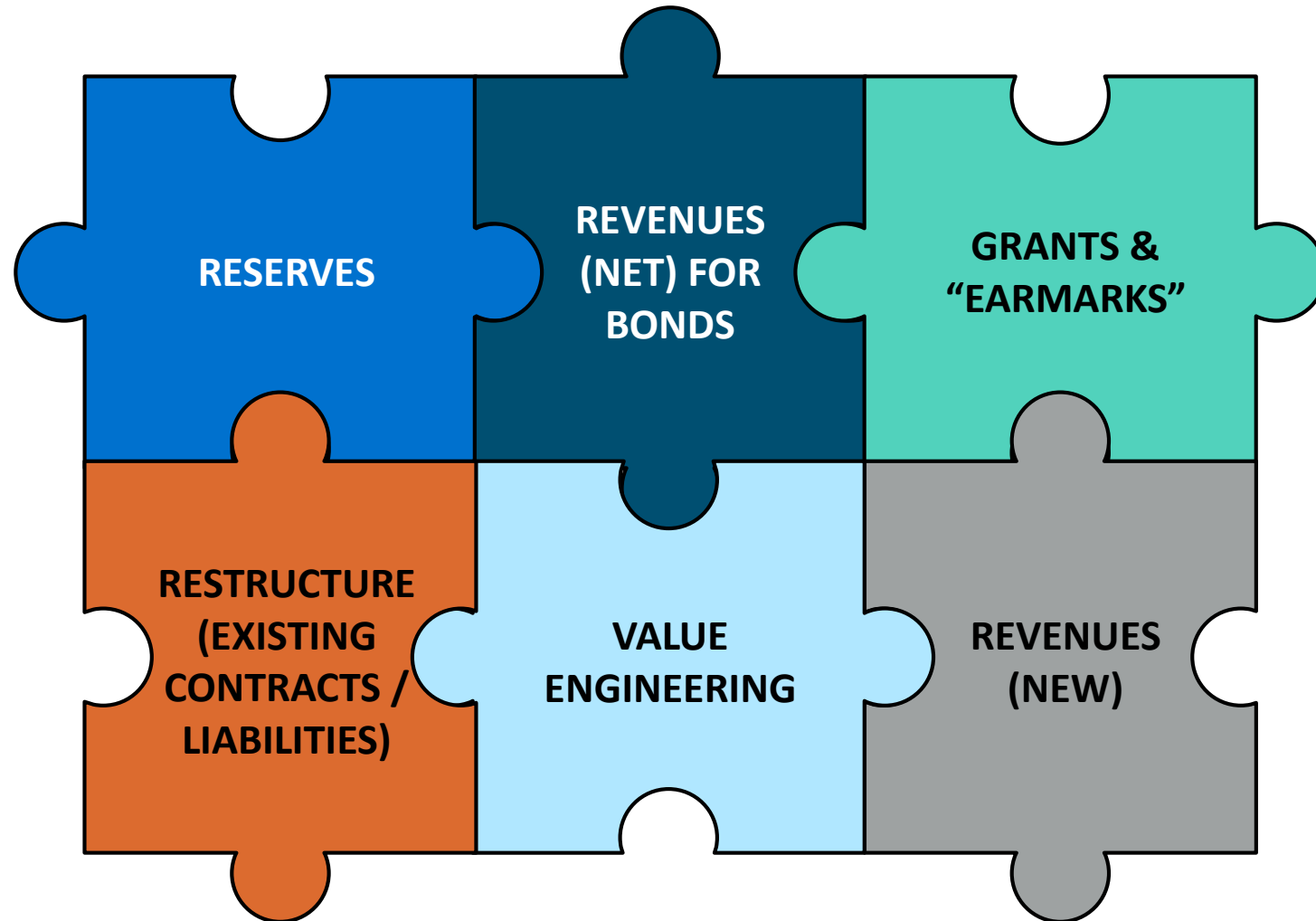
NHA | ADVISORS
Financial & Policy Strategies.
Delivered.

District Objectives

- ▶ Existing District facility requires immediate replacement
 - ▶ Earthquake fault beneath seismically deficient building
 - ▶ Antiquated facility (size, function)
 - ▶ All feasible funding sources must be identified and pursued
 - ▶ Operational and financial management must remain prudent, adaptive and resilient
- ▶ Financial Advisor engaged to assist it with funding strategies
 - ▶ Advise, Present Options and Implement Solution



Funding Sources

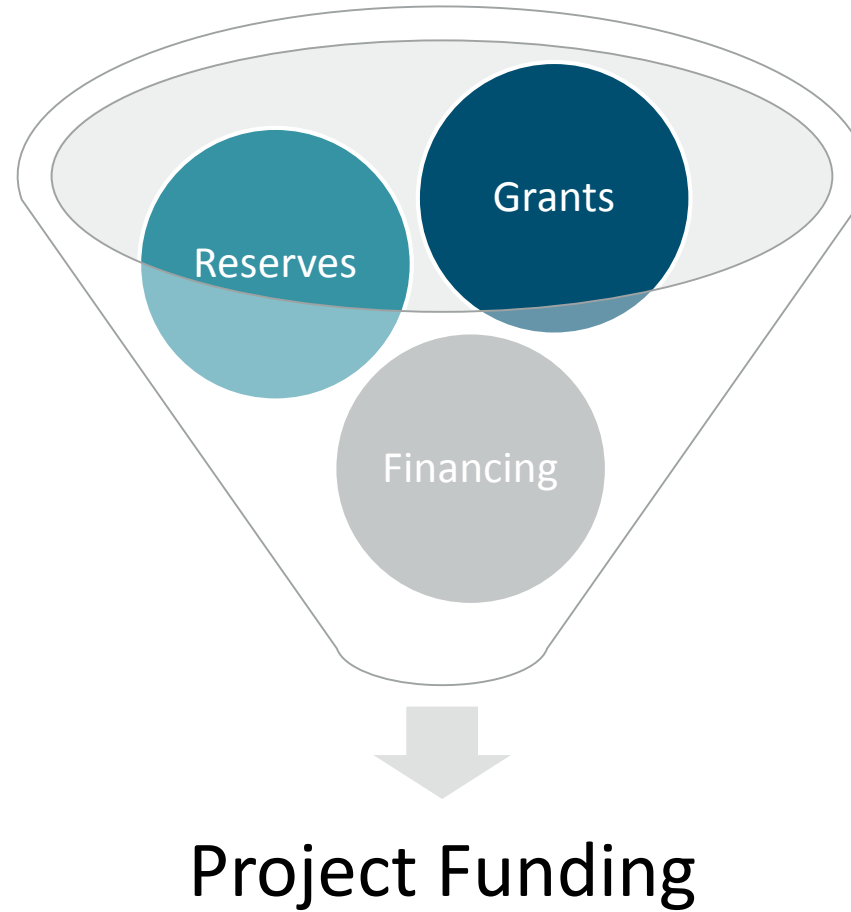


Project Funding Resources

- ▶ Reserves of \$9.5M (excludes CERBT)
 - ▶ El Cerrito Contract reserve of \$3M
 - ▶ \$6.5M Operating Reserve
- ▶ Net Revenues: \$730K
 - ▶ \$4.67M total revenues (property taxes, parcel tax, interest earnings and miscellaneous)
 - ▶ \$3.944M total expenditures (El Cerrito Contract, administration and capital outlays)
- ▶ Potential Grant funds (grant writer engaged)



Sources of Project Funding



Basic Trade-Offs



Grants

- Free money!
- Long approval process
- Uncertainty of award

Reserves

- Lower cash flow requirement (no debt service)
- Reduced liquidity

Financing

- Protects reserves (maintain cash balances)
- Historically low interest rates
- Transaction costs
- Bond interest payments



Summary of Financing Scenarios

Annual Debt Service	\$200,000		\$300,000		\$400,000	
Amortization Period	20-Year	30-Year	20-Year	30-Year	20-Year	30-Year
Interest Rate	2.5%	3%	2.5%	3%	2.5%	3%
Total Debt Service	\$3,725,000	\$5,665,000	\$5,590,000	\$8,540,000	\$7,495,000	\$11,425,000
Project Fund	\$2,630,000	\$3,385,000	\$4,050,000	\$5,205,000	\$5,495,000	\$7,030,000

- ▶ All scenarios assume 18 months of capitalized interest



Typical Financing Process



2022 Project & Funding Schedule Integration

January:

- Temporary Facility Design/Build Bid Out

Early February:

- Temporary Facility Bid Opening

Mid-February:

- Board Meeting to
 - Award Bid
 - Financing Plan Presentation
 - Approval of Reimbursement Resolution (if necessary)

April:

- Begin Temporary Facility Construction

June:

- Begin Bond Financing Process

July:

- Board Approval of Financing



August:

- Temporary Facility Complete
- Begin Relocation
- Lock Financing Terms

September:

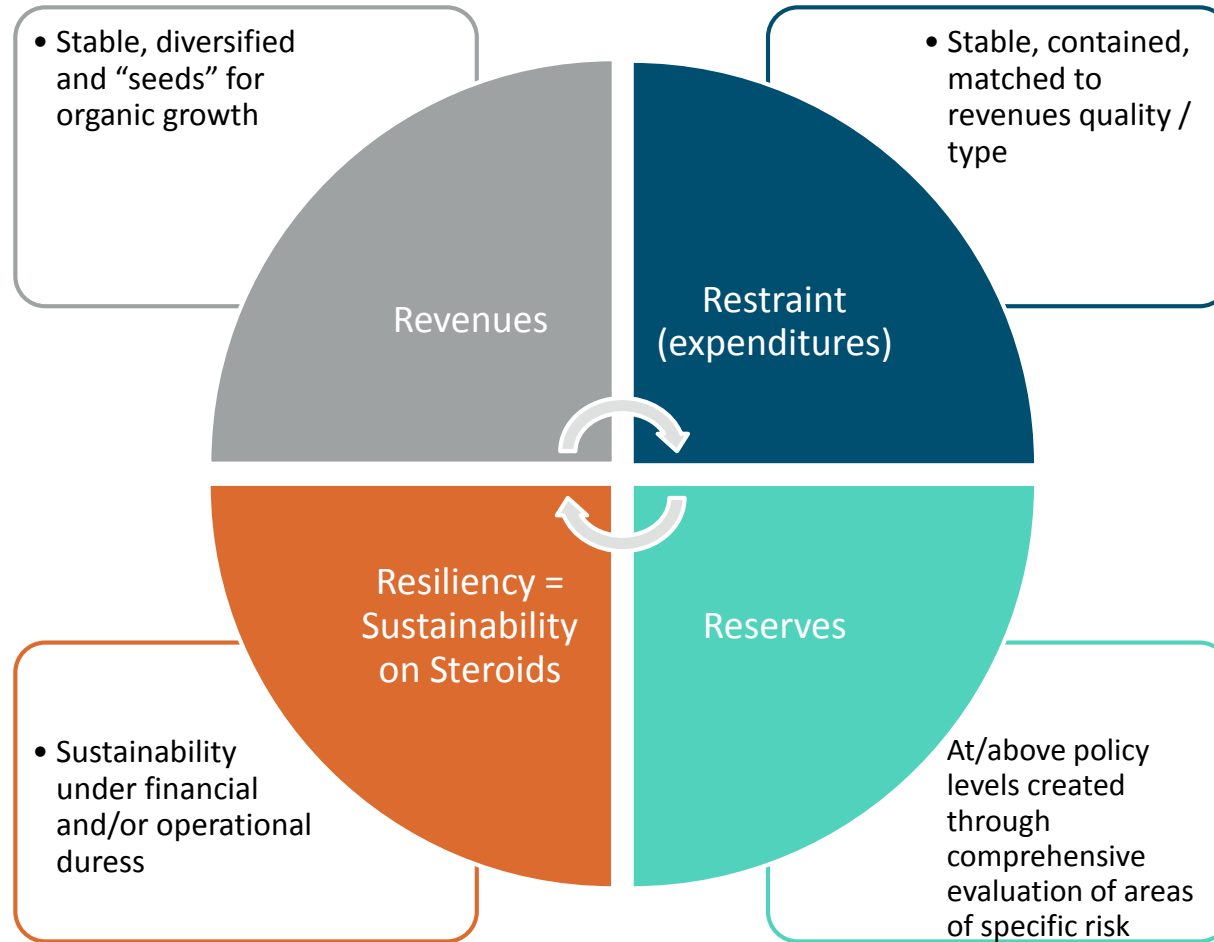
- Relocation Complete
- Start Renovation Project Construction
- Fund Project





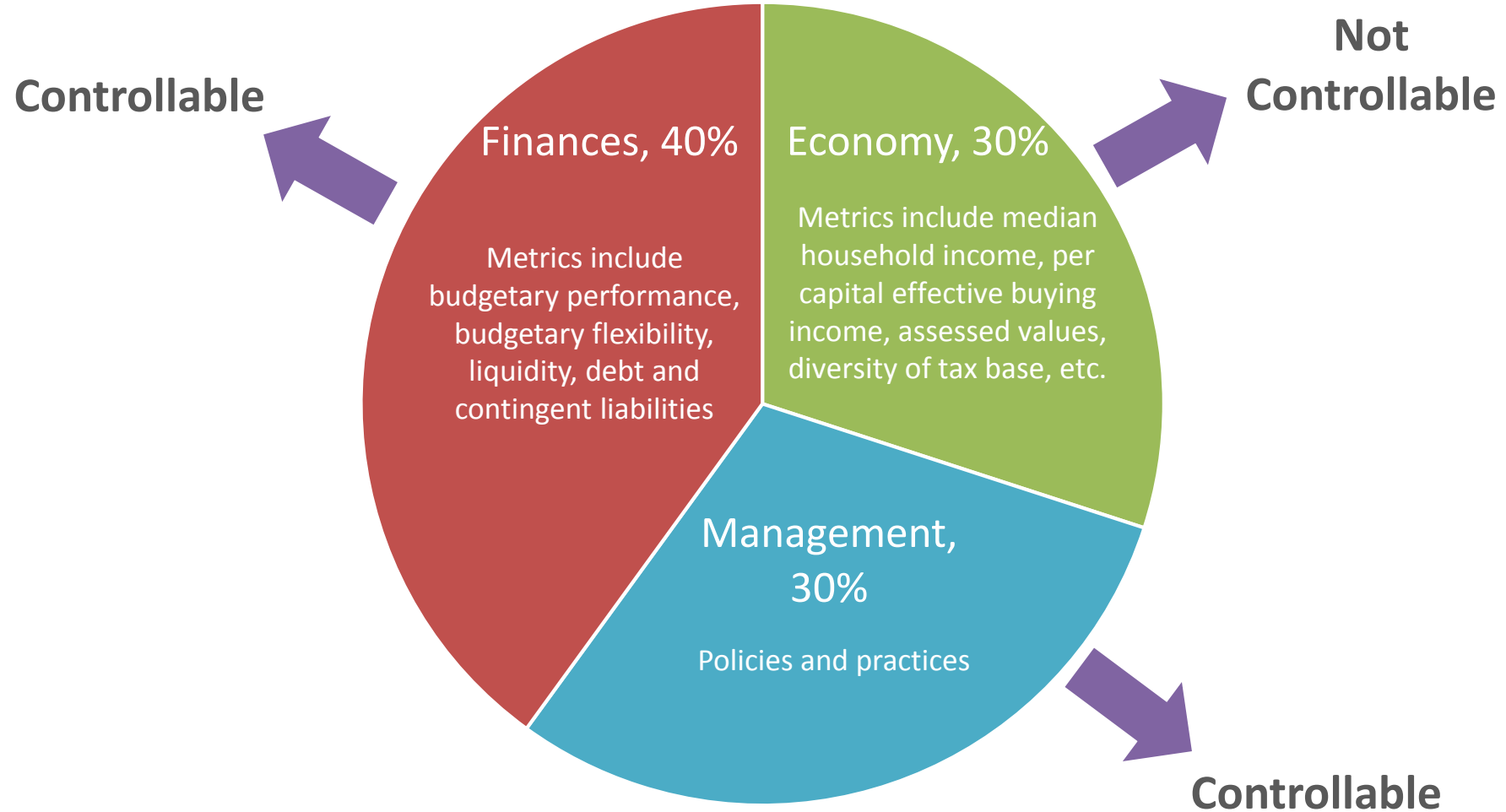
I. KEY CONSIDERATION: FISCAL SUSTAINABILITY & RESILIENCY

Fiscal Sustainability – Core Components



Credit Rating (S&P) Viewpoint on “Weighting” the Metrics

Core Metrics of Fiscal Sustainability



Credit Rating (S&P) Scorecard - EXAMPLE

Example Rating Scorecard			Score Definition		Factor Score Weighted Avg	Indicative Rating
Key Rating Factors	Weight	Score				
Economy	30%	2.50	1	Very Strong	1.00-1.64	AAA
Management	20%	2.00	2	Strong	1.65-1.94	AA+
Institutional Framework	10%	2.00	3	Adequate	1.95-2.34	AA
Liquidity	10%	1.00	4	Weak	2.35-2.84	AA-
Budgetary Performance	10%	3.00	5	Very Weak	2.85-3.24	A+
Budgetary Flexibility	10%	1.00			3.25-3.64	A
Debt & Contingent Liabilities	10%	4.00			3.65-3.94	A-
Estimated Score		2.25			3.95-4.24	BBB+
					4.25-4.54	BBB+
					4.55-4.74	BBB-



Fiscal Sustainability – One Final Thought

- ▶ Fiscal Sustainability & Resiliency are largely controllable outcomes through thoughtful and disciplined leadership and management

Mission Critical agencies', such as fire districts, fiscal sustainability and resiliency is of utmost importance to a wide range of stakeholders—residents, visitors, property owners, business owners, investors, developers





II. INTRODUCTION TO NHA ADVISORS: “THE WHO, WHAT/WHERE & HOW”

Assigned NHA Team



Rob Schmidt

Vice President

*Serving public agencies since
2004*

- ▶ Co-founder of NHA
- ▶ Experienced Generalist
- ▶ Cities & Special Districts Focus
- ▶ Utility & Land-Secured Expertise
- ▶ Manages Continuing Disclosure Compliance Group
- ▶ B.A. Economics and Specialization in Computing (UCLA)
- ▶ Series 50 License



Eric Scriven

Principal

*Serving public agencies since
1990*

- ▶ Experienced Generalist
- ▶ Advisor & Fiduciary Ethos
- ▶ Cities and Special Districts
- ▶ Previous Underwriting Experience (15 Years)
- ▶ Revenue and Tax Backed
- ▶ Specialist in Pension, Utility, Energy, RDA and Land-Secured Projects
- ▶ Strengths: Educator, Translator, Project Manager, Client Advocacy
- ▶ MBA, Haas School of Business; B.S. Urban Land Economics and Finance (both UC Berkeley)
- ▶ Series 50 & 54 Licenses



Craig Hill

Managing Principal

*Serving public agencies since
1989*

- ▶ Co-founder of NHA
- ▶ Experienced Generalist
- ▶ 29 years as Financial Advisor
- ▶ Public Policy/Community Outreach/Revenue Measures Expertise
- ▶ CFD, DDA, OPA Negotiations
- ▶ Renewable Energy Financing Expert
- ▶ Frequent Speaker/ Published - CSMFO, LOC, CDIAC, CMTA, MMANC, and NGOs
- ▶ B.S. Managerial and B.S. Agricultural Economics (UC Davis)
- ▶ Series 50 License



What We Do and Where We Work

8 Practice Groups that Serve our Clients



Infrastructure & Facilities



Utilities



Economic Development & P3



Energy & Climate Change



Pension & Fiscal Sustainability



Continuing Disclosure Compliance

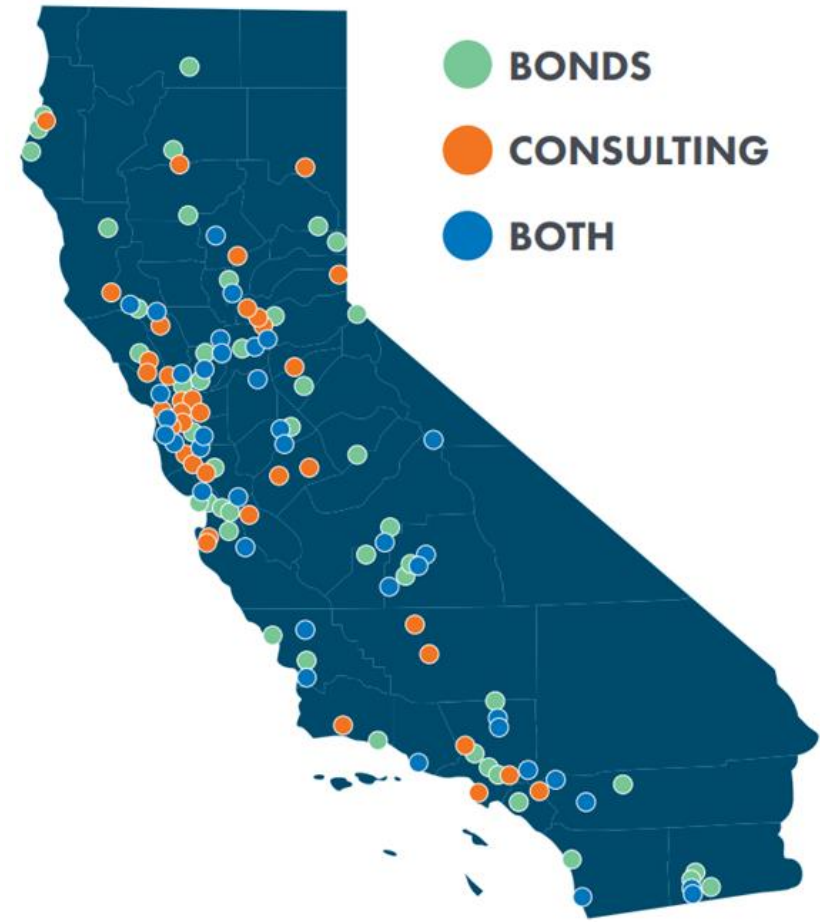


Policy Development

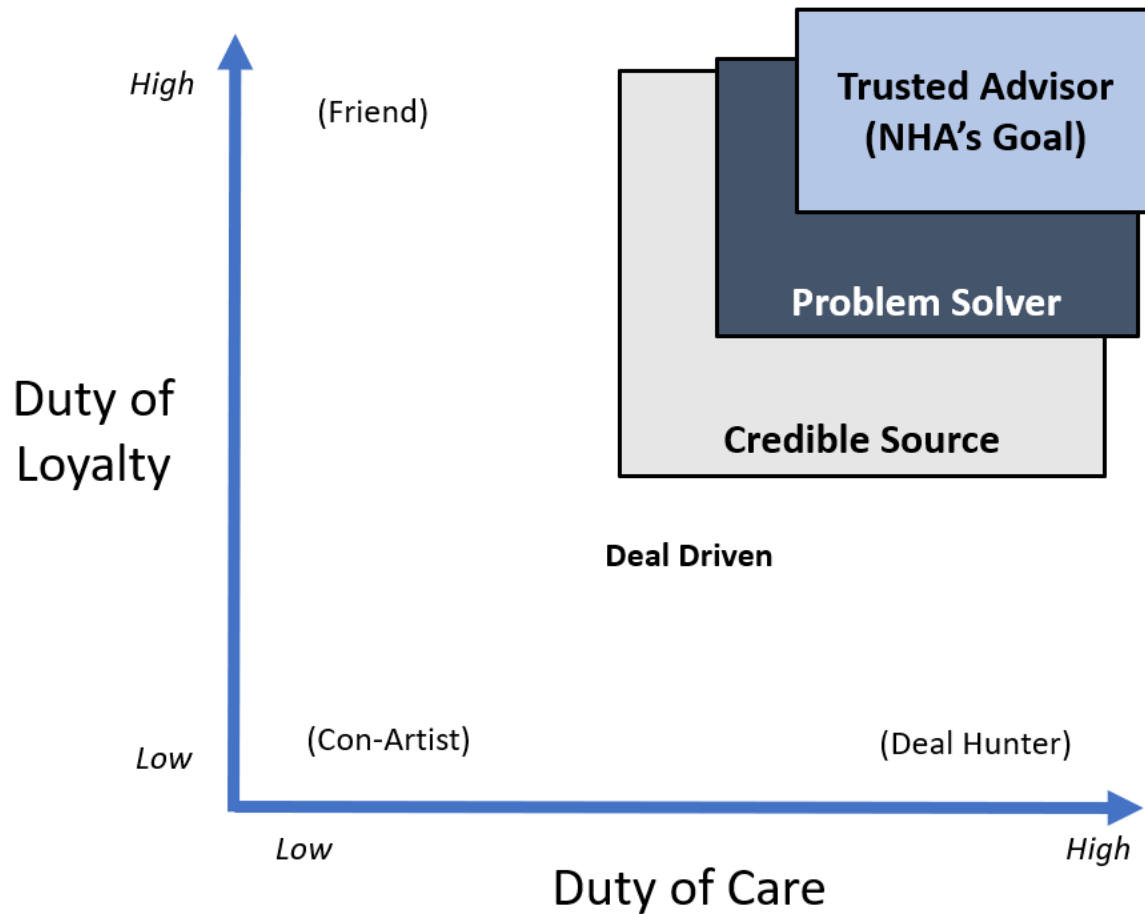


Voter Approved Revenue Measures

NHA Clients Served



How - The “NHA Way” Fiduciary-First Approach



Fiduciary Focused

- Fact-based, explores ALL options, including “no deal”
- Robust discussion of risks & pro/con
- Unbiased compensation structure preference
- Comprehensive, holistic, policy driven process

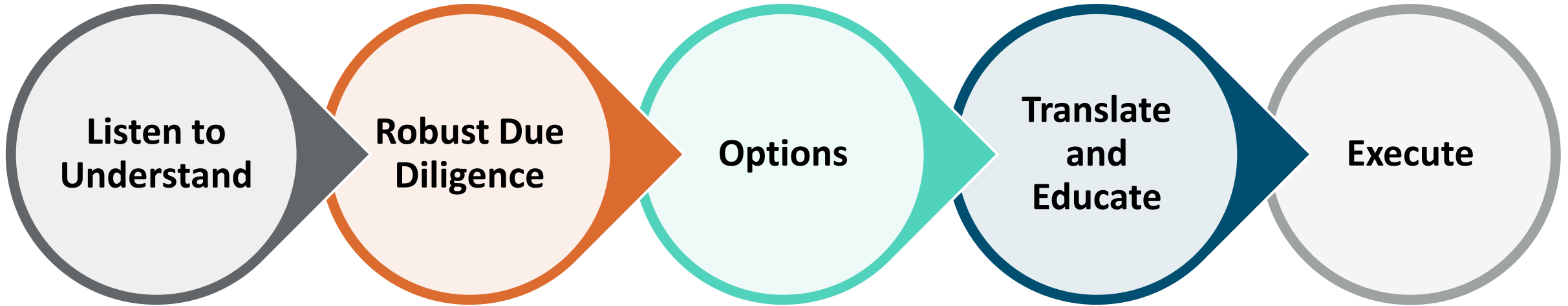
Deal Focused

- Unsolicited opinions and one recommendation
- Gloss over or dismiss risks
- Compensation structure promotes transactions
- Focus upon transactional savings / results of deal



How - The “NHA Way”

A Method to Secure the Right Results



- Clarity as to our clients’ goals, opportunities and constraints is a necessary starting point

- Combining our decades of experience and expertise with extensive due diligence effort ensures that a multi-faceted solution set is being investigated for client consideration

- Development and presentation of the most comprehensive set of alternatives is a hallmark of the NHA Way. As a fiduciary, sometimes our duty to client entails advising that “the best deal is no deal.”

- Distilling complexity into simplicity. Honest discussions of the pros/cons and risks of alternatives. Ensuring client decision-makers have their own clarity to make the best decisions for their public agency and its stakeholders.

- Client decides and then client directs staff and NHA to implement. As client’s “go-to” representative and Quarterback to secure most effective, efficient effort is undertaken to ensure client’s interests are served and objectives are met.



Questions?

NHA | ADVISORS

Rob Schmidt, Vice President

- 415.785.2025 x2006
- Rob@NHAadvisors.com

Eric Scriven, Principal

- 415.785.2025 x2003
- Eric@NHAadvisors.com

Craig Hill, Managing Principal

- 415.785.2025 x2001
- Craig@NHAadvisors.com



Regulatory Disclosures

NHA Advisors, LLC is registered as a Municipal Advisor with the SEC and Municipal Securities Rulemaking Board (“MSRB”). As such, NHA Advisors, LLC has a Fiduciary duty to the public agency and must provide both a Duty of Care and a Duty of Loyalty that entails 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 public agency with informed advice;
- c) make a reasonable inquiry as to the facts that are relevant to the public agency’s determination as to whether to proceed with a course of action or that form the basis for any advice provided to the public agency; and
- d) undertake a reasonable investigation to determine that NHA Advisors, LLC is not forming any recommendation on materially inaccurate or incomplete information; NHA Advisors, LLC must have a reasonable basis for:
 - i. any advice provided to or on behalf of the public agency;
 - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the public agency, any other party involved in the municipal securities transaction or municipal financial product, or investors in the public agency securities; and
 - iii. any information provided to the public agency or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

Duty of Loyalty

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

