

# KENSINGTON FIRE PROTECTION DISTRICT

*FACILITIES FUNDING KICK OFF DISCUSSION*



**NHA | ADVISORS**  
Financial & Policy Strategies.  
Delivered.

October 1, 2021

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# **I. INTRODUCTION TO NHA ADVISORS: “THE WHO, WHAT/WHERE & HOWS”**

# Who is NHA Advisors?

## 9 Registered Municipal Advisors Dedicated to Clients



**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*

- ▶ Experienced Generalist
- ▶ 29 years - 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



**Leslie Bloom**

### Vice President

*Serving public agencies since 2007*

- ▶ Experienced Generalist
- ▶ Previous Underwriting Experience (14 Years)
- ▶ Project management and credit analysis expertise
- ▶ Board Member Women in Public Finance, San Diego
- ▶ Active with CSMFO and California Society of Municipal Analysts
- ▶ B.S. Accounting and Finance (University of Arizona)
- ▶ Series 50 License



**Mike Meyer**

### Vice President

*Serving public agencies since 2003*

- ▶ Experienced Generalist
- ▶ Previous Underwriting Experience (8 Years)
- ▶ 200+ bond transactions completed for cities for all project/credit types
- ▶ Manages NHA Pension Consulting Group; > 60 CalPERS agencies served
- ▶ POB Expert; 15 Recent UAL Restructurings for \$1.7 billion in par amount; 8 more in progress
- ▶ B.S. Management Science (UC San Diego)
- ▶ Series 50 License



**Christian Sprunger**

### Assistant VP

*Serving public agencies since 2016*

- ▶ Experienced Generalist
- ▶ Project management and deal support on over 100 financings, \$2.2B in par
- ▶ Enterprise Fund cashflow and coverage modeling
- ▶ General Fund financial forecasting and fiscal fitness analysis
- ▶ Credit Analysis and Rating Presentation Preparation
- ▶ M.S. Finance (Indiana University) and B.S. in Biological Sciences (Biola University)
- ▶ Series 50 License



**Roy Kim**

### Associate

*Serving public agencies since 2018*

- ▶ Project management and deal support on financings totaling over \$2.0B in par
- ▶ Utility, General Fund, Tax Allocation Experience
- ▶ Pension Restructuring and Stress Testing Expertise
- ▶ Credit Analysis and Rating Presentation Preparation
- ▶ M.S. Finance (Johns Hopkins Carey Business School) and B.A. Global Studies (UC Santa Barbara)
- ▶ 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

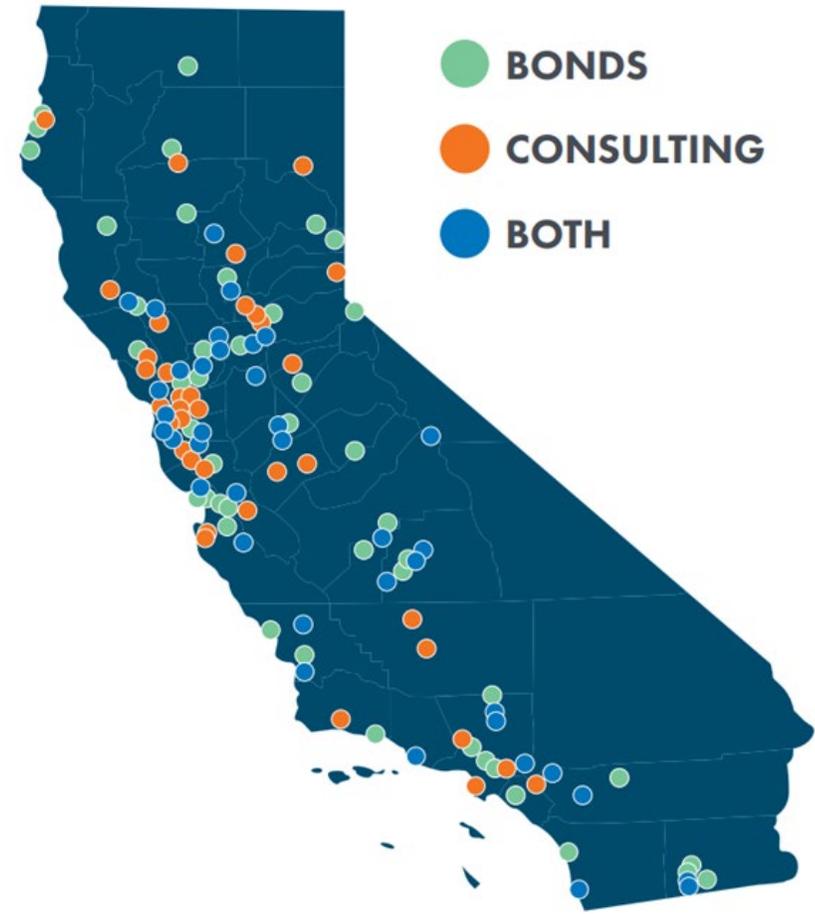


Policy Development

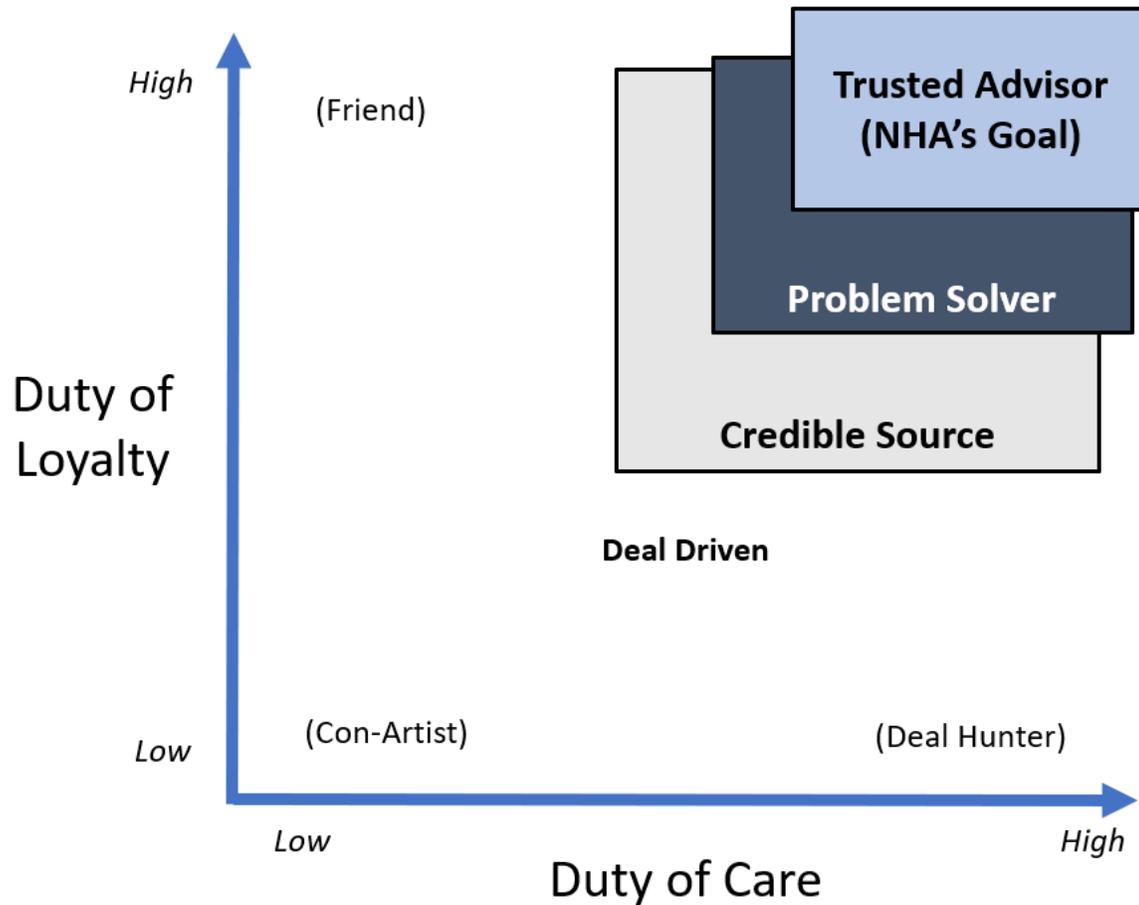


Voter Approved Revenue Measures

### 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

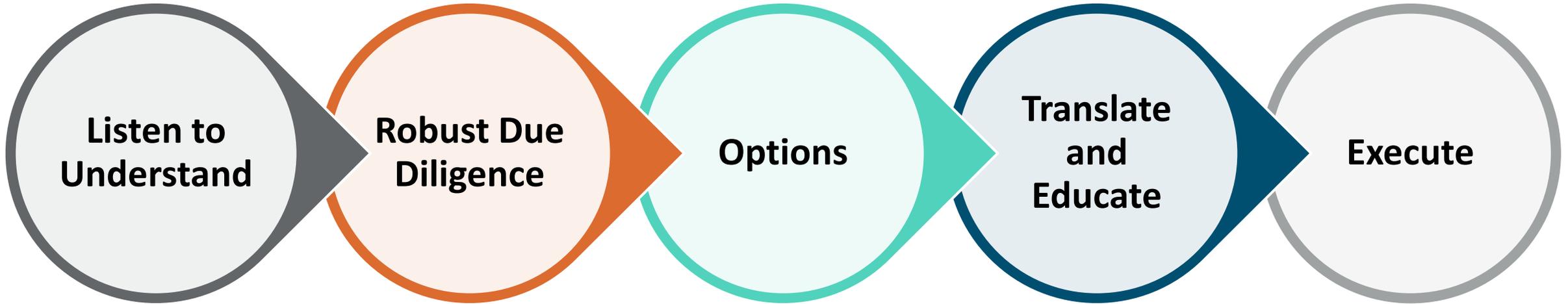
Focus upon transactional savings / results of deal



# How - The “NHA Way”

## A Method to Secure the Right Results

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- 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.”

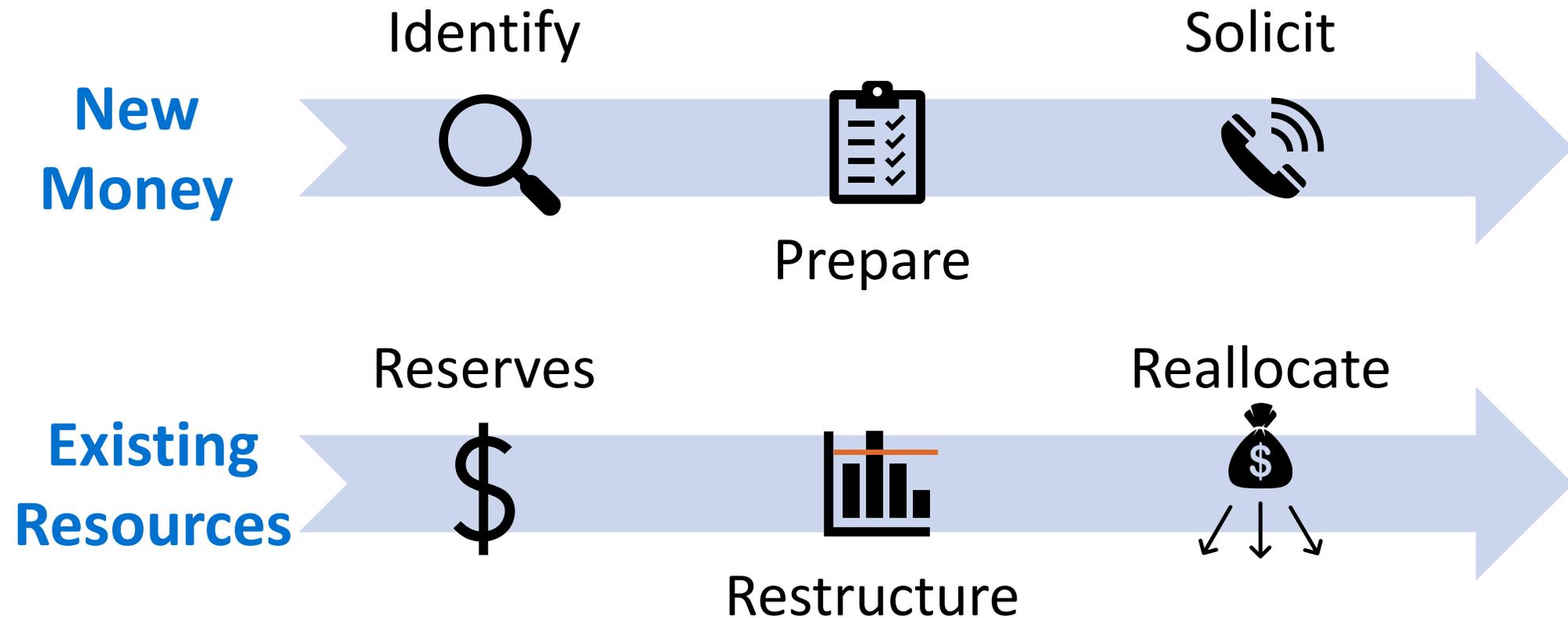
- Distilling complexity into simplicity. Honest discussions of the pros/cons and risks of alternatives. Ensuring client decision-makers have their own clarity to make the best decisions for their public agency and its stakeholders.

- 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.



# NHA Vision Executed

- ▶ **NHA's core value add:** Creative and Comprehensive management of capital stack for project financing





## II. DEFINING THE “PROBLEM” TO BE SOLVED

# District Objectives

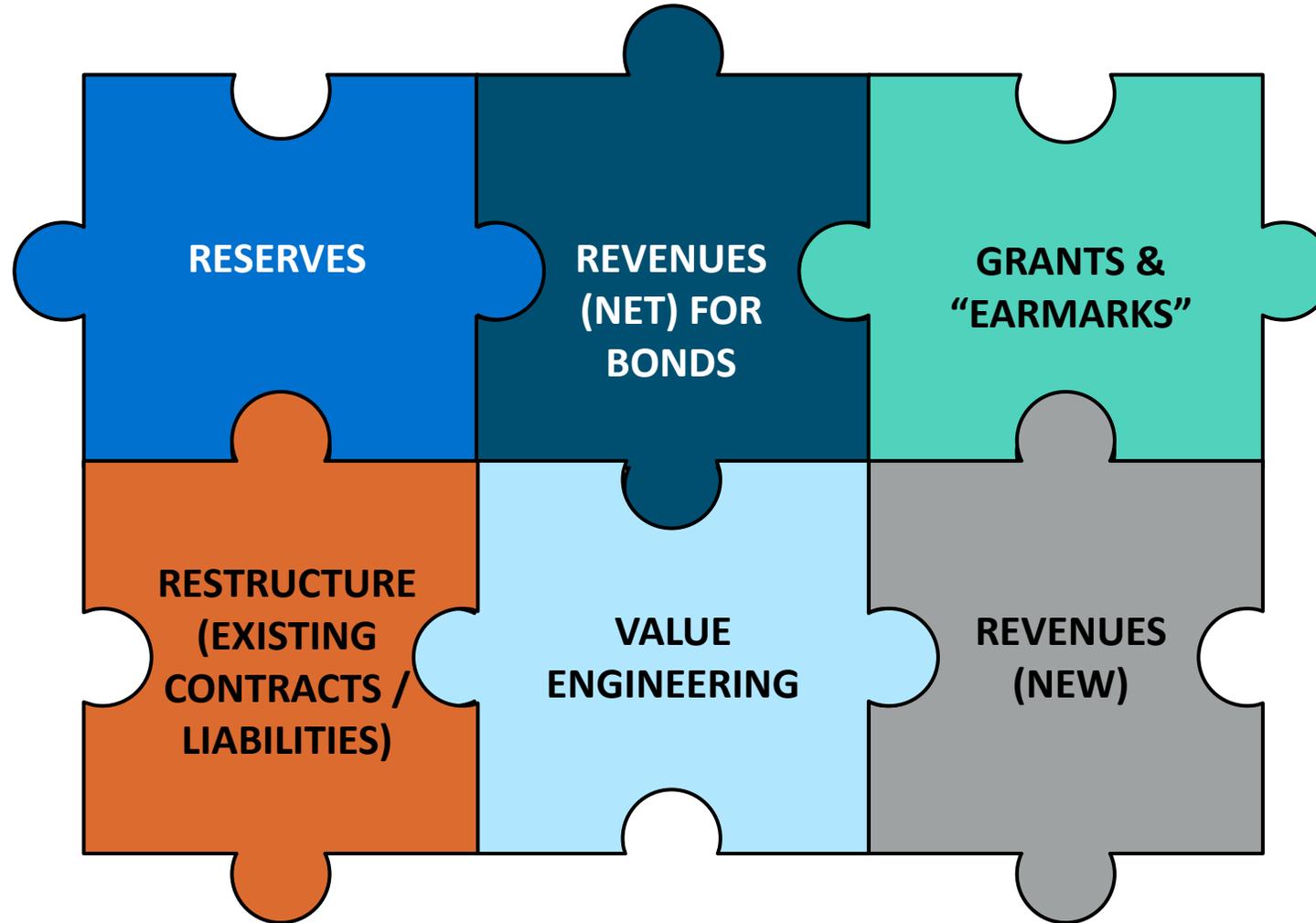
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- ▶ Existing District facility requires immediate replacement
  - ▶ Earthquake fault beneath seismically deficient building
  - ▶ Antiquated facility (size, function)
  - ▶ All feasible funding sources must be identified and pursued
  - ▶ Operational and financial management must remain prudent, adaptive and resilient
- ▶ District requires Financial Advisor to assist it in meeting Core Objectives
  - ▶ Advise, Present Options and Implement District selected Plan of Finance for proposed facility needs (~\$5.5M)



# Funding Sources

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## Project Funding Resources

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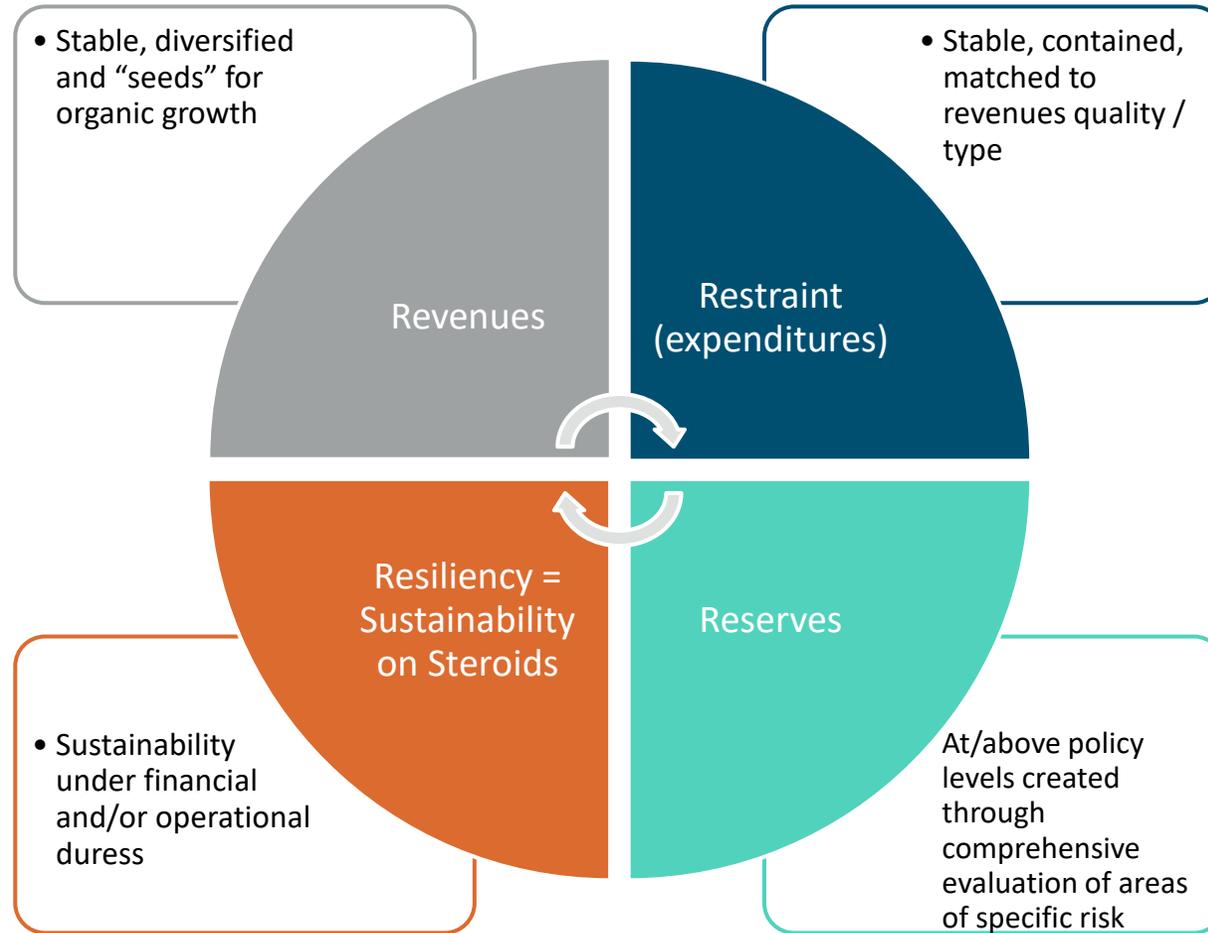
- ▶ Reserves of \$9.5M (excludes CERBT); consists of El Cerrito Contract reserve of \$3M and \$6.5M Operating Reserve
- ▶ Net Revenues: \$730,000
  - ▶ \$4.67M total property taxes, parcel tax, interest earnings and miscellaneous
  - ▶ Less \$3.944 total expenditures consisting of El Cerrito Contract, administration and capital outlays
- ▶ Grant writer has been retained





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



## Fiscal Sustainability – One Final Thought

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- ▶ 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**



# Basic Trade-Offs

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Use Bonds: Maintain cash balances; Preserve future financial liquidity; Transaction costs, reduced cash flow (financial / operational flexibility)



Use Reserves: Retain cash flow and financial flexibility; Reduced liquidity and resiliency





# **IV. SUMMARY OF ASSUMPTIONS & BONDING RESULTS**

# Bond Assumptions & Summary of Results

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- ▶ **Lease Revenue Bond utilizing New Facility as Leased Asset Security**
  - ▶ Strong Credit Rating Interest Rates (2.50%) utilized
  - ▶ 30 Year Maturity of Bonds
  - ▶ Level Payments
  - ▶ Per IRS rules, \$0 Lease Payments (utilizing Pre-Funded Interest in transaction) between funding date and Occupancy (assume 18 months)
  - ▶ \$3M, \$5M & \$7M Project Funding Options
- ▶ **Annual Lease Payments range from \$165,000 to \$365,000**



# Comparison of Results

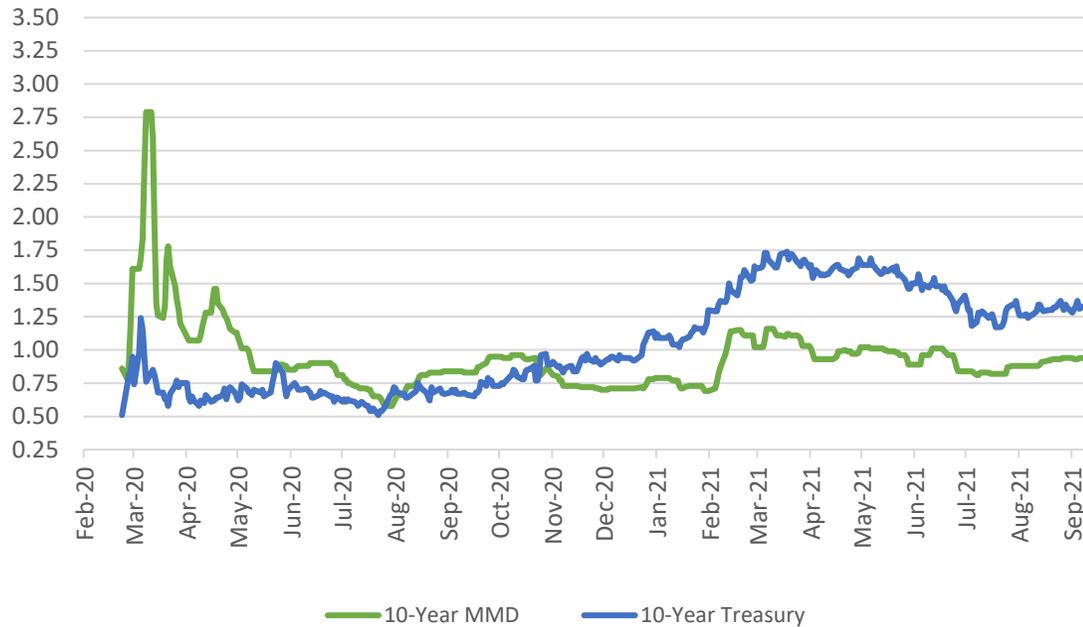
- ▶ Range of Bond options shown account for a potential “gap” between the following range of uses and sources:
  - ▶ Facility Cost: \$5.5M to \$10.0M
  - ▶ Other uses: ?
  - ▶ Prudent Use of Reserves
    - ▶ Operations Reserve
    - ▶ Contract Reserve would require discussion with City & Board Policy discussion
  - ▶ Possible Grant Funding

Date	\$3M	\$5M	\$7M
	Net New D/S	Net New D/S	Net New D/S
04/01/2022	-	-	-
04/01/2023	-	-	-
04/01/2024	121,812.50	197,937.50	274,000.00
04/01/2025	161,625.00	267,625.00	368,500.00
04/01/2026	164,625.00	264,250.00	368,875.00
04/01/2027	162,500.00	265,875.00	369,125.00
04/01/2028	165,375.00	267,375.00	369,250.00
04/01/2029	163,125.00	263,750.00	369,250.00
04/01/2030	165,875.00	265,125.00	369,125.00
04/01/2031	163,500.00	266,375.00	368,875.00
04/01/2032	161,125.00	267,500.00	368,500.00
04/01/2033	163,750.00	263,500.00	368,000.00
04/01/2034	161,250.00	264,500.00	367,375.00
04/01/2035	163,750.00	265,375.00	366,625.00
04/01/2036	161,125.00	266,125.00	365,750.00
04/01/2037	163,500.00	266,750.00	364,750.00
04/01/2038	165,750.00	267,250.00	368,625.00
04/01/2039	162,875.00	267,625.00	367,250.00
04/01/2040	165,000.00	267,875.00	365,750.00
04/01/2041	162,000.00	263,000.00	369,125.00
04/01/2042	164,000.00	263,125.00	367,250.00
04/01/2043	165,875.00	263,125.00	365,250.00
04/01/2044	162,625.00	263,000.00	368,125.00
04/01/2045	164,375.00	267,750.00	365,750.00
04/01/2046	166,000.00	267,250.00	368,250.00
04/01/2047	162,500.00	266,625.00	365,500.00
04/01/2048	164,000.00	265,875.00	367,625.00
04/01/2049	165,375.00	265,000.00	364,500.00
04/01/2050	161,625.00	264,000.00	366,250.00
04/01/2051	162,875.00	267,875.00	367,750.00
04/01/2052	164,000.00	266,500.00	369,000.00
<b>Total</b>	<b>\$4,701,812.50</b>	<b>\$7,637,937.50</b>	<b>\$10,564,000.00</b>



# Market Trends

10-Year MMD & Treasury Spot Rates



30-Year MMD & Treasury Spot Rates



# Questions?

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## NHA | ADVISORS

Craig Hill, Managing Principal

415.785.2025 x2001

[Craig@NHAadvisors.com](mailto:Craig@NHAadvisors.com)

Eric Scriven, Principal

415.785.2025 x2003

[Eric@NHAadvisors.com](mailto:Eric@NHAadvisors.com)



# Regulatory Disclosures

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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.

