

CITY OF SEBASTOPOL
CITY COUNCIL
AGENDA ITEM

Meeting Date: May 3, 2022
To: Honorable Mayor and Honorable City Council Members
From: Ana Kwong – Administrative Services Director
Subject: Approval Of A Professional Services Agreement With NHA|Advisors for Financial Advisory Services
Recommendation: By Resolution, authorize the City Manager to execute a contract with NHA|Advisors for Municipal Financial Advisory services.
Funding: Currently Budgeted: Yes No N/A
Net General Fund Cost: \$27,600

Account Code 100-14-01-4210 /Costs \$27,600 authorized in City Approved Budget (if applicable) AK (verified by Administrative Services Department)

INTRODUCTION:

This item is to request the City Council approve a Professional Services Agreement with NHA|Advisors for Municipal Financial Advisory services; and authorize the City Manager to execute the agreement.

BACKGROUND:

In September 2021, the City issued a Request for Proposal (RFP) combining the Financial Advisory Services and Capital Assets Replacement & Management Program. The City did not receive any responses to this first RPP due to the scope of work was too broad. Staff then brought an item back to the City Council at the October 19, 2021 meeting to discuss the result of no response and proposed an amendment to the scope of work. Staff recommended the following options:

1. Postpone this study and re-evaluate in FY22-23 as the City has limited resources/manpower to manage multiple projects
2. Redefine the scope of work to be less broad on a scaled down version such as:
 - a. Capital Assets Replacement Program Study only; or
 - b. Financial Advisor/Revenue Enhance Strategies Study only
3. Create ad hoc committee with specific tasks to create and redefine request for proposal and return to Council for review/approval at a future date.

The City Council chose option#2 and directed staff to issue two separate RFPs. The City issued two separate RFPs for Municipal Advisory Services and Capital Assets Management in February 2022. For the municipal financial advisory service, the City received responsive proposals from two well-qualified firms: NHA Advisors (NHA) and Fieldman Rolap and Associates (Feldman). No response was received for Capital Assets Replacement and Management Program.

DISCUSSION:

City staff relies on the specialized expertise and resources of financial advisors to provide creativity, expert knowledge, increased efficiency and cost savings for numerous financial and operational projects. The financial advisor would also assisting City staff, Budget Committee and stakeholders in evaluating revenue enhancement opportunities and providing a high degree of specialized expertise, skills and knowledge that is not available from City staff. The writing of this staff report documents the evaluation and scoring of the two proposals and forms the bases for the recommendation to contract NHA|Advisors.

Analysis:

NHA|Advisors has a large team of qualified advisors with relevant recent experience that would bring a dynamic blend of technical and practical approaches to the public financial management with sound methodology and an approach that includes extensive engagement to communicate and educate stakeholders. Financial advisory fees and expenses related to this service are outlined in their proposal (attached). In the event the advisory fees for work outside of the specific scope of work and other engagements that are not related to their identify scope of work will be brought to the Council for approval on an as needed basis.

GOALS:

Goal 1 – Maintain the long term financial stability and sustainability of the City of Sebastopol and Operate City government in a fiscal responsible and responsive manner.

PUBLIC COMMENT:

As of the writing of this staff report, the City has not received any public comment. However, public comment from interested parties following the publication and distribution of this staff report will be provided to the City Council as supplemental materials before or at the meeting. In addition, a consent calendar item may be requested to be removed from the consent calendar if a member of the Council or public requests to provide public comment on this item.

PUBLIC NOTICE:

This item was noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to schedule meeting date.

FISCAL IMPACT:

No additional fiscal impact is incurred from the approval of the Professional Service Agreement for financial advisory services as the adopted budget for 21-22 has adequate funding to cover this service cost.

RECOMMENDATION:

By Resolution, authorize the City Manager to execute a contract with NHA|Advisors for Municipal Financial Advisory services.

ATTACHMENT:

NHA|Advisors Proposal

FEBRUARY 28,
2022

CITY OF SEBASTOPOL
ADMINISTRATIVE SERVICES (FINANCE) DEPARTMENT

REQUEST FOR PROPOSALS
FOR
MUNICIPAL FINANCIAL ADVISORY SERVICES



By

NHA | ADVISORS
Financial & Policy Strategies.
Delivered.

February 28, 2022

Ana Kwong
Administrative Services Director
City of Sebastopol
7120 Bodega Ave
Sebastopol, CA 95472

RE: City of Sebastopol Request for Proposals for Municipal Financial Advisory Services

Dear Ms. Kwong:

NHA Advisors, LLC (“NHA”) is pleased to provide our proposal to the request for proposals providing municipal advisory services to the City of Sebastopol (the “City”). For over 10 years NHA has refined the education and quantitative analysis services necessary to develop comprehensive funding solutions for California public agencies.

For the City’s project, NHA proposes to put forth an experienced and deep team, consisting of Craig Hill (Managing Principal), Eric Scriven (Principal), Mike Meyer (Vice President), Leslie Bloom (Vice President), Christian Sprunger (Assistant Vice President), Roy Kim (Associate), and Matt DeFilippis (Analyst). Mike Meyer will be the main point of contact for NHA.

NHA understands that in order for the City to consider all funding solutions for any capital project, it must first analyze the financial metrics and ability to make payments on any obligation. We approach these types of projects with a blank canvas so we can put all options on the table as part of the evaluation phase. Our objective approach often delivers internal funding options (not requiring the issuance of bonds or bank loans). Our approach includes (1) researching, discussing and analyzing the City’s financial position, revenue sources and capital needs, (2) developing the available financial capacity funding options, and (3) presenting our findings and recommendations to both City staff and the City Council (or other stakeholder groups).



Our eight expert practice groups allow for NHA to put the best resources forward depending on the type of capital project or funding need (infrastructure, utility, general fund). NHA evaluates the City’s financial capacity from existing revenue sources and potentially voter-supported revenue measures to maximize the options available for any capital project. Each practice group is headed up by professionals who have 10+ years of municipal advisory experience.

Based on the most recent California State Treasurer’s data, NHA is ranked the #1 Municipal Advisor between 2017 and 2022 for California cities north of Kern County.

As a fiduciary, we put your needs to find the best solution ahead of any financial consideration for NHA. We look forward to speaking with you more about our qualifications and approach to this exciting project.

The City did not send out any addendum to the RFP.

Sincerely,

Handwritten signature of Mike Meyer in black ink.

Mike Meyer, Vice President

Mike@NHAadvisors.com

Phone: 415.785.2025 x2004



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PART 2 | EXPERIENCE AND QUALIFICATIONS OF CONSULTANT/TEAM MEMBERS

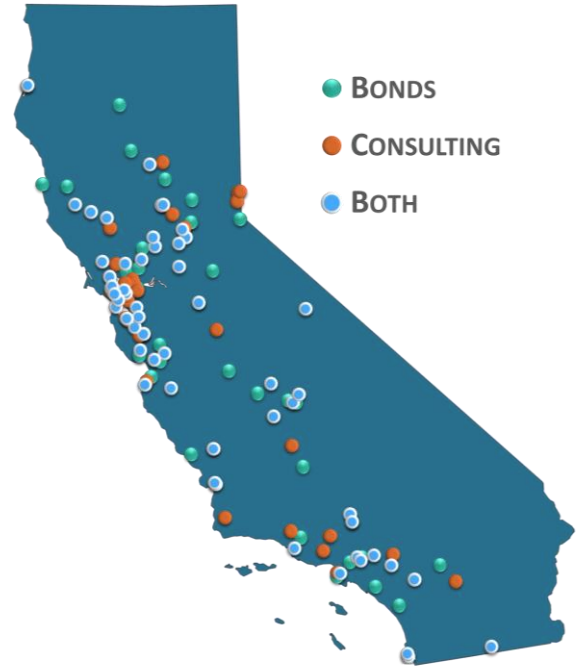
NHA is an Independent Registered Municipal Advisor headquartered in San Rafael, California. NHA provides comprehensive financial and consulting services to public agencies throughout California, with a significant emphasis on *cities*. NHA has provided municipal advisory services since 2000 (originally as Northcross Hill & Ach) and currently works with over **80** California public agencies, including approximately **65** cities, providing financing solutions for capital projects. In addition to traditional financing projects, our consulting practice currently works with over 30 public agencies to develop project funding solutions, financial policies, and pension liability alternatives.

Our experience with public agencies spans from rural small cities to major metropolitan agencies which provides the greatest exposure possible to NHA. This allows us to bring creative examples to the City as opportunities come up that require financial solutions. We understand the time and staff resource constraints required to develop funding strategies and financing plans. NHA, through its *“extension of staff”* DNA, integrates with City staff to assist and manage each project.

NHA is proud to offer the full range of municipal advisory services. Unlike many competing firms, our depth matches our breadth. NHA has developed a focused team of **nine** registered municipal advisors all focused on city issues. Our services not only provide financing solutions but also the strategic advice necessary to develop appropriate funding solutions for city capital projects. **NHA is unique from other municipal advisors in our approach to each project. We believe that developing a *funding solution* should not be driven by the need to provide a *financing* (how typical advisors get paid). Our objective approach is distinct from others who bundle their work into a contingent fee arrangement incentivizing the financial solution to be a bond issuance.**

Since 2014, NHA has completed over 250 financing transactions for California cities and public agencies. NHA has managed financing structures including utility revenue, general obligation, tax allocation, lease revenue, land secured, pension obligations, and short-

NHA Clients Served*



*Dots represent client engagements from 2012 - Present

NHA Bond Financing Experience January 2014 – January 2022

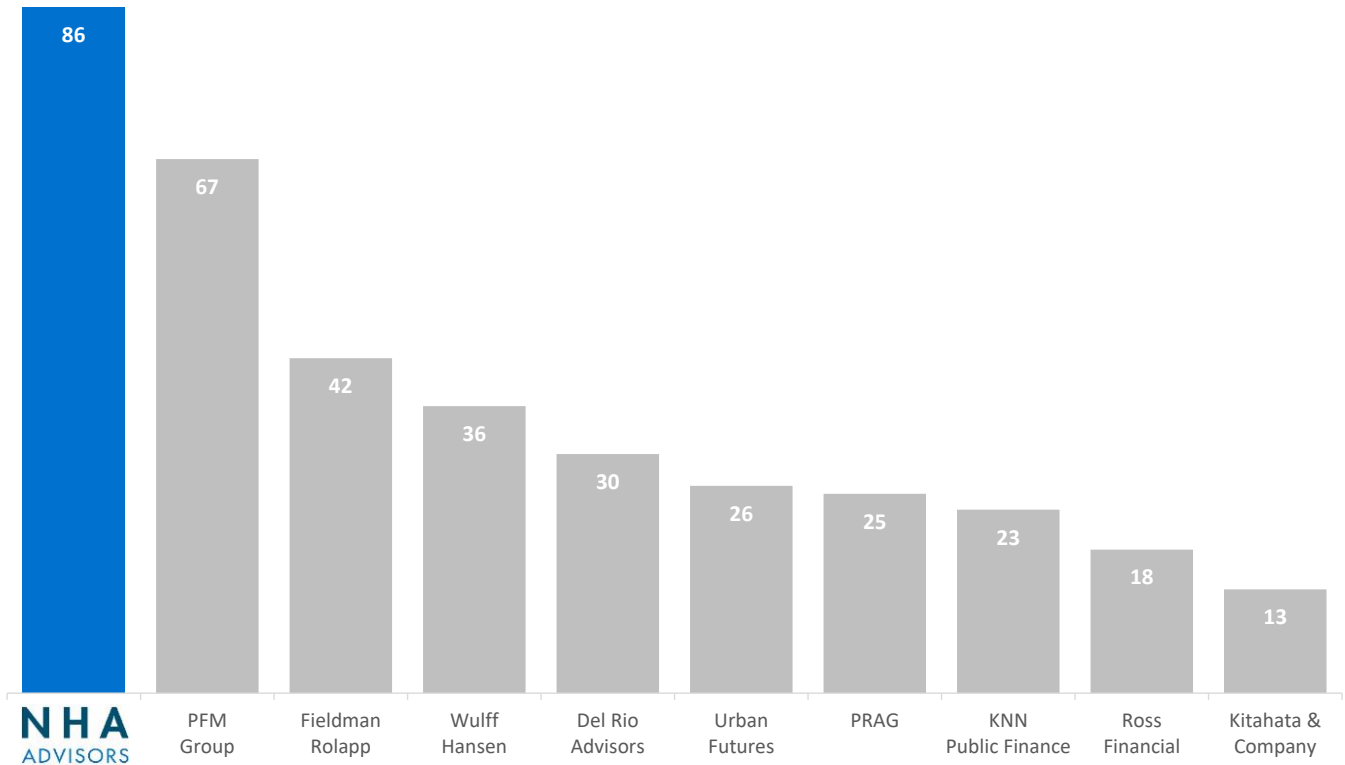
Type of Financing	Number of Transactions
General Fund (Lease Revenue Bonds & COPs)	63
Utility Enterprise (Water and Wastewater)	55
Successor Agency (Tax Allocation Bonds)	47
Voter Approved (General Obligation and Sales Tax)	26
Land Secured (CFDs and Assessment Districts)	21
Short Term Financing (Tax and Revenue Anticipation Notes)	20
Pension Restructuring	19
Total	251



term cash flow notes. We understand the complexities unique to transactions as small as \$100K and as large as \$500M.

NHA is especially active as a municipal advisor to Northern California cities. According to data published by the California State Treasurer’s Office, **NHA is ranked the #1 municipal advisor to California cities north of Kern County**, in terms of number of transactions completed over the last 5 years. We have provided municipal financial advisory services to many of Sebastopol’s North Bay neighbors, such as Sonoma, Ukiah, Napa, Corte Madera, American Canyon and Lakeport.

**MUNICIPAL ADVISOR RANKINGS FOR NORTHERN CALIFORNIA CITIES
Transactions (January 2017 - Present)¹**



(1) California State Treasurer; sold City transactions north of Kern County as of January 2022

NHA is led by its three Principals (Craig Hill, Mark Northcross, and Eric Scriven), each of whom have more than 30 years of public finance experience. The Principals are supported by NHA’s three Vice Presidents, along with support staff.

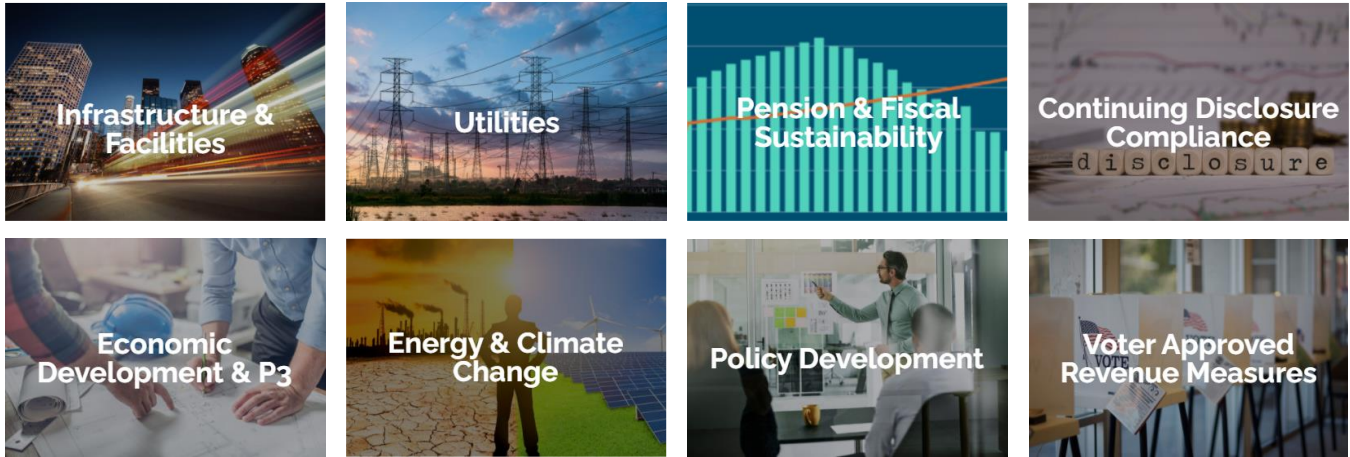
Comprehensive Municipal Advisory Consulting Services

NHA has provided financial planning services for over 15 years. These services include strategic financial planning, funding alternatives, financial policy development, cross-collaboration with other consultants and general financial staff support. NHA approaches this advisory service through a comprehensive lens requiring a deep understanding of the City’s overarching objectives and long-term goals. In practice, the financial planning scope of services is the most critical component of the overall funding strategy and establishes the framework for a successful bond financing that may be years in the future.



Since 2016, NHA staff has completed over 300 unique consulting projects, many of which did not result in a financing. While this level of service may not be common with other municipal advisors, our “extension of staff” style has become a core part of our services and a critical benefit to many of our public agency clients. One recent example of the financial planning work includes our analysis of CalPERS pension liabilities.

NHA formed eight practice groups to address issues our clients told us mattered to them. NHA has made it our business to become an expert in areas such as climate change impacts (i.e., wildfire risks, rising sea levels), P3 & economic development negotiations (includes AD/CFD), pension liabilities and continuing disclosure to meet the growing needs of our city clients.



Pension Consulting and Financing Experience

NHA has worked with more than 75 California public agencies, the majority being cities, on consulting projects related to CalPERS cost management strategies. The table below highlights some of the agencies we have recently worked with, and the type of services requested. Our expertise and services include technical quantitative analysis on historical trends or projected costs, translating options to address rising costs (i.e., Section 115, UAL pay-downs, bonds, etc.), presenting findings and alternatives to elected officials, staff, and union representatives at public and informal meetings. NHA’s ability to translate complex information and be agile in meeting our clients’ needs is one of our strongest attributes (based on comments from existing clients). We expect that our skill in translating information will be helpful in properly engaging with the Sebastopol community during the duration of this project.



NHA Pension Group Recent Experience					
	CalPERS Education / Budget Workshops	NHA Pension Report (8-Page Report Distilling Historical Actuarial Report Trends)	Cost Management Strategy Evaluation Process / Workshops (Section 115 Trust, ADPs)	POB Workshops / Evaluation Process (Pros/Cons, Options and Risks)	POB (UAL Restructuring)
Alameda, City of					
Arcata, City of					
Auburn, City					
Calaveras Cnty. Water Dist.					
Carmel-by-the-Sea, City of					
Chico, City of					
Chula Vista, City of					
Corcoran, City of					
Corte Madera, Town of					
El Cerrito, City of					
El Monte, City of					
Farmersville, City of					
Fort Bragg, City of					
Gilroy, City of					
Grass Valley, City of					
Grover Beach, City of					
Lakeport, City of					
Lancaster, City of					
Lompoc, City of					
Martinez, City of					
Monterey, City of					
National City, City of					
Newark, City of					
North County Fire Prot. Dist.					
Novato Sanitary District					
Oroville, City of					
Oxnard, City of					
Palos Verdes Library District					
Paso Robles, City of					
Rialto, City of					
Riverbank, City of					
Riverside, City of					
San Carlos, City of					
Stanislaus Consolidated FPD					
Torrance, City of					
Ukiah, City of					
West Covina, City of					
Winters, City of					

NHA was the leading municipal advisor to public agencies in California for pension UAL restructurings from June 2020 to December 2021, with 18 transactions totaling \$1.75B. In 2022, NHA has completed one UAL restructuring and is currently working on 12 more set to close this spring.

The case study below demonstrates NHA’s experience with a UAL restructuring project for the City of Fort Bragg, which may be relevant to the City due to the UAL size and the decision to use a lease revenue bond legal structure instead of a pension obligation bond legal structure.

Case Study: Fort Bragg Restructures \$7.5M of UAL and Leverages Savings for Critical \$3.5M “Blue Economy” Development Project; Inaugural General Fund Credit Rating & “AA” Bond Insurance

In the Summer of 2021, NHA was hired by the City to provide educational workshops on CalPERS cost trends and various cost management strategies available to the City. At the same time, the City was also evaluating various funding options to purchase \$3.5M of land at the 205-acre, old mill site in order to clean-up/remediate the land for potential development. The development project is part of the City’s vision for a “Blue Economy” and may



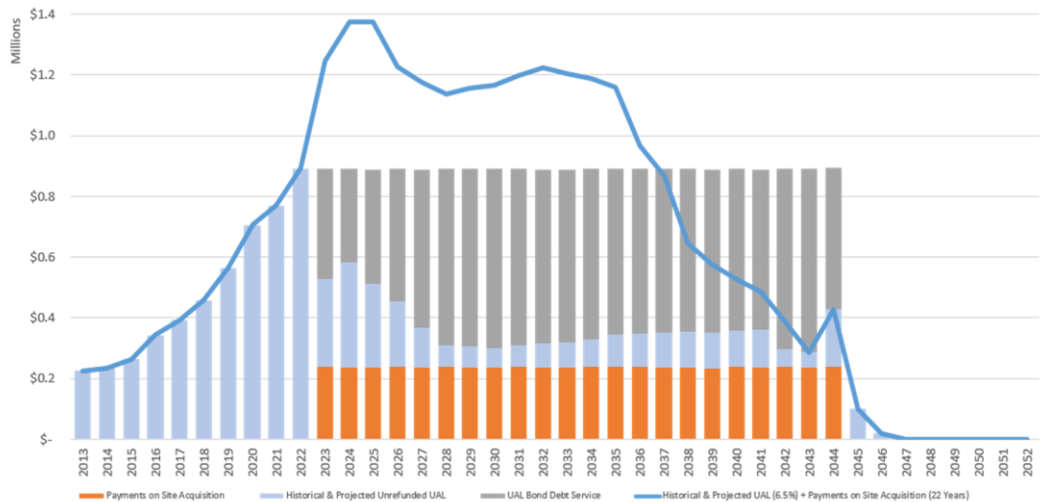
include open space preservation, affordable housing, hospital, public facilities and partnership with Noyo Center for Marine Science and Sherwood Valley Band of Pomo.

NHA and staff explored a multitude of UAL restructuring options, including various sizes, repayment shapes, terms, as well as an evaluation of a POB vs. Lease Revenue Bond structure. Since the City would have to utilize a lease structure for the \$3.5M new money portion of the financing, and there were signs of local political challenges to a potential validation process for a traditional POB structure, NHA recommended that the City use one lease financing to execute on both City priorities (UAL + new development project). This allowed the City to move swiftly on both priorities and get to market in an expedited fashion, while saving on costs of issuance. NHA helped the City obtain its first ever General Fund credit rating (“A+” Lease and Effective “AA-” Issuer Credit Rating from S&P) and optimized the financing by utilizing key assets (City Hall), which allowed the bonds to obtain “AA” bond insurance to further reduce interest rates.

Adding to the creativity and complexity of this structure was the City’s desire to maintain full flexibility for the \$3.5M of bond proceeds for the development project in case the project didn’t come to fruition. In order to meet these goals, the bonds included an “extraordinary redemption” feature that **allows the City to pre-pay the bonds using bond proceeds at any time it wants**. Furthermore, the bonds were issued on a taxable basis, giving the City flexibility to use the proceeds for other projects if it desires, such as the City’s critical Broadband project, which will be requiring funding as well.

Despite a challenging bond market, the bonds priced with a 3.3% True Interest Cost. The final term of the payments was 2044, which allowed the City to smooth out its pension payments in a more sustainable fashion, providing the capacity to layer in the \$3.5M of new money debt – **without any impact to the City’s budget**, which

was a core goal of the City. Graphically, the final strategy can be seen below, with combined annual payments (inclusive of the \$3.5M of new money debt, \$7.5M of UAL restructuring debt and unrefunded UAL) projected to be lower than they were for the UAL payment only in FY 2022. On a present value basis, over \$2M of aggregate savings is projected, and over \$4.5M for the next 14 years.



Broadband and Fiber Optic Consulting Experience

In 2021, several of NHA’s clients have evaluated broadband and fiber optic applications to enhance City services. This need is driven by the increased numbers of people working from home due to the COVID-19 pandemic. The Cities of Fort Bragg, Hidden Hills, and Pittsburg are among the NHA clients who are at various stages of evaluating their options.

Case Study: Fiber-Optic Financial Risk Evaluation for City of Pittsburg

The City of Pittsburg engaged NHA in Fall 2021 to assist with evaluation of the economics of a city-operated fiber optic network. The network itself would be owned and maintained by a provider, but the City would work with a downstream internet service provider (“ISP”) to manage the subscriptions and





service the customers. The City has asked NHA to assist with evaluating the ways in which the City is exposed to risk through serving as a “middleman” for the City’s new fiber optic network. NHA is assisting the City with review and analysis of a project proforma, providing input on the City’s agreements with the owner of the fiber optic network, and reviewing the proposals the City has received from multiple ISPs to service the customers. This is an ongoing engagement at this time, but we are optimistic of a successful outcome for the City of Pittsburg.

Climate Change Infrastructure Consulting

NHA is uniquely qualified amongst financial advisors in providing expertise on funding solutions for climate change adaptation projects. NHA served as financial advisor for the Resilient by Design Bay Area Challenge. In this role, we worked with a team to develop financing plans for 10 design team different designs for adapting the Bay Area to rising sea levels. A key element of NHA’s role was to develop grant funding options for climate change infrastructure projects. In that role, NHA prepared [educational materials and presentations](#) for design teams and stakeholders to translate complex ideas and financing plans for climate change infrastructure and make those concepts understandable for non-finance professionals.



In addition to this demanding role, NHA Principal, Mark Northcross, also serves on the Bay Conservation and Development Commission’s Finance the Future committee, which is focused on finding ways to fund protection against rising sea levels. Our work with these programs has shown us that climate change adaptation programs are some of the best sources of pre-development funding (interim finance) for climate change infrastructure projects.

NHA has made presentations on funding for climate change adaptation for the Bay Area Council, the Bay Planning Coalition, the California Climate Action Planning Conference and the Floodplain Management Association. NHA also serves as the public finance expert for the Joint Quebec-California-Ontario Clean Climate Transport Research Partnership.

Finally, NHA is part of the Town of Paradise’s team that was just selected to receive a grant from the California Resilience Challenge as part of a strategy to develop a resilience plan for community-based insurance as part of the rebuilding process. This is a strategic opportunity to address the insurance-related issues associated with securing affordable insurance in the wildland urban interface. This project is just beginning, but we expect exciting things!

General Fund Financing Experience

Since 2014, NHA has assisted California public agencies on 62 lease revenue bonds and certificates of participation issuances. Our work in this area has assisted clients in financing key infrastructure projects, including City Halls, police stations, libraries, and fire stations. A growing aspect of our General Fund lease clientele revolves around the use of equipment leases for heavy vehicle purchases. We have recently assisted the cities of Oxnard, Watsonville, and Yuba City in leasing fire vehicles, garbage trucks, sewer vac con trucks, and other heavy equipment through equipment leases.

NHA has worked with several California public agencies to evaluate budgetary projections, provide fiscal sustainability analysis (including “what if” and scenario analysis), recommend policies for appropriate reserve levels, and strategize on appropriate revenue enhancement (i.e., sales tax, TOT, UUT) measures.

Some of our recent and current assignments have included detailed pension and reserves consulting for the Bay Area Air Quality Management District, General Fund forecasting analysis for the cities of Lancaster, Watsonville, and National City, fiscal sustainability analysis to set the stage for a sales tax measure for the City of Corcoran, and in-depth cashflow modeling for the Tahoe Douglas Visitors Authority to validate their capacity to finance a \$100M Events Center in Stateline, Nevada.



The following case studies provide a summary of NHA’s experience with various General Fund financings, which demonstrate our experience working with all types of infrastructure financial planning and implementation projects.

Case Study: Financing Plan and Bond Financing for Newark City Hall, Library, and Police Station

NHA worked with the City of Newark, California over five years to develop a comprehensive financing plan for its largest public facility project ever. The project included replacing public facilities that has been scattered into a single civic center complex that included City administration, City Council chamber, library, **police station**, emergency dispatch center, and multi-function event space. While design and conceptual plans were being completed, NHA worked with staff to develop funding options which included long-term financial planning and the incorporation of a new sales tax revenue measure to generate sufficient repayment sources for the proposed capital project financing.



In 2016, voters passed a 0.5% sales tax (Measure GG) which created a reliable revenue source. NHA revised the comprehensive long-term financing plan to reflect updated fund balances and projected revenue collections and modified the funding strategy to include more cash (from reserves) and an adjusted bond financing (given higher project costs but lower interest rates assumptions).



The well-thought-out financing plan and a robust credit presentation ultimately resulted in a “AA” rating from S&P and Fitch, saving the City the expense of bond insurance.

NHA Advisors provided strategic planning and financial analysis to identify the optimal funding sources to meet the project’s cost estimates. Working with City staff to identify existing reserve levels, projected revenues and bond proceeds, NHA Advisors was able to develop a financing plan that minimized the need for debt while protecting certain portions of the City’s reserve funds.

Water and Sewer Infrastructure

The NHA team has deep utility financing experience having served as municipal advisor for 46 wastewater/water financing transactions, involving 29 distinct California special districts and cities since 2016.

We have provided funding solutions for California public utilities in the midst of Proposition 218 litigation, ballot measure rate challenges, droughts, earthquakes and fires. We have worked for water retailers, water wholesalers and State Water Project contractors. We have delivered funding for a major P3 utility project. We serve both wastewater and water utilities ranging in size from 2,500 accounts to over 100,000 accounts. The best indicator of a municipal advisor’s utility experience is not the par value of the bond issues the advisory firm has worked on, but rather the depth and diversity of the firm’s experience.

Case Study: Below-Market Rate Funding (USDA and SRF Loans) For a New Farmersville Sewer Treatment Plant

NHA worked with the City of Farmersville to secure financing from multiple alternative sources for their wastewater treatment plant upgrades. Holistic financing approach leveraged three revenue sources and a line of credit for interim funding needs in order to fund a new \$23.6 million wastewater treatment plant, the largest capital project ever completed by the City. The approach required significant coordination between Clean Water SRF and USDA.



Local median income and poverty rates in this heavily agricultural community meant that financing the \$23.6 million plant improvements through a traditional bond offering would necessitate drastic rate increases. Instead, the financing plan aimed to acquire below-market rate loans through Clean Water SRF and USDA to minimize



these required rate increases. The City’s demographic profile met SRF’s “Disadvantaged Community” definition, and City hoped to take advantage of SRF grants and SRF loan forgiveness programs in addition to a loan.

NHA was brought in to serve as a project manager and advisor after the City had a winning construction bidder. The City was unable to award the contract until adequate funding was secured. To meet the accelerated timeline for the construction bidder’s guaranteed maximum price, NHA created a comprehensive funding and construction draw-down schedule that helped enable all parties to stay coordinated and meet key deadlines.

Due to project delays, the USDA loan application had been in progress for five years and required a funding extension. NHA managed the process of applying for an extension and submitted the 611-page application for extension on behalf of the City. The application was approved by USDA without complication.

Securing SRF or USDA funding was contingent upon securing a loan from the other agency. NHA worked with the City’s grants consultant to ensure that both agencies were kept aware of the status of the other agency’s loan.

To meet each agency’s requirements regarding acceptable uses of funding and deadlines to utilize grant and loan funds, NHA developed an analytical model that allocated funding to project costs in line with each loan’s stipulations and prioritized use of funds from each source that helped the City to draw down funds prior to the respective deadlines.

Finally, NHA worked with the City to secure a \$2M line of credit to help ensure that the City would have adequate liquidity to pay construction invoices while waiting for reimbursement from SRF and USDA.

The final funding package was a combination of City reserves, USDA loan, SRF loan, SRF principal forgiveness loan, and SRF disadvantaged community grant. These five sources of project funding were successfully secured in time to enable the City to sign a contract with the winning bidder prior to the project’s bid expiration deadline.



Case Study: WIFIA Loan for City of Oxnard’s Groundwater Recharge Project

NHA was asked by the City of Oxnard in 2021 to assist with preparation of an application for Water Infrastructure Finance and Innovation Act (“WIFIA”) loan from the US Environmental Protection Agency (“EPA”). The City is in the application process for a WIFIA Loan to fund an aquifer storage and recovery project (that includes groundwater recharge). We assisted with a traditional financing in early 2021 to fund a preliminary construction and demonstration pilot program injection well.



NHA assisted with preparation of 30-year coverage projections for all of the City’s debt, and to model structuring options for the WIFIA loan and the matching City-issued bonds. Our dynamic model allows City staff to easily update the projected debt service schedule on both the WIFIA loan and the City’s matching bonds by updating key inputs.

In addition to creating a dynamic coverage projection and loan structuring model, NHA prepared and presented slides to EPA staff related to the financial aspects of the City’s water fund, debt service coverage, and parity debt structure. NHA is also participating in bi-weekly project calls with EPA staff to ensure that the project continues to develop.

This is an ongoing project at the time of this proposal, and we have every confidence in a successful completion of this WIFIA loan.

Facilities and Infrastructure Project Financing Experience

NHA Advisors always conducts a thorough due diligence process on assigned financing projects to put forth sound analysis and options that meet our clients’ objectives. Yet, as our clients’ trusted advisor, we must also point out important constraints and/or risks with any potential course of action. The axiom that “sometimes the best deal is no deal” is NHA’s default position unless a compelling rationale and plan of finance—accounting for risks of leveraging a revenue stream are clearly understood by our client.

During the past decade, NHA has served numerous client cities to craft a comprehensive plan of finance to assist in the advocacy of passage of a revenue measure and, once passed, to serve as a road map to execute upon the promises made to the voters. Many of these measures desired improvements to public safety services; however, in many of the communities a strong desire to rapidly improve degrading roadways was prioritized. Leveraging the measure’s revenue to finance a much larger road construction project during the current low interest rate environment has been characterized as gaining more “bang for the buck,” especially if such a project, when bid out, might secure more aggressive bids due to its larger size. However, how much leverage is too much? NHA strongly advocates for our clients’ “underwriting” such transactions themselves, with NHA’s assistance, to

determine that the source of revenue is not being leveraged beyond prudent standards. Questions we ask are: Can debt service be paid even if the revenues go down based upon a history of volatility? Does staff have the “bandwidth” to manage the contemplated projects to successful completion? Are there likely other sources of “free and cheap” funding that, given this potential matching source of funds of the City, could assist in eliminating / reducing the need for financing?

NHA has worked with cities like Gilroy, El Centro, Paso Robles, Hayward, Ukiah, Selma, Clearlake, and Lancaster on crafting comprehensive financing plans that seek to optimize revenue sources for accomplishing the goals sought by the approving voters. NHA asks questions to help our client review available options and choose the best option. This process sometimes points to a “pay-go” method being the most prudent and advantageous approach given constraints present and likelihood of the achieving the goals.

Case Study: Yuba County/YWA Road Project Financing (Using SB1 Funds)



NHA was retained by the Yuba Water Agency to work with Yuba County to structure a debt obligation secured by Yuba County’s SB 1 revenues suitable as a long-term investment for the Agency’s cash reserves.

Basic Tradeoffs for Funding Infrastructure

Grants	Reserves	Financing
<ul style="list-style-type: none"> + Free money! - Long approval process - Uncertainty of award 	<ul style="list-style-type: none"> + No debt service (lower cash flow requirement) - Reduced liquidity 	<ul style="list-style-type: none"> + Protects reserves (maintain cash balances) + Historically low interest rates - Transaction costs - Bond interest payments



In 2017, the California legislature passed Senate Bill No. 1 (SB 1), a comprehensive transportation funding bill, which resulted in significant additional gas tax revenue for Yuba County. Following the defeat of Proposition 6, a 2018 attempt to repeal SB 1, County and Agency staff explored the idea of advance funding a significant portion of road rehabilitation work using anticipated RMRA revenues. A proposal was developed for the Agency to advance \$9 million to the County for ten years at a 2.25% interest rate.

NHA helped in creating the financial structure and designing legal and credit structures that worked for both the County and Agency. NHA also obtained a private credit assessment for the transaction from S&P Global Ratings to provide the Agency with comfort of the future liquidity for its investment. This innovative financing utilized two separate pledges: Yuba County’s annual Road Maintenance and Rehabilitation Account (RMRA) revenues were pledged as security for principal payments and the Yuba County general fund was pledged as security for interest payments.



This transaction accomplished several objectives, including:

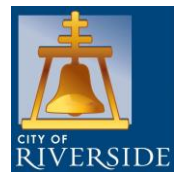
- Cost savings to the County of up to \$4 million by advance funding this road work resulting in a “bulk discount” and avoiding inflationary adjustments, escalating construction costs, and further deterioration of roads.
- County residents realize an immediate and vast improvement to some of the local road network, helping to reduce car maintenance costs.
- For the Agency, this transaction provided a guaranteed fixed rate of return over 10 years.

Experience in Facilitating Group Discussion and Presentations

NHA is dedicated to providing information to City staff and electeds in a transparent and interactive manner that allows for better educated decisions. NHA routinely provides presentations to City staff and electeds relating to topics such as bond education and pension education. The Riverside and Paso Robles case studies below showcase some of NHA’s success in pension education. NHA also has unique experience with stakeholder negotiation in the context of development/redevelopment projects, which can be read about in the FORA and Three Rivers Levee Improvement Authority case studies below.

Case Study: City of Riverside – Pension Funding Strategy and POB Evaluation Phase I/Phase II

One such example was when NHA served as municipal advisor for the City of Riverside to evaluate pension funding strategies and ultimately issue a pension obligation bond (“POB”). In 2018, NHA was hired by the City of Riverside to assist with pension funding strategies, and in the Fall of 2019, was hired to manage a POB evaluation process and develop a POB funding plan that balanced risks/rewards while addressing a portion of the City’s projected deficits. The NHA team began the process by conducting several staff workshops in the Fall. After presenting a “POBs 101” workshop to the Finance Committee in January and to City Council in February, NHA quarterbacked a very deep and thorough POB evaluation process that involved working with the City’s actuary, Bond Counsel, and Underwriting team to evaluate over 25 structuring options. NHA worked with the team to refine and stress test the top options. Full transparency and stakeholder engagement was our approach each step of the way.



Case Study: City of El Paso de Robles – Council Workshop and “5,10,25 Pension Savings Plan” Execution



NHA has provided financial advisory and consulting services on budgeting and capital projects to the City of Paso Robles since 1994. A recent multi-phased pension engagement included a detailed review of the City’s historical and current CalPERS obligations, requiring coordination with the city’s CalPERS actuary. In the first phase, NHA analyzed historical trends, developed 30-year projections, and worked with staff to develop a comprehensive presentation to educate city council and the community in several public workshops. In the second phase, NHA developed the “5, 10, 25 Plan” to allocate \$5 million of reserves to pension liabilities (50% to a Section 115 Trust and 50% to pay down the city’s CalPERS UAL). The funds in the Section 115 Trust were projected to enable the city to pay off its UAL 10 years early, saving nearly \$25 million.



Case Study: Land Remediation Financing for Fort Ord Reuse Authority (Multi-Jurisdictional Negotiation)

Beginning in January 2019, NHA staff developed a financing plan to help achieve maximum leverage from three redevelopment project areas within the FORA jurisdiction. The ability of FORA to issue bonds secured by tax increment revenue from these projects was specifically addressed in the original FORA authorizing statute. However, the State Department of Finance challenged FORA’s ability to issue this debt late in 2019. This issue was successfully resolved through negotiation with DOF in the spring of 2020, culminating in a \$30.705 million taxable tax allocation bond that closed 5 days before FORA was dissolved by statute.



In addition to the State’s challenge, there were disputes amongst FORA’s statutory members (local cities and the County of Monterey) over the pledge of tax increment and the use of the proceeds. FORA and NHA staff worked carefully over many months with each stakeholder’s staff and elected officials to build consensus on the eventual financing structure.

Finally, the bond issue had to be structured to also fund a significant cash payment to CalPERS to fully satisfy FORA’s remaining pension obligation after dissolution.

NHA guided the funding through a bond issue of a very extensive remediations effort for a former military base in the nation. Over an 18-month period NHA staff developed solutions to (1) statutory termination of the bond issuer on June 30, 2020; (2) achieving consensus amongst multiple stakeholders on both the security for the bond issues and the use of proceeds; (3) legal challenges to the ability of FORA to issue the debt and (4) an obligation to fully prepay FORA’s obligation to CalPERS prior to its June 30, 2020, dissolution.



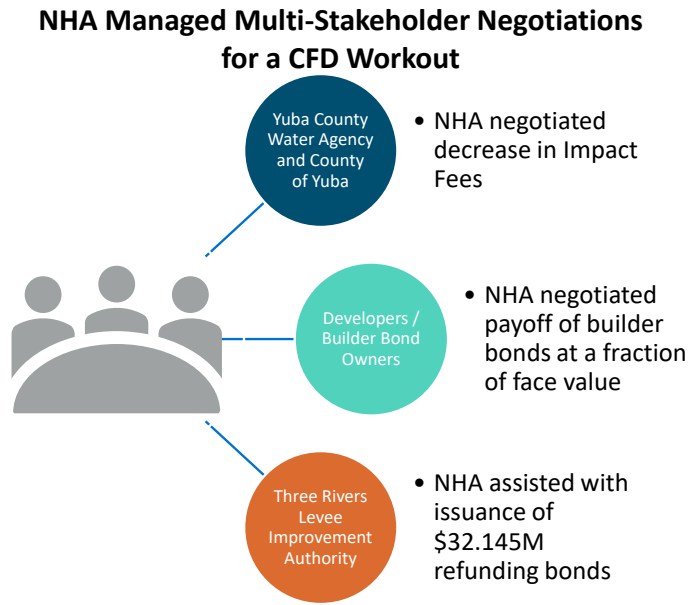
Case Study: Complex Negotiations and CFD Workout/Refunding for Three Rivers Levee Improvement Authority

In 2021, NHA Advisors completed a two-year effort to restructure two CFDs in Yuba County’s Plumas Lake area with the goals of lowering the taxes on homeowners and facilitating more development in the future. Previously sold CFD bonds owned by multiple developers in Plumas Lake had resulted in high taxes. High impact fees to reimburse levee construction costs on the Feather River significantly increased the cost of any new development. As a result, development in the CFDs had stalled for over 12 years.



Previous development had been financed through the issuance of “Builder Bonds” (structured as CABs with an optional call provision). The impact fees were levied through the County and set by the Three Rivers Levee Improvement Authority. Yuba County Water Agency was a primary recipient of those impact fees.

The process required NHA to lead multi-stakeholder negotiations with 7 different land developers, the County of Yuba, the Three Rivers Levee Improvement Authority and the Yuba County Water Agency. These extensive negotiations over a two-year period resulted in the following: (1) Yuba County Water Agency agreeing to a 50% reduction in levee impact fees for Plumas Lake, (2) long term reductions in homeowner tax rates in the 10% to 25% range and (3) repayment of \$31 million in cash advanced by developers towards Yuba River levee construction over a 14-year period. This process culminated in the issuance of \$32.145 million in Special Tax Refunding Revenue Bonds in August 2021. In addition to the comprehensive negotiation process, NHA also facilitated community engagement outreach to homeowners, providing a broad community consensus in support of this work out.



By negotiating a pay-off amount less than 100% for the outstanding principal on the majority of the Builder Bonds, we were able to lower taxes on homeowners. Additionally, after negotiating lower impact fees, homebuilders could start building again. While the Yuba County Water Agency agreed to a 50% reduction in impact fees, it is expected that their actual cash flow from the impact fees will significantly increase as development starts up again (“50% of something is better than 100% of nothing”).

NHA’s Current Work for the City of Sebastopol

The NHA Team would also like to point out that it currently has the privilege of working with the City of Sebastopol to help the City manage its pension liability through a UAL restructuring. NHA was hired in the Fall of 2021 based on the depth of experience of our Pension Group, which has worked with over 75 CalPERS members to evaluate cost management strategies and has worked on 20 UAL restructurings (POBs and LRBs) just since the beginning of 2020. Over the past several months, NHA’s team of Mike Meyer, Leslie Bloom, Roy Kim, and Matt DeFilippis have been serving as Project Manager and assisting Ms. Kwong to evaluate various structuring options, methods of sale, and preliminary analysis to address risks. While there is currently some concern that the City’s court validation process may not finish successfully (without being challenged), NHA looks forward to continuing our work with the City to evaluate all other viable options to develop a strategy to manage rising pension costs. This could include using a lease revenue bond structure as opposed to a POB structure or using cash (that’s allocated currently to CIP) to pay down the UAL (or create a Section 115 Trust) while borrowing at lower tax-exempt rates for capital projects. Both options open the door to folding in the City’s CIP needs as part of a holistic and efficient solution and NHA looks forward to continuing this work for the City.

Assigned Team Qualifications and Experience

NHA’s core team assigned to the City will be composed of the following seven members: Craig Hill (Managing Principal), Eric Scriven (Principal), Mike Meyer (Vice President), Leslie Bloom (Vice President), Christian Sprunger



(Assistant Vice President), Roy Kim (Associate), and Matt DeFilippis (Analyst). The organizational chart below shows the structure of NHA’s assigned team.

Brief resumes for each assigned team member are included in the paragraphs directly below.

Craig Hill, Managing Principal. Mr. Hill has more than 31 years of public finance experience in California and manages the firm’s day-to-day operations as well as NHA’s local government finance group and clean energy practice group. Mr. Hill has extensive experience with small local agencies and understands the issues typical of growing communities along with key experience in voter-approved initiatives, budget and financial projections analysis, and public policy consulting. He is a founding member of both NHA, Northcross Hill & Ach and Project Finance Associates. Mr. Hill holds a B.S. in Managerial Economics and a B.S. in Agricultural Economics, from University of California, Davis. *Mr. Hill lives within a one hour drive of the City, and will be available for in-person meetings as needed.*

Eric Scriven, Principal. Mr. Scriven’s career in the municipal finance industry has spanned over 30 years. His expertise is in all facets of local government operations and finance including utility, redevelopment, land-secured, and project financing. Prior to joining NHA, Mr. Scriven was an underwriter with three major California investment banking firms. This prior experience provides NHA with a deep understanding of the buy-side process. More recently, Mr. Scriven has been active in utility financings and pension obligation bonds for California cities. Mr. Scriven holds an MBA, from Haas School of Business, and a B.S. in Urban Land Economics and Finance, both from University of California, Berkeley. He holds a Series 50 and 54 License from the SEC. *Mr. Scriven lives within a one hour drive of the City, and will be available for in-person meetings as needed.*

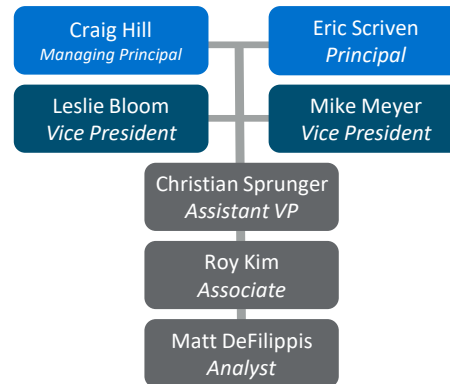
Mike Meyer, Vice President. Mr. Meyer has worked in public finance for 18 years, with over half of his time spent as an underwriter. Mr. Meyer manages NHA’s Pension and Fiscal Sustainability Group and has analyzed pensions and POB structuring solutions since 2006. He has worked on each of the firm’s pension consulting and POB engagements over the last five years, totaling \$1.8 billion in par. Mike is also an experienced generalist, having completed over 200 bond financings using all types of structures, including utility revenue, lease revenue, sales tax and transportation revenue, TABs, and land secured. Mr. Meyer holds a B.S. in Management Science, from the University of California, San Diego.

Leslie Bloom, Vice President. Ms. Bloom joined NHA Advisors in February 2021 after working as an underwriter in public finance for 14 years, most recently with Raymond James. In an investment banking role, Leslie completed over 200 senior managed and private placement financings totaling more than \$3.5B, with an emphasis on utility credits. Leslie is active with CSMFO and California Society of Municipal Analysts. She is also a current Board Member for Women in Public Finance, San Diego Chapter.

Christian Sprunger, Assistant Vice President. Mr. Sprunger has worked in public finance since 2016, during which time he has worked on over one hundred financings for California municipal issuers, totaling over \$2.2B. While an experienced generalist, Mr. Sprunger has honed his skill with enterprise fund cashflows and coverage modeling. Mr. Sprunger takes an active role in managing each project he is assigned to. Mr. Sprunger holds a M.S. in Finance, from Indiana University, and a B.S. in Biological Sciences, from Biola University.

Roy Kim, Associate. Mr. Kim has worked in public finance since 2018, during which time he has provided project management and deal support on financings totaling a combined \$2.0 billion in par. Additionally, he has provided

NHA Advisors Assigned Team Organizational Chart





support on every NHA pension engagement since joining the firm in 2018 and contributes to projects with expertise in modeling pension cost management strategies, including UAL restructurings. Mr. Kim holds a M.S. in Finance, from Johns Hopkins University, and a B.A. in Global Studies, from University of California, Santa Barbara.

Matt DeFilippis, Analyst. Mr. DeFilippis has worked in public finance since 2021, during which time he has provided project management and deal support on financings totaling over a combined \$300M. Notable deals include the West County Wastewater 2021 Wastewater Revenue Bonds (\$79.6M) and East Niles Community Services District 2021 Revenue Certificates of Participation (\$10.4M). Mr. DeFilippis holds a B.A. in Applied Mathematics, from University of California, Berkeley.

In addition to this assigned municipal advisory team, the other 2 municipal advisors at NHA will be available to the City as needed and NHA will assign this additional staff to City projects based on the applicable experience and skillset of NHA’s various municipal advisors. Below is a summary of the experience and qualifications of the assigned municipal advisory team, as well as the experience and qualifications of our additional municipal advisors who might be assigned to the City’s projects.

NHA’s Assigned Municipal Advisory Team

Name	Craig Hill*	Eric Scriven	Mike Meyer*	Leslie Bloom	Christian Sprunger	Roy Kim	Matt DeFilippis
Title	Managing Principal	Principal	Vice President	Vice President	Assistant VP	Associate	Analyst
Licenses	Series 50	Series 50, Series 54	Series 50	Series 50	Series 50	Series 50	Series 50
In Public Finance Since	1989	1990	2003	2007	2016	2018	2021
Relevant Expertise	General City finance and development finance; voter-approved revenue measures	General City finance, pensions, utility, land secured finance	Pensions (POBs and UAL Restructuring); General City Finance	General fund & land-secured finance, utility finance, credit analysis	General City finance, Land-secured finance, utility finance, cashflow modeling	General City finance, pensions, credit analysis and quantitative analysis	Infrastructure finance, research, credit analysis, presentations
Education	BS UC Davis	BS & MBA UC Berkeley	BS UCSD	BS University of Arizona	MS Indiana University	MS Johns Hopkins	BA UC Berkeley
Phone	415.785.2025 x2001	x2003	x2004	x2009	x2007	x2008	x2011

*Assigned Day-to-Day Contact

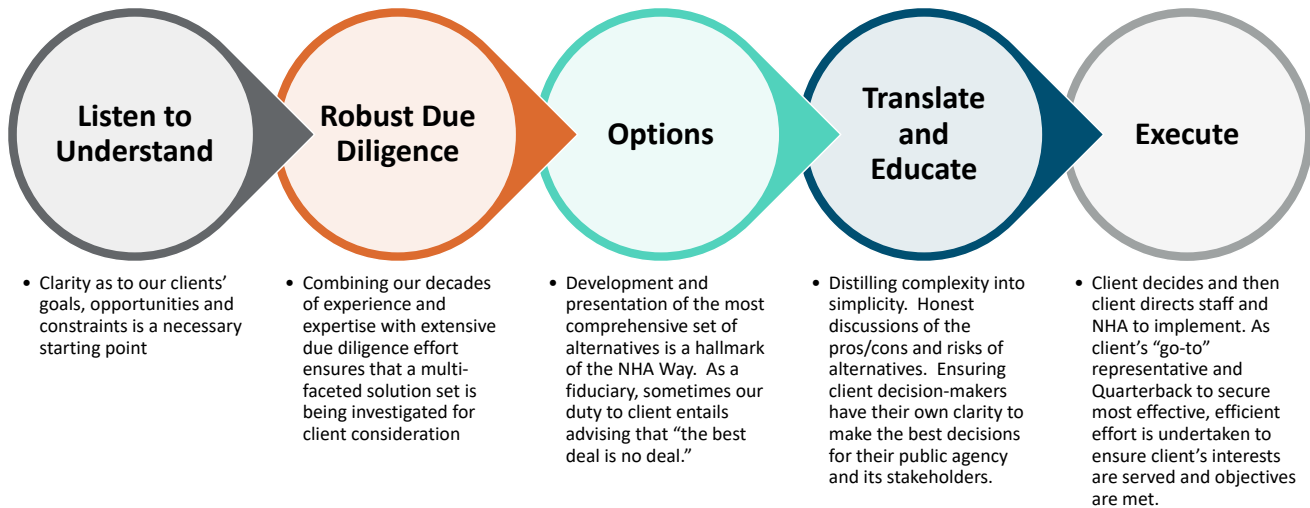
NHA’s Additional Municipal Advisory Resources – Available as Needed

Name	Mark Northcross	Rob Schmidt
Title	Principal	Vice President
Licenses	Series 50	Series 50
In Public Finance Since	1981	2004
Relevant Expertise	Infrastructure Finance, public policy, utility financing, climate change infrastructure	Infrastructure finance, land secured finance, continuing disclosure, quantitative analysis, credit analysis
Education	BA UC Irvine	BS UCLA
Phone	415.785.2025 X2002	x2006

PART 3 | UNDERSTANDING OF PROJECT SCOPE & DETAILED WORK PLAN

NHA’s Approach to the City’s Scope of Services

Not only is NHA qualified to fulfill all items identified in the City’s scope of services, but we also routinely provide services above and beyond those identified in the City’s RFP. The graphic below highlights our unique approach to providing Municipal Advisory services to our clients and below that as well as some discussion related to how this approach will manifest itself for the project scope desired by the District.



- **Listening to Understand: Kick-Off Meeting (Scope Item #1)** - NHA envisions this meeting as a chance for the City to outline the project, the desired deliverables, the general timeline, current objectives and constraints, and the end goal. This meeting will be very important for each participant’s understanding of what their role will be and how to best tailor the final deliverable to meet the City’s needs.

NHA will ask a lot of questions of the City at this meeting and interview various committee members as to their various goals and concerns. Listening and digesting as much as possible will allow NHA to deliver a properly tailored product to the City. NHA does not enter these types of projects with a pre-conceived notion of what the deliverable needs to look like. We pride ourselves on being extremely adaptive to each individual’s needs, executing in the most efficient manner once we identify all of these key considerations early in the process.

- **Robust Due Diligence and Options Evaluation: Analysis and Report Phase + Final Report (Scope Item #2 and #3)** – NHA conducts the most thorough due diligence in the industry. In addition to the information we will uncover at the kick-off meeting, NHA enjoys reviewing all pertinent information related to the City; including but not limited to:
 - Prior and current financial statements
 - Prior and current budgets and any long-term projection models the City maintains
 - All adopted policies and procedures
 - Current and projected debt/liabilities
 - Capital Improvement Program



- Rate Studies for Utility Enterprises
- Plans for New Development

After this due diligence, **NHA will provide a Fiscal Assessment of the City’s General Fund and Utility Funds, with an eye towards long-term sustainability, resiliency and borrowing (debt) capacity.** To the extent that there are not sufficient revenues or reserves to fund desired capital projects, new potential revenue streams and other cost reduction strategies will be identified. Options will be presented, with a discussion of pros/cons, and presented in an unbiased manner.

To the extent any outside experts are needed for proper completion of this project (for example, if a formal Fiscal Impact Study is needed for a new CFD development), NHA could recommend expert firms and sub-contract this work to them.

- **Translate and Educate: Report Phase and Public Workshops (Scope Item #3 and #4)** – In drafting the Programs Report, NHA envisions a very interactive process with staff and/or other committee members so that there is healthy input on the general direction of the report. Once finalized, NHA will be prepared to deliver the report both written and orally in whatever forum/format the City desires. As noted earlier in the proposal, NHA distinguishes ourselves from our competitors in our ability to clearly communicate with stakeholders and distill complex subjects so that decisions makers and the public have a clear understanding.

Due to NHA’s convenient office location in the northern San Francisco Bay Area, we will easily be able to attend all workshops whether in person or virtually.

It is also important to note that NHA’s practice for these types of projects is not to deliver a dense 50+ page report, as these often goes onto a local agency’s bookshelf after completion. Typically, we have found the most effective route (and lowest cost for our clients) is through memorandums and interactive PowerPoint presentations that are very clear and provoke participation by stakeholders.

- **Execution** – Depending on what strategies the City determines to implement (if any) after the results of the project, NHA is well poised to execute on whatever those strategies entail. As mentioned earlier in the RFP, NHA is the most active advisor to cities in Northern California and have executed on any type of financing or loan that the City may evaluate. We take great pride on enacting the same holistic approach we described above for any financing we undertake, with a focus on options, deep analysis, credit management and comprehensive project management.

Below are two case studies that demonstrate how NHA has approached and executed similar scope of services to that provided in the City’s RFP. The first case study below summarizes NHA’s **debt capacity analysis** for West County Wastewater District. The second case study below summarizes NHA’s work on a Fiscal Sustainability Report for the City of Corcoran that involved a **full fiscal assessment**, with the results utilized to build public consensus that a new sales tax measure was critical for the City’s future sustainability.

Case Study: Debt Capacity Analysis to Support a Utility Revenue Bond for West County Wastewater District

In 2021, NHA served as the municipal financial advisor to the West County Wastewater District for their \$80 million 2021 Wastewater Revenue Bond financing. This project included strategic energy efficiency projects, including cogeneration improvements whereby the District will take methane from the digesters and use that to generate the electricity to power the plant. As a result, the District’s plant will be run and operated on the waste sent to the plant, resulting in a carbon-neutral wastewater treatment facility. A final innovative plan on the District’s part is to use the byproducts of the plant as fertilizer.



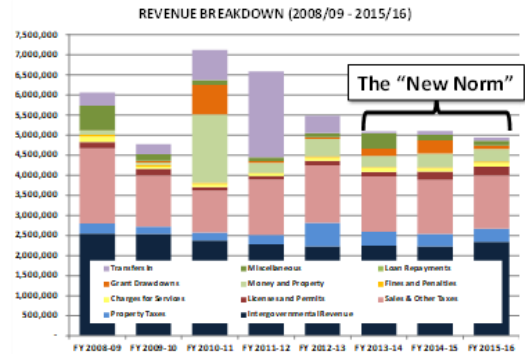
Prior to the 2021 Bonds, the District had only secured below-market, CWSRF loans. Due to the timing need and size of the financing, the District engaged NHA to assist with issuing its first public bonds. **As a**



result, the first phase of the process included extensive Board and Committee education on the process and considerations related to structuring and issuing a bond.

Another nuance of NHA’s engagement was the preparation of bonding capacity analysis to ensure that the District could raise sufficient project funds while maintaining required debt service coverage on their debt. **As part of this process, NHA evaluated multiple structuring and sizing options and presented them to the District.**

Finally, NHA guided the District through inaugural credit ratings with S&P and Moody’s. NHA managed the credit rating process, crafting and refining the credit rating presentations, and following up with the rating agencies to ensure that they were well informed about the strengths of the District’s credit. The 2021 Bonds were rated “AA-” by S&P and “Aa3” by Moody’s and achieved an all-in true interest cost of 2.61% for the 30-year financing.



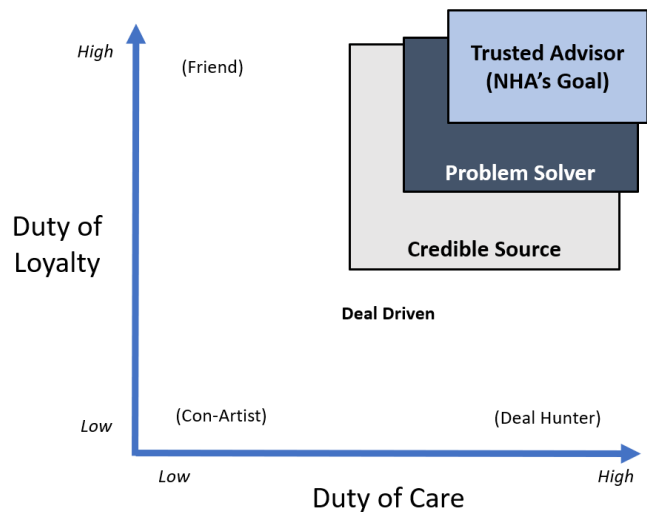
Case Study: Comprehensive Fiscal Sustainability Report and Passage of 1% Sales Tax



In 2016, NHA worked intensively with the City of Corcoran’s finance staff and the City Manager to undertake a comprehensive “Fiscal Sustainability Report,” which laid the groundwork for attaining ballot measure support from residents and council members in order to approve a 1% increase in sales tax to help bolster the city’s struggling operations. As part of the first phase of this project, NHA collaborated with city staff to do a “deep dive” on the city’s historical financial trends and develop a comprehensive, user-friendly spreadsheet model to assess current and pro forma trends. This model is a tool that has been used by city staff as part of their ongoing fiscal sustainability review, general budgeting and forecasting projects. After a thorough analytical review of the city’s finances, including a review of the city’s pension expenses and reserve policies, NHA “translated” the results into a short, digestible presentation that summarized the results and ultimately helped lay the groundwork for a successful sales tax measure that Fall. The results were presented at multiple workshops that the City held.

What Sets NHA Apart

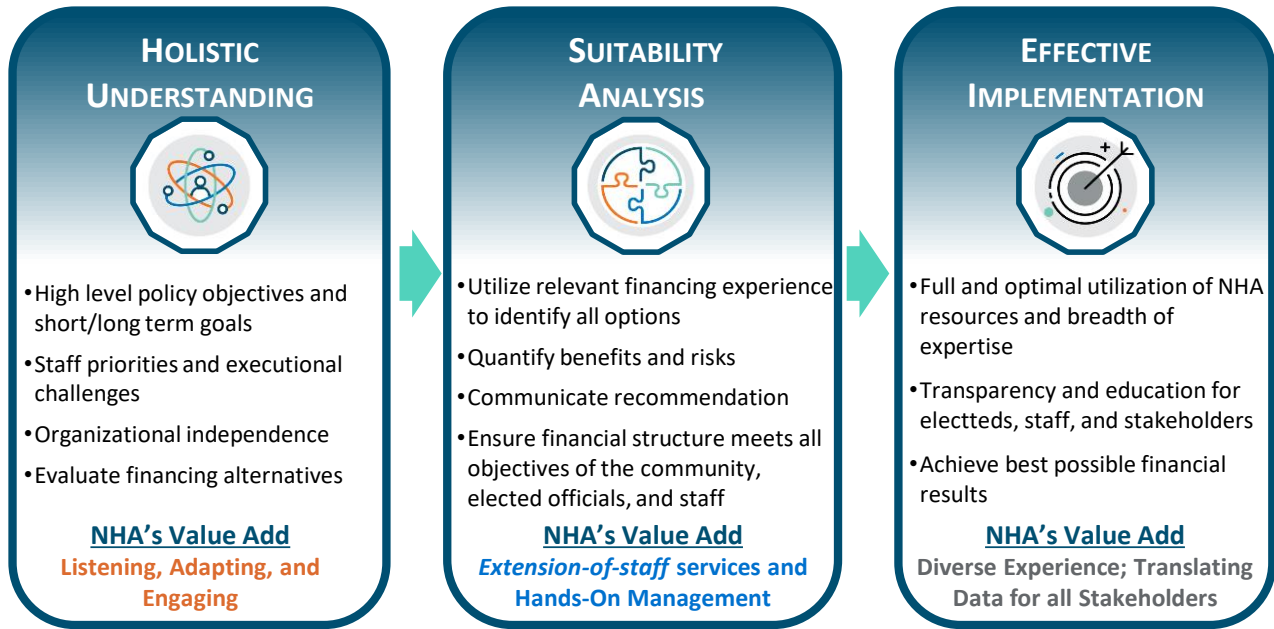
NHA is a different type of advisor to public agencies in California. NHA brings a broad scope of experience that we believe is unmatched by our competitors. We believe that the City benefits the most from a municipal advisory team that is experienced and well-rounded. Building upon our principals’ decades of experience, NHA has developed an internal process that applies the talents of each NHA principal and employee to each step along the financing process. When it comes to the execution phase, our approach is that the municipal advisor should be the project manager for the financing process and should take full responsibility. Of course, tasks related to the legal work, underwriting, and other specialties must be handled by those professionals. But we believe it is important that the client have a “go-to” representative who is responsible to the client and who will “quarterback”





and review, on the client’s behalf, all aspects of the transaction, ensuring maximum communication between all parties so that the project can be accomplished in the most efficient and effective manner possible.

NHA is a holistic, client-centered, and hands-on municipal advisor. This means that the first step in our process is listening to the City to understand your needs. We pride ourselves in being accessible to City staff and assign at least two senior level advisors to each project to ensure open communication with the City, utilizing email, telephone, video calls and in-person meetings according to the City’s preferred method of communication. NHA will attend all City Council or board meetings and any special meetings with staff, bond counsel, disclosure counsel, credit enhancement firms, and rating agencies as the City deems necessary. All projects are unique – NHA commits to **“doing what it takes”** to manage the process, any process, to achieve a successful result for the City and other stakeholders. Once a financing has been determined to be the best solution, NHA steps up to manage the project and “quarterback” the financing, from assembling financing team members, to scheduling meetings, to negotiating with the underwriter, and to conducting in-depth research for credit presentations.



NHA takes a long-term approach to evaluating our client’s potential funding needs. We are comfortable with the axiom “sometimes the best deal is no deal.” NHA commits to advising the City with integrity and if our research indicates that a bond is not the ideal financing mechanism for the City’s projects, we will advise against a bond – regardless of how that will affect our compensation for the project. Our commitment to finding the best funding solution for our clients is our key strength, differentiating us from other municipal advisors. Our projects start with an unbiased assessment of the capital needs and existing financial obligations and evolve after the public agency understands all the issues and options and directs us towards one specific solution. After determining priorities, NHA balances short-term needs with a long-term perspective to provide tangible financing solutions. We have often advised our clients toward financial solutions that include internal loans, federal or state grants, or some form of subsidized loan program like the State Revolving Loan Fund.

Diverse Problem-Solving Experience. The focus of our principals for the last four decades has been on problem solving for public entities in California – and not just the problems that can arise with debt financing. Our problem-solving experience addresses a litany of municipal disasters: bankruptcy, bond defaults, earthquakes, droughts, floods, and climate change. **NHA has met each of those challenges for our clients by coming up with cutting edge solutions, by rethinking the way things are normally done, and above all, by finding the “win-win” solution.**



PART 4 | COMMITMENT TO PROJECT BUDGET

For work described in the Scope of Services, NHA will be compensated based on time and materials required at the hourly rate schedule shown below. The not-to-exceed budget for these services, without further approval from the City, shall be \$27,600. A breakdown of our not-to-exceed budget, by scope and assigned staff member, is detailed below.

Staff Allocation	Hourly Rate
Principal	\$325
Director / Senior Vice President	\$300
Vice President	\$275
Assist. Vice President / Sr. Associate	\$250
Associate	\$225
Senior Analyst	\$200
Analyst	\$175
Administrative	\$ 75

Expenses (Out-of-Pocket)

All expenses will be billed directly at cost to the City. Expenses will be limited to those necessary for completion of the project.

Breakdown of Not-to-Exceed Budget

Task: Kick Off Meeting

NHA Representative	Role	Hourly Rate	Estimated Hours	Total Charge
Craig Hill	Managing Principal	\$325	2	\$650
Eric Scriven	Principal	\$325	2	\$650
Mike Meyer	Vice President	\$275	2	\$550
Leslie Bloom	Vice President	\$275	2	\$550
Christian Sprunger	Assistant V.P.	\$250	0	\$0
Roy Kim	Associate	\$225	2	\$450
Matt DeFilippis	Analyst	\$175	2	\$350

\$3,200

Task: Analysis and Report Phase

NHA Representative	Role	Hourly Rate	Estimated Hours	Total Charge
Craig Hill	Managing Principal	\$325	3	\$975
Eric Scriven	Principal	\$325	3	\$975
Mike Meyer	Vice President	\$275	8	\$2,200



Leslie Bloom	Vice President	\$275	4	\$1,100
Christian Sprunger	Assistant V.P.	\$250	2	\$500
Roy Kim	Associate	\$225	8	\$1,800
Matt DeFilippis	Analyst	\$175	8	\$1,400
				\$8,950

Task: Final Report Phase

NHA Representative	Role	Hourly Rate	Estimated Hours	Total Charge
Craig Hill	Managing Principal	\$325	4	\$1,300
Eric Scriven	Principal	\$325	4	\$1,300
Mike Meyer	Vice President	\$275	12	\$3,300
Leslie Bloom	Vice President	\$275	1	\$275
Christian Sprunger	Assistant V.P.	\$250	1	\$250
Roy Kim	Associate	\$225	6	\$1,350
Matt DeFilippis	Analyst	\$175	6	\$1,050
				\$8,825

Task: Presentations/Workshops

NHA Representative	Role	Hourly Rate	Estimated Hours	Total Charge
Craig Hill	Managing Principal	\$325	4	\$1,300
Eric Scriven	Principal	\$325	4	\$1,300
Mike Meyer	Vice President	\$275	6	\$1,650
Leslie Bloom	Vice President	\$275	1	\$275
Christian Sprunger	Assistant V.P.	\$250	2	\$500
Roy Kim	Associate	\$225	4	\$900
Matt DeFilippis	Analyst	\$175	4	\$700
				\$6,625

TOTAL (Not to Exceed)	107	\$27,600
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NHA’s Method of Containing Expenses

NHA contains its expenses by appropriately allocating work to staff within our organization. We make sure that staff with higher hourly fees, such as Principals, are not working on aspects of the project that do not require their expertise. NHA’s assigned team, as laid out in PART 1, is a diversified group of positions, from Principal to Analyst, which gives NHA the flexibility to assign project tasks to the most qualified individual, without charging the City the highest hourly rate for the entire duration of the project.



PART 5 | REFERENCE REVIEW

NHA’s references can provide the City with frank, detailed evaluation of our approach and processes towards projects. We encourage you to reach out to these references for more information about how NHA approaches our projects with a goal of providing an unparalleled level of municipal advisory services in keeping with the “NHA Way” ethos.

Project Name	Project Location	Contact Information	Project Budget	Date of Project Completion	Other Recent Projects
2020 Lease Revenue Bonds (UAL Refunding)	City of Ukiah	Dan Buffalo Finance Director dbuffero@cityofukiah.com	\$72,500	12/17/2020	2022 Electric Bonds 2022 Lease Revenue Bonds (Capital Improvements) 2020 Pension Consulting
2021 Wastewater Revenue Bonds	West County Wastewater	Justin Lovell Director of Administrative Services JLovell@wcwd.org	\$75,000	9/30/2021	N/A
2022 Lease Revenue Bonds (UAL Refunding)	City of Corcoran	Soledad Ruiz-Nuñez Finance Director soledad.ruiz-nunez@cityofcorcoran.com	\$62,500	1/26/2022	2021 Energy Projects Consulting 2016 Fiscal Sustainability Consulting 2016A Water Revenue Refunding Bonds 2016 Refunding Tax Allocation Bonds



APPENDIX A: REQUIRED DISCLOSURES



Registration

All NHA municipal advisors are registered with the Municipal Securities Rulemaking Board (“MSRB”) and Securities Exchange Commission (“SEC”) and maintain the Series 50. NHA’s good standing with the MSRB can be found on the MSRB website: <http://msrb.org/MARegistrants.aspx>. Additionally, copies of NHA’s most recent form MA and each most recent form MA-I filed with the SEC may be accessed electronically here:

<https://www.sec.gov/edgar/searchedgar/companysearch.html>.

No Business Relationships with Broker-Dealers or Fee Splitting Arrangements

NHA has no affiliation, ownership or relationship with any broker-dealer. NHA abides by all the new rules for Independent Registered Municipal Advisors, which includes not allowing for finder’s fees, fee splitting, payments to consultants, or other contractual arrangements that present either a real or perceived conflict of interest.

Further, NHA certifies that the firm will not participate in any activities that directly pertain to the underwriting or purchasing of any financing debt or bonds issued by the City or its affiliates, while contracted for services as a Municipal Advisor by the City.

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 City 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 City with informed advice
- c) make a reasonable inquiry as to the facts that are relevant to the City’s determination as to whether to proceed with a course of action or that form the basis for any advice provided to the City; 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 City;
 - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the City, any other party involved in the municipal securities transaction or municipal financial product, or investors in the City securities; and
 - iii. any information provided to the City 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 City and act in the City’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 Issuer about each material conflict of interest (as applicable). NHA Advisors will not engage in municipal advisory activities with the City as a municipal entity, if it cannot manage or mitigate its conflicts in a manner that will permit it to act in the City’s best interest.



Conflicts of Interest and Other Matters Requiring Disclosures

- As of this date, there are no actual or potential conflicts of interest 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 potential conflict of interest that arise after this disclosure, NHA Advisors will disclose the detailed information in writing to the City in a timely manner.
- The fee paid to NHA Advisors increases the cost of investment to the City. The increased cost occurs from compensating NHA Advisors for municipal advisory services provided.
- NHA Advisors does not act as principal in any of the transaction(s) related to its role/work on the Project.
- During the term of the municipal advisory relationship, any agreement between the City and NHA Advisors will be promptly amended to reflect any material changes or additions.
- NHA Advisors does not have any affiliate that provides any advice, service, or product to or on behalf of the City 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 the City’s municipal advisory business
- NHA Advisors has not received any payments from third parties to enlist NHA Advisors’ recommendation to the City 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 City;
- NHA Advisors has a conflict of interest from compensation for municipal advisory activities to be performed that are contingent on the size or closing of any transactions as to which NHA Advisors is providing advice
- NHA Advisors does not have any other engagements or relationships that might impair NHA Advisors ability either to render unbiased and competent advice to or on behalf of the City, or to fulfill its fiduciary duty to the City, as applicable; and
- NHA Advisors does not have any legal or disciplinary event that is material to the City’s evaluation of the municipal advisory or the integrity of its management or advisory personnel.

Pursuant to MSRB 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, the City 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 City 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



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 City 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 City. In addition, NHA Advisors will inform the City 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 City; and
- whether NHA Advisors has investigated or considered other reasonably feasible alternatives to the recommendation that might also or alternatively serve the City objectives.

If the City 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 City.

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 City for five (5) years.

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