



**Sonoma County Fire District Board of Directors
Special Board Meeting Agenda
Tuesday May 3, 2022 5:00PM
Location: Fire Station 1 - 8200 Old Redwood Hwy. Windsor**

The Board meeting agenda and all supporting documents are available for public review at 8200 Old Redwood Highway, Windsor, CA, 24 hours in advance of a scheduled board meeting. Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet, and not otherwise exempt from disclosure, will be made available for public inspection at the District Office at 8200 Old Redwood Hwy, Windsor, during normal business hours and on the website at www.sonomacountyfd.org. Copies of supplemental materials distributed at the Board meeting will be available for public inspection at the meeting location.

In accordance with the Americans with Disabilities Act, anyone needing special assistance to participate in this meeting should contact District Executive Assistant Kathy Washington at the District Office at 707-838-1170. Notification 48-hours before the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

President Klick

Vice President Tognozzi

Director So

Secretary/Treasurer Weaver

Director Hamann

Director Treanor

Director Briare

OPEN TIME FOR PUBLIC EXPRESSION

(Three-minute time limit)

This is an opportunity for any member of the public to briefly address the District Board on any matter that does not appear on this agenda. Items that appear to warrant a lengthier presentation or Board consideration may be placed on the agenda for discussion at a future meeting.

AGENDA ADJUSTMENTS

An opportunity for the Board President to approve adjustments to the current agenda.

DIRECTOR REPORTS

An opportunity for Directors to report on their individual activities related to District business.

FIRE CHIEF'S REPORT

Chief Heine will report on District administration and operations.

ACTION ITEMS

1. CONSIDERATION OF APPROVAL OF VIDEOCONFERENCE IN COMPLIANCE WITH AB361

The Board will consider approval of findings that there remains a State proclaimed COVID-19 health emergency and local officials continue to impose or recommend measures to promote social distancing.



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2. PRESENTATION BY NHA ADVISORS ON UAL RESTRUCTURING AND POTENTIAL DIRECTION BY BOARD

NHA Advisors will provide a presentation to the Board on the status of our Unfunded Accrued Liability (UAL) and options related to restricting the debt.

The Board will consider directing staff to proceed with structuring a bank loan package.

3. TOWN OF WINDSOR FEE WAIVER REQUEST

The Board of Directors will consider a request from the Town of Windsor to waive a pyrotechnics permit fee and inspection staff time fees regarding the Town's July 3 fireworks show.

CLOSED SESSION

1. Anticipated Litigation (two cases) (Government Code Section 54956.9(b)).

ADJOURNMENT

The slide features a header with the Sonoma County Fire District logo, which includes a red Maltese cross with 'S' and 'D' on it, and the text 'SONOMA COUNTY' above and 'FIRE DISTRICT' below. The main title is 'CALPERS PENSION UPDATE' in large blue font, with the subtitle 'FOLLOW UP PRESENTATION RELATED TO UAL RESTRUCTURING PROJECT' in smaller blue font below it. The slide background is dark blue with the 'NHA | ADVISORS' logo in white, including the tagline 'Financial & Policy Strategies. Delivered.' and the date 'MAY 3, 2022' in the bottom right corner.

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The slide is titled 'Table of Contents' in blue font. Below the title is a list of five items, each preceded by a blue right-pointing arrow: 'Refresher on CalPERS UAL', 'Process and Market Update', 'Analysis/Options', 'Recommendation', and 'Next Steps'. At the bottom of the slide, there are three logos: the Sonoma County Fire District logo on the left, the number '2' in the center, and the NHA | ADVISORS logo on the right.

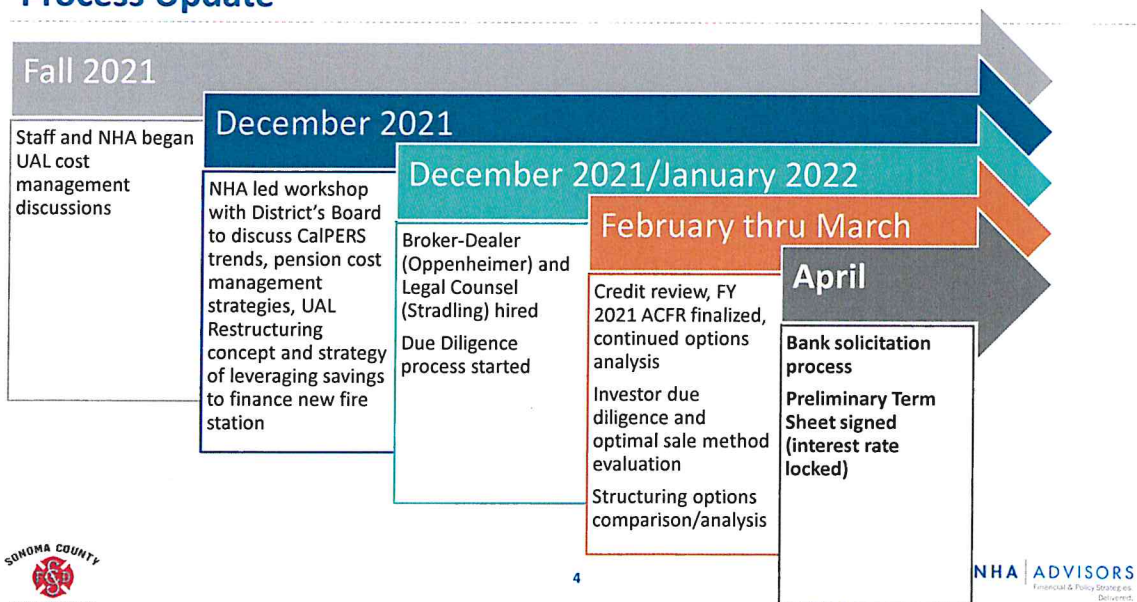
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Background and UAL Update

- ▶ District's CalPERS projected Unfunded Accrued Liability (UAL) is **currently \$15-\$17 million (inclusive of consolidations)**
 - ▶ UAL debt has more than doubled over last 6 years
 - ▶ UAL payments (to amortize the UAL debt) have grown from \$400K (2015) to \$1.4 million (2023)
 - ▶ **CalPERS currently charges 6.8% interest rate on this debt**
- ▶ CalPERS FY 2020-21 returns of 21.3% and key assumption changes will reduce the District's UAL to approximately \$10.64 million based on current CalPERS estimates from actuary
 - ▶ However, potential underperformance in FY 2022 may drive UAL back higher (to above \$13M)



Process Update



Key Updates Since December Workshop

- ▶ Unprecedented increase in interest rates (2.0% increase in last few months)
 - ▶ January 2022: UAL Restructuring for Lakeside Fire - 3.35% Rate
 - ▶ Feb – March: Extremely market volatility; no UAL Restructurings
 - ▶ April 2022: City of Barstow - 4.84% (15-year term)
 - ▶ Based on this comparable, we estimate rates for a Sonoma UAL Restructuring (20-year term) to be over 5.25% in the public markets
- ▶ **Identifying the upward trend in rates, staff and financing team strategically decided to quickly pursue the private placement market (banks) in early April**



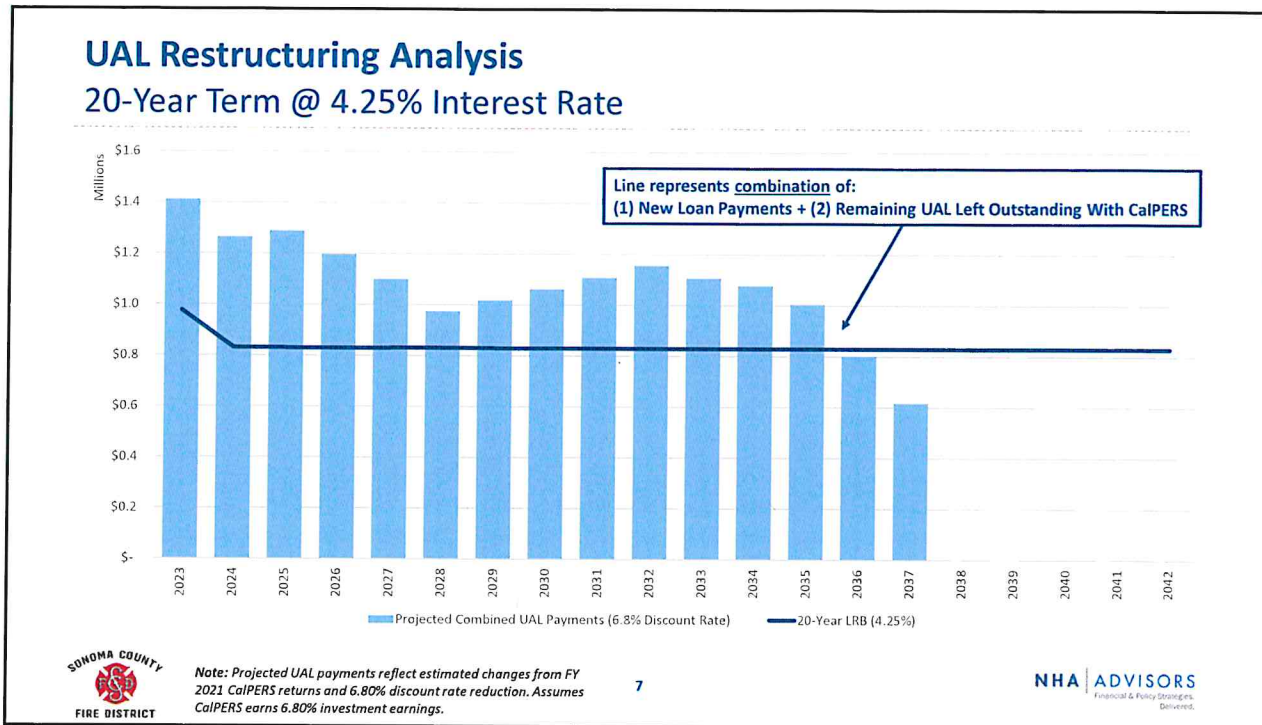
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Lender Discussions

- ▶ Oppenheimer led discussions with over 10 banks
 - ▶ Many term options were presented in order to cast “wide net” and identify bank preferences and potential sweet spots
 - ▶ Banks were also asked to provide flexible prepayment (call) features (shorter than 10 years if possible) so that District can refinance or pay down debt early at no penalty
- ▶ Bids requested for both an unsecured POB structure and a secured lease structure
 - ▶ **Lowest Option: 4.25% rate for 20-year term from Webster Bank; 7-Year Call Feature**
 - ▶ Lease structure secured by real property
 - ▶ Unsecured POB was not viable option for under 5%



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UAL Restructuring Analysis Estimated Savings

- ▶ **PV Savings of \$1.6M** (15.5% of refunded UAL)
 - ▶ \$4.4M of savings over next 14 years; \$313K on average annually
- ▶ **Reduction in annual payments from \$1.4M to \$830K**
 - ▶ Provides capacity to fund new fire station debt (see next page)

Metrics	20-Year LRB (4.25%)
UAL Funded (\$)	\$10,640,379
% UAL Funded (Current Asset Valuations)	59%
Funded Ratio (Current Asset Valuations)	90%
% UAL Funded (Projected After FY 2021 Returns & 6.8% Discount Rate)	100%
Funded Ratio (Projected After FY 2021 Returns & 6.8% Discount Rate)	100%
Maturity	20 Years
Average Life	11.997 Years
All-In Interest Rate	4.41%
PV Savings (%)	15.46%
PV Savings (\$)	\$1,645,094
Total UAL Payments Refunded	\$17,211,515
Total Payments on Taxable LRB	(\$16,218,982)
Cumulative Savings	\$992,533
Savings (2023-2036)	\$4,387,883
Average Annual Savings (2023-2036)	\$313,420

Note: Preliminary estimates shown reflect estimated changes from FY 2021 CalPERS returns and 6.80% discount rate reduction. Assumes CalPERS earns 6.80% investment earnings.

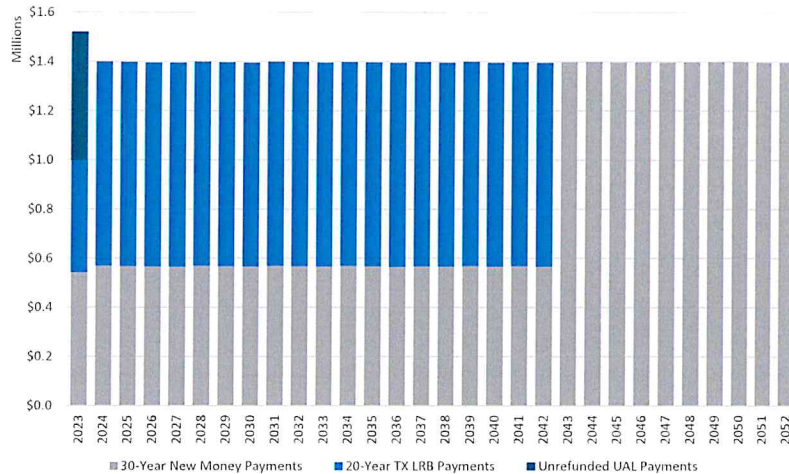
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Holistic Capital Funding Strategy

Leveraging UAL Savings to Afford Payments on Potential New Fire Station Debt

- ▶ UAL restructuring provides capacity to raise ≈\$11.0M to \$11.8M for fire station project based on current rates (4.5 to 5.0%)
- ▶ Fire station project (s) could be funded through a 30-year tax-exempt bond
- ▶ Combined annual payments on POB + LRB capped at projected FY 2022-23 UAL payment (\$1.4M) for affordability



Note: Proceeds that can be raised for fire station dependent on interest rates as well as final CalPERS projections

Takeaways

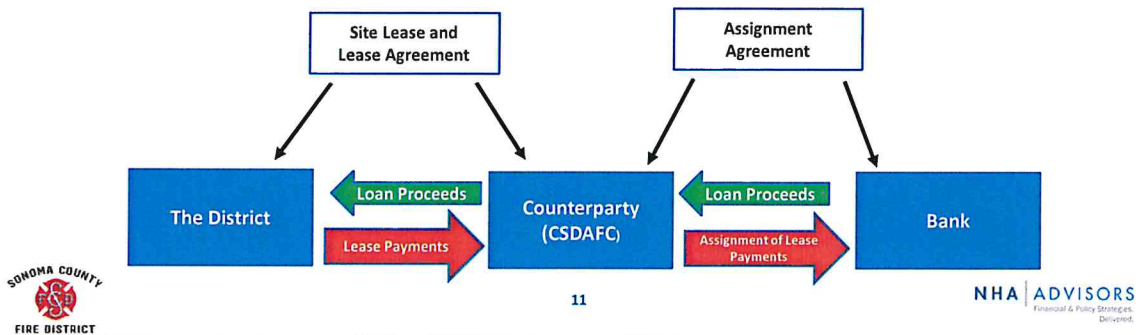
- ▶ The window for publicly offered POBs below 5.00% has likely closed for the time being given inflation, market volatility and the Ukraine/Russian crisis
 - ▶ Executing above 5% (current estimate) would not be recommended by NHA
- ▶ Banks are not providing aggressive bids beyond 20 years
- ▶ District received an aggressive 4.25% bid from Webster Bank for the 20-year option
 - ▶ 4.25% is approximately 1.00% lower than those in public markets
 - ▶ 7-year prepayment option provides added flexibility to refinance if rates go lower or pay off early using cash
- ▶ Reduction in payments should provide District with extra budgetary capacity to fund a large portion of new fire station project



Financing Structure

Lease-Lease Back with CSDA Finance Corporation

- ▶ District owned asset is utilized to effectuate the structure, but there is no risk of foreclosure or any title/deed transfer of ownership
 - ▶ The Bank's remedies are limited to those necessary to enforce the payment of the Lease Payments due under the Lease
- ▶ Fire Station #3 is recommended to be utilized given that station value = loan size (est. \$11M)
- ▶ District and Bank simultaneously enter into:
 - ▶ **Site Lease** - District transfers Leasehold interest of Asset to third party corporation for term of the Loan
 - ▶ **Lease** - Corporation subleases the Asset back to the District
 - ▶ **Assignment Agreement** - Corporation assigns the Lease Payments received under the Lease to the Bank. Bank loans money to District, using Lease Payments received under the Lease Agreement as repayment.



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Estimated Timetable


- ▶ **May 3**
 - ▶ Presentation to Board; Receive Feedback
- ▶ **May 4 – May 17**
 - ▶ Credit Approval Process by Bank
 - ▶ Legal Documents Drafted by Bond Counsel
 - ▶ Title Insurance Process on Assets
- ▶ **May 17**
 - ▶ **Board Approval of Financing and Loan Documents**
- ▶ **June 2**
 - ▶ Close financing and pay off UAL with CalPERS



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APPENDIX STRESS TESTING, RISK ANALYSIS AND MARKET INFORMATION

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UAL Restructuring Pros & Cons Summarized




Primary Benefits

- Fiscal Sustainability Tool: “Re-shape” to “smoother” payments
- Near-Term Budgetary Savings
- Interest Rate Savings “Arbitrage”: Borrow at lower rates (currently \approx 4.25%) vs. CalPERS (currently 6.8%)
- Increase Funding Ratio
- Flexibility to Modify Maturity



Primary Risks


- **Reinvestment Risk:** Savings dependent on future CalPERS returns (unknown at issuance) through term of bond - *Primary concern of GFOA*
- *Rule of Thumb: Present value savings occur if PERS earns greater returns than pension bond interest rate*
- **Market-Timing Risk:** Near-term losses exacerbate the reinvestment risk given large lump sum deposit into the market




These risks should be quantified through a stress testing process to better understand the impacts of potential poor investment performance by CalPERS

What if CalPERS only earns 5%?

What if there is another 2008-like recession?



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Assessing the Impact to Savings if CalPERS Underperforms

20-Year Secured POB @ 4.41% All-In Interest Rate

Annual Underperformance

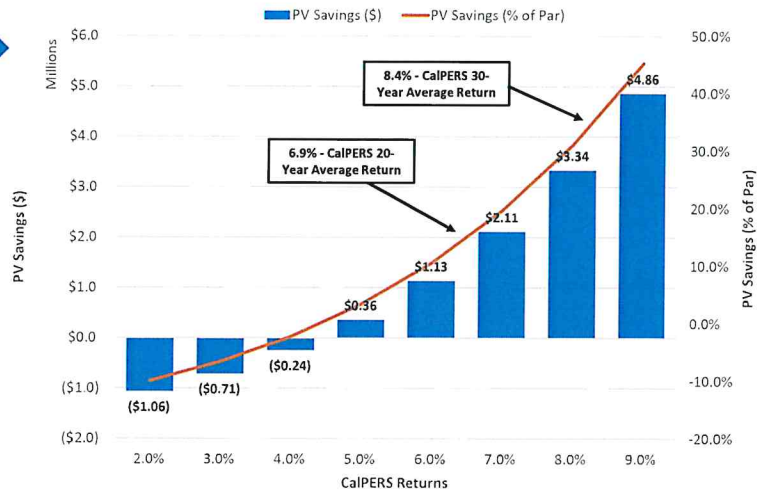
- Bar chart shows PV savings generated from POB assuming various CalPERS returns (2% up to 9%)

Market Timing Risk

- Table below shows PV savings if CalPERS loses significant amount in 1st year after POB

Market Crash Scenarios

CalPERS Returns	PV Savings (\$)	PV Savings (% of Par)
-10.0%	254,540	2.4%
-15.0%	(234,325)	-2.2%
-20.0%	(723,190)	-6.7%
-25.0%	(1,212,055)	-11.3%



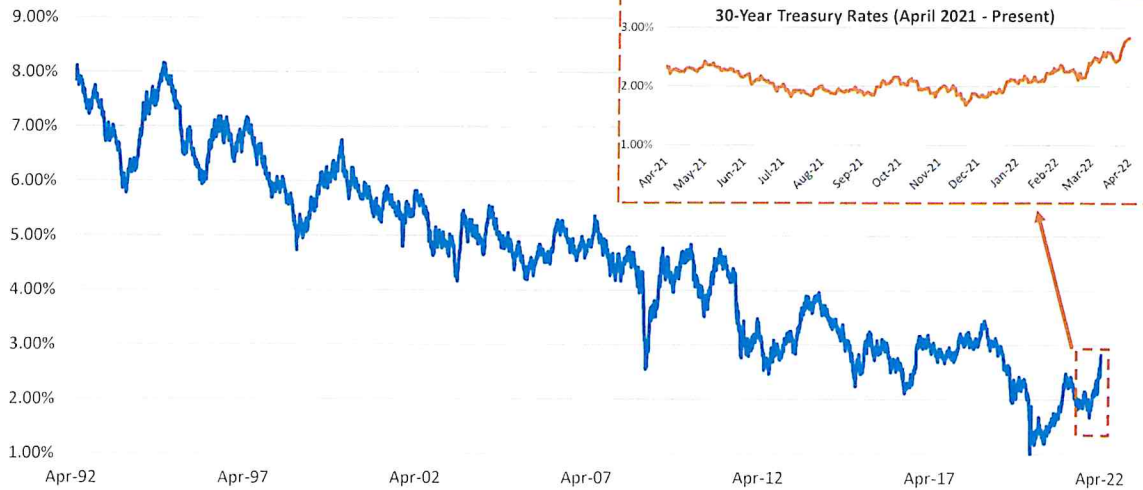
Note: Risk assessment based on best estimates and is non-actuarial



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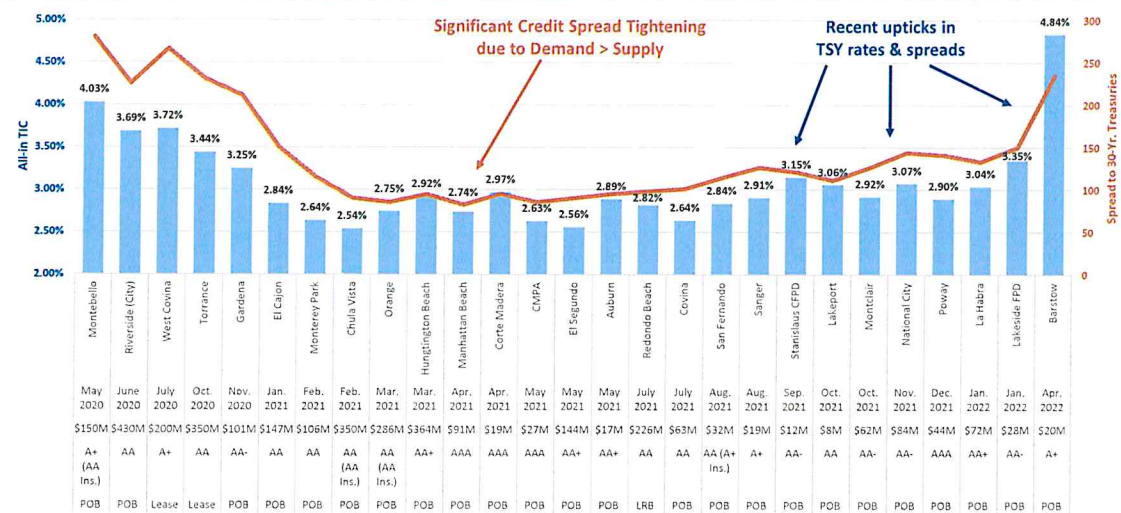
Interest Rates (30Y UST)

1.00%+ Increase Year-to-Date



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Recent UAL Restructurings (Public Offerings) Interest Rate (Blue) and Credit Spread (Orange) Trends



Note: Spreads and interest rates should be considered best estimates. Rates reflect estimated TIC or all-in TIC.



Sonoma County Fire District Board of Directors
Staff Report

Date: March 15, 2022

Topic: Town of Windsor Fee Waiver Request

Recommendation:

Approve a fee waiver request for the Town of Windsor in the amount of \$2,212.

Financial Impact:

Fees assessed for the event would be \$2,212.

Background:

The Town of Windsor is currently preparing for the return of the July 3rd Fireworks and Independence Day celebration at Keiser Park. This year the Town is not partnering with the Active 20-30 Club.

The Town of Windsor is requesting a waiver of the inspection and event fees normally charged by the Fire District. This includes the pyrotechnic permit fee of \$604 and SCFD staff time for inspections in the amount of \$1,608 for a total fee assessment of \$2,212.

Staff recommends waiver of the fees.

Attachments:

1. Letter from Jon Davis, Parks and Recreation Director, Town of Windsor.



Town of Windsor
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Mayor
Sam Salmon

Vice Mayor
Esther Lemus

Councilmember District 3
Debora Fudge

Councilmember
Rosa Reynoza

Interim Town Manager
Mark Linder

April 19, 2022

Fire Chief Mark Heine
Sonoma County Fire District
PO Box 530
Windsor CA 95492

Subject: Request to Waive Fees July 3 Fireworks Display 2022

Chief Heine:

The Town of Windsor is currently preparing for the return of the July 3rd Fireworks and Independence Day Celebration at Keiser Park. This year the Town is not partnering with the Active 20-30 Club, we will be contracting with Pyro-Spectaculars North directly to provide the fireworks show. The format and logistics of the show will be the same as in previous years, with the shot site located at the Windsor High School JV baseball field. This year will be a "Fireworks Only" event, no festival will be held in Keiser Park. The park will simply be open at 1930 hours, for the community to come down and enjoy the pyrotechnics at 2140 hours free of charge.

To ensure that the Town is following the appropriate procedures as instructed by the Fire Department, Town staff has exercised on-going communication with Division Chief / Fire Marshal Foreman.

Division Chief / Fire Marshal Foreman presented the following inspection fees associated with the event, which in turn, the Town is requesting fee waivers for totaling \$2,212. This includes the Pyrotechnic permit fee (\$604) and anticipated SCFD staff time for inspections at the shot site (\$1,608).

The Town of Windsor appreciates your time and consideration of this request, as well as the on-going support of the Sonoma County Fire District.

Thank you,

Jon Davis
Parks and Recreation Director
Town of Windsor Parks and Recreation Department