

Considering the Issuance of Pension Obligation Bonds



KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
PRESENTATION TO BOARD OF DIRECTORS
JUNE 11, 2020

Presented by:

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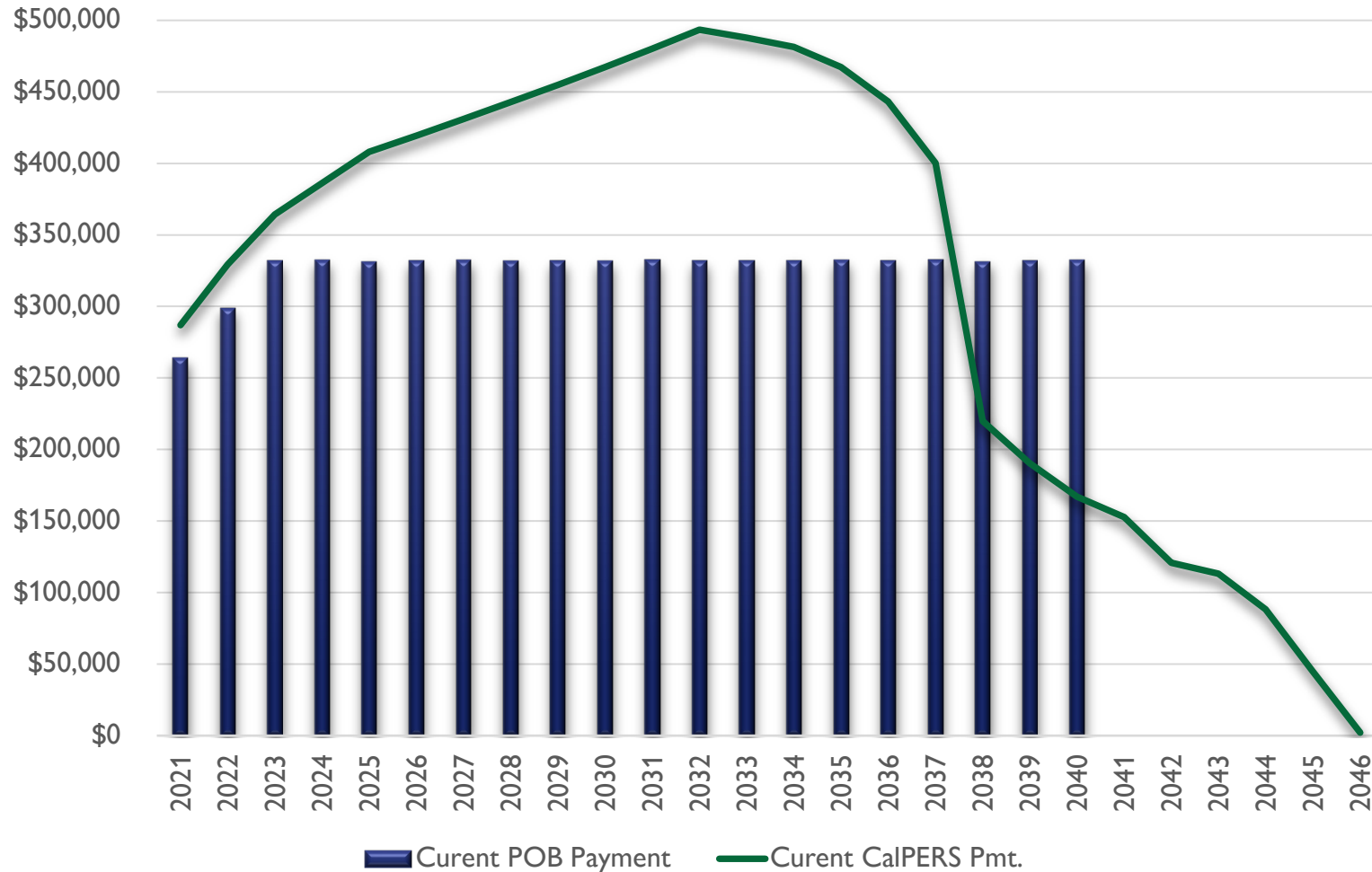


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EXECUTIVE SUMMARY

- Kensington Police Protection and Community Services District (“District”) has an Unfunded Accrued Liability (“UAL”) with the California Public Employees’ Retirement System (“CalPERS”)
 - District’s “Classic” plan UAL will be \$4,424,408 at 6/18/20¹
- UAL is an existing debt owed to CalPERS that is being repaid at 7% interest rate
- Opportunity to refinance UAL for savings with Pension Obligation Bonds (“POBs”)
 - 3.85% interest rate vs. 7.00%
 - \$1,819,668 gross savings; \$1,182,377 PV Savings; 26.66% NPV Savings (savings/UAL)
- Board considers authorization of transaction tonight

SAVINGS SUMMARY¹



Year Ending June 30	Curent CalPERS Pmt.	POB Payment	Savings	Net Present Value Savings
2021	\$287,011	\$263,789	\$23,222	\$22,333
2022	329,254	298,399	30,855	28,574
2023	364,295	331,394	32,901	29,339
2024	386,173	330,926	55,247	47,439
2025	408,112	331,227	76,885	63,572
2026	419,335	331,259	88,076	70,126
2027	430,866	331,021	99,845	76,550
2028	442,715	331,513	111,202	82,095
2029	454,890	330,698	124,192	88,287
2030	467,399	330,613	136,786	93,635
2031	480,253	331,220	149,033	98,237
2032	493,460	331,480	161,980	102,812
2033	487,781	331,394	156,387	95,582
2034	481,417	330,962	150,455	88,548
2035	467,368	331,183	136,185	77,179
2036	443,165	331,019	112,146	61,199
2037	400,229	331,470	68,759	36,132
2038	219,882	331,497	(111,615)	(56,477)
2039	190,383	331,101	(140,718)	(68,563)
2040	167,074	331,282	(164,208)	(77,043)
2041	152,666	0	152,666	68,972
2042	120,887	0	120,887	52,590
2043	113,079	0	113,079	47,370
2044	88,295	0	88,295	35,616
2045	44,964	0	44,964	17,465
2046	2,153	0	2,153	805
TOTALS	\$8,343,106	\$6,523,447	\$1,819,659	\$1,182,374



¹ Represents calculation of POB vs. UAL payments based on "Rate Lock" provisions; will be final if approved by Board

PROCESS TO DATE

- Brandis Tallman (“Placement Agent”) VP Jeff Land was put in contact with a member of District’s Finance Committee via California Special Districts Association who received an inquiry
- Mr. Land researched District’s UAL and canvassed investors to identify a funding partner interested in working with District
 - Capital One (“Purchaser”) offered 60-day “rate lock” and favorable terms
- Kosmont Transactions Services, Inc. (“KTS”), an Independent Registered Municipal Advisor (“IRMA”) with the MSRB¹ and SEC², was contacted to evaluate merits and make contact with District
 - KTS President Larry Kosmont previous professional relationship with Mr. Lindsay
 - KTS has undertaken a fiduciary relationship with the District in accordance with MSRB/SEC regulations
- No fees are due to any party unless and until POB closes; District is under no obligation to act
- Opportunity was presented to Finance Committee on May 5
- Opportunity was presented to Board of Directors on May 14
- Legal documents have been prepared for consideration of approval by the Board - tonight

APPROACH TO CAPITAL MARKET

- Proposed POB will be “distributed” via a “direct placement” if approved, which means one financial institution will buy the entire issue
 - ✓ POBs under \$5 million are not attractive to the “public” taxable municipal bond market
 - ✓ Niche investor base willing to buy 20-year taxable POBs
 - ✓ Streamlined transaction process (less documentation) will help meet June 18th deadline for rate-lock expiration
 - ✓ Low costs of issuance; all fees contingent on successful closing
 - ✓ Fewer ongoing disclosure and administrative requirements
- The proposed Purchaser offered to lock in favorable rates on good terms
 - ✓ Favorable 3.85% interest rate with 60+ day interest rate lock (expires 6/18)
 - ✓ No real property asset or reserve fund pledged for collateral
 - ✓ No bond insurance required (new bank policy requires bond insurance)

DOCUMENTS FOR BOARD APPROVAL

- Two (2) Resolutions to be considered tonight
- First is a Resolution to establish a Debt Issuance Policy for the District
 - California law requires public agencies to have a Debt Issuance Policy prior to issuing debt
 - Establishes a formal District policy to govern the issuance and management of debt as part of the District's financial management program
 - Provides framework for formalizing desired Board Policies regarding District debt
 - Dynamic; may be modified as desired by vote of Board of Directors

DOCUMENTS FOR BOARD APPROVAL

- Second is a Resolution authorizing the POB issue
 - Authorizes the sale and issuance of a taxable Pension Obligation Bond to refinance the UAL
 - Sets forth the terms of the Bond, such as:
 - \$4,544,000 Principal (Loan) Amount
 - 3.85% interest rate
 - Schedule of principal and interest payments and 1/1/2040 final maturity
 - District option to prepay (“call”) Bond for early redemption in 10 years at “par” (without penalty)
 - Sets forth certain covenants of the District, definitions of events of default, terms of delivery
 - District promises to make annual payments; provide certain annual financial information
 - Includes form of Commitment Letter which governs the terms of the sale of the POBs to the Purchaser

SCHEDULE OF ACTIVITIES IF APPROVED

DATE	ACTIVITY
<i>completed</i>	<i>Engage Finance Team</i>
<i>completed</i>	<i>Finance Committee presentation</i>
<i>completed</i>	<i>Board of Directors presentation</i>
<i>completed</i>	<i>Prepare draft legal documents and authorizing resolutions</i>
June 11 (tonight)	Board of Directors meets to consider authorizing Pension Obligation Bonds
June 15 (or earlier)	Finalize all transaction documents
June 18	Close Pension Obligation Bonds; pay off UAL to CalPERS

THANK YOU – ANY QUESTIONS?



KOSMONT TRANSACTIONS SERVICES

JUNE 11, 2020

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