Kensington Fire Protection District

Facilities Funding Discussion

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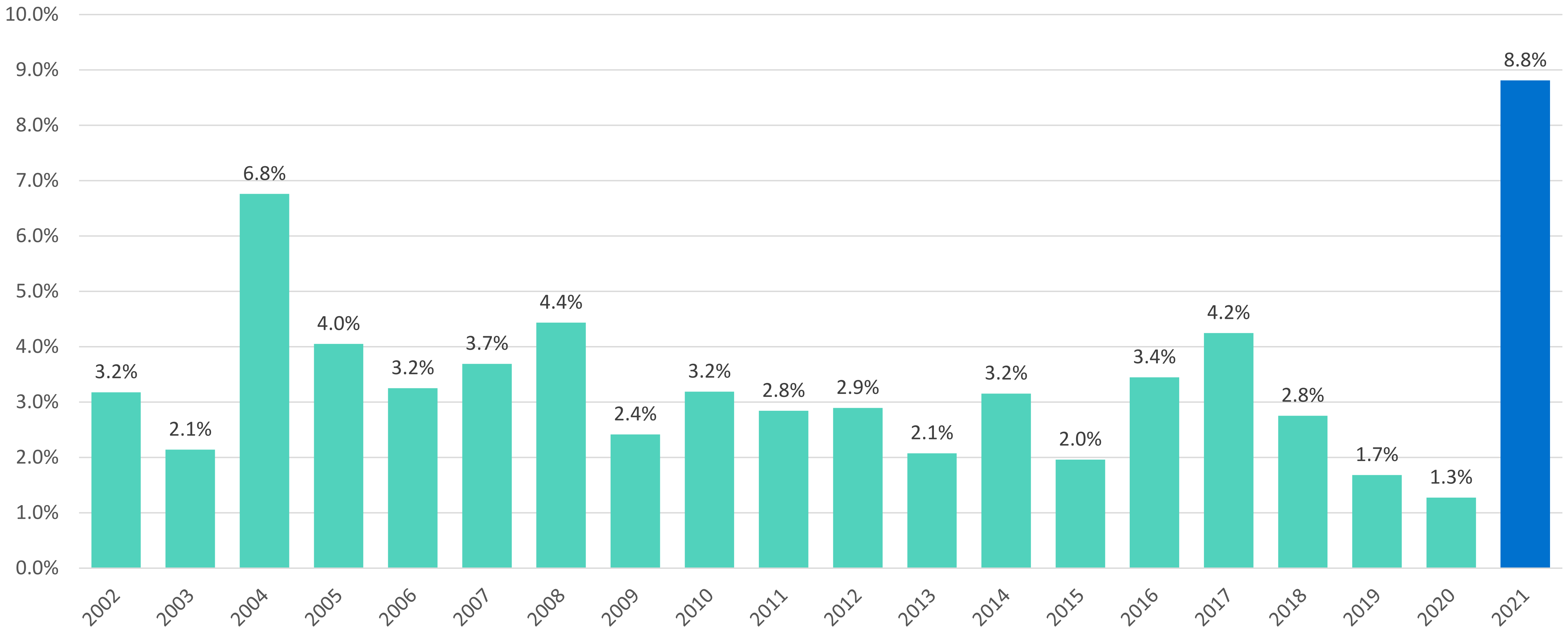
November 2021

ENR Construction Cost Index (September - August)

- Construction inflation has been hard to predict historically
- The election and COVID delayed a lot of projects
- This has led to the current supply and demand imbalance and elevated construction inflation

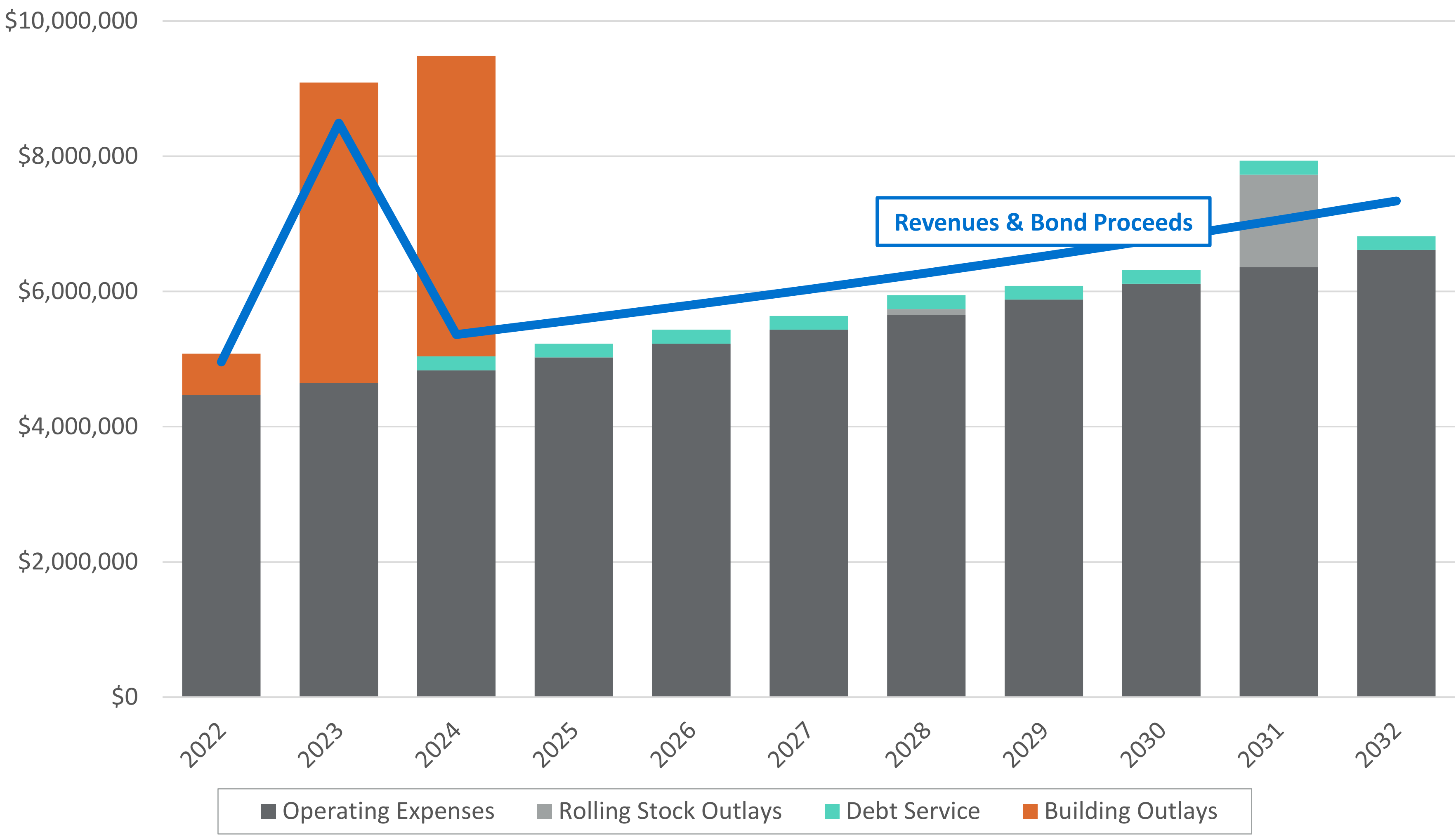


Assumptions

- If construction is delayed, we would assume an 8% construction inflation rate
  - Depending on the length of the delay, the project could become infeasible
- Beginning revenues and expenditures from the FY 2021-22 budget
- 4% inflation factor for revenues, expenditures, and rolling stock
- 30-year financing
- 3.5% interest rate

Cash Flows – Minimum Borrowing Amount ($205K Annual Debt Service)

- $205K of annual debt service generates approximately $3.33M for projects
- The remainder of the projects would be paid out of reserves and budget surpluses
- The distance between the line and columns represents annual surplus/deficit
  - $350,000 in FYE 2025
- Minimizing the financing provides for a largest gap between revenues and expenditures (net revenues)



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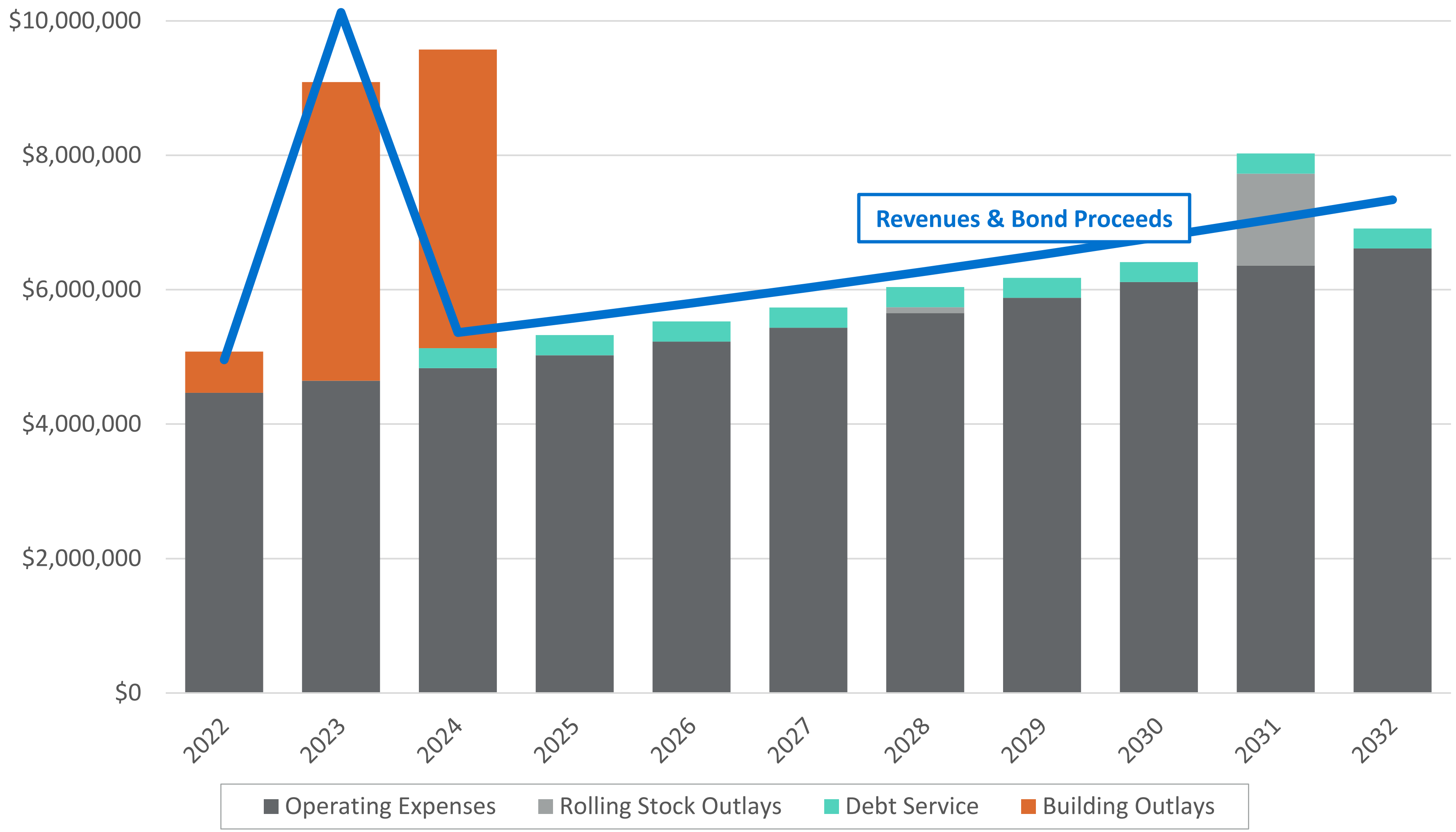
Cash Flows – Larger Borrowing Amount ($300K Annual Debt Service)

- $300K of annual debt service is estimated to generate $4.96M for projects
- A larger financing allows the District to maintain a larger reserve buffer
- …but smaller net revenues ($95,000/year less in this case)
  - $255,000 in FYE 2025



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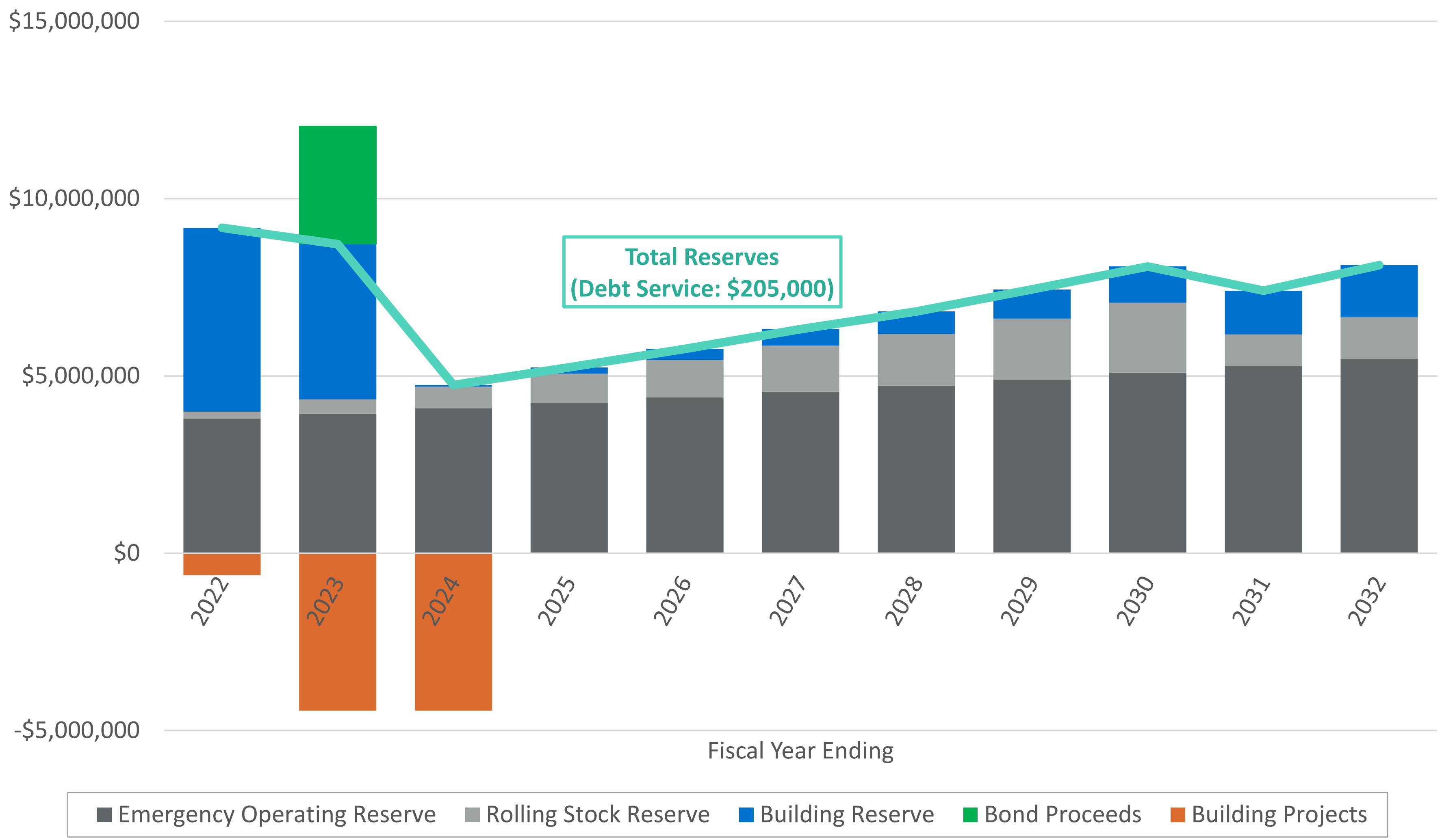
Reserves – Minimum Borrowing Amount ($205K Annual Debt Service)

- Annual debt service of $205K would:
  - Fund $3.3M of building projects
  - Draw the District's building reserves to near-zero in 2024
  - Maximize annual budget surpluses



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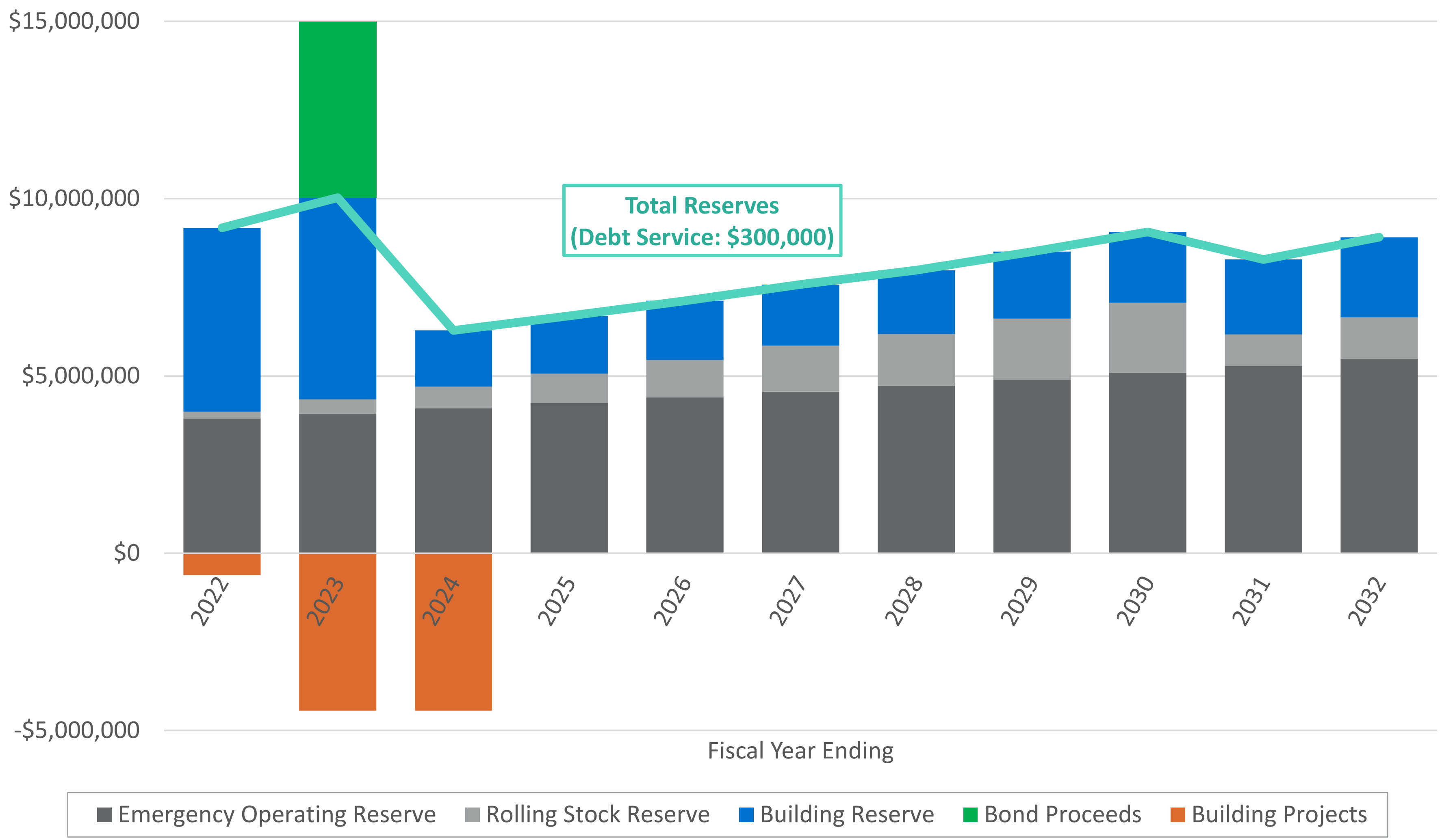
Reserves – Larger Borrowing Amount ($300K Annual Debt Service)

- Annual debt service of $300K would:
  - Fund $4.9M of building projects
  - Maintain higher reserves ($1.6M in FYE 2024)
  - Result in annual budget surpluses that are $95,000 lower than the $205K scenario



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Conclusion

- Issuing debt is a tradeoff between annual budget surpluses and reserves
- Maintain sufficient reserves to cover:
  - Emergency Operating Reserve (El Cerrito Contract and Reconciliation Reserve)
  - Rolling stock reserves
  - Additional reserves