

MEMORANDUM

March 24, 2020

To: Joshua Metz, FORA Executive Officer

From: Mark Northcross, NHA Advisors LLC

RE: **Announcement Regarding Impact of the Recent Global Financial Markets Deterioration on the Proposed FORA Bond Issue**

Global financial markets have been severely impacted by the COVID-19 pandemic. The municipal bond market has experienced unprecedented volatility, with long-term interest rates rising nearly 2.0% in every maturity from March 10 to March 20. As a result, bond trading nearly halted on multiple occasions during the week ending March 13th and only a few small bond sales have been completed within brief windows of stability. The pace and extent of the municipal market recovery once firmer footing is realized is, as yet, unknown. Likewise, the longer-term impact of the pandemic on global and regional economies remains uncertain.

While FORA's finance team remains optimistic that the remediation bonds can be sold by early May, based on the schedule we have proposed, changes in the structure of that bond issue are likely. These changes, along with the recent increase in interest rates, are likely to significantly reduce the bond proceeds available to stakeholders for remediation.

Once markets settle, FORA's finance team will assess the impact of the pandemic on property values. Bond investors may feel uncertain about the near-term future of the real estate market in California. Since the proposed FORA bond issue is secured solely by property tax increment revenues, we expect that the bond issue structure will need to provide more protection for investors against declines in future property tax revenues. This change will de facto result in lower bond proceeds for FORA. However, until market volatility subsides, the FORA finance team cannot provide a reliable estimate of bonding capacity under current market conditions. The finance team can provide a range for bonding capacity at this time. Prior to the recent major market deterioration, bond proceeds for building remediation were estimated to be as high as \$45 million. Using current market conditions, plus an additional interest rate buffer of 1% because of the continuing volatility, we now estimate a range of \$22 to \$26 million in net proceeds for remediation. As the municipal bond market stabilizes, we will continue to refine this estimate. We remain optimistic that the municipal bond market will recover significantly from these distressed levels, hopefully before our June 30, 2020 bond issuance deadline.

Revised drafts of the legal documents for the proposed FORA bond issue are being released for review by FORA stakeholders. As noted above, in response to the deterioration of the bond market, the structure of the bond issue has been changed. The structure has been simplified in order to reduce the exposure of bond investors to uncertainty regarding the real estate market. The FORA finance team will provide a review of these changes on request for all FORA stakeholders.

NHA Advisors, LLC is registered as a Municipal Advisor with the SEC and Municipal Securities Rulemaking Board ("MSRB"). As such, NHA Advisors, LLC has a Fiduciary duty to the public agency and must provide both a Duty of Care and a Duty of Loyalty that entails the following.

Duty of Care

- a) exercise due care in performing its municipal advisory activities;
- b) possess the degree of knowledge and expertise needed to provide the public agency with informed advice;
- c) make a reasonable inquiry as to the facts that are relevant to the public agency's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the public agency; and
- d) undertake a reasonable investigation to determine that NHA Advisors, LLC is not forming any recommendation on materially inaccurate or incomplete information; NHA Advisors, LLC must have a reasonable basis for:
 - i. any advice provided to or on behalf of the public agency;
 - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the public agency, any other party involved in the municipal securities transaction or municipal financial product, or investors in the public agency securities; and
 - iii. any information provided to the public agency or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

Duty of Loyalty

NHA Advisors, LLC must deal honestly and with the utmost good faith with the public agency and act in the public agency's best interests without regard to the financial or other interests of NHA Advisors, LLC. NHA Advisors, LLC will eliminate or provide full and fair disclosure (included herein) to Issuer about each material conflict of interest (as applicable). NHA Advisors, LLC will not engage in municipal advisory activities with the public agency as a municipal entity, if it cannot manage or mitigate its conflicts in a manner that will permit it to act in the public agency's best interests.

Fort Ord Reuse Authority
2020 Taxable Tax Allocation Bonds
(Building Removal Financing)



Financing Schedule
(As of March 23, 2020)

Issuer: Fort Ord Reuse Authority (FORA)
Municipal Advisor: NHA Advisors (MA)
Bond/Disclosure Counsel: Quint & Thimmig (BC/DC)
Fiscal Consultant: Economic & Planning Systems (FC)
Underwriters: Stifel Nicolaus & Citigroup (UW)

February 2020							March 2020							April 2020							May 2020						
Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa
						1	1	2	3	4	5	6	7				1	2	3	4						1	2
2	3	4	5	6	7	8	8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9
9	10	11	12	13	14	15	15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16
16	17	18	19	20	21	22	22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23
23	24	25	26	27	28	29	29	30	31					26	27	28	29	30			24/31	25	26	27	28	29	30

Date	Activity	Participants
Wednesday, March 25	FORA Admin Committee Meeting (8:30 am) - Informational Discussion of Financing	ALL
Wednesday, April 1	FORA Admin Committee Meeting (8:30 am) - Informational Discussion of Financing	ALL
Saturday, April 11	End of Passive Validation Period (30 Days after Judgement Entered)	ALL
Week of April 13	Credit Rating Presentation	ALL
Monday, April 13	Agenda Deadline for April 17, 2020 FORA Board Meeting (Staff Report and POS)	ALL
Wednesday, April 15	FORA Admin Committee Meeting (8:30 am) - Informational Discussion of Financing	ALL
Friday, April 17	FORA Board Approval of POS and Legal Documents	ALL
Monday, April 27	Pre-pricing Call	FORA/UW/MA
Tuesday, April 28	Price Bonds	FORA/UW/MA
Monday, May 11	Pre-Closing; All Documents Signed	ALL
Tuesday, May 12	Closing	ALL