



**Town of Atherton
FINANCE COMMITTEE AGENDA**

JUNE 7, 2010

2:00 PM

**MEETING ROOM
COUNCIL CHAMBERS**

94 Ashfield Road
Atherton, California

REGULAR MEETING

- 2:00 P.M. 1. ROLL CALL Kathy McKeithen, Jim Dobbie, Greg Conlon, Jeff Wise**
- 2:05 P.M. 2. PUBLIC COMMENTS (only for items which are not on the agenda - limit of three minutes per person)**
- 2:10 P.M. 3. REGULAR AGENDA
REVIEW AND APPROVE MINUTES OF JUNE 1, 2010, FINANCE COMMITTEE MEETING**
- 2:15 P.M. 4. REVIEW AND DISCUSS FY 2010-2011 PROPOSED BUDGET AND MAKE RECOMMENDATION TO THE CITY COUNCIL FOR CONSIDERATION AT THEIR JUNE 16, 2010 MEETING**
- 4:45 P.M. 5. COMMITTEE MEMBER DISCUSSION – FUTURE AGENDA**
- 5:00 P.M. 6. ADJOURN**

☞ Please contact the City Clerk's office at (650) 752-0500 with any questions

Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact the Park Program Manager at (650) 752-0534. Notification of 48 hours prior to the meeting will enable the Town to make reasonable arrangements to ensure accessibility to this meeting. (29 CRF 35.104 ADA Title II)



Town of Atherton

Statement of Investment Policy

The City Council of the Town of Atherton (the Town) has adopted this Investment Policy (the Policy) in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the Town. All Town funds will be invested in accordance with this ~~Investment~~ Policy and with applicable sections of the California Government Code.

This Investment Policy was endorsed and adopted by the City Council on August 19, 2009. It replaces any previous investment policy or investment procedures of the Town.

SCOPE

The provisions of this ~~Investment~~ Policy shall apply to all financial assets of the Town as accounted for in the Town's Comprehensive Annual Financial Report.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Investment income shall be distributed to the individual funds not less than annually.

OBJECTIVES

The Town's funds shall be invested in accordance with all applicable Town codes and resolutions, California statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:
~~The principal investment objectives of the Town are:~~

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.

3. Attainment of a market rate of return.
4. Diversification to avoid incurring unreasonable market risks.
5. ~~Compliance with the Town's Municipal Code and with all applicable Town resolutions, California statutes and Federal regulations.~~

DELEGATION OF AUTHORITY

The management responsibility for the Town's investment program is delegated annually by the City Council to the Treasurer, as provided for in California Government Code Section 53607. The Town's City Manager serves as the Treasurer. The City Manager may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members. No person may engage in an investment transaction except as expressly provided under the terms of this ~~Investment Policy~~.

The City Manager or designee shall develop administrative procedures and internal controls, consistent with this ~~Investment Policy~~, for the operation of the Town's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the Town.

The Town may engage the support services of outside investment advisors with respect to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the Town's financial resources.

PRUDENCE

The standard of prudence to be used for managing the Town's investment program is California Government Code Section 53600.3, the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The Town's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Town recognizes that no investment is totally without risk and that the investment activities of the Town are a matter of public record. Accordingly, the Town recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the Town.

The City Manager or designee and authorized investment personnel acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion to the City Council and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the Town's investment program or could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall subordinate their personal investment transactions to those of the Town. In addition, Town City Council members, the City Manager, and the Finance Director shall file a Statement of Economic Interests each year as required by California Government Code Section 87203 and regulations of the Fair Political Practices Commission.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the Town shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686. Any revisions or extensions of these code sections will be assumed to be part of this Investment Policy immediately upon being enacted.

The Town has further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes or bonds with a final maturity not exceeding five years from the date of trade settlement.
2. Federal Instrumentality (government sponsored enterprise) debentures, discount notes, callable and step-up securities, with a final maturity not exceeding five years from the date of trade settlement, ~~issued by the following only: Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB) and Federal Home Loan Mortgage Corporation (FHLMC).~~
- 2-3. Medium-Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement, and rated at AAA or the equivalent by a NRSRO. The aggregate investment in medium-term notes shall not exceed 5% of the Town's total portfolio. In addition, AAA rated FDIC guaranteed corporate bonds are herein authorized, within the aforementioned diversification and maturity requirements.
3. ~~Repurchase Agreements with a final termination date not exceeding 30 days collateralized by U.S. Treasury obligations or Federal Instrumentality securities listed in items 1 and 2 above with the maturity of the collateral not exceeding ten years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the Town's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the Town's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked to the market daily.~~

~~Repurchase Agreements shall be entered into only with broker/dealers and who are recognized as Primary Dealers with the Federal Reserve Bank of New York, or with~~

~~firms that have a Primary Dealer within their holding company structure. Primary Dealers approved as Repurchase Agreement counterparties shall have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or the equivalent. Repurchase agreement counterparties shall execute a Town approved Master Repurchase Agreement with the Town. The City Manager or designee shall maintain a copy of the Town's approved Master Repurchase Agreement and a list of the broker/dealers who have executed same.~~

4. Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

- A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500,000,000 and (3) have debt other than commercial paper, if any, that is rated at least A or the equivalent by a NRSRO.

- B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program-wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated at least A-1 or the equivalent by a NRSRO.

No more than 5% of the Town's total portfolio shall be invested in the commercial paper of any one issuer, and the aggregate investment in commercial paper shall not exceed 25% of the Town's total portfolio.

5. Repurchase Agreements with a final termination date not exceeding 30 days collateralized by U.S. Treasury obligations or Federal Instrumentality securities listed in items 1 and 2 above with the maturity of the collateral not exceeding ten years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the Town's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the Town's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with broker/dealers and who are recognized as Primary Dealers with the Federal Reserve Bank of New York, or with firms that have a Primary Dealer within their holding company structure. Primary Dealers approved as Repurchase Agreement counterparties shall have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or the equivalent. Repurchase agreement counterparties shall execute a Town approved Master Repurchase Agreement with the Town. The City Manager or designee shall maintain a copy of the Town's approved Master Repurchase Agreement and a list of the broker/dealers who have executed same.

~~5. Medium Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement, and rated at AAA or the equivalent by a NRSRO. The aggregate investment in medium term notes shall not exceed 5% of the Town's total portfolio. In addition, AAA rated FDIC guaranteed corporate bonds are herein authorized, within the aforementioned diversification and maturity requirements.~~

6. State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1. The aggregate investment in the pool shall not exceed 50% of the Town's total portfolio.

7. Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized in the applicable California statutes and (4) have a rating of at least AAAM or the equivalent by at least two NRSROs. The aggregate investment in money market funds shall not exceed 20% of the Town's total portfolio.

The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from this list must be preapproved by resolution of the City Council.

INVESTMENT DIVERSIFICATION

The Town shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the Town's anticipated cash flow needs.

Formatted: Normal, Left

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The Town will not invest in securities maturing more than five years from the date of ~~purchase~~trade settlement, unless the City Council has by resolution granted authority to make such an investment at least three months prior to the date of investment.

SELECTION OF BROKER/DEALERS

The City Manager or designee shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the Town to purchase securities only from those brokers and the firms they represent. Each approved broker/dealer must possess an authorizing certificate from the California Commissioner of Corporations as required by Section 25210 of the California Corporations Code.

To be eligible, a firm must meet at least one of the following criteria:

1. be recognized as Primary Dealers by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure, or
2. report voluntarily to the Federal Reserve Bank of New York, or
3. qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The City Manager or designee will select broker/dealers on the basis of their expertise in public cash management and their ability to provide service to the Town's account. Each authorized broker/dealer shall submit and annually update a Town approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

The Town may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 4 of the Authorized Securities and Transactions section of this Investment Policy.

COMPETITIVE TRANSACTIONS

All investment transactions shall be conducted competitively with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid or offering prices shall be recorded.

If the Town is offered a security for which there is no other readily available competitive offering, then the City Manager or designee will document quotations for comparable or alternative securities.

SELECTION OF BANKS

The City Manager or designee shall maintain a list of FDIC insured banks approved to provide depository and other banking services for the Town. To be eligible, a bank shall

qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC insurance coverage in accordance with California Government Code Section 53652.

SAFEKEEPING AND CUSTODY

The City Manager or designee shall select one or more banks to provide safekeeping and custodial services for the Town. A Safekeeping Agreement approved by the Town shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

Custodian banks will be selected on the basis of their ability to provide services for the Town's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the Town. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except non-negotiable Certificates of Deposit, Money Market Funds and LAIF, purchased by the Town will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by a Town approved custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the Town shall be held in the Federal Reserve system in a customer account for the custodian bank which will name the Town as "customer."

All DTC eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall provide evidence that the securities are held for the Town as "customer."

PORTFOLIO PERFORMANCE

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the Town's investments shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's weighted average effective maturity. When comparing the performance of the Town's portfolio, its rate of return will be computed net of all fees and expenses.

REPORTING

Monthly, the City Manager or designee shall submit to the City Council a report of the investment earnings and performance results of the Town's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the Town;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
4. A statement of compliance with ~~the investment~~ this Policy or an explanation for non-compliance; and
5. A statement of the Town's ability to meet expenditure requirements for six months, and an explanation of why money will not be available if that is the case.

POLICY REVIEW

This Investment Policy shall be adopted annually by resolution of the City Council. It shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends. Amendments to this Investment Policy shall be approved by resolution of the City Council.



Cutwater Asset Management
1700 Broadway, Suite 2050
Denver, CO 80290
303 860 1100
Fax: 303 860 0016

TOWN OF ATHERTON

Reports for the period June 1, 2010 – June 30, 2010

Please contact Accounting by calling the number above or email camreports@cutwater.com with questions concerning this report.

Fixed Income Market Review June 30, 2010

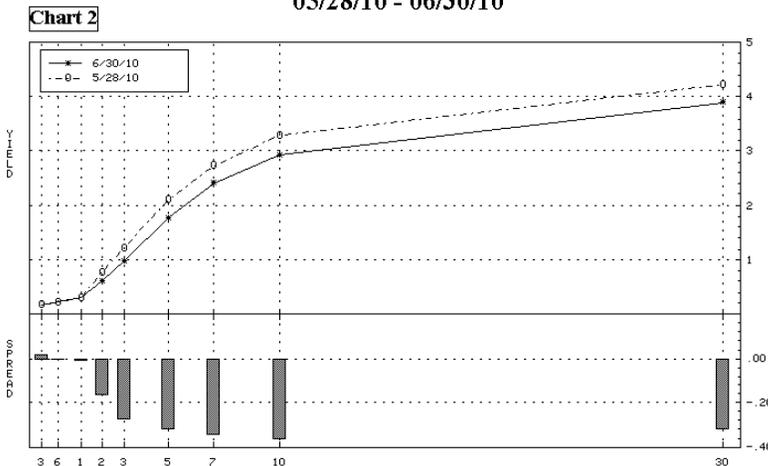
Nonfarm Private Payrolls Monthly Net Changes
07/31/04 - 06/30/10



Economic Indicators & Monetary Policy – U.S. payrolls fell by a net 125,000 in June, the first monthly decline in 2010. This was due to a decline of 208,000 government jobs led by temporary federal census workers. The jobless rate fell to 9.5 percent for the month as the labor force shrank. Private payrolls rose by a net 83,000 compared to an expected increase of 110,000. (See Chart 1.) This slow pace of job growth is an indication that it may take years to recoup the 8 million plus jobs lost during the recession.

The housing market continues to struggle with the unemployment rate near a 26-year high. Sales of new and previously owned homes in the U.S. fell in May due to declining demand even before the government tax credit expired. New home sales dropped 33 percent in May to the lowest level on record (dating back to 1963) with an annual pace of 300,000 units compared to 446,000 in April. Existing home sales decreased 2.2 percent in May to a 5.66 million annualized pace compared to 5.79 million in April. Both of these home sales reports are signs that the housing market remains dependent on government support.

Treasury Yield Curves
05/28/10 - 06/30/10



As widely expected, the FOMC kept the federal funds target rate unchanged with a targeted range of zero to 0.25 percent and the pledge to keep interest rates “exceptionally low” for “an extended period”. The FOMC acknowledged that “the labor market is improving gradually” and that “household spending is increasing but remains constrained by high unemployment.” The FOMC also expressed that “housing starts remain at depressed levels” while “financial conditions have become less supportive of economic growth.”

Yield Curve & Spreads – In June, Treasury yields moved lower with a continued rally from a flight-to-quality trade and an expected rate increase by the FOMC pushed further out into the future.

At the end of June, three-month Treasury bills yielded 0.17 percent, six-month Treasury bills yielded 0.22 percent, two-year Treasuries yielded 0.60 percent, five-year Treasuries yielded 1.77 percent, 10-year Treasuries yielded 2.93 percent, and 30-year bonds yielded 3.89 percent. (See Chart 2.)

Additional Information
June 30, 2010

A current version of the investment adviser brochure, for Cutwater Investors Service Corporation, in the form of the Firm's ADV Part II is available for your review. Please contact our Client Service Desk at 1-800-395-5505 or mail your request to:

Cutwater Investor Service Corporation
Attention: Client Services
113 King Street
Armonk NY 10504

A copy of the brochure will be sent to you either by mail or electronically at your option.

Town of Atherton
Activity and Performance Summary
for the period June 1, 2010 - June 30, 2010

<u>Amortized Cost Basis Activity Summary</u>	
Beginning Amortized Cost Value	17,021,493.92
Additions	
Contributions	2,487,576.67
Interest Received	11,468.75
Accrued Interest Sold	0.00
Gain on Sales	0.00
Total Additions	2,499,045.42
Deductions	
Withdrawals	0.00
Fees Paid	1,000.00
Accrued Interest Purchased	45.42
Loss on Sales	0.00
Total Deductions	(1,045.42)
Accretion (Amortization) for the Period	(1,286.29)
Ending Amortized Cost Value	19,518,207.63
Ending Fair Value	19,550,056.65
Unrealized Gain (Loss)	31,849.02

<u>Detail of Amortized Cost Basis Return</u>				
	Interest Earned	Accretion (Amortization)	Realized Gain (Loss)	Total Income
Current Holdings				
Cash and Equivalents	4,301.71	0.00	0.00	4,301.71
U.S. Treasury	1,020.69	(65.34)	0.00	955.35
U.S. Instrumentality	7,464.85	(1,233.17)	0.00	6,231.68
Sales and Maturities				
U.S. Treasury	0.00	12.22	0.00	12.22
Total	12,787.25	(1,286.29)	0.00	11,500.96

<u>Annualized Comparative Rates of Return</u>			
	Twelve Month Trailing	Six Month Trailing	For the Month
Fed Funds	0.15%	0.17%	0.18%
Overnight Repo	0.08%	0.08%	0.11%
3 Month T-Bill	0.12%	0.13%	0.12%
6 Month T-Bill	0.21%	0.20%	0.19%
1 Year T-Note	0.39%	0.37%	0.32%
2 Year T-Note	0.92%	0.90%	0.73%
5 Year T-Note	2.36%	2.34%	2.00%

<u>Summary of Amortized Cost Basis Return for the Period</u>		
	Total Portfolio	Excl. Cash Eq.
Interest Earned	12,787.25	8,485.54
Accretion (Amortization)	(1,286.29)	(1,286.29)
Realized Gain (Loss) on Sales	<u>0.00</u>	<u>0.00</u>
Total Income on Portfolio	11,500.96	7,199.25
Average Daily Historical Cost	17,493,758.57	8,236,807.92
Annualized Return	0.80%	1.06%
Annualized Return Net of Fees	0.73%	0.92%
Annualized Return Year to Date Net of Fees	0.85%	0.89%
Weighted Average Effective Maturity in Days	118	269

Town of Atherton
Activity and Performance Summary
for the period June 1, 2010 - June 30, 2010

<u>Fair Value Basis Activity Summary</u>		
Beginning Fair Value		17,043,060.15
Additions		
Contributions	2,487,576.67	
Interest Received	11,468.75	
Accrued Interest Sold	0.00	
Total Additions		2,499,045.42
Deductions		
Withdrawals	0.00	
Fees Paid	1,000.00	
Accrued Interest Purchased	45.42	
Total Deductions		(1,045.42)
Change in Fair Value for the Period		8,996.50
Ending Fair Value		19,550,056.65

<u>Detail of Fair Value Basis Return</u>			
	Interest Earned	Change in Fair Value	Total Income
Current Holdings			
Cash and Equivalents	4,301.71	0.00	4,301.71
U.S. Treasury	1,020.69	2,559.00	3,579.69
U.S. Instrumentality	7,464.85	6,434.00	13,898.85
Sales and Maturities			
U.S. Treasury	0.00	3.50	3.50
Total	12,787.25	8,996.50	21,783.75

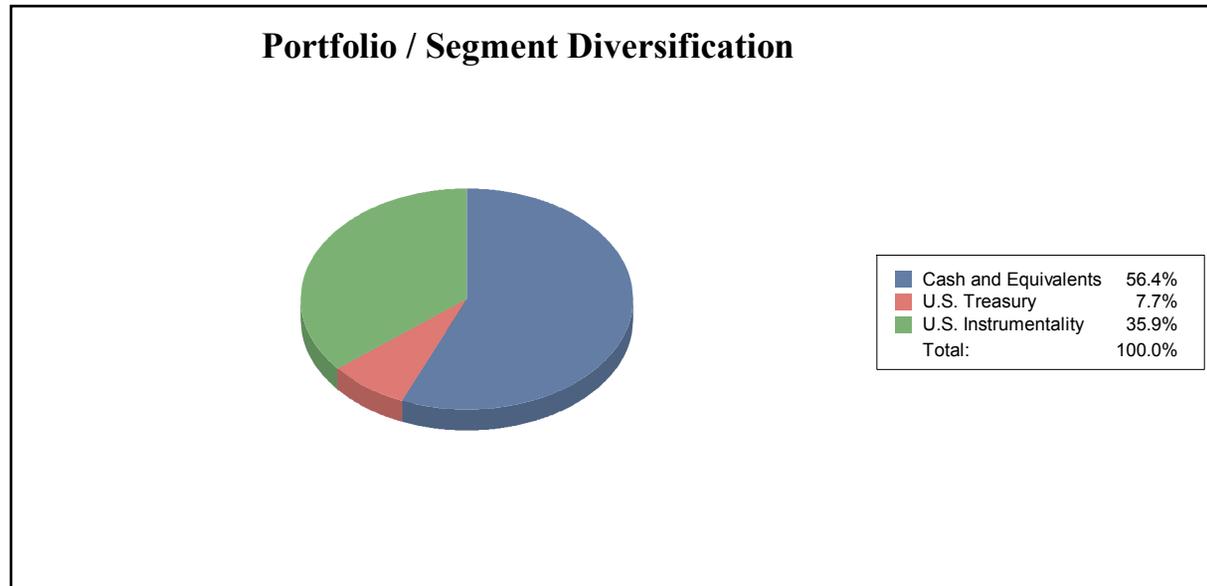
<u>Annualized Comparative Rates of Return</u>			
	Twelve Month Trailing	Six Month Trailing	For the Month
Fed Funds	0.15%	0.17%	0.18%
Overnight Repo	0.08%	0.08%	0.11%
3 Month T-Bill	0.16%	0.10%	0.12%
6 Month T-Bill	0.46%	0.40%	0.49%
1 Year T-Note	0.82%	0.87%	1.09%
2 Year T-Note	2.86%	3.75%	5.11%
5 Year T-Note	7.81%	12.76%	21.66%

<u>Summary of Fair Value Basis Return for the Period</u>		
	Total Portfolio	Excl. Cash Eq.
Interest Earned	12,787.25	8,485.54
Change in Fair Value	<u>8,996.50</u>	<u>8,996.50</u>
Total Income on Portfolio	21,783.75	17,482.04
Average Daily Historical Cost	17,493,758.57	8,236,807.92
Annualized Return	1.52%	2.58%
Annualized Return Net of Fees	1.45%	2.43%
Annualized Return Year to Date Net of Fees	1.17%	1.61%
Weighted Average Effective Maturity in Days	118	269

**Town of Atherton
Recap of Securities Held
June 30, 2010**

	Historical Cost	Amortized Cost	Fair Value	Unrealized Gain (Loss)	Weighted Average Final Maturity (Days)	Weighted Average Effective Maturity (Days)	% Portfolio/Segment	Weighted Average Yield *	Weighted Average Market Duration (Years)
Cash and Equivalents	11,006,950.65	11,006,950.65	11,006,950.65	0.00	1	1	56.38	0.56	0.00
U.S. Treasury	1,500,781.25	1,500,143.39	1,506,776.50	6,633.11	477	477	7.69	0.78	1.30
U.S. Instrumentality	7,016,232.20	7,011,113.59	7,036,329.50	25,215.91	666	225	35.94	1.25	0.61
TOTAL	19,523,964.10	19,518,207.63	19,550,056.65	31,849.02	277	118	100.00	0.82	0.32

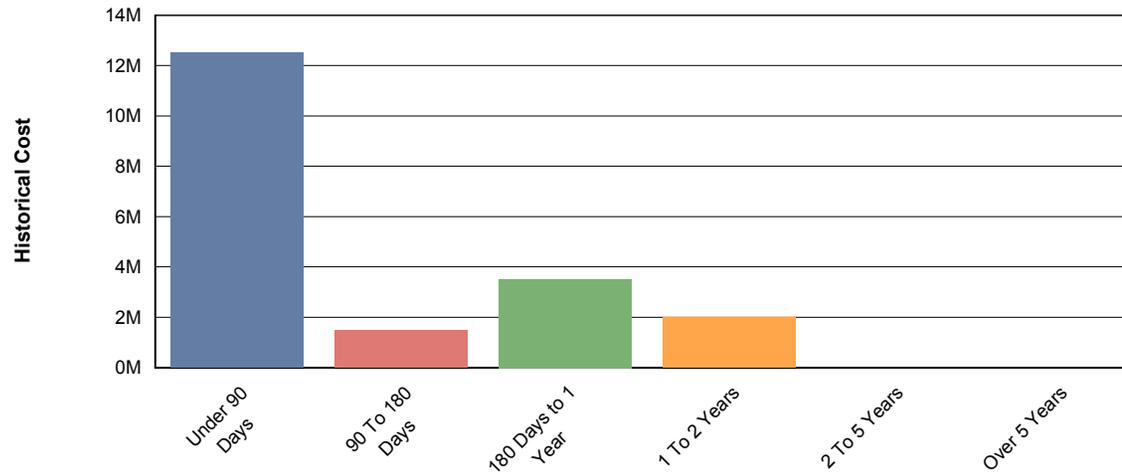
* Weighted Average Yield is calculated on a "yield to worst" basis.



Town of Atherton
Maturity Distribution of Securities Held
June 30, 2010

Maturity	Historical Cost	Percent
Under 90 Days	12,506,285.65	64.06%
90 To 180 Days	1,498,815.00	7.68%
180 Days to 1 Year	3,516,042.51	18.01%
1 To 2 Years	2,002,820.94	10.26%
2 To 5 Years	0.00	0.00%
Over 5 Years	0.00	0.00%
	19,523,964.10	100.00%

Maturity Distribution



**Town of Atherton
Securities Held
June 30, 2010**

CUSIP/ Description	Purchase Date	Rate/ Coupon	Maturity/ Call Date	Par Value/ Shares	Historical Cost/ Accrued Interest Purchased	Amortized Cost/Accretion (Amortization)	Fair Value/ Change In Fair Value	Unrealized Gain (Loss)	Interest Received	Interest Earned	Total Accrued Interest	% Port Cost	Yield
Cash and Equivalents													
LAIF	06/30/10	0.560V		9,493,099.19	9,493,099.19 0.00	9,493,099.19 0.00	9,493,099.19 0.00	0.00	0.00	3,570.10	10,438.50	48.62	0.56
San Mateo County Pool	06/30/10	0.560V		1,513,851.46	1,513,851.46 0.00	1,513,851.46 0.00	1,513,851.46 0.00	0.00	0.00	731.61	2,119.26	7.75	0.56
TOTAL				11,006,950.65	11,006,950.65 0.00	11,006,950.65 0.00	11,006,950.65 0.00	0.00	0.00	4,301.71	12,557.76	56.38	
U.S. Treasury													
912828KL3 T-Note	12/17/09	0.875	04/30/11	500,000.00	502,070.31 0.00	501,257.12 (124.47)	502,226.50 175.50	969.38	0.00	356.66	737.09	2.57	0.57
912828MM9 T-Note	04/21/10	0.750	11/30/11	500,000.00	499,453.13 0.00	499,519.16 27.90	501,875.00 1,113.50	2,355.84	0.00	307.37	317.62	2.56	0.82
912828MQ0 T-Note	03/18/10	0.875	02/29/12	500,000.00	499,257.81 213.99	499,367.11 31.23	502,675.00 1,270.00	3,307.89	0.00	356.66	1,462.30	2.56	0.95
TOTAL				1,500,000.00	1,500,781.25 213.99	1,500,143.39 (65.34)	1,506,776.50 2,559.00	6,633.11	0.00	1,020.69	2,517.01	7.69	
U.S. Instrumentality													
3133XTTF3 FHLB	08/10/09	0.850	12/03/10	500,000.00	499,215.00 0.00	499,746.51 49.06	501,312.50 44.00	1,565.99	2,125.00	354.17	330.56	2.56	0.97
31398AVQ2 FNMA	10/26/09	1.750	03/23/11	500,000.00	506,830.00 0.00	503,528.17 (399.41)	504,872.50 (37.50)	1,344.33	0.00	729.16	2,381.94	2.60	0.77
3133XTV45 FHLB	06/08/09	1.125	06/03/11	500,000.00	496,367.20 0.00	498,311.37 150.32	503,138.50 537.50	4,827.13	2,812.50	468.75	437.50	2.54	1.50
31331GXR5 FFCB	12/02/09	1.150	06/08/11	500,000.00	504,070.00 0.00	502,517.07 (220.80)	503,287.00 550.50	769.93	2,875.00	479.17	367.36	2.58	0.61
31331JDD2 FFCB	Call 02/11/10	0.680	08/03/11 07/03/10	1,000,000.00	999,460.00 151.11	999,600.52 30.11	1,000,056.00 38.00	455.48	0.00	566.67	2,795.56	5.12	0.72
3137EACF4 FHLMC	10/22/09	1.125	12/15/11	500,000.00	499,110.00 0.00	499,396.07 34.05	503,948.00 1,413.50	4,551.93	3,656.25	468.75	250.00	2.56	1.21
31398AS37 FNMA	Call 05/26/10	1.300	05/25/12 05/25/11	500,000.00	501,035.00 18.06	500,932.64 (85.30)	502,833.00 1,883.50	1,900.36	0.00	541.67	650.00	2.57	1.09
31331JSG9 FFCB	Call 06/18/10	1.090	06/15/12 09/15/10	500,000.00	499,875.00 45.42	499,877.23 2.23	500,647.00 772.00	769.77	0.00	196.80	242.22	2.56	1.10
3133XUD91 FHLB	Call 04/15/10	2.050	08/10/12 08/10/11	500,000.00	505,000.00 1,850.69	504,201.24 (311.21)	507,068.50 687.00	2,867.26	0.00	854.16	4,014.58	2.59	1.28

**Town of Atherton
Securities Held
June 30, 2010**

CUSIP/ Description	Purchase Date	Rate/ Coupon	Maturity/ Call Date	Par Value/ Shares	Historical Cost/ Accrued Interest Purchased	Amortized Cost/Accretion (Amortization)	Fair Value/ Change In Fair Value	Unrealized Gain (Loss)	Interest Received	Interest Earned	Total Accrued Interest	% Port Cost	Yield	
U.S. Instrumentality														
31398AD33 FNMA	Call	02/11/10	2.125	01/25/13 01/25/11	1,000,000.00	1,005,670.00 944.44	1,003,388.97 (488.79)	1,006,991.00 364.00	3,602.03	0.00	1,770.83	9,208.33	5.15	1.52
3136FMUJ1 FNMA	Call	06/03/10	1.000V	06/03/13 12/03/10	500,000.00	500,000.00 0.00	500,000.00 0.00	500,544.00 544.00	544.00	0.00	388.89	388.89	2.56	1.00
3136FMNY6 FNMA	Call	04/29/10	1.550V	04/29/15 10/29/10	500,000.00	499,600.00 0.00	499,613.80 6.57	501,631.50 (362.50)	2,017.70	0.00	645.83	1,334.72	2.56	3.50
TOTAL					7,000,000.00	7,016,232.20 3,009.72	7,011,113.59 (1,233.17)	7,036,329.50 6,434.00	25,215.91	11,468.75	7,464.85	22,401.66	35.94	
GRAND TOTAL					19,506,950.65	19,523,964.10 3,223.71	19,518,207.63 (1,298.51)	19,550,056.65 8,993.00	31,849.02	11,468.75	12,787.25	37,476.43	100.00	

V = variable rate, current rate shown, average rate for Cash & Equivalents

Town of Atherton
GASB 40 - Deposit and Investment Risk Disclosure
June 30, 2010

CUSIP	Type	Coupon	Maturity Date	Call Date	S&P Rating	Moody Rating	Par Value / Shares	Historical Cost	% Portfolio Hist Cost	Market Value	% Portfolio Mkt Value	Weighted Avg Mkt Dur (Yrs)
<u>LAIF</u>												
	Cash and Equivalents	0.560			AAA	Aaa	9,493,099.19	9,493,099.19	48.62	9,493,099.19	48.56	0.00
	Cash and Equivalents	0.560			AAA	Aaa	1,513,851.46	1,513,851.46	7.75	1,513,851.46	7.74	0.00
ISSUER TOTAL							11,006,950.65	11,006,950.65	56.38	11,006,950.65	56.30	0.00
<u>FNMA</u>												
3136FMNY6	U.S. Instrumentality	1.550	04/29/2015	10/29/2010	AAA	Aaa	500,000.00	499,600.00	2.56	501,631.50	2.57	0.33
3136FMUJ1	U.S. Instrumentality	1.000	06/03/2013	12/03/2010	AAA	Aaa	500,000.00	500,000.00	2.56	500,544.00	2.56	0.42
31398AD33	U.S. Instrumentality	2.125	01/25/2013	01/25/2011	AAA	Aaa	1,000,000.00	1,005,670.00	5.15	1,006,991.00	5.15	0.56
31398AVQ2	U.S. Instrumentality	1.750	03/23/2011		AAA	Aaa	500,000.00	506,830.00	2.60	504,872.50	2.58	0.72
31398AS37	U.S. Instrumentality	1.300	05/25/2012	05/25/2011	AAA	Aaa	500,000.00	501,035.00	2.57	502,833.00	2.57	0.90
ISSUER TOTAL							3,000,000.00	3,013,135.00	15.43	3,016,872.00	15.43	0.58
<u>FFCB</u>												
31331JDD2	U.S. Instrumentality	0.680	08/03/2011	07/03/2010	AAA	Aaa	1,000,000.00	999,460.00	5.12	1,000,056.00	5.12	0.01
31331JSG9	U.S. Instrumentality	1.090	06/15/2012	09/15/2010	AAA	Aaa	500,000.00	499,875.00	2.56	500,647.00	2.56	0.21
31331GXR5	U.S. Instrumentality	1.150	06/08/2011		AAA	Aaa	500,000.00	504,070.00	2.58	503,287.00	2.57	0.93
ISSUER TOTAL							2,000,000.00	2,003,405.00	10.26	2,003,990.00	10.25	0.29
<u>T-Note</u>												
912828KL3	U.S. Treasury	0.875	04/30/2011		AAA	Aaa	500,000.00	502,070.31	2.57	502,226.50	2.57	0.83
912828MM9	U.S. Treasury	0.750	11/30/2011		AAA	Aaa	500,000.00	499,453.13	2.56	501,875.00	2.57	1.41
912828MQ0	U.S. Treasury	0.875	02/29/2012		AAA	Aaa	500,000.00	499,257.81	2.56	502,675.00	2.57	1.65
ISSUER TOTAL							1,500,000.00	1,500,781.25	7.69	1,506,776.50	7.71	1.30
<u>FHLB</u>												
3133XTTF3	U.S. Instrumentality	0.850	12/03/2010		AAA	Aaa	500,000.00	499,215.00	2.56	501,312.50	2.56	0.42
3133XTV45	U.S. Instrumentality	1.125	06/03/2011		AAA	Aaa	500,000.00	496,367.20	2.54	503,138.50	2.57	0.92
3133XUD91	U.S. Instrumentality	2.050	08/10/2012	08/10/2011	AAA	Aaa	500,000.00	505,000.00	2.59	507,068.50	2.59	1.09
ISSUER TOTAL							1,500,000.00	1,500,582.20	7.69	1,511,519.50	7.73	0.81
<u>FHLMC</u>												
3137EACF4	U.S. Instrumentality	1.125	12/15/2011		AAA	Aaa	500,000.00	499,110.00	2.56	503,948.00	2.58	1.45
ISSUER TOTAL							500,000.00	499,110.00	2.56	503,948.00	2.58	1.45

Town of Atherton
GASB 40 - Deposit and Investment Risk Disclosure
June 30, 2010

CUSIP	Type	Coupon	Maturity Date	Call Date	S&P Rating	Moody Rating	Par Value / Shares	Historical Cost	% Portfolio Hist Cost	Market Value	% Portfolio Mkt Value	Weighted Avg Mkt Dur (Yrs)
GRAND TOTAL							19,506,950.65	19,523,964.10	100.00	19,550,056.65	100.00	0.32

Highlighted totals are issuers representing 5.00% or more of the portfolio's market value.

**Town of Atherton
Securities Purchased
for the period June 1, 2010 - June 30, 2010**

CUSIP/ Description	Purchase Date	Rate/ Coupon	Maturity/ Call Date	Par Value/ Shares	Unit Cost	Principal Cost	Accrued Interest Purchased	Yield
<u>Cash and Equivalents</u>								
LAIF	06/25/2010	0.560 V		500,000.00	100.000	500,000.00	0.00	0.56
LAIF	06/28/2010	0.560 V		1,500,000.00	100.000	1,500,000.00	0.00	0.56
TOTAL				2,000,000.00		2,000,000.00	0.00	
<u>U.S. Instrumentality</u>								
3136FMUJ1 FNMA	Call 06/03/2010	1.000 V	06/03/2013 12/03/2010	500,000.00	100.000	500,000.00	0.00	1.00
31331JSG9 FFCB	Call 06/18/2010	1.090	06/15/2012 09/15/2010	500,000.00	99.975	499,875.00	45.42	1.10
TOTAL				1,000,000.00		999,875.00	45.42	
GRAND TOTAL				3,000,000.00		2,999,875.00	45.42	

V = variable rate, opening rate shown, average rate for Cash & Equivalents

**Town of Atherton
Securities Sold and Matured
for the period June 1, 2010 - June 30, 2010**

CUSIP/ Description	Sale or Maturity Date	Rate/ Coupon	Maturity/ Call Date	Par Value/ Shares	Historical Cost	Amortized Cost at Sale or Maturity / Accr / (Amort)	Sale/ Maturity Price	Fair Value at Sale or Maturity / Chg. In Fair Value	Realized Gain (Loss)	Accrued Interest Sold	Interest Received	Interest Earned	Yield
U.S. Treasury													
912795U58 T-Bill	06/03/10	0.000	06/03/10	500,000.00	497,775.56	500,000.00 12.22	100.00	500,000.00 3.50	0.00	0.00	0.00	0.00	0.45
TOTAL				500,000.00	497,775.56	500,000.00 12.22		500,000.00 3.50	0.00	0.00	0.00	0.00	
GRAND TOTAL				500,000.00	497,775.56	500,000.00 12.22		500,000.00 3.50	0.00	0.00	0.00	0.00	

**Town of Atherton
Transaction Report
for the period June 1, 2010 - June 30, 2010**

Date	CUSIP	Transaction	Sec Type	Description	Maturity	PAR Value/Shares	Principal	Interest	Transaction Total	Balance
06/01/2010		Maturity	CE	Int Receivable	06/01/2010	1,875.00	1,875.00	0.00	1,875.00	1,875.00
06/03/2010	3133XTTF3	Interest	INS	FHLB	12/03/2010	500,000.00	0.00	2,125.00	2,125.00	4,000.00
	3133XTV45	Interest	INS	FHLB	06/03/2011	500,000.00	0.00	2,812.50	2,812.50	6,812.50
	3136FMUJ1	Bought	INS	FNMA	06/03/2013	500,000.00	500,000.00	0.00	(500,000.00)	(493,187.50)
	912795U58	Maturity	TSY	T-Bill	06/03/2010	500,000.00	500,000.00	0.00	500,000.00	6,812.50
06/08/2010	31331GXR5	Interest	INS	FFCB	06/08/2011	500,000.00	0.00	2,875.00	2,875.00	9,687.50
06/15/2010	3137EACF4	Interest	INS	FHLMC	12/15/2011	500,000.00	0.00	3,656.25	3,656.25	13,343.75
06/18/2010	31331JSG9	Bought	INS	FFCB	06/15/2012	500,000.00	499,875.00	45.42	(499,920.42)	(486,576.67)
06/25/2010		Bought	CE	LAIF		500,000.00	500,000.00	0.00	(500,000.00)	(986,576.67)
06/28/2010		Bought	CE	LAIF		1,500,000.00	1,500,000.00	0.00	(1,500,000.00)	(2,486,576.67)
Portfolio Activity Total									(2,486,576.67)	

Net Contributions	2,487,576.67	Net Withdrawals	0.00	Fees Charged	1,000.00	Fees Paid	1,000.00
--------------------------	---------------------	------------------------	-------------	---------------------	-----------------	------------------	-----------------

Town of Atherton
Securities Purchased Bid and Offer
for the period June 1, 2010 – June 30, 2010

Date	Description	Rate/Coupon	Maturity/Call Date	Par Value/Shares	Broker	Bid/Offer	Comments	Accepted
6/3/2010	FNMA	1.000	6/3/2013 12/3/2010	500,000.00	UBS Financial Services DTC # 0771	YTM 1.99	FNMA Step 1.00% 06/3/13(12/03/10)	x
					Banc of America DTC# 773	YTM 1.51	FNMA 1.50% 06/26/13	
					CitiGroup DTC# 418	YTM 1.28	T-Note 3.375% 06/30/13	
6/18/2010	FFCB	1.090	6/15/2012 9/15/2010	500,000.00	Jefferies & Co. DTC# 0019	YTM 1.10	FFCB Call 1.09 6/5/12(09/15/10)	x
					UBS Financial Services DTC # 0771	YTM 1.10	FFCB Call 1.09 6/5/12(09/15/10)	
					CitiGroup DTC# 418	YTM 0.90	T-Note 1.875% 06/30/12	

Town of Atherton
Securities Sold Bid and Offer
for the period June 1, 2010 – June 30, 2010

Date	Description	Rate/Coupon	Maturity/Call Date	Par Value/Shares	Broker	Bid/Offer	Comments	Accepted
------	-------------	-------------	--------------------	------------------	--------	-----------	----------	----------

No Sale Activity

Town of Atherton
Upcoming Cash Activity
for the next 45 days

Date	Transaction	CUSIP	Description	Coupon	Maturity Date	Next Call Date	Par / Shares	Principal	Interest	Transaction Total
07/25/2010	Interest	31398AD33	FNMA	2.125	01/25/2013	01/25/2011	1,000,000.00	0.00	10,625.00	10,625.00
08/10/2010	Interest	3133XUD91	FHLB	2.050	08/10/2012	08/10/2011	500,000.00	0.00	5,125.00	5,125.00



Town of Atherton

CITY COUNCIL STAFF REPORT

**TO: HONORABLE MAYOR AND CITY COUNCIL
JEROME GRUBER, CITY MANAGER**

FROM: LOUISE HO, FINANCE DIRECTOR

DATE: FOR THE MEETING OF MARCH 17, 2010

**SUBJECT: FIVE-YEAR GENERAL FUND FINANCIAL FORECAST FOR
FY 2009-10 TO FY 2013-14**

RECOMMENDATION

Receive the Five-Year General Fund Financial Forecast for FY 2009-10 to FY 2013-14.

DISCUSSION

As directed by the City Council, staff prepared a five-year financial forecast for General Fund covering FY 2009-10 to FY 2013-14. The Finance Committee met and reviewed the forecast on March 4, 2010, and is recommending that the City Council accept the forecast for discussion

To prepare the forecast, staff made assumptions for revenues and expenditures. The assumptions are intended to present one of the many scenarios of what could happen to the Town's finances in the next four years. It is a projection and not a reflection of actual. It is also important to note that not too much energy should be spent in debating the assumptions. For example, a three percent salary increase was included in each year expenditure assumption. But it does not mean that the increase would actually take place. The assumption is to allow the Council to see the impact of revenue and expenditure increases or decreases based on the assumptions.

The attached forecast is prepared using FY 2009-10 as a baseline and on a very conservative basis assuming the current economic climate continues. To more accurately reflect the changes in operating conditions, the forecast needs to be updated at least annually to reflect changes in conditions.

Based on the forecast, staff is projecting that the Town would face some fiscal challenges each fiscal year. The analysis clearly shows that the property tax revenue, the Town's single largest revenue, is not sufficient to support the Police and Public Works Departments. There is no funding for administration. Furthermore, without road impact fee revenue and with special parcel tax being used mostly for police services, the Town would face funding challenges for large capital improvement projects for future years.

To balance FY 2009-10, General Fund reserve was used. According to the forecast, without new revenues or cost cutting, General Fund reserve could be depleted by FY 2002-13. A community meeting was held on March 1, 2010, to seek community input on alternate revenue options. Reduction in certain expenditures may impact the level of services.

FISCAL IMPACT

None.

Prepared by:

Approved by:

/s/ Louise Ho

/s/ Jerome D. Gruber

Louise Ho
Finance Director

Jerome D. Gruber
City Manager

Attachment: Five-Year Financial Forecast Assumption
Financial Forecast FY 2010-2014
Financial Forecast FY 2010-2014 Expenditures by Departments

Town of Atherton
Five-Year Financial Forecast
FY 2010-2014

Assumptions:

1. Use FY 2009-10 adjusted budget as a base line.
2. Fund 100% of GASB 45 (unfunded retiree healthcare costs) annual required contribution using the Actuarial Report dated July 1, 2009.
3. Maintain 50.35 FTE benefited positions. Same as FY 2009-10.
4. Use CalPERS medical premium trend rate for medical cost increase.
5. Use CalPERS June 30, 2007, valuation report to project retirement rates. The projection took into consideration the CalPERS loss in 2008 & 2009. The Town CalPERS Actuary did an informal review on February 2, 2010, and supported the rates even though they were more conservative than CalPERS.
6. Receive COPS Grant at \$100,000 per year
7. Use the same % charge for worker's comp insurance, unemployment insurance, and compensated absences.
8. Contribute the same amount each year to equipment replacement fund.
9. No set-aside for building replacement fund except \$120,000 for Building/DPW/Planning trailer in FY 2012.
10. Salary adjustment (**purely for projection purpose only**)
 - FY 2010 Teamster & Non-represented 3%; APOA actual 70% percentile
 - FY 2011 to FY 2014 annual 3% cost of living adjustment for all groups
11. City Attorney other legal services to drop 25% in FY 2012 and 5% increase in FY 2013 & FY 2014
12. Risk management cost to increase 5% per year.
13. Election cost for FY 2011.
14. Police overtime cost (\$) stay the same as FY 2009-10.
15. No further State take-away.
16. Does not include one-time nonrecurring expense.
17. No changes to existing employee benefit structure (**purely for projection purpose only**).
18. Continue ERAF distribution from County.
19. \$50,000 per year plus 5% adjustment for High Speed Rail and other consulting services.
20. Police per diem, reserve officer , and DPW temp salary costs (\$) stay the same as FY 2009-10.
21. Continue same amount of salary allocated to CIP. Same as FY 2009-10.

**Town of Atherton
General Fund
Financial Forecast FY 2010-2014**

Description	Adjusted				
	Budget 2009-10	Projected 2010-11	Projected 2011-12	Projected 2012-13	Projected 2013-14
Revenues	9,226,510	9,173,493	9,427,146	9,768,729	10,207,247
Expenditures	10,503,924	10,555,919	11,175,389	11,639,391	12,252,007
GASB 45 Annual Required Contribution	627,504	665,036	705,289	746,964	795,518
Excess (Deficiency) of Revenues Over Expenditures	(1,904,918)	(2,047,462)	(2,453,532)	(2,617,626)	(2,840,277)
Parcel Tax for Police	1,120,516	1,109,153	1,234,670	1,328,385	1,397,203
Transfer from Fund 406 Bldg Dept Facil	82,735				
Transfer to Road Impact Fee Fund	(1,112,562)				
Projected General Fund Deficit	(1,814,229)	(938,309)	(1,218,862)	(1,289,241)	(1,443,074)
Beg. Fund Balance	7,203,277	5,389,048	4,450,739	3,231,877	1,942,636
End. Fund Balance	5,389,048	4,450,739	3,231,877	1,942,636	499,562
Min. GF Reserve - 15% of GF Exp	1,669,714	1,683,143	1,782,102	1,857,953	1,957,129

Town of Atherton					
General Fund					
Financial Forecast FY 2010-2014					
	Adjusted				
	Budget	Projected	Projected	Projected	Projected
Description	2009-10	2010-11	2011-12	2012-13	2013-14
Property Taxes	6,629,978	6,609,578	6,807,865	7,080,179	7,434,188
Sales Taxes	106,698	106,698	107,765	109,920	113,218
Franchise Fees	570,000	587,100	604,713	622,854	641,540
Intergovernmental	55,616	55,616	55,616	55,616	55,616
Business License Tax	225,000	150,000	150,000	150,000	150,000
Planning Revenue	75,500	77,010	79,320	82,493	86,618
Building Revenue	834,839	851,536	877,082	912,165	957,773
Police Revenue	54,931	56,030	57,150	58,293	59,459
DPW Revenue	160,700	163,914	168,831	175,585	184,364
Park Program Revenue	276,400	279,164	281,956	284,775	287,623
Misc. Revenues	236,848	236,848	236,848	236,848	236,848
Total Revenues	9,226,510	9,173,493	9,427,146	9,768,729	10,207,247
Salaries & Benefits	7,672,242	7,960,268	8,365,772	8,834,418	9,326,320
GASB 45 Annual Required Contribution	627,504	665,036	705,289	746,964	795,518
Contract Services	1,492,582	1,507,061	1,582,414	1,661,535	1,744,612
Supplies & Materials	262,555	270,432	278,545	286,901	295,508
General Expenses	567,886	590,956	597,930	622,178	647,468
Rents & Leases	35,590	36,479	37,574	38,701	39,862
Capital Outlay	78,671	81,031	83,462	85,966	88,545
Equipment Replacement Fund	109,692	109,692	229,692	109,692	109,692
One-time Costs	284,706	-	-	-	-
Total Expenditures	11,131,428	11,220,955	11,880,678	12,386,355	13,047,525
Excess (Deficiency) of Revenues Over Expenditures	(1,904,918)	(2,047,462)	(2,453,532)	(2,617,626)	(2,840,277)
Other Financing Source (Parcel Tax for Police)	780,863	1,109,153	1,234,670	1,328,385	1,397,203
Other Financing Source (Parcel Tax for Police) Mid-Year Adj.	339,653				
Other Financing Source (Fund 406)	82,735	-	-	-	-
Other Financing Use (Road Impact Fee)	(1,112,562)	-	-	-	-
Net Change in Fund Balance	(1,814,229)	(938,309)	(1,218,862)	(1,289,241)	(1,443,074)
Beg. Fund Balance	7,203,277	5,389,048	4,450,739	3,231,877	1,942,636
End. Fund Balance	5,389,048	4,450,739	3,231,877	1,942,636	499,562
Min. GF Reserve - 15% of GF Exp	1,669,714	1,683,143	1,782,102	1,857,953	1,957,129

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	Town of Atherton												
2	Five-Year Financial Forecast Assumptions												
3													
4													
5		2011	2012	2013	2014								
6	Property Tax	2%	3%	4%	5%								
7	Sales Taxes	0%	1%	2%	3%								
8	Franchise Fees	3%	3%	3%	3%								
9	Intergovernmental	0%	0%	0%	0%								
10	Business License	0%	0%	0%	0%								
11	Planning Revenue	2%	3%	4%	5%								
12	Building Revenue	2%	3%	4%	5%								
13	Police Revenue	2%	2%	2%	2%								
14	DPW Revenue	2%	3%	4%	5%								
15	Park Program Revenue	1%	1%	1%	1%								
16	Misc Revenue	0%	0%	0%	0%			actual	actual	actual	projected	projected	projected
17	Salary	3%	3%	3%	3%			2009	2010	2011	2012	2013	2014
18	CalPERS Retirement - Misc.	0.065%	1.732%	2.156%	2.260%		Misc.	13.201%	13.103%	13.168%	14.900%	17.056%	19.316%
19	CalPERS Retirement - Police	0.571%	3.068%	4.300%	4.419%		Police	32.162%	31.661%	32.232%	35.300%	39.600%	44.019%
20	Medical	8.05%	7.75%	7.45%	7.15%								
21	Dental/Life/ADD	5%	5%	5%	5%						14.400%	per 2008 CalPERS valua	
22	Contract Services	5%	5%	5%	5%						34.800%	per 2008 CalPERS valua	
23	Supplies & Materials	3%	3%	3%	3%								
24	General Expenses	3%	3%	3%	3%								
25	Rent & Leases	3%	3%	3%	3%								
26	Capital Outlay	3%	3%	3%	3%								
27													

**Town of Atherton
 General Fund
 Financial Forecast FY 2010-2014
 Expenditures by Departments**

Description	Adjusted Budget 2009-10	w/ Cost Allocation Adjusted Budget 2009-10	Projected 2010-11	Projected 2011-12	Projected 2012-13	Projected 2013-14
City Council	29,382	45,663	30,325	31,300	32,308	33,349
Administration	814,909	646,518	847,092	888,968	935,009	983,794
City Attorney	423,000	168,321	384,000	403,200	423,360	444,528
Finance	607,914	76,816	633,502	664,981	699,185	735,299
Planning	196,257	286,476	206,021	228,272	227,034	238,333
Building	1,081,773	1,305,809	1,130,274	1,257,880	1,246,976	1,311,648
Non-Dept	495,977	91,282	520,474	529,097	555,231	582,662
Police	5,232,588	6,108,797	5,421,721	5,690,371	6,004,434	6,336,600
DPW	1,964,922	2,117,039	2,047,545	2,186,609	2,262,818	2,381,312
Total Expenditures	10,846,722	10,846,721	11,220,955	11,880,678	12,386,355	13,047,525



February 23, 2010

Ms. Louise Ho
Finance Director
Town of Atherton
91 Ashfield Road
Atherton, CA 94072

Re: "*MuniCast*® Financial Modeling Proposal

Dear Louise,

Thank you for your interest in *MuniCast*®. Government Finance Research Group (**GFRG**) looks forward to providing the Town of Atherton (Town) for its exclusive use, the *MuniCast*® Sensitivity and Trend Analysis financial forecasting model (the only financial forecasting model endorsed by the Government Finance Officers Association), including the following basic features and services:

- 1) *MuniCast*® Sensitivity and Trend Analysis forecasting model that provides the user with the ability to prepare multi-year forecasts and historic trend analysis, on an individual fund or consolidated basis, for your Town's major governmental funds;
- 2) Initial model will be loaded with historic and budgeted data, provided by the Town to **GFRG**;
- 3) Data tables, charts and graphs will be customized to meet the Town's specific analytical and reporting requirements;
- 4) Additional customization and support services, including loading of additional funds and other future updates of the model, are available at an hourly rate of \$75.
- 5) All training and Help Desk support provided by **GFRG** is included in the purchase price of the model.

In addition to the above services, **GFRG** works closely with the Government Finance Officers Association (GFOA) in delivering long-term financial planning and fiscal first aid practices to local governments, and stands ready to offer training and consulting services that may enhance your organization's financial management processes.



Requirements from Town

Please provide **GFRG** with the required historic, estimated, and budgeted financial data required to fully populate the forecasting model. Information may include FTE staffing data to provide a basis for ratio calculations. The data collection template also contains further information regarding data and formatting.

Note: The only system requirements are a PC and Microsoft® Excel version 2003 or 2007.

Purchase Price and Schedule

GFRG can provide the *MuniCast*® Sensitivity and Trend Analysis forecasting model to the Town, including the services outlined above, for a price of \$4,995. There are no annual maintenance fees.

General Fund Option

Alternatively, **GFRG** can provide the same services as described above, for the General Fund, for \$1,995.

Work on the model can begin upon acceptance of this proposal and/or issuance of a Town purchase order.

GFRG looks forward to providing you with a truly unique financial tool that can assist the Town of Atherton's financial planning and analysis process. Please contact me at any time should you have any questions.

Sincerely,

//Chris Swanson//

Chris Swanson
Government Finance Research Group
949-412-6078
Chris@MuniCast.com

Attachments: Firm Profile, Testimonials, Client and Project List



FIRM PROFILE

Christopher J. Swanson is the founder of ***Government Finance Research Group (GFRG)***, a financial management consulting firm specializing in financial planning, research, cost analysis, econometric modeling, benchmarking and optimization modeling for local governments throughout the U.S. ***GFRG*** also designed and developed the ***MuniCast***® interactive multi-year financial forecasting model.

Chris' background includes 20 years of government and corporate financial management, including senior financial and strategic planning roles at the City of Los Angeles, United Health Systems and The Walt Disney Company. Chris has developed complex economic and financial models, implemented performance measurement systems and led process improvement initiatives at public and private sector organizations. His academic credentials include an MBA from UCLA's Anderson Graduate School of Management and BA in Political Science from California State University, Northridge. ***GFRG*** is a sole proprietorship based in California.

MuniCast® Testimonials

"**MuniCast** has been very useful in centralizing all the city's financial data; instead of accessing three, four, five, or more different sources, all our financial information is in one, easy to navigate Excel file. The model has improved the city's ability to quickly create specific fiscal scenarios and analyze impacts. **MuniCast** has been very responsive in helping individualize the model for our community; and has provided well thought out insight and advice in how to use the model most effectively given our goals."

-- **Amy Cunningham**, Senior Administrative Analyst, City of Dublin, California

"Dollar for dollar, **Municast** was a tremendous investment when considering the complexity of the model, how quickly we were able to get it up and running and the experience, knowledge and creativity that Chris Swanson shared with us as part of the flat fee. **Municast** will have an impact on the County's long term financial planning far exceeding its cost."

--**John Ruggini**, Assistant Budget and Fiscal Administrator, Milwaukee County, Wisconsin

"**MuniCast** has been the City of Livermore's long-term forecast solution since 2006. City management has come to rely on the annual five-year forecast presentation to place current two-year budget projections in the proper fiscal context. This year we used the model to estimate the long-term impacts of a significant projected increase in retirement rates in FY 2011/12."

-- **Monica T. Potter**, Director of Finance, City of Livermore, California

"The **MuniCast** model has been a valuable tool for our long-term financial planning. Your expertise and time you made available to adjust the forecast to our needs by adding the master plans and debt scenarios into the model was superb. To have this model with the checks and balances already in place and your ability to adapt the model to our needs was excellent. Your diligent work with us on our short time frame to bring this all together along with your in-depth understanding of municipalities really made this process easy."

-- **Tina Tapley**, Finance Manager, City of Fredericton, New Brunswick, Canada

"**MuniCast** has been a tremendous aid in explaining trends and forecast data. Your prompt response to my questions and modifications has been amazing! The initial setup was very easy and we had a working product within a week. Thank you for all your assistance and I look forward to a long working relationship with you."

--**Jane Skittone**, Finance Director, Town of Palm Beach, Florida

PARTIAL LIST OF GFRG CLIENTS AND LOCAL GOVERNMENT PROJECTS

- *County of Orange, California: Developed long-range cash flow model for all-County government; Analysis of fund sources and econometric sensitivity analysis modeling.*
- *City of San Diego, CA: Comparative financial analysis of municipal revenues, department resource allocations and organization structure. Developed Citywide 20-year financial forecasting model.*
- *Port of Los Angeles, CA: MuniCast 20-year financial forecasting model.*
- *Milwaukee County, WI: MuniCast 20-year financial forecasting model.*
- *City of San Clemente, CA: MuniCast 20-year financial forecasting model.*
- *Town of Leesburg, VA: MuniCast 20-year financial forecasting model.*
- *City of Chula Vista, CA: MuniCast 20-year financial forecasting model.*
- *City of Dublin, CA: MuniCast 20-year financial forecasting model.*
- *Adams County, PA: MuniCast 20-year financial forecasting model.*
- *City of Stockton, CA: MuniCast 20-year financial forecasting model.*
- *City of Tustin, CA: MuniCast 20-year financial forecasting model.*
- *City of Livermore, CA: MuniCast 20-year financial forecasting model.*
- *City of Ridgecrest, CA: MuniCast 20-year financial forecasting model.*
- *City of Cocoa, FL: MuniCast 20-year financial forecasting model.*
- *City of Miami, FL: MuniCast 20-year financial forecasting model.*
- *City of Irvine, CA: MuniCast 20-year financial forecasting model.*
- *City of Huntington Beach, CA: MuniCast 20-year financial forecasting model.*
- *IBI Group - City of Los Angeles: Financial feasibility study re. Red Car Trolley System.*
- *John Wayne Airport, California: Long-range financial forecast modeling.*
- *Orange County Harbor Department: Long-range financial forecast modeling.*
- *State of Hawaii Department of Transportation: 25-Year statewide financial plan*
- *HNTB - Northeast Corridor Interagency Group: Comparative financial analytical modeling re. turnpike/tollway EZPass toll-collection system in northeastern U.S.*

DATA PREPARATION INSTRUCTIONS

To prepare the MuniCast® All Funds financial model, please provide the following data on the adjoining worksheets, and email the file to: Chris Swanson, Chris@MuniCast.com This template provides an "ideal" data format for achieving the best results for your analysis. If you cannot fit the format, we can work with you to develop an alternative approach.

2-Revenues and Sources

Please provide annual revenues, transfers and other funding sources, dating to Fiscal Year 1999-2000, if possible, or as far back as readily available. The more that historic information can be collected and loaded into the model, the better for establishing a baseline for measuring financial trends and correlations.

Revenue data should include all **detailed** sources of funds including current revenues, transfers and carryovers. Please include actual annual historic data plus the most recent annual estimate or budget.

Other data elements should include fund type (eg. General, Special Revenue, etc.), department group and department (if applicable), revenue group, revenue type and account. Please note that annual data is arranged in contiguous columns on the worksheet, which facilitates loading of the data into the **MuniCast®** model.

3-Expenditures and Uses

Please provide annual expenditures, transfers and other uses, dating to Fiscal Year 1999-2000, if possible, or as far back as readily available, consistent with revenue annual periods.

Expenditure data should include all **detailed** uses of funds including operating and capital expenditures, transfers and carryovers. Please include actual annual historic data plus the most recent annual estimate or budget.

Other data elements should include fund type, department group and department (if applicable), expenditure group, expenditure type and account. Please note that annual data is arranged in contiguous columns on the worksheet, which facilitates loading of the data into the **MuniCast®** model.

4-Fund Balances

Please provide the year-end fund balances for each fund, up through the most recently audited financial statement, and/or most recent estimated year-end fund balance for each fund.

5-Staffing Positions or FTE Data

Please provide staffing positions or full-time equivalent (FTE) data (counts only) for the same historic and budgeted periods used for revenue and expenditure data collection. Staffing detail should be at least department level, and broken out by fund source, if possible. If fund-specific information is not available, then please provide All Funds staffing and/or General Fund-specific staffing data.

6-Capital Improvement Program

Please provide the most current schedule of major capital improvement program (CIP) expenditures, by year, preferably itemized by major project or project classification (eg. street improvements, facilities, IT/telecom systems, etc.) and fund source.

7-Debt Service

Please provide the most current schedule of debt service, by year, including debt service itemized by issue (eg. General Obligation Series XXXX, other notes and/or long-term leases, etc.) and fund source.

8-Chart of Accounts

If a Chart of Accounts is available, please provide that information as it will facilitate data loading and formatting of your preferred account alignments in the **MuniCast®** model.

Questions?

Thank you for collecting this information. If you have any questions, please call Chris Swanson at 949-412-6078 or email him at Chris@MuniCast.com