



Item No. 5 Town of Atherton

FINANCE COMMITTEE STAFF REPORT

TO: FINANCE COMMITTEE

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: NOVEMBER 10, 2020

SUBJECT: REPORT ON CASH FLOW MANAGEMENT REPORT; FOCUS ON THE TOWN CENTER PROJECT PRESENTED TO THE CITY COUNCIL

RECOMMENDATION

Receive, Discuss, and File the report

BACKGROUND

Staff is providing the cash flow management report; focus on the Town Center project presented and discussed by the City Council. This was an information and discussion only noting updates to the cash flow management on the project. This was reviewed and discussed by the City Council during a study session held on November 4, 2020. Attached is the Cash Flow Management staff report on Town Center Project presented to Council.

During the study session, staff highlighted the Cash Flow Spreadsheet reflects the \$7.51 million in financing proceeds, and the COP leasing financing payments. Additional noted updates include ERAF revenue projections and West Bay Sanitary District reimbursement of costs for installation of new sanitary sewer system. The Town Bayfront Canal project participation and financing agreement with San Mateo County was included in the update. Staff also discussed the funding for the Atherton Library.

ATTACHMENT

CC November 4, 2020 Cash Flow Management Report; Focus on the Town Center Project



Item No. 5 Town of Atherton

CITY COUNCIL STAFF REPORT – STUDY SESSION

TO: HONORABLE MAYOR AND CITY COUNCIL

**FROM: GEORGE RODERICKS, CITY MANAGER
ROBERT BARRON III, FINANCE DIRECTOR**

DATE: NOVEMBER 4, 2020

**SUBJECT: CASH FLOW MANAGEMENT REPORT; FOCUS ON THE TOWN
CENTER PROJECT**

RECOMMENDATION

Information and discussion only.

BACKGROUND

At its May 20 Council Meeting the City Council reviewed and discussed the Cash Flow and Financing plan for the Town Center Project. The Council discussed the timing for the issuance of lease financing and the amount of proceeds needed for cash flow financing. Staff with the assistance of Urban Futures and the Finance Team projected a need for a minimum \$7.5 million in cash flow funding. During the same Council Meeting, the City Council adopted a resolution of the Town of Atherton authorizing the execution, delivery of a Lease Agreement, and Site Lease to finance the Town Center Project. In order to provide approximately \$7.50 million to facilitate cash flow and partially pay for costs of the Project, the Town entered Lease Financing to lease certain real property initially consisting generally of the Holbrook-Palmer Park and the land on which the Project will be located. On June 11, 2020, the Town of Atherton closed on cash flow financing with Capital One Bank for the Town Center Project. The 2020 Lease Financing was for \$7.68 million (consisting of \$7.5 million in project proceeds plus approximately \$164,000 in costs of issuance).

The attached Cash Flow Spreadsheet reflects the \$7.51 million in financing proceeds, COP leasing financing payment, Town Bayfront Canal participation, and major change orders from the project.

Staff also includes an update on donations to the project and Library advanced funding. *This is intended as an informational item only, noting the updates to cash flow management on the project.*

Review and Discuss update on the Cash Flow for the Town Center Project

November 4, 2020

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ANALYSIS

The Town Center Project's original projected cash need, including the 10% contingency, was \$31,571,137. This remains valid. Below are major highlights for the Cash Flow Spreadsheet.

ERAF

In the previous forecast, ERAF projections through FY 21/22 decreased by approximately \$537,500. ERAF remains under threat at the State level. In June, the Legislative Analyst's Office and the State Legislature issued an opinion asserting that the five ERAF counties have miscalculated the ERAF allocations and the State will pursue correction. The State Controller's Office (SCO) is working on guidelines that will be used to determine a school district's ERAF entitlement no later than December 2020. The guidelines will be effective for FY 2019-20 and thereafter. As such, the County has, and we will continue to maintain additional reserves beyond the 5% for FY 2019-20 until the SCO guidelines are issued. The impact of this correction is not yet fully known. The Town recently received its FY 2020-21 allocation projection for Excess ERAF. Excess ERAF is reasonably anticipated at \$1,455,247 for the FY. This is an increase of \$142K over April 2020 forecast. The Cash Flow Spreadsheet continues to project ERAF in January 2022 at \$1.1 Million. Future years of ERAF are not projected for the purposes of the Spreadsheet as the full impact of the State takeaway is unknown.

ERAF is shown as highlighted on the Spreadsheet in the GF Revenue/Property Tax Column.

West Bay Sanitary District

Added into the Spreadsheet is the receipt of funds from West Bay Sanitary District reimbursing the Town for costs incurred for installation of the sanitary sewer systems for the project. During the month of June, the Town received \$517,280 from the District.

Working Drawdown Schedule

Attached is an internal working draft Drawdown Schedule for the Project (Attachment 1). This document is used by staff in calculating drawdowns for the project and is regularly updated to reflect current construction activity. It is subject to regular adjustment. The information is reflected in the Cash Flow Spreadsheet.

Project Contingency/Change Orders/FF&E

The project contingency for the Town Center project is \$2,870,103. Current change orders to date, additional contingency for calculations *only*, and Furniture, Fixtures & Equipment (FF&E) are factored into the Drawdown Schedule and Cash Flow for the project. These costs are shown on the Spreadsheet in the column Project.

Town Center COP

As mentioned above, the Town received COP Proceeds of \$7,680,000 for the cash flow funding

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on the project. Factoring in the cost of issuance of \$163,370, the net cash flow proceeds to the Town is \$7,516,630. By November 2020, the Town will have expended all proceeds toward the project. The total proceeds are held in escrow and the Town submits withdrawal requests of funds for the payment of contractor pay applications.

The COP is a ten (10) year financing tool with a five (5) year call option and average annual debt service of approximately \$861,000. The first semiannual payment begins December 2020. The Town anticipates that in June 2025, the Town will exercise the call option and retire the COP. Through term, the total lease financing payments is \$8,594,771.

Revenue from the COP is shown on the Spreadsheet under the column COP Wire Payments. Debt service and final payment on the COP is shown on the Spreadsheet in the column COP Debt Service/Donations.

Bayfront Canal Project

The Town's contribution toward construction of the project is capped at \$1,350,000. The Town will be loaned the \$1,350,000 from San Mateo County through a financing agreement similar to the COP. This financing is the subject of ongoing discussions amongst the agencies and will come before the Council for future approval. The agreement with the County will have a debt service schedule of ten (10) years with an assumption of 2 percent (%) interest rate. The agreement will call for semi-annual payments to begin December 2021. Estimated semiannual payments of approximately \$75,146 or yearly amount of \$150,292 will be deducted from Town property tax revenues. This is reflected in the Spreadsheet in the column Bayfront Canal. Staff projects that the Town will retire this debt along with the COP in June 2025.

Donor Funds

The Spreadsheet also includes Donations listed in the COP Debt Service/Donations column. These include:

- May 2020- \$15,000 Schroeder Family Charitable Gift Fund
- June 2020 - \$250,000 installment of Lurie Contribution (2 total - \$500,000)
- August 2020 - Orchard Foundation Grant of \$50,000
- December 2020 - \$45,000 installment of Goldman Contribution (5 total - \$225,000)

The Running Balance column reflects the running balance of the Town's General Fund. These are over and above the Town's required reserves Contingency and Operating Reserves. The Red highlighted cell reflects the lowest balance over the period of time shown on the Spreadsheet.

Atherton Library Funding

Atherton relies upon the Atherton Library Trust Funds as the funding source for the new Library. Construction and site improvements for the Library is \$18,436,000. Below is a breakdown of Construction costs and management oversight

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Library Costs	Amount
Construction & Site Improvements (SJ AMOROSO)	\$18,436,000
Construction management, design, oversight	\$300,174
Temporary Trailers rent	\$87,470
TOTAL ESTIMATED COST	\$18,823,644
Town Funds as of 6/30/19 Held for Construction payments	(\$3,313,967)
SMCL Donor City Funds Held by SMCL as of 6/30/18 received March 2020	(\$8,045,604)
SMCL Donor City Funds Held by SMCL as of 7/31/20 dispersed 2020	(\$3,915,948)
Remaining Funds Needed (Construction Phase Only)	\$3,548,125
ADD INS:	
Construction Contingency 10%	\$1,843,600
FF&E Not Included	
Remaining <i>ADVANCEMENT of Funds</i>	\$5,391,725

A total of \$11,961,552 has been distributed thus far to the Town. On March 12, 2020, San Mateo County Libraries transferred \$8,045,604 to the Town and on August 19, 2020, the remaining balance of \$3,915,948 was transferred to the Town. All Library Trust Funds are now held by the Town. To facilitate completion of the project, an advancement of \$5,391,725 is required to cover the remaining anticipated construction and contingency costs. Furniture, Fixtures and Equipment (FF&E) costs will be paid directly by the Library JPA.

The City Council approved the proposed Library JPA agreement for advancement of funds for the completion of the Library project. Once the Library is completed any excess funds, after Library operational and approved expenditures, will be used first to repay the County for their advancement of funds of \$5.39 million.

POLICY ISSUES

The Cash Flow Spreadsheet reflects a projection of the Town's revenues and expenditures over the next 5 years. Beyond the first year, projections are subject to change based on actuals. Staff, however, has a high confidence that the projections are close enough to allow the Town to project that it will fulfill its direction to retire any debt service by June 2025.

FISCAL IMPACT

None at this time.

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least

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72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town's electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town's electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power, and sewer), and regional elected officials. The Town maintains an active and up to date Project Website at <http://ca-atherton.civicplus.com/index.aspx?NID=290>.

ATTACHMENTS

Attachment 1: Civic Center Project Draw Down Schedule

Attachment 2: Atherton Civic Center Cash Flow Funding Analysis Worksheet

Civic Center Project
Atherton Draw Down Schedule

Year	Month	PD/Admin	PD Site	Ch. Orders	Library	Library Site	Ch. Orders	Total		
2019	June	\$ 877,991	\$ 105,542		\$ 983,533	\$ 373,093	\$ 149,135	\$ 16,394	\$ 1,522,155	<i>*Already Paid Payment #1</i>
2019	July	\$ 464,268	\$ 76,405		\$ 540,673	\$ 213,191	\$ 369,074	\$ 4,772	\$ 1,127,711	<i>*Already Paid Payment #2</i>
2019	August	\$ 473,128	\$ 132,350		\$ 605,478	\$ 175,972	\$ 796,782		\$ 1,578,232	<i>*Already Paid Payment #3</i>
2019	September	\$ 621,214	\$ 336,841	\$ 39,180	\$ 997,235	\$ 281,309	\$ 351,676	\$ 5,333	\$ 1,635,551	<i>*Already Paid Payment #4</i>
2019	October	\$ 900,888	\$ 68,568	\$ 3,802	\$ 973,258	\$ 193,237	\$ 32,871	\$ 22,722	\$ 1,222,089	<i>*Already Paid Payment #5</i>
2019	November	\$ 1,310,382	\$ 5,268	\$ 2,352	\$ 1,318,002	\$ 313,533	\$ 26,272	\$ 1,887	\$ 1,659,694	Already Paid Payment #6
2019	December	\$ 1,314,303	\$ 32,434		\$ 1,346,738	\$ 89,871	\$ 465,047	\$ 1,061	\$ 1,902,716	Already Paid Payment #7
2020	January	\$ 1,155,752	\$ 133,746		\$ 1,289,498	\$ 394,221	\$ 85,643	\$ 1,061	\$ 1,770,423	Already Paid Payment #8
2020	February	\$ 1,019,524	\$ 23,268		\$ 1,042,792	\$ 287,917	\$ 53,889	\$ 1,061	\$ 1,385,659	Already Paid Payment #9
2020	March	\$ 1,216,403	\$ 8,749	\$ 16,730	\$ 1,241,882	\$ 426,469	\$ 13,881	\$ 1,134	\$ 1,683,366	Already Paid Payment #10
2020	April	\$ 268,845	\$ 16,165	\$ 24,272	\$ 309,282	\$ 183,653	\$ 63,964	\$ 795	\$ 557,694	Already Paid Payment #11
2020	May	\$ 1,380,003	\$ 11,397		\$ 1,391,401	\$ 619,847	\$ 93,676		\$ 2,104,924	Already Paid Payment #12
2020	June	\$ 1,163,118	\$ 5,268	\$ 21,798	\$ 1,190,184	\$ 535,184	\$ 14,409	\$ 3,609	\$ 1,743,386	Already Paid Payment #13
2020	July	\$ 1,658,321	\$ 10,250		\$ 1,668,570	\$ 491,258	\$ 7,551	\$ 530	\$ 2,167,910	Already Paid Payment #14
2020	August	\$ 1,579,974	\$ 5,268	\$ 2,644	\$ 1,587,886	\$ 532,467	\$ 7,551	\$ 530	\$ 2,128,435	Already Paid Payment #15
2020	September	\$ 1,689,207	\$ 5,268		\$ 1,694,475	\$ 458,796	\$ 96,140	\$ 1,061	\$ 2,250,471	Payment Application#16
2020	October	\$ 2,573,233	\$ 128,505	\$ 147,000	\$ 2,848,738	\$ 1,536,158	\$ 573,566	\$ 210,000	\$ 5,168,462	
2020	November	\$ 2,163,812	\$ 239,538	\$ 500,000	\$ 2,903,350	\$ 1,501,069	\$ 473,148		\$ 4,877,567	
2020	December	\$ 1,711,482	\$ 18,585		\$ 1,730,067	\$ 1,459,395	\$ 351,586		\$ 3,541,048	
2021	January	\$ 1,360,674	\$ 13,052		\$ 1,373,726	\$ 1,259,780	\$ 305,890		\$ 2,939,396	
2021	February	\$ 591,867	\$ 11,853		\$ 603,720	\$ 937,155	\$ 391,639		\$ 1,932,514	
2021	March	\$ 734,297	\$ 16,740		\$ 751,037	\$ 122,000	\$ 525,015		\$ 1,398,052	
2021	April	\$ 668,059	\$ 103,170	\$ 500,000	\$ 1,271,229	\$ 147,291	\$ 295,603		\$ 1,714,123	
2021	May	\$ 145,814	\$ 15,804	\$ 500,000	\$ 661,618	\$ 102,814	\$ 72,653		\$ 837,085	
2021	June	\$ 134,442			\$ 134,442	\$ 64,318	\$ 59,306		\$ 258,066	
		\$ 27,177,000.76	\$ 1,524,035.12	\$ 1,757,778.27	\$ 12,699,999.87	\$ 5,675,965.58	\$ 271,949.33	\$ 49,106,728.93		

ATHERTON CIVIC CENTER CASH FLOW ANALYSIS

Available Project Cash

Unallocated General Fund Balance-Beç	1	\$	17,509,588
CIP Fund Balance	2	\$	2,593,138
Facility Funds		\$	505,000
Atherton Now Funds		\$	3,324,202
West Bay Sanitary District		\$	517,280
		\$	24,449,208

COP AMOUNT: \$7.68 Million
COP ISSUANCE: June 2020
FUNDING HORIZON: 10-Years; 5 Year Call
EST. ANNUAL DEBT SERVICE: \$861,000

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Expenditures	General Fund Op (average)	Project	GF Revenue		COP Vire Payment	DP Debt Servi Donations	ayfront Can	GF Revenue		Running Balance
			Property Tax					Other		
									\$ 24,449,208	
July 2019	\$ (1,534,288)	(983,533)						\$ 457,258	\$ 22,388,645	
August 2019	\$ (1,084,288)	(540,673)						\$ 1,288,745	\$ 22,052,429	
September 2019	\$ (1,309,288)	(605,478)						\$ 544,216	\$ 20,681,879	
October 2019	\$ (1,109,288)	(997,235)						\$ 431,000	\$ 19,006,356	
November 2019	\$ (1,009,288)	(973,258)						\$ 325,000	\$ 17,348,810	
December 2019	\$ (1,144,288)	(1,318,002)	\$ 5,055,000					\$ 500,000	\$ 20,441,520	
January 2020	\$ (1,104,288)	(1,346,738)	\$ 835,834					\$ 470,000	\$ 19,296,328	
February 2020	\$ (1,002,283)	(1,289,498)	\$ 613,647					\$ 400,000	\$ 18,018,194	
March 2020	\$ (919,288)	(1,042,792)						\$ 444,025	\$ 16,500,139	
April 2020	\$ (1,094,288)	(1,241,882)						\$ 500,000	\$ 14,663,969	
May 2020	\$ (1,169,288)	(309,282)	\$ 5,055,000		\$ 15,000			\$ 400,000	\$ 18,655,399	Shroeder Contribution
June 2020	\$ (1,099,798)	(1,391,401)	\$ 613,647	\$ 1,551,164	\$ 250,000			\$ 339,218	\$ 18,918,228	Lurie Contribution
July 2020	\$ (2,150,000)	(1,190,184)		\$ 1,391,401				\$ 400,000	\$ 17,369,445	
August 2020	\$ (1,230,000)	(1,668,570)		\$ 1,190,184	\$ 50,000			\$ 400,000	\$ 16,111,059	Orchard Contribution
September 2020	\$ (1,510,000)	(1,587,886)		\$ 1,668,570				\$ 430,000	\$ 15,111,743	Project Contingency Build
October 2020	\$ (1,375,000)	(1,694,475)		\$ 1,585,242				\$ 445,000	\$ 14,072,510	\$147k & \$500k <small>Now only \$147,000 for Civic Center</small>
November 2020	\$ (1,123,237)	(2,848,738)		\$ 130,069	\$ 45,000			\$ 325,000	\$ 10,600,605	Goldman Contribution
December 2020	\$ (1,400,000)	(2,903,350)	\$ 5,434,000		\$ (418,481)			\$ 400,000	\$ 11,712,774	
January 2021	\$ (1,232,000)	(1,730,067)	\$ 1,455,247					\$ 375,000	\$ 10,580,954	ERAF
February 2021	\$ (1,040,000)	(1,373,726)	\$ 600,000					\$ 324,834	\$ 9,092,062	ERAF/(20% REDU
March 2021	\$ (1,035,445)	(603,720)						\$ 364,834	\$ 7,817,731	
April 2021	\$ (1,048,445)	(751,037)	\$ 600,000					\$ 322,834	\$ 6,941,083	Project FFE
May 2021	\$ (1,043,445)	(1,271,229)	\$ 5,414,750					\$ 301,366	\$ 10,342,525	\$500,000
June 2021	\$ (1,053,442)	(661,618)			\$ (419,449)			\$ 250,664	\$ 8,458,680	\$500,000
July 2021	\$ (2,500,000)	(134,442)			250,000			\$ 490,000	\$ 6,564,238	Lurie Contribution
August 2021	\$ (1,400,000)							\$ 460,000	\$ 5,624,238	
September 2021	\$ (1,550,000)							\$ 420,000	\$ 4,494,238	
October 2021	\$ (1,475,000)				\$ 45,000			\$ 500,000	\$ 3,564,238	
November 2021	\$ (1,375,000)							\$ 425,000	\$ 2,614,238	
December 2021	\$ (1,425,000)		\$ 5,822,000		(432,893)	(75,146)		\$ 525,000	\$ 7,028,199	
January 2022	\$ (1,350,000)		\$ 1,100,000					\$ 495,050	\$ 7,273,249	ERAF/(35% REDUCED)
February 2022	\$ (1,025,000)		\$ 450,000					\$ 320,050	\$ 7,018,299	
March 2022	\$ (1,032,000)							\$ 395,050	\$ 6,381,349	
April 2022	\$ (1,025,000)					(75,146)		\$ 345,050	\$ 5,626,253	
May 2022	\$ (1,075,000)		\$ 5,700,000					\$ 395,050	\$ 10,646,303	
June 2022	\$ (1,095,000)		\$ 274,000		\$ (428,978)			\$ 319,050	\$ 9,715,375	
July 2022	\$ (2,700,000)							\$ 500,000	\$ 7,515,375	
August 2022	\$ (1,500,000)							\$ 400,000	\$ 6,415,375	
September 2022	\$ (1,575,000)							\$ 410,000	\$ 5,250,375	
October 2022	\$ (1,485,000)				\$ 45,000			\$ 475,000	\$ 4,285,375	

November 2022	\$ (1,410,000)					\$ 375,000	\$ 3,250,375	
December 2022	\$ (1,425,000)		\$ 6,116,000		(432,936)	(75,146)	\$ 500,000	\$ 7,933,293
January 2023	\$ (1,360,000)		\$ -				\$ 450,000	\$ 7,023,293
February 2023	\$ (1,050,000)		\$ 531,000				\$ 375,000	\$ 6,879,293
March 2023	\$ (1,095,000)						\$ 400,000	\$ 6,184,293
April 2023	\$ (1,155,000)					(75,146)	\$ 350,000	\$ 5,304,147
May 2023	\$ (1,160,000)		\$ 5,925,000				\$ 450,000	\$ 10,519,147
June 2023	\$ (1,163,000)		\$ 590,000		\$ (428,936)		\$ 403,000	\$ 9,920,211
July 2023	\$ (2,750,000)						\$ 418,000	\$ 7,588,211
August 2023	\$ (1,600,000)						\$ 460,000	\$ 6,448,211
September 2023	\$ (1,600,000)						\$ 408,000	\$ 5,256,211
October 2023	\$ (1,500,000)						\$ 509,000	\$ 4,265,211
November 2023	\$ (1,465,000)				\$ 45,000		\$ 412,000	\$ 3,257,211
December 2023	\$ (1,494,650)		\$ 6,478,000		(432,981)	(75,146)	\$ 600,000	\$ 8,332,435
January 2024	\$ (1,460,000)		\$ -				\$ 450,000	\$ 7,322,435
February 2024	\$ (1,150,000)		\$ 550,000				\$ 375,000	\$ 7,097,435
March 2024	\$ (1,114,000)						\$ 400,000	\$ 6,383,435
April 2024	\$ (1,155,000)					(75,146)	\$ 350,000	\$ 5,503,289
May 2024	\$ (1,160,000)		\$ 6,022,000				\$ 450,000	\$ 10,815,289
June 2024	\$ (1,163,000)		\$ 625,000		\$ (428,891)		\$ 403,000	\$ 10,251,398
July 2024	\$ (2,850,000)						\$ 418,000	\$ 7,819,398
August 2024	\$ (1,570,000)						\$ 460,000	\$ 6,709,398
September 2024	\$ (1,625,000)						\$ 408,000	\$ 5,492,398
October 2024	\$ (1,550,000)						\$ 509,000	\$ 4,451,398
November 2024	\$ (1,500,000)				\$ 45,000		\$ 412,000	\$ 3,408,398
December 2024	\$ (1,525,000)		\$ 7,188,510		(433,026)	(75,146)	\$ 600,000	\$ 9,163,736
January 2025	\$ (1,500,000)						\$ 600,000	\$ 8,263,736
February 2025	\$ (1,300,000)		\$ 650,000				\$ 375,000	\$ 7,988,736
March 2025	\$ (1,245,000)						\$ 400,000	\$ 7,143,736
April 2025	\$ (1,152,000)					(75,146)	\$ 350,000	\$ 6,266,590
May 2025	\$ (1,160,000)		\$ 6,100,000				\$ 450,000	\$ 11,656,590
June 2025	\$ (1,163,000)		\$ 700,000		(4,738,202)	(901,740)	\$ 403,000	\$ 5,956,648
	\$ (97,977,625)	\$ (30,458,814)	\$ 80,498,635					

ERAF ELIMINATED