



## Item No. 2 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:** JANUARY 10, 2018

**SUBJECT:** CASH FLOW SPREADSHEET – 2017 - 2021

### **RECOMMENDATION**

Review and Discuss.

### **BACKGROUND**

From a fiscal operations perspective, the Civic Center Project will be the largest project the Town has undertaken in its history.

The construction timeline for the project covers approximately 27 to 30 months. Cash flow for the project will carry over four (4) fiscal years beginning in Fiscal Year 2017/18 with the award of contract and completing in Fiscal Year 2020/21 with the project close-out. While the Town will have sufficient funds over the course of the project to complete it, those funds are provided to the Town at different intervals than the Town needs them to process project invoices. The Town's major source of revenue, property taxes, are only disbursed to the Town in December and April of each year, while construction invoices will occur monthly.

As a result, the Town must carefully project its cash flow needs over the course of the project by keeping a close watch on minimum required reserves, limiting additional large project expenditures, and considering, at the proper time, a cash flow bridge through certificates of participation or other construction lending opportunities.

### **ANALYSIS**

As a starting point for analyzing cash flow, staff has prepared the attached spreadsheet. The spreadsheet projects the Town's monthly revenues and expenditures and plots a course for the project into Fiscal Year 2020/21.

The spreadsheet is detailed each month and staff will go through the spreadsheet line by line at the meeting. This staff report is not a detailed summary of the spreadsheet but rather, the Executive Summary level discussion of basic assumptions and result.

*Revenue Assumptions*

The spreadsheet is based upon the following revenue assumptions:

- Property Tax Revenues are estimated at a 3.5% increase each year. While historically they have been higher each year, often topping at 7% to 9%, a conservative estimate is taken in case the market corrects and values adjust. At that point, the Town could see a flatter adjustment between 2% and 4%.
- Basic General Fund Revenues (non-property tax related) are estimated at 1% per year.
- Business License Tax remains constant. The projection does not include an increase in the business license tax as a methodology has not yet been adopted, set for election, or passed the electorate.
- Special Revenue Funds are projected as similar within the 5-Year CIP (Gas Tax, Measure A, Measure M, etc.). The new Gas Tax revenues are included in the projections.
- Parcel Tax Revenue is shown only through June 2018.
- ERAF Revenue is projected at just over \$1,000,000
- Library Revenues over Expenditures is projected at \$1,400,000 per year from San Mateo County.

*Expenditure Assumptions*

- Payroll and other Payroll Expense Categories are projected to increase by 2% each year. This is not a guarantee of raises or other benefits; but rather, a simple escalation of potential costs.
- Operations Expense Categories are projected to increase by 7.1% each of the next 2 years and static at year 3.
- Capital Project Expenditures are based on the current 5-Year CIP and programmed in at their estimated cost and estimated delivery date.
- Civic Center Project costs are allocated out through the project completion date of October 2020 based on the current project estimate. Once the project is bid, a more exact estimate will be added.
- Water Capture Facility Project costs are allocated out through the project completion date of December 2019 (beginning January 2019) based on the current project estimate.
- Library expenditures are projected static (although they will likely decrease during the project).

*Executive Summary*

The Town has a mix of funds available for the Project: General Funds, CIP Funds, Library Funds, Donations and Facility Construction Funds. The funds are budgeted within the preceding categories but are held together in various investment vehicles. The funds are held in the Local Agency Investment Fund (LAIF), the Town's Restricted Library Fund, the County's Restricted Library Fund, and Wells Fargo Trust Investments. The Parcel Tax, Gas Tax, Measure A, Measure M, and Channel Fund are not funds that are allocated to the Civic Center Project. These funds are restricted use funds.

In total, as of January 2018, the Town's available funds (operations and project related) are allocated as follows:

<b>Fund Source</b>	<b>Amount</b>
LAIF	\$13,068,972
Wells Fargo Bank Account	\$5,379,928

## Cash Flow Spreadsheet

January 10, 2018

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Library Funds (at County)	\$6,504,207
Wells Fargo Trust Investments	\$11,907,493
	<b>\$36,860,600</b>

The preceding total includes all of the Town's funds for all operations and projects, to include the Town's mandatory reserve.

As each month moves forward, the spreadsheet calculates operational and specific project revenues and balances the revenues against necessary expenditures, maintaining the mandatory 35% operational reserve. Once the project is in full swing, monthly expenditures increase from a current range of \$1.5 million - \$2 million to \$2.5 million to \$3.5 million, depending on the various routine capital projects. The spreadsheet draws against maturing investments, the restricted County Library Fund, Donations, Facilities Fund, the CIP Fund, and the Town's basic General Fund over the project timeline to facilitate cash flow needs. The "Ending Cash Balance" line reflects the state of the Town's net available cash.

Eventually, all of the Town's investments mature and move up into "available cash" for use in operations and projects. All of the County-held Library Funds and Town-held Library funds are depleted as well as the forward use of Library surplus revenues to balance out against the cost of the Library Project.

At about June 2020, the Town has expended all of its investment portfolio except the mandatory 35% Reserve which will remain at \$5,243,422. From that point forward, the Town is dependent upon annual revenues, predominately from the Town's property tax revenues, ERAF, and excess Library funds.

At about October 2020, the Town's basic cash balance is depleted and runs negative until the end of Fiscal Year 2021. This is where the cash flow issue arises and the Town will be dependent upon a cash flow bridge or construction lending opportunity. Staff suggests that the Council consider a \$5 million to \$7.5 million cash flow bridge through a certificate of participation. A certificate of participation will come with debt service; however, the Town's cash flow will return positive at the end of Fiscal Year 2021 at which time the Town can begin paying down the certificate of participation; and, depending on projections for revenues over expenditures, pay the certificate of participation off earlier than required.

### **POLICY FOCUS**

There is sufficient funding over the course of the project years to fully pay for the Civic Center Project from available Town revenues. However, there is a cash flow issue that must be addressed beginning in Fiscal Year 2019/20.

The policy discussion for the Council is consideration of moving forward with a process to address the cash flow needs via a certificate of participation or other construction lending vehicle.

**FISCAL IMPACT**

None at this time.

**PUBLIC NOTICE**

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

**ATTACHMENT**

Cash Flow Spreadsheet

Estimated Cash requirement      Oct-17      Nov-17      Dec-17      Jan-18      Feb-18      Mar-18      Apr-18      May-18      Jun-18      Jul-18      Aug-18      Sep-18      Oct-18      Nov-18

**Estimated Cash requirement**

Table with 15 columns for months (Oct-17 to Nov-18) and rows for various expenditure categories including Other AP-Expenditures Operations, Payroll, AP & Other Payroll, Parcel Tax Projects, Measure A Projects, Gas Tax Capital Projects, Measure M Capital Projects, Capital Improvement, Atherton Channel Capital Projects, Civic Center projects, and Detention Basin at the Park. Total Expense Requirement is \$1,373,986 in Oct-17 and \$2,417,644 in Nov-18.

**REVENUES**

**GENERAL FUND REVENUES**

Table with 15 columns for months (Oct-17 to Nov-18) and rows for revenue categories including Franchise Fees, Sales Tax, Public Safety, Property Tax, ERAF, Document Transfer Tax, Business License, Planing Fees, Building Fees, Police Revenues, Public Works Revenue, Park Revenues, Misc Revenue, Parcel Tax Projects, Measure A Projects, Gas Tax Capital Projects, Measure M Capital Projects, Channel District, Library Surplus Donor Funds, TRANSFERS IN, CalTrans Grant Funds, ATHERTON NOW FUNDS, and Transfer from Investments Mated. Total Revenue/Cash Requirement is \$534,516 in Oct-17 and \$1,548,755 in Nov-18.

Summary rows for Net Cash in (out), Beginning Cash balance in banks (adjusted for outstanding checks), and Ending Cash Balance. Ending Cash Balance is \$294,220 in Oct-17 and \$2,025,975 in Nov-18.

**Available Cash**

Table with 15 columns for months (Oct-17 to Nov-18) and rows for Available Cash sources including LAIF, Banks (Liquid Cash Total), Library Funds Held by San Mateo County, Wells Fargo Trust Investments, and TOTAL CASH & Other Held Investments. Total Available Cash is \$13,106,487 in Oct-17 and \$28,006,648 in Nov-18.



Estimated Cash requirement	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
<b>Estimated Cash requirement</b>														
Other AP-Expenditures Operations (estimates)	\$535,786	\$535,792	\$535,786	\$535,786	\$535,786	\$535,786	\$535,786	\$535,792	\$535,792	\$535,792	\$535,792	\$535,792	\$535,792	\$535,792
Payroll	\$269,587	\$254,371	\$281,083	\$307,100	\$384,073	\$314,524	\$261,127	\$263,286	\$274,831	\$256,788	\$397,171	\$259,577	\$274,979	\$259,458
AP & Other Payroll	\$279,246	\$290,116	\$1,524,116	\$364,597	\$372,484	\$371,889	\$302,566	\$292,169	\$285,014	\$278,616	\$369,182	\$276,354	\$284,831	\$295,918
Parcel Tax Projects														
Measure A Projects				\$25,000	\$15,000	\$125,000					\$125,000	\$50,000		
Gas Tax Capital Projects		\$150,000										\$150,000		
Measure M Capital Projects			\$75,000											
Capital Improvement (Park, Bike Ped, Town Fa									\$75,000					
Atherton Channel Capital Projects								\$10,000						
Civic Center 17/18														
Civic Center Library 17/18														
Civic Center 18/19														
Civic Center Library 18/19														
Civic Center 19/20	\$972,511	\$972,511												
Civic Center Library 19/20	\$368,329	\$368,329												
Civic Center 20/21			\$729,397	\$729,397	\$729,397	\$729,397								
Civic Center Library 20/21			\$1,160,233	\$1,160,233	\$1,160,233	\$1,160,233								
Detention Basin at the Park														
<b>Total Expense Requirement</b>	<b>\$2,425,460</b>	<b>\$2,571,118</b>	<b>\$4,305,615</b>	<b>\$3,122,113</b>	<b>\$3,196,973</b>	<b>\$3,236,829</b>	<b>\$1,099,480</b>	<b>\$1,101,246</b>	<b>\$1,170,637</b>	<b>\$1,071,196</b>	<b>\$1,427,145</b>	<b>\$1,271,723</b>	<b>\$1,095,602</b>	<b>\$1,091,168</b>

<b>REVENUES</b>														
<b>GENERAL FUND REVENUES</b>														
Franchise Fees-Garbage	26,239	26,239	26,371	26,371	26,371	26,371	26,371	26,371	26,371	26,371	26,371	26,371	26,371	26,371
Franchise Fees-Cal Water		-	-	-	-	131,416	-	-						
Franchise Fees-Cable & Utilities		36,065	-	36,065	-	-	36,065	229,244					36,065	
Sales Tax	14,947	14,947	15,021	15,021	15,021	15,021	15,021	15,021	15,021	15,021	15,021	15,021	15,021	15,021
Public Safety	6,929	6,929	6,963	6,963	6,963	6,963	6,963	6,963	6,963	6,963	6,963	6,963	6,963	6,963
Property Tax	4,685,038	-	-	-	-	-	-	4,802,164					4,802,164	
ERAF	-	-	-	-	-	-	-	-					-	
Property Tax in Lieu VLF	584,633	-	-	-	-	-	-	599,249					599,249	
Document Transfer Tax	36,401	61,984	50,428	54,000	43,494	19,000	15,000	45,010	12,500	26,511	42,350	32,000	65,000	37,000
Business License		30,873	14,353	14,353	-	-	-	-					102,520	87,018
Planing Fees		15,378	16,608	16,608	34,857	34,857	34,857	34,857						
Building Fees		197,995	197,995	197,995	197,995	197,995	197,995	197,995						
Police Revenues	6,902	6,902	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937	6,937
Public Works Revenue	16,054	69,870	28,500	30,500	25,000	21,850	26,900	27,100	15,600	16,600	29,500	31,642	16,054	69,870
Park Revenues	23,500	22,200	27,319	27,319	23,500	21,530	18,500	26,913	15,285	15,000	15,000	14,000	19,000	22,500
Misc Revenue	29,841	29,841	27,491	27,491	27,491	27,491	27,491	27,491	27,491	27,491	27,491	27,491	27,491	27,491
Parcel Tax Projects														
Measure A Projects	28,333	28,337	28,333	28,333	28,333	28,333	28,333	28,333	28,333	28,333	28,333	28,333	28,333	28,337
Gas Tax Capital Projects	24,166	24,174	24,166	24,166	24,166	24,166	24,166	24,166	24,166	24,166	24,166	24,166	24,166	24,174
Measure M Capital Projects				75,000										
Channel District		47,784						49,515						47,784
Library Surplus Donor Funds		1,400,000												1,400,000
<b>TRANSFERS IN:</b>														
CalTrans Grant Funds														
<b>ATHERTON NOW FUNDS</b>														
Transfer from LAIF														
Transfer from SMCO Library			\$2,500,000	\$2,604,207										
Transfer from Investments Matured														
<b>Total Revenue/Cash Requirement</b>	<b>5,482,982</b>	<b>2,019,517</b>	<b>2,970,484</b>	<b>3,191,327</b>	<b>460,127</b>	<b>561,930</b>	<b>464,598</b>	<b>6,147,329</b>	<b>178,667</b>	<b>193,392</b>	<b>222,132</b>	<b>212,924</b>	<b>5,775,333</b>	<b>1,799,465</b>

Net Cash in (out)	3,057,523	(551,600)	(1,335,131)	69,215	(2,736,846)	(2,674,899)	(634,882)	5,046,082	(991,970)	(877,804)	(1,205,013)	(1,058,799)	4,679,731	708,297
Beginning Cash balance in banks (adjusted for outstanding checks)	1,925,153	4,982,675	4,431,075	3,095,944	3,165,159	428,313	(2,246,586)	(2,881,468)	2,164,615	1,172,644	294,841	(910,173)	(1,968,972)	2,710,758
<b>Ending Cash Balance</b>	<b>4,982,675</b>	<b>4,431,075</b>	<b>3,095,944</b>	<b>3,165,159</b>	<b>428,313</b>	<b>(2,246,586)</b>	<b>(2,881,468)</b>	<b>2,164,615</b>	<b>1,172,644</b>	<b>294,841</b>	<b>(910,173)</b>	<b>(1,968,972)</b>	<b>2,710,758</b>	<b>3,419,056</b>

<b>Available Cash</b>														
LAIF	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
<b>Banks</b>	<b>\$4,982,675</b>	<b>\$4,431,075</b>	<b>\$3,095,944</b>	<b>\$3,165,159</b>	<b>\$428,313</b>	<b>(\$2,246,586)</b>	<b>(\$2,881,468)</b>	<b>\$2,164,615</b>	<b>\$1,172,644</b>	<b>\$294,841</b>	<b>(\$910,173)</b>	<b>(\$1,968,972)</b>	<b>\$2,710,758</b>	<b>\$3,419,056</b>
Liquid Cash Total	\$4,982,675	\$4,431,075	\$3,095,944	\$3,165,159	\$428,313	(\$2,246,586)	(\$2,881,468)	\$2,164,615	\$1,172,644	\$294,841	(\$910,173)	(\$1,968,972)	\$2,710,758	\$3,419,055
Library Funds Held by San Mateo County	\$5,104,207	\$5,104,207	\$2,604,207	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Wells Fargo Trust Investments	\$5,407,493	\$5,407,493	\$5,407,493	\$5,407,493	\$5,407,493	\$5,407,493	\$5,407,493	\$5,407,493	\$5,407,493	\$5,407,493	\$5,407,493	\$5,407,493	\$5,407,493	\$5,407,493
<b>TOTAL CASH &amp; Other Held Investments</b>	<b>\$15,494,375</b>	<b>\$14,942,775</b>	<b>\$11,107,644</b>	<b>\$8,572,652</b>	<b>\$5,835,806</b>	<b>\$3,160,907</b>	<b>\$2,526,025</b>	<b>\$7,572,108</b>	<b>\$6,580,137</b>	<b>\$5,702,334</b>	<b>\$4,497,320</b>	<b>\$3,438,521</b>	<b>\$8,118,251</b>	<b>\$8,826,549</b>