



Item No. 9 Town of Atherton

CITY COUNCIL STAFF REPORT – CONSENT AGENDA

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: MARCH 18, 2020

SUBJECT: ADOPTION OF A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ATHERTON FOR A DEBT POLICY RELATED TO THE ISSUANCE OF DEBT

RECOMMENDATION

Adopt a resolution for a Town Debt Policy related to the Issuance of Debt for the Town of Atherton.

BACKGROUND

At its November 20, 2019 Council meeting, the City Council reviewed and discussed the cash flow planning and projection for the Town Center. Direction was given to proceed with Certificates of Participation Bond financing for cash flow shortfall purposes of the project. As part of any financing, municipalities are required to maintain debt policies. During this meeting staff also presented a Drafty Debt Policy for review. Staff advised the Council that based on the updated assumptions and projected drawdown payment schedule, staff with the assistance of Urban Futures, projects a need for a minimum \$7 to \$8 million in cash flow funding. An exact amount would be determined at the time of issuance of the COP's draws closer.

At the March 4 Study Session, staff discussed that the financing process began and provided the financing schedule for the Town of Atherton 2020 COP's. As discussed, it was estimated that the closing and sale of financing would proceed in early May 2020. During the meeting it was discussed that in the next couple of months staff will return with a Signature Authority Ordinance, a Debt Management Policy and Disclosure Documents for adoption. Further items will need to be approved to include an authorizing resolution, site lease, lease agreement, and trust agreement. It was also discussed and agreed that once financing documents were approved, the actual issuance (sale) of the COP's would be made in early May or the latest by mid-June. The decision to initiate the sale would be made by the staff and the Ad-hoc Committee of Mayor, Vice Mayor and the Chair of the Finance Committee.

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ANALYSIS

Debt Management Policy

As the Town initiates financing, the City Council must adopt a Debt Management Policy. The Policy is a mandate for all municipalities that initiate financing. There were no major changes during the initial review of the Draft Debt Policy, just mainly discussion and clarification.

The Policy must comply with applicable State law related to the management of debt. The attached Policy is written to be compliant with those laws. A reminder that a Debt Policy governs all or any debt of the Town and is not specific to the issuance of a COP for the Town Center.

The Policy covers purposes of which debt may be issued, types of debt, relationship of debt to Capital Improvement programming, planning goals and objectives. There is nothing in the Policy that prevents future City Councils from paying debt off earlier or prevents Councils from holding bonds to maturity. Early pay down of debt is determined by the specific bond or debt documents and not the Debt Policy. One City Council cannot bind the processes of a future City Council via the Debt Policy. During discussions of Town financing, the current Council has directed staff to seek a 10-year term with a 5-year call option to pay off the COP's. The bond documents will provide those options.

The Debt Policy Resolution, while not binding, lays out the intent of the City Council in adoption of debt. These could include an intent to retire debt as early as is feasible or to use the proceeds of a specific debt issuance for a specific purpose (this would also be in the bond documents). Included within the presented resolution this evening to adopt the Town of Atherton Debt Policy, is the following:

“The City Council hereby declares its intent, without any obligation to do so and subject to final approval of the City Council, to prepay its obligations with respect to such lease financing at the earliest optional prepayment date permissible under the related financing agreements”

Staff recommends the adoption of the attached Debt Management Policy and Resolution. The adoption of the Debt Policy continues the Town's trajectory to meet the financing schedule for COP's. Next month, staff will return with the approval of Town Financing documents and authorization of the sale of bonds.

POLICY ISSUES

The Town does not have a history of debt. However, most agencies will enter into short- or long-term debt for large structural capital projects that exceed their budget constraints. Typical facilities financed via COPs include administration buildings, water and sewer systems, public safety facilities, schools, parking garages, etc. While the Town is fortunate to have cash on hand, donations, and projected revenues to complete its most significant capital infrastructure project, that cash will not be fully realized until the project is complete. This creates a cash flow burden on

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the Town's General Fund and triggers the need for a COP.

A part of this financing process it is a requirement that the Town also have a Debt Management Policy that underlines guidelines and purposes for debt. The Council will be adopting a Debt Policy as it approaches COP financing for the Town Center Project. The objectives of any debt issuance must be well thought out and fit within the goals of the public agency. While the California Constitution provides that COPs may be issued by a public entity; do not constitute indebtedness under the California Constitutional debt limit; and do not trigger voter approval, thoughtful deliberation by the Council is encouraged.

FISCAL IMPACT

None.

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. The Town maintains an active and up to date Project Website at <http://ca-atherton.civicplus.com/index.aspx?NID=290>.

ATTACHMENTS

Attachment 1: Resolution Adopting Town Debt Management Policy

Attachment 2: Debt Management Policy

ATTACHMENT 1

RESOLUTION NO. 20-__

**A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ATHERTON
ADOPTING A DEBT MANAGEMENT POLICY**

WHEREAS, pursuant to Senate Bill 1029 (“SB 1029”), which was signed by the California Governor on September 12, 2016, California public agencies that issue debt must adopt debt management policies that meet certain criteria; and

WHEREAS, in response to SB 1029 and in order to adhere to sound financial management practices, the Town of Atherton wishes to adopt and maintain a debt management policy; and

WHEREAS, there has been presented to this meeting a proposed form of debt management policy (the “Debt Policy”); and

WHEREAS, subject to City Council approval, the Town anticipates entering into a lease financing in the future to finance a portion of the cost to construct and acquire of the Town Center Project; and

WHEREAS, the City Council hereby declares its intent, without any obligation to do so and subject to final approval of the City Council, to prepay its obligations with respect to such lease financing at the earliest optional prepayment date permissible under the related financing agreements; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the Town of Atherton as follows:

Section 1. The City Council hereby approves and adopts the Debt Policy presented to the meeting at which this resolution is adopted.

Section 2. This resolution shall take effect from and after the date of its passage and adoption.

ATTACHMENT 1

PASSED, APPROVED AND ADOPTED at a regular meeting of the City Council of the Town of Atherton on _____, 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Rick DeGolia, Mayor

ATTEST:

Anthony Suber, City Clerk