



Town of Atherton

Presentation to City Council

May 6, 2020

Market Considerations

- **Investors very focused on credit, liquidity and reserves**
 - General fund leases in the credit spotlight as investors focus on ability to pay
 - Most cities will face tremendous pressure from falling revenues and rising pension costs
 - The Town is likely less affected given Property Taxes are the main source of revenue for the General Fund
 - Additionally, the Town has very strong liquidity and reserves, unless reserves are spent significantly down on the Project
- **Preference for large, “liquid” transactions and less flexible with call structure in the public markets**
 - Large financings (+\$50 million) can price as much as 10-20 basis points better than smaller transactions
 - Issuers only utilizing 10-year or 9-year par calls, as buyers have more ability to dictate structure

Public Sale vs. Private Placement

	Public Sale	Private Placement
Investor(s)	Offer of Securities to the General Public	Direct Placement to One or Limited Number of Institutional Investors
Documentation	Official Statement; Continuing Disclosure Required	Abbreviated
Pricing and Interest Rate Risk	Rate Set on Day of Pricing; Interest Rate Risk up to Sale Date	Rate Lock (Typically 30-60 Days)
Other	Issuance Costs Typically Higher (Disclosure, Rating, Insurance, UW Discount, etc.)	Typically Higher Yields Less Staff time
Estimated Timing	Approximately 60-90 Days	Approximately 45-60 Days

Overview of Private Placement Bids Received

<i>Name of Bank</i>	<i>Max Par</i>	<i>Interest Rate</i>	<i>Rate Lock Date</i>	<i>Fees</i>	<i>Optional Redemption</i>	<i>Reporting Covenants</i>	<i>Additional Requirements</i>
Capital One	\$9,000,000	2.20%	6/11/2020	None	Non-callable through 5/31/2025 6/1/2025 @ 100%	Annual Audited Financial Statements	Term sheet expires 5/7/2020 Requires representation of absence of adverse environmental conditions Title search indicating the title to the leased property rests with the Town
Sterling National Bank	\$7-9 million	2.29%	6/11/2020	None	Any date after closing through 6/1/25 @ 101; 6/2/25 @ 100%	None	Term sheet expires 5/7/2020
California Bank Trust (Zions)	\$7-9 million	2.77%	60 days from bid date -- 6/29/2020	All reasonable, out-of-pocket costs and expenses	Any Date at par	Annual Audited Financial Statements w/in 270 of FY end	Term sheet expires on 5/7/2020 No differential in rate if BQ or non-BQ Credit already approved Insurance: 24-month Rental Interruption, Title, Property and Casualty Insurance, and Flood Insurance (if necessary) Environmental Survey / Site visit

Summary of Financing Results

Summary of Financing Results*				
Method of Sale	Private Placement	Public Sale		
Scenario	Capital One (2.20%)	Current Market Rates	+25 bps (0.25%)	+50 bps (0.50%)
Par Amount	\$7,185,000	\$6,580,000	\$6,645,000	\$6,705,000
Final Maturity	6/1/2030	6/1/2030	6/1/2030	6/1/2030
Project Fund	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000
Call Option	6/1/25 @ 100%	6/1/25 @ 100%	6/1/25 @ 100%	6/1/25 @ 100%
All-In TIC	2.72%	2.76%	2.95%	3.14%
Avg. Annual Debt Service	\$804,208	\$808,740	\$816,679	\$824,220
Total Debt Service	\$8,042,074	\$8,087,398	\$8,166,788	\$8,242,195
Debt Service to Call	\$7,809,479	\$7,644,198	\$7,719,188	\$7,789,795

*Preliminary; Subject to change; As of April 30, 2020.

Regulatory Disclosure

Disclosure of Conflicts of Interest and Legal or Disciplinary Events. Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients and potential clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Urban Futures, Inc. (“UFI”) and its associated persons.

Conflicts of Interest. Compensation. UFI represents that in connection with the issuance of municipal securities, UFI may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, UFI hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding UFI’s ability to provide unbiased advice to enter into such transaction. This conflict of interest will not impair UFI’s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

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If UFI becomes aware of any additional potential or actual conflict of interest after this disclosure, UFI will disclose the detailed information in writing to the issuer or obligated person in a timely manner.

Legal or Disciplinary Events. UFI does not have any legal events or disciplinary history on UFI’s Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Issuer may electronically access UFI’s most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against UFI, UFI will provide complete disclosure to the Issuer in detail allowing the Issuer to evaluate UFI, its management and personnel.