



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manger's Office



DATE: October 25, 2016
BOARD MEETING DATE: November 1, 2016
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: Adrienne Tissier, County Supervisor, District 5
John Maltbie, County Manager

SUBJECT: Amendment to Loan Agreement with Bayshore Elementary School District

RECOMMENDATION:

Adopt a resolution approving an amendment to the agreement between the Bayshore Elementary School District and the County of San Mateo to provide for a loan of \$5,000,000 to the District for interim financing for construction of a new school at the District's Bayshore Elementary School site.

BACKGROUND:

The Bayshore Elementary School District ("District") presently owns two school sites, both located in Daly City, California; specifically, the Bayshore Elementary School site at 155 Oriente Street ("Bayshore Site") and the Robertson Intermediate School site at 1 Martin Street ("Robertson Site"). In January 2105, the District's Board of Trustees declared the Robertson Site surplus and approved its sale. The Board also made application to the California State Board of Education for a waiver of certain provisions of the California Education Code related to the sale of surplus property.

The District Board's stated intent in selling the Robertson site was to use the proceeds to of the sale to pay, in part, for the cost of construction of a new school facility at the Bayshore Site that all District students in grades transitional kindergarten through eighth would attend.

The District received a waiver from the Board of Education that authorized it to enter into direct negotiations for the sale of the Robertson Site. Pursuant to that authority, the District has entered into a Purchase Agreement for the Robertson Site and, as noted, the District intends to use the proceeds from the sale to pay for the construction of the new school at the Bayshore Site.

DISCUSSION:

In order to move the construction of the new school forward as quickly as possible and in an effort to have it completed in time for the start of the 2017-2018 school year, the District presently has work being done on the new school project at the Bayshore Site. However, the District has not yet concluded sale of the Robertson Site.

It was originally contemplated that sale of the site would close in October 2016, and in order to ensure that work would continue on the new school project and to avoid any possible delay on the project, the District requested that the County provide a loan of funds to allow the District, on an interim basis, to continue work on the project. The District requested a loan of \$5,000,000, all of which the District proposed to repay prior to the end of the current fiscal year, June 30, 2017.

In response to the District's request, at its meeting on September 6, 2016, the County approved a \$5,000,000 loan to the District, to be paid in eight equal monthly installments, with the first payment due on the last business day of October 2016, and the last payment due on the last business day of May 2017. (The payments were to be \$625,000 each, plus interest at the County's Treasury Pooled Rate).

The District has informed the County that its sale of the Robertson School site has been delayed and that the District is therefore requesting that the terms of the loan agreement be amended to allow the District to repay the \$5,000,000 loan in six equal monthly payments, with the first payment due on the last business day of January 2017 and the last payment due on the last business day of June 2017. Each payment would be \$833,333.34, plus interest at the County Treasury Pooled Rate. Attached to this memorandum is a form of amended loan agreement that would implement these new terms.

While it appears that the District remains on track to sell the Robertson Site, the District would likely have difficulty timely repaying the loan in the event that the sale of the Robertson Site falls through or the sale is otherwise delayed. The loan agreement provides that, in the event that the District fails to repay the amounts due to the County under the agreement, the County would be repaid out of the proceeds of any future sale of bonds by the District and/or out of any property tax apportionments due to the District. Due to its relatively small size, the District's property tax assessments are not large and it would likely take an extended time for the County to be repaid if paid solely from the District's property tax assessments.

FISCAL IMPACT:

Pursuant to the terms of the loan agreement, it will be repaid during the current fiscal year with interest paid at the County Treasury Pooled Rate. If the loan is timely repaid, there will be no impact on the County General Fund. If the District is delayed in its ability to repay the loan beyond June 30, 2017, any outstanding amounts will accrue interest at the rate specified by law for prejudgment interest (currently 10%).