



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: December 2, 2013

Board Meeting Date: December 10, 2013

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Reimbursement of Woodhouse Industrial Park Site Purchase

RECOMMENDATION:

Adopt a Resolution providing for the borrowing of funds for Fiscal Year 2013-2014 and the issuance and sale of County of San Mateo, California, 2013-2014 Notes therefor; authorizing the forms of and directing the execution of a purchase contract and an escrow agreement.

BACKGROUND:

On December 14, 2010, the Board of Supervisors adopted a resolution authorizing the County's Real Property Manager to proceed with the purchase of the Woodhouse Industrial Park site for the Jail Replacement and Expansion Project (now commonly known as the Maple Street Correctional Facility Project) and adopted an Appropriation Transfer Request in the amount of \$17.9 million for the purchase, including site acquisition, tenant relocation, and due diligence costs. On December 30, 2010 the transaction closed, and the County ultimately spent \$16.3 million for the purchase and related costs. On February 15, 2011, the Board adopted a resolution signaling its intent to reimburse the General Fund for the acquisition costs when financing the construction of the Jail Replacement and Expansion Project.

DISCUSSION:

In order to comply with certain federal rules related to the sale of tax exempt bonds, the County must complete the reimbursement of County funds advanced to purchase the site within a three year timeframe (or by December 30, 2013). To meet this deadline, staff recommends that we issue a short-term borrowing to meet the federal rules, then payoff the short-term borrowing when issuing the jail bonds in the spring of 2014. The net effect is that \$16.3 million will be returned to the General Fund and included in the jail project financing. The reimbursed funds could be used for any purpose. At the time the County finances the Maple Street Correctional Facility Project, the County reserves the right to use General Fund Reserves to lower the cost of borrowing, but this affords

the County the opportunity to reimburse itself with tax-exempt bonds. That opportunity is forfeited after December 30, 2013.

The proposed borrowing is similar in construction to Tax and Revenue Anticipation Notes (TRAN) and relies on the short-term borrowing authority of the County requiring repayment within the fiscal year. The notes will mature on May 31, 2014 and will be subject to redemption within a reasonable notice period following the issuance and sale of the jail bonds. The cost of issuance will not exceed \$75,000, which includes legal fees. The County will post cash collateral for the notes and the cash collateral will be returned to the County when the notes are refinanced.

Adoption of this Resolution contributes to the County's Shared Vision 2025 goal of a Collaborative Community by maintaining sufficient cash balances in all funds and ensuring compliance with the County's Reserves Policy. It also ensures that the total cost of the Maple Street Correctional Center is financed and capitalized in accordance with Generally Accepted Accounting Principles, and such costs may be reimbursed from State and Federal sources by those programs that can submit such claims once the facility is in full operation.

FISCAL IMPACT:

The cost of issuance will not exceed \$75,000. Should the County decide to finance the entire \$16.3 million when issuing the jail bonds, annual debt service would increase by approximately \$1.1 million. The reimbursement proceeds, which are discretionary, would be set aside in General Fund Reserves.