



Cordilleras Mental Health Center Replacement Project

PROJECT: Cordilleras Mental Health Center

The Cordilleras Mental Health Center will replace the existing 1952 tuberculosis hospital that was adapted for its current use in 1978

- The current facility is 69 years old and was not originally constructed to provide Mental Health Services
- Current facility is a licensed locked 68-bed Mental Health Rehabilitation Center (MHRC) and a licensed 49-bed adult residential facility
- The Project will replace the current facility with four separate 9,605 sqft. buildings
 - Each building will have 16-bed capacity
- The Project will include:
 - Support spaces for medical exams, offices, supplies and utility rooms
 - Two outdoor courtyards
 - Meditation and exercise areas
 - Kitchenette and Dining Area
 - Visitation area
- It is the County's intention to contract out for services for each of the four buildings



2021 Plan of Finance

OBJECTIVE: To Fund Cordilleras Project While Minimizing Combined NET Bond Payments that Encroach upon the General Fund Over the Next 10 years

Plan considers existing bond payments, potential for State reimbursements and the interest rate earned on invested County funds

1. New Money

Cordilleras Mental Health Project

- \$155M project funded with 2021 lease revenue bonds while interest rates are low
- Structure considers State reimbursements and “shape” of existing bond payments

2. Refunding

Lower Existing Bond Payments — Series 2013A and 2014A

- Lower interest rates reduce payments on existing bonds
- Lower bond payments help reduce encroachment in first 10 years

3. County Equity

Maximizing Impact of County’s \$45 Million Contribution Over Next 10 Years

- Avoid reducing State reimbursements while maximizing investment return
 - Apply to 2014 Maple Street bonds while investing in County Pool
-

Maximizing Benefit of the \$45 Million County Contribution

The County designated \$45 million as available for reducing lease revenue bond debt payments in connection with the 2021 Cordilleras bond sale

Option A: Reduce Bond Sale Amount for Cordilleras Project

- Based on the Health Department's current estimate, assuming 25% State reimbursement, approximately \$11.25 million of the contribution would benefit the the State and represent a loss of future reimbursements to the County.

Option B: Deposit \$45 Million into Escrows to Decrease the Size of 2013 or 2014 Refunding Bonds

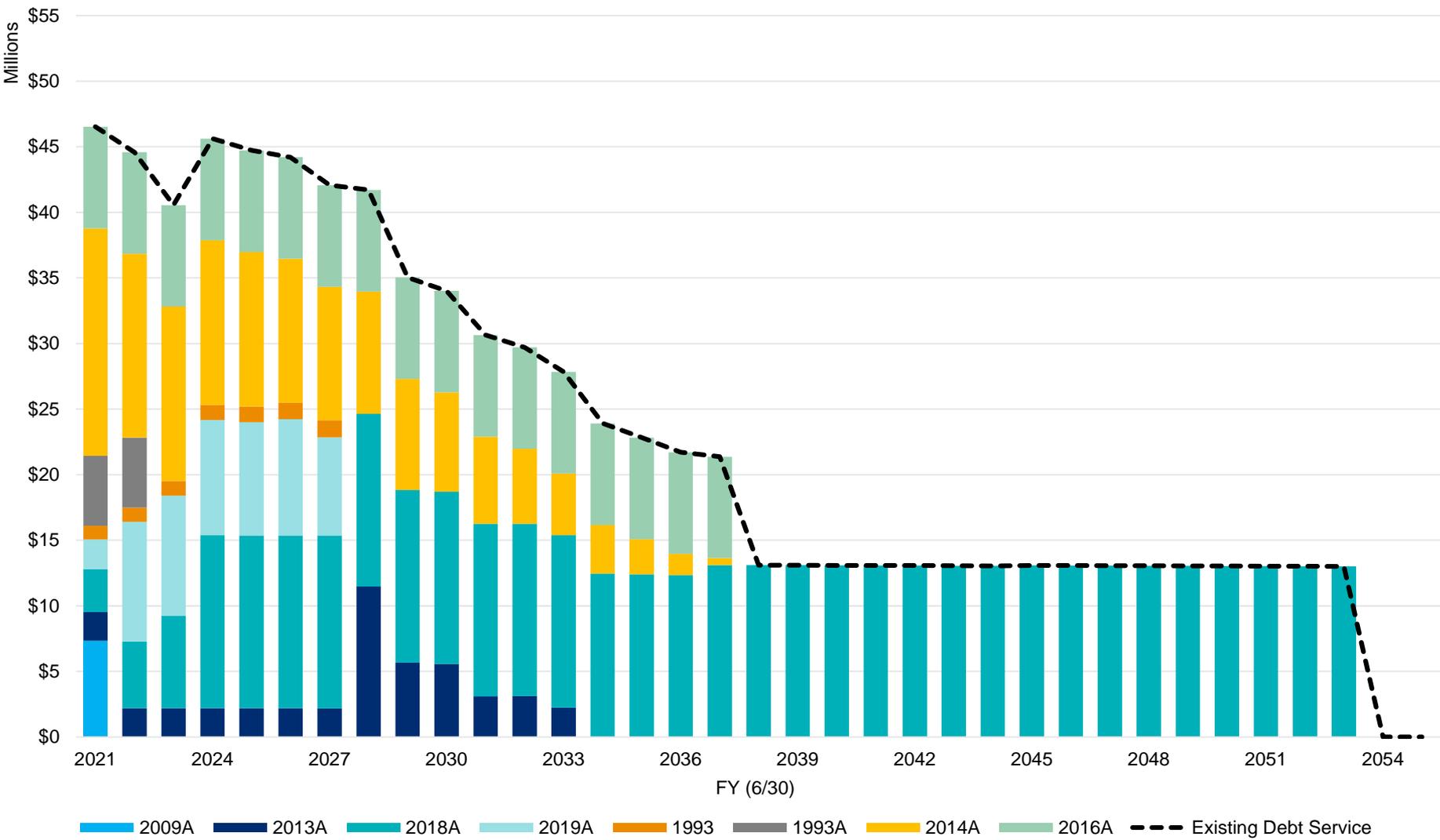
- The 2013 Bonds include the County Health Center and are also subject to State reimbursements;
- Both the 2013 and 2014 refinancing bonds have limited escrow investment options that compare unfavorably to the County pool. The estimated return on funds deposited into a refunding bond escrow would be 0.29% as compared to a current return of 1.13% in the County pool. The County pool is likely to maximize the investment return on the \$45 million.

Option C (Recommended): Leave \$45 million in Pool and Apply to Maple Street Bond Payments

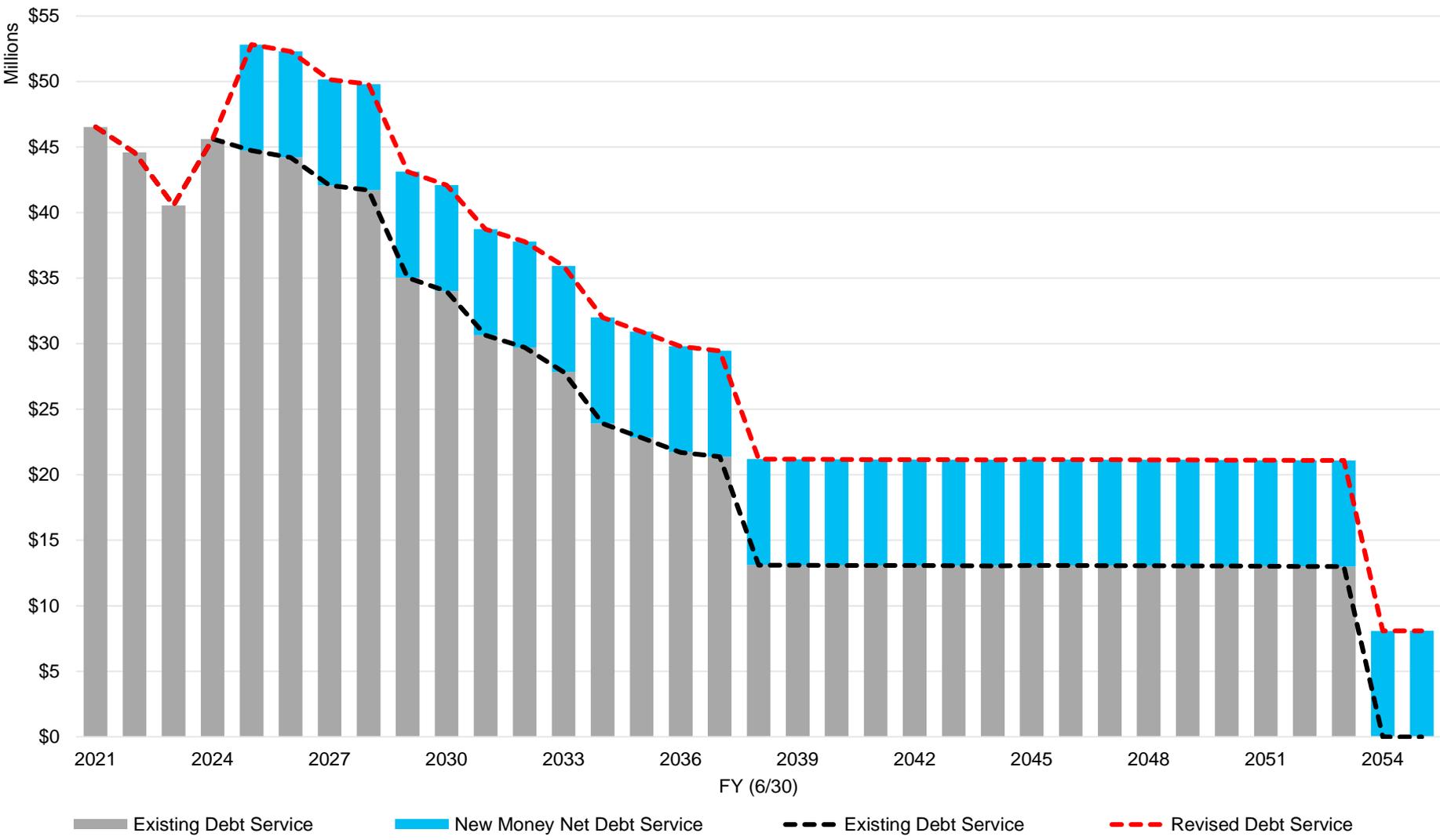
- Maple Street bond payments are not subject to outside reimbursement
 - County Pool offers best return based on current market conditions
 - By applying \$45 million over the next 10 years, the general fund encroachment of the 2021 Cordilleras Lease Revenue Bonds is eliminated
 - Because of the “shape” of existing debt service, the 2021 Cordilleras Bonds will never increase the current general fund encroachment of the combined County bond payments on all bonds
-

Currently Outstanding Lease Revenue Bond Payments

Existing annual debt service ranges from \$41 million to \$47 million through FY2028, and steps down thereafter



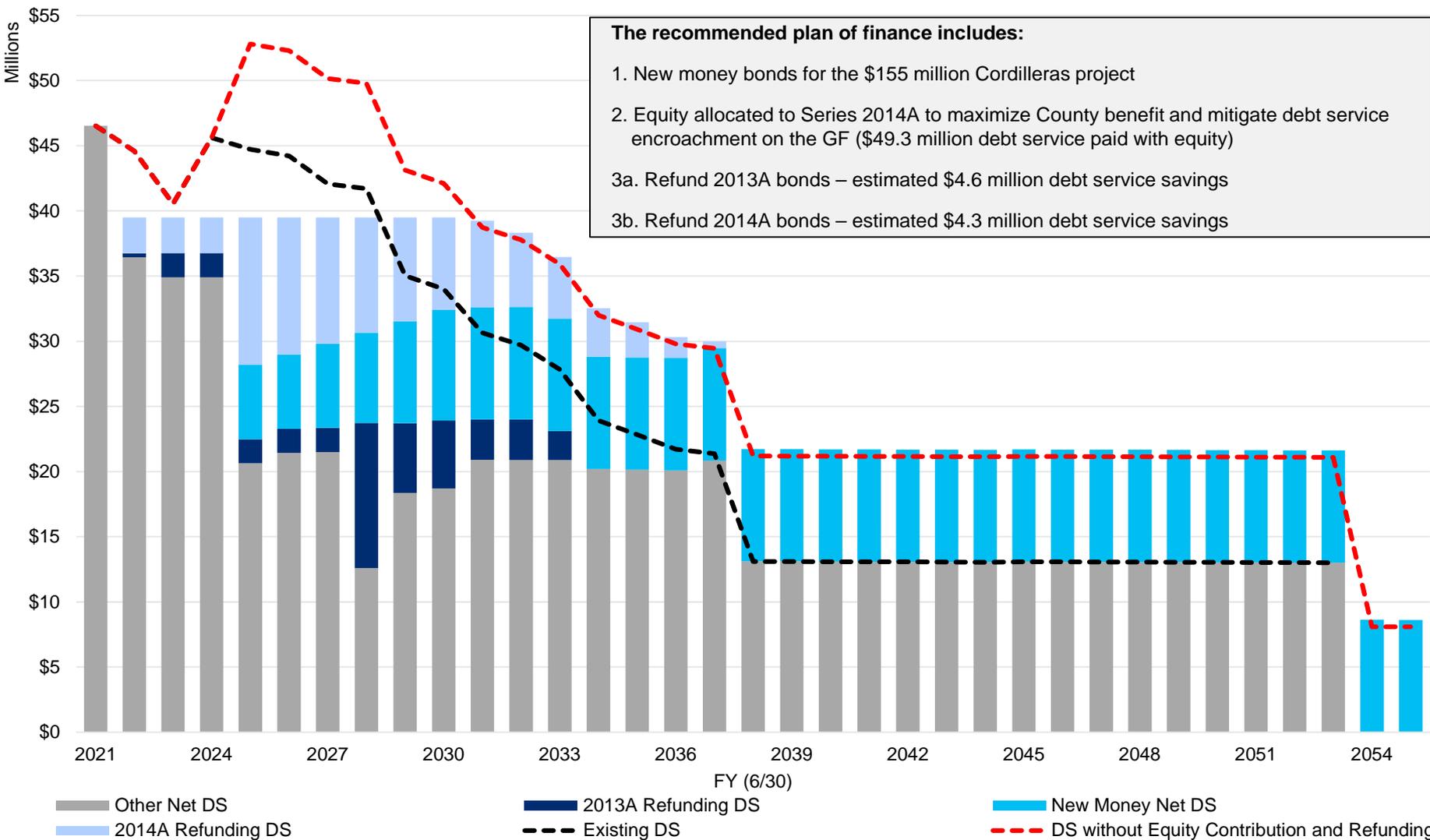
Estimated Lease Revenue Bond Payments after Cordilleras Project Funding



Results are preliminary and subject to change. New money debt service is shown net of interest capitalized through June 2024.

2021 Plan of Finance – Recommended Structure

Aggregate Lease Revenue Debt Service After 2021 Plan of Finance



Preliminary and subject to change. Other Net DS is reflects Existing Debt Service less: i) debt service paid with County equity, ii) refunded 2013A debt service, and iii) refunded 2014A debt service. Assumes County equity deposited to the County pool earns 1.80% long-term rate.

Update: 2018 Lease Revenue Bonds

Due to changes in project scope, design changes and bidding environment, the estimated project costs of the Medical Center have increased

- Estimated Medical Center project costs have increased to \$175 million from \$120 million
 - \$20 million for the County morgue facility
 - \$35 million for other improvements/design costs and GMP cost increases due to the current bidding environment
- RECOMMENDATION: Reallocation of \$55 million from the COB3 project to the Medical Center project to fund the increased project costs
 - Moves funding from a pending project to an active project
 - Maximizes State Reimbursement as compared to a County-funded cash contribution
- COB3 will require additional future funding as a result of this transfer
 - The amount transferred from COB3 can be funded from either a County cash contribution, a future bond or a combination of the two sources
 - Final cost estimates for COB3 are projected to be available by September 2021

Overview of Bond Legal Documents

As part of the processes of issuing the Lease Revenue Bonds related to the Cordilleras Project, the Board of Supervisors is considering the approval of the following resolutions and documents

- **Resolutions:** Authorizes issuance subject to certain delegation parameters, including maximum true interest cost, approves forms of principal legal documents, delegates responsibility for consummating transaction (including final changes to and execution of legal documents) to staff.
- **Site Lease:** Document by which the County leases property to JPFA.
- **Facilities Lease:** Document by which JPFA leases property back to the County, and pursuant to which County agrees to make periodic rental payments that will be used by JPFA to pay debt service on the bonds.
- **Supplemental Trust Agreement:** Describes the terms of the bonds to be issued.
- **Escrow Agreement:** If bond proceeds need to be held until prior bonds become callable, the proceeds sit in an escrow account governed by an escrow agreement.
- **Continuing Disclosure Agreement:** Agreement by which County agrees to provide periodic information about itself and the bonds to the securities market.
- **Official Statement:** Document by which the County and JPFA tell investors about the project, property, and County operations; investors decide to buy the bonds based on the information contained in this document.
- **Bond Purchase Agreement:** Document by which JPFA sells bonds to the Underwriter or Purchaser.
- **Forward Delivery BPA:** Document by which we may sell the refunding bonds to Morgan Stanley as a purchaser on a forward delivery basis if this proves to be the most cost-effective option at pricing.
- Separately, before we close on the bonds, we will also be conducting a TEFRA hearing to ensure maximum benefits of tax-exempt bonds for non-profit entities that we may contract with at Cordilleras

Recommendations for Board Approval

For the 2021 Series A (Refunding and Capital Projects) bonds, we are requesting approval of a resolution

- Approving the issuance by the San Mateo County Joint Powers Financing Authority of not to exceed \$265,000,000 aggregate principal amount of lease revenue bonds (Refunding and Capital projects), to finance certain public capital improvements and the refunding of all or a portion of the outstanding San Mateo County Joint Powers Financing Authority lease revenue bonds (Capital Projects), 2014 Series A, to pay costs of issuance of the bonds, and to pay capitalized interest on the bonds;
- Authorizing the forms of and directing the execution and delivery of a First Supplemental Trust Agreement, a First Amendment to Facility Lease, a First Amendment to Site Lease, a Bond Purchase Contract, a continuing disclosure agreement and an Official Statement;
- Authorizing a lease financing with the San Mateo County Joint Powers Financing Authority based on a finding of significant public benefit;
- And approving the taking of all necessary actions in connection therewith

Recommendations for Board Approval

For the 2021 Series B (Refunding) bonds, we are requesting approval of a resolution

- Approving the issuance by the San Mateo County Joint Powers Financing Authority of not to exceed \$40,000,000 aggregate principal amount of refunding lease revenue bonds to refund all or a portion of the outstanding San Mateo County Joint Powers Financing Authority lease revenue bonds (Refunding and Capital Projects), 2013 Series A (Robert Sans Memorial Issue), and to pay costs of issuance of the bonds;
- Authorizing the forms of and directing the execution and delivery of a Tenth Supplemental Trust Agreement, a Seventh Amendment to Master Facility Lease, a Seventh Amendment to Master Site Lease, a Bond Purchase Contract, a continuing disclosure agreement and an Official Statement;
- Authorizing a lease financing with the San Mateo County Joint Powers Financing Authority; and
- Approving the taking of all necessary actions in connection therewith

QUESTIONS?
