



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 20-410

Board Meeting Date: 6/23/2020

Special Notice / Hearing: None
Vote Required: 4/5ths

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Manager

Subject: Recognizing Unanticipated Revenue from the Human Services Agency to the Accumulated Capital Outlay Fund for the Agency's cost share of County Office Building 3

RECOMMENDATION:

Approve an Appropriation Transfer Request (ATR) recognizing unanticipated revenue in the amount of \$45,000,000 from the Human Services Agency to the Accumulated Capital Outlay Fund as a lump-sum payment for the Agency's cost share of County Office Building 3.

BACKGROUND:

In February 2020, the County Manager and the County's Director of the Human Services Agency (HSA) memorialized the financial arrangements concerning HSA's occupation and utilization of space in County Office Building 3 (COB3) following the completion of COB3 in or about Fall 2021. Those arrangements were set forth in an intra-county Memorandum of Understanding which set forth the terms of HSA's use of COB3 including a one-time payment by HSA in the amount of \$45,000,000 which was to be effectuated through an appropriation transfer request.

DISCUSSION:

HSA is anticipated to occupy 45,853 of the 153,645 square feet in COB3 (*i.e.*, approximately 29.8%). Additionally, as of February 2020, COB3's construction costs were approved at \$152,000,000.

Based on those figures, payment in full for HSA's space in COB3 was determined to be \$45,000,000 (rounded), *i.e.*, ~29.8% of the \$152,000,000 in estimated construction costs. The \$45,000,000 constituted payment in full for 45,853 square feet of space in COB3 whether the actual construction costs of COB3 are ultimately less than, or exceed, \$152,000,000, and whether the actual total square footage of COB3 is ultimately less than or greater than the 153,645 square feet planned as of February 2020. As a result of this one-time payment, HSA will not pay any debt service in connection with the lease revenue bond financing, or any subsequent refinancing, of COB3.

HSA is not currently planning to pass through the \$45,000,000 payment in connection with its federal or state costs and, in any event, HSA does not currently desire to develop a schedule with respect to

amortizing the \$45,000,000 payment.

The above-referenced arrangement does not impact any obligations that HSA, as an occupant of COB3, may have with respect to its proportional share of any ongoing maintenance or other costs incurred by the County in operating COB3, including payment into a capital improvements fund for its proportional share of future repair and operating costs.

FISCAL IMPACT:

The Appropriation Transfer Request will recognize unanticipated revenue in the amount of \$45,000,000 from the Human Services Agency to the Accumulated Capital Outlay Fund and will appropriate these funds in the Accumulated Capital Outlay Funds FY 2019-20 Revised Budget as of June 30, 2020. The funds will be carried forward into the FY 2020-21 Recommended and Adopted Budgets.