



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 22-135

Board Meeting Date: 2/22/2022

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

To: Honorable Board of Supervisors
From: Michael P. Callagy, County Manager
Adam Ely, Project Development Unit Director
Subject: Reappropriating HSA Funds for the COB3 Project

RECOMMENDATION:

Approve an Appropriation Transfer Request (ATR) re-appropriating funds in the amount of \$45,000,000 from the Accumulated Capital Outlay budget unit to the Major Capital Construction budget unit for the Human Services Agency's purchase of office space in County Office Building 3.

BACKGROUND:

On March 28, 2017, this Board gave direction to the County Manager and the Project Development Unit to move forward with preparations for multiple recommended capital improvements, including the County Office Building 3 (COB3) project. The project is currently under construction.

Subsequently, the Human Services Agency (HSA) submitted a proposal to the County Manager's Office (CMO) to purchase office space in COB3. The proposal was accepted, and, on June 23, 2020, a Memorandum of Understanding (MOU) reflecting terms of the purchase was finalized. Based on the original project budget estimate, payment in full for construction costs for HSA's space in COB3 was calculated at \$45,000,000 for 45,856 square feet at baseline standards. As a result of this one-time payment, HSA will not pay debt service in connection with the lease revenue bond financing, or any subsequent refinancing, of COB3. The HSA's \$45,000,000 payment constitutes payment in full for construction of the space in COB3 at baseline standards, not inclusive of certain costs, including among others, Furniture, Fixtures, and Equipment (FF&E), whether the actual construction costs of COB3 are less than or exceed the original project estimate.

The HSA is not currently planning to pass through the \$45,000,000 payment in connection with HSA federal or state costs and is not developing a schedule with respect to amortizing the \$45,000,000 payment.

DISCUSSION:

The above-referenced arrangement does not impact any obligations that the 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, nor does it cover costs for improvements above baseline standards. If the HSA or the CMO desire to decrease or increase the HSA's square footage in COB3 at any time during the period of the County's payment of any debt service with respect to COB3, then the HSA and the CMO will need to resolve issues regarding whether a portion of the HSA's \$45,000,000 shall be refunded or supplemented and, if so, in what amount. For example, should the HSA desire to "sublease" any of its COB3 space, or the CMO desires to move another department into any of the HSA's COB3 space, there will need to be further discussion and agreement as to whether such arrangements will be allowed, or whether an adjustment to the HSA's \$45,000,000 payment shall be made.

The County of San Mateo Chief Financial Officer has authorized an appropriation transfer of \$45,000,000 from County General Funds toward construction of County Office Building 3. Appropriations will be held under a Custody Agreement with the U.S. Bank National Association, a national banking association.

The above-referenced \$45,000,000 one-time payment by the HSA shall be made by Appropriation Transfer Request.

County Counsel has reviewed and approved the resolution and agreement as to form.

FISCAL IMPACT:

The Appropriation Transfer Requests will reappropriate funds that were received from the Human Services Agency in FY 2019-20 for the purchase of 45,856 square feet of space in County Office Building 3. These funds were initially deposited in the Accumulated Capital Outlay Budget Unit and are now being moved to the Major Capital Construction Budget unit to track revenue and expenses associated with the project.