



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY EXECUTIVE

File #: 22-708

Board Meeting Date: 9/27/2022

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Michael P. Callagy, County Executive
Subject: Reallocation of 2018 Lease Revenue Bond, Series A Proceeds

RECOMMENDATION:

Adopt a resolution approving the reallocation of proceeds in the approximate amount of \$45,000,000 from the 2018 Lease Revenue Bonds, Series A, from the County Office Building 3 Project to the San Mateo Medical Center Project.

BACKGROUND:

On April 11, 2017, the County approved a financing plan for the following capital projects: San Mateo Medical Center Improvements project ("SMMC"), County Office Building #3 ("COB3"), Government Center Parking Structure, Lathrop House Relocation, Cordilleras Mental Health Facility ("Cordilleras Project"), South San Francisco Health Campus, Maple Street Homeless Shelter, and County Radio Shop.

This Board has subsequently approved issuance by the Joint Powers Financing Authority of lease revenue bonds to finance certain of these capital projects. Among others, in 2018, this Board approved the issuance of 2018 Lease Revenue Bonds, Series A, in an amount not to exceed \$250,000,000 to finance the design, architecture, and construction of the Medical Center Improvements and the County Office Building #3. Ultimately, the amount of the Series A Lease Revenue Bonds issued was \$217,000,000, served through a master lease for SMMC. Initially, approximately \$117,000,000 of the proceeds were directed to the SMMC Project, and the remaining funds were directed to the COB3 Project.

The SMMC project includes renovation of a nursing wing and central plant to receive essential hospital services for a non-compliant building, relocation of Department of Public Works (DPW) engineering shop and offices, relocation of MRI trailer and dental van, and demolition and replacement of seismically outdated 1950s-era health administration buildings. The project also includes changes to the campus landscaping including a prominent plaza/drop-off area to improve navigation. Along with these relocations is the addition of two new ground up buildings: a 51,650 sq ft administration building that will house the new morgue, relocated public health lab, as well as the

relocated health administration staff; and a 34,899 sq ft Link building that will house the new café, the relocated engineering department, and be a “link” to the new admin building and the clinics building. The overall cost of the SMMC project inclusive of the morgue and increased construction expenses is anticipated to be approximately \$220,000,000 to \$230,000,000, the budget for which is separately before this Board.

In 2021, in connection with the approval of an overall plan of finance that included new financing for the Cordilleras Project and refunding of prior debt issuances, the County allocated funds raised in the 2018 Lease Revenue Bond from COB3 to the SMMC project in the amount of approximately \$55 million to cover costs of building the morgue and other expense increases for the SMMC project. This shift leveraged state reimbursement that is available for the SMMC project and required more general fund in the short term to pay for COB3.

DISCUSSION:

The County Executive has determined that reallocating the remaining bond proceeds on the 2018 Lease Revenue Bonds, Series A, from COB3 for use on the SMMC project in an approximate amount of \$45,000,000 would be in the best interest of the County. As with the prior reallocation, this shift would enable the County to apply the bond proceeds toward a project (SMMC) which is eligible for various reimbursements and would require use of County general fund monies for the COB3 project (which project generally does not generate reimbursable expenses). To the extent COB3 costs have already been incurred, such costs would be paid with general fund rather than bond proceeds.

As a result of the reallocation, the total 2018 Lease Revenue Bonds, Series A proceeds in the amount of \$217,000,000 would be allocated to the SMMC project. The reallocation falls within the scope of the County’s finding of public benefit for these projects, which included both COB3 and SMMC. A resolution approving the reallocation is presented to this Board for approval.

County Attorney and Bond Counsel have reviewed the resolution as to form and content.

FISCAL IMPACT:

The proposed reallocation of approximately \$45,000,000 in 2018 Lease Revenue Bonds, Series A proceeds to the San Mateo Medical Center project will require use of County general fund monies in the same amount for expenses incurred in connection with the County Office Building #3 project. The general fund amounts may be partially offset in future years through generation of reimbursements available to SMMC.