



# MARIPOSA COUNTY

Administration • 966-3222



## RESOLUTION - ACTION REQUESTED 2019-304

MEETING: June 4, 2019  
TO: The Board of Supervisors  
FROM: Dallin Kimble, County Administrative Officer  
RE: Note for Purchase of Rose Building

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### RECOMMENDATION AND JUSTIFICATION:

Approve the Note Purchase Contract, the Mariposa County Note 2019 (\$425,000), and a Letter of Representations for the Sale of the Note to the County Treasurer for the Purchase of the Real Property at 5300 Highway 49N (\$675,000); Authorize the Board of Supervisors Chair to Sign All Documents Pertaining to the Financing Thereof; and Approve a Budget Action Transferring Funds from Contingency to Administration to Facilitate the Purchase (\$250,000)

Staff has been directed to pursue the purchase of real property at APN 013-010-0330, a 1.59-acre parcel currently owned by Robert and Carolyn Rose. The County is currently in escrow on that property, contingent on financing and board approval. The accepted offer is for \$675,000.

To finance the building, staff recommends selling a note to the County Treasury for \$425,000. The note would carry an interest rate of 3.25% and a term of sixty (60) months. The monthly payment would be \$6,000. At the end of the term, a balloon payment for the remaining balance (up to \$110,000) would be required.

The interest rate available through this note is positive for both the County and the treasury. For the County, the rate is lower and more affordable than staff was able to secure from a private institution. For the treasury, the rate is higher than most of its other investments are able to achieve.

The remaining \$250,000 is recommended to come from contingency. When the Health and Human Services Agency (HHSA) discovered through the consolidation process that they had saved more than enough for a payment to CMSP earlier this year, this amount was placed in contingency for the purpose of purchasing this property. Making this payment up front will reduce the time needed to pay the loan by 7 - 10 years and will save the County approximately \$100,000 in interest payments over the life of the loan.

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Once purchased, the County would rent this facility to HHSA for an amount in excess of the required payments. HHSA can claim these rent payments for state and federal reimbursement. It is anticipated that the additional rent would be used to pay down the principle on the note or provide flexibility should external funding be reduced in future years.

Near the end of the term, the County could seek to refinance the note and spread the balloon payment over additional years. Refinancing at five-year intervals introduces some risk that a future interest rate may not be as favorable, but avoids a significant amount in additional fees (approximately \$30,000) required for a longer term.

At the request of the sellers, the closing date is set for June 11, 2019. Given the options available, staff recommends approval of the note purchase contract and budget action as explained here.

### **BACKGROUND AND HISTORY OF BOARD ACTIONS:**

Staff was directed to provide a backup offer on this property at the April 9, 2019, meeting of the Board of Supervisors. That offer was accepted on April 18, 2019. The County's offer is contingent on financing and Board approval.

The County is currently in escrow on this property. The Board approved a Resolution of Intention to purchase the property at its April 23, 2019, regular meeting (Resolution 19-226).

### **ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:**

Do not approve. The Board could direct staff to find alternate financing or no longer pursue the purchase of this property. If the sale is not completed, the deposit put down for the sale may be lost.

### **FINANCIAL IMPACT:**

**The County will incur debt in the amount of \$425,000 at an interest rate of 3.25% as specified in the attached Note. \$250,000 will be transferred from contingency to facilitate the purchase.**

### **ATTACHMENTS:**

**Note 2019 Rose Purchase and Letter of Representations (DOCX)**  
**Budget Action Rose Purchase (PDF)**

**RESULT: ADOPTED [UNANIMOUS]**

**MOVER:** Rosemarie Smallcombe, District I Supervisor

**SECONDER:** Merlin Jones, District II Supervisor

**AYES:** Smallcombe, Jones, Long, Cann, Menetrey

### BUDGET ACTION FORM

FUND	DEPT/DIV	ACCOUNT	DESCRIPTION	PROJECT	INCREASE	DECREASE
001	0104	414.10-90	Contingency			\$250,000
001	0102	311.12-30	Debt Proceeds		(\$425,000)	
001	0102	412.06-20	Fixed Asset - Rose Building		\$675,000	
				<b>TOTAL</b>	<b>\$250,000</b>	<b>\$250,000</b>

TRANSFER BETWEEN FUNDS						
<b>TOTALS</b>					<b>\$0</b>	<b>\$0</b>

ACTION REQUESTED: (Check all that apply)

( X ) Budget appropriation by Board of Supervisors (4/5ths Vote Required): Amending the total amount available in the county budget, or in any one fund of the budget, or appropriating Reserve for Contingencies;

( ) Transfer by Board of Supervisors (3/5ths Vote Required): Moving existing appropriations from one budget to another, or between categories within a budget unit;

JUSTIFICATION: Dollars to be used in purchase of real property for a health clinic and office

DEPT HEAD SIGNATURE *Gay D Kell* DATE 6/24/19

APPROVED BY RES NO. 19-304 CLERK Amy Dauterive, Deputy DATE 6-25-19

**AUDITOR'S USE ONLY**

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