



Legislation Details (With Board Report)

File #: 17-1168 **Name:** Capital Lease Appropriations Increase
Type: General Agenda Item **Status:** Passed
File created: 11/7/2017 **In control:** Board of Supervisors
On agenda: 11/14/2017 **Final action:** 11/14/2017

Title: a. Approve a resolution to approve and authorize an increase in appropriations and revenues in the amount of \$6,139,413 in the FY 2016-17 Adopted Budget for the Department of Social Services, Fund 001-5010-8262-SOC005, where the financing source is Other Financing Sources-Lease Proceeds, to record the Capital Lease for the LIFE Foundation Building located at 1000 S. Main Street in Salinas (4/5ths vote required); and
b. Authorize the Auditor-Controller to amend the budget for Social Services, Fund 001-5010-8262-SOC005, for FY 2016-17 by increasing appropriations and revenues in the amount of \$6,139,413, where the financing source is Other Financing Sources-Lease Proceeds. (4/5ths vote required.)

Sponsors:

Indexes:

Code sections:

Attachments: 1. Board Report, 2. Board Resolution - Capital Lease-mm_11-3-17, 3. Completed Board Order and Resolution

| Date | Ver. | Action By | Action | Result |
|------------|------|----------------------|--------|--------|
| 11/14/2017 | 1 | Board of Supervisors | | |

a. Approve a resolution to approve and authorize an increase in appropriations and revenues in the amount of \$6,139,413 in the FY 2016-17 Adopted Budget for the Department of Social Services, Fund 001-5010-8262-SOC005, where the financing source is Other Financing Sources-Lease Proceeds, to record the Capital Lease for the LIFE Foundation Building located at 1000 S. Main Street in Salinas(4/5ths vote required); and
b. Authorize the Auditor-Controller to amend the budget for Social Services, Fund 001-5010-8262-SOC005, for FY 2016-17 by increasing appropriations and revenues in the amount of \$6,139,413, where the financing source is Other Financing Sources-Lease Proceeds. (4/5ths vote required.)

RECOMMENDATION:

It is recommended that the Board of Supervisors:

a. Approve a resolution to approve and authorize an increase in appropriations and revenues in the amount of \$6,139,413 in the FY 2016-17 Adopted Budget for the Department of Social Services, Fund 001-5010-8262-SOC005, where the financing source is Other Financing Sources-Lease Proceeds, to record the Capital Lease for the LIFE Foundation Building located at 1000 S. Main Street in Salinas (4/5ths vote required); and
b. Authorize the Auditor-Controller to amend the budget for Social Services, Fund 001-5010-8262-SOC005, for FY 2016-17 by increasing appropriations and revenues in the amount of \$6,139,413, where the financing source is Other Financing Sources-Lease Proceeds (4/5ths vote required).

SUMMARYDISCUSSION:

The Department of Social Services (DSS) and Health Department, Behavioral Health Children’s Services (BHCS) currently occupy 99,322 square feet of leased space at the LIFE Foundation Building (LFB) at 1000 S. Main Street in Salinas. Effective July 1, 2016, the Resource Management Agency (RMA) negotiated with the Low Income Family Enrichment Foundation (Lessor) to consolidate all leased space into one Lease Agreement, reduce the annual cost of living adjustment from 3.3% to 2.5% and extend the term to June 30, 2030. The Second Amendment to Lease Agreement A-10907 also included an option to purchase the building after June

2026.

The Second Amendment to Lease Agreement A-10907 contains a bargain purchase option, which meets the criteria for a Capital Lease classification. DSS is required to record their portion of the Capital Lease at the fund level. The Auditor-Controller has determined the full value of the lease as \$17,240,416.67, with DSS' share being \$15,593,132.54. Therefore, DSS must record the expenditure for the Capital Lease, along with the corresponding entry for the financing. Although there is no net effect or cost to the County, DSS will require an increase in appropriations, offset by an increase in financing source. This action is requested to be retroactively effective for FY 16/17 and was delayed by the complex accounting determination required for the capital lease. The required information was received by DSS in late September 2017.

OTHER AGENCY INVOLVEMENT:

The Auditor-Controller coordinated with DSS for this action.

FINANCING:

The recommended action requires an increase in both appropriations and revenues in DSS, Fund 001-5010-8262-SOC005 in the amount of \$6,139,413 in the FY 2016-17 Adopted Budget. The Department had remaining unused appropriations of \$9,453,721 which reduced the need to \$6,139,413. This results in no additional impact to the Department's County General Fund Contribution.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This recommendation correlates to the Administration Initiative adopted by the Board of Supervisor's by allowing the County to be more efficient in the use of County financial resources.

Mark a check to the related Board of Supervisors Strategic Initiatives

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

Prepared by: Melissa A. Mairose, Finance Manager II, x4433

Approved by: Elliott Robinson, Director Social Services, x4430

Attachment: Board Resolution

Attachment on file with the Clerk of the Board