



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: BC 21-019, **Version:** 1

Support the recommendation to:

- a. Authorize and direct the Auditor-Controller to amend the FY 2020-21 adopted budget to increase appropriations in the Building Improvement and Replacement sub-fund (478-BIR-CAO047-1050-8539) by \$11,810,000 to allow for an operating transfer out to Natividad to reimburse Natividad for the purchase of the Seaside Family Health Center located at 1156 Fremont Boulevard in Seaside, financed by \$11,810,000 in unrestricted net position; and
- b. Authorize and direct the Auditor-Controller to transfer \$11,810,000 from the Building Improvement and Replacement sub-fund (478-BIR-CAO047-1050-8539) to Natividad (451-NMC001-9600-8142).

RECOMMENDATION:

It is recommended that the Budget Committee support the recommendation to:

- a. Authorize and direct the Auditor-Controller to amend the FY 2020-21 adopted budget to increase appropriations in the Building Improvement and Replacement sub-fund (478-BIR-CAO047-1050-8539) by \$11,810,000 to allow for an operating transfer out to Natividad to reimburse Natividad for the purchase of the Seaside Family Health Center located at 1156 Fremont Boulevard in Seaside, financed by \$11,810,000 in unrestricted net position; and
- b. Authorize and direct the Auditor-Controller to transfer \$11,810,000 from the Building Improvement and Replacement sub-fund (478-BIR-CAO047-1050-8539) to Natividad (451-NMC001-9600-8142).

SUMMARY:

In 2020, the County purchased the building that houses the Health Department's Seaside Family Health Center (Seaside clinic) for \$11,810,000. Natividad financed the building's purchase with the anticipation that the Health Department would repay the funds over 25 years. The Seaside clinic is a General Fund asset. Beginning in Fiscal Year 2020-21, the building's depreciation will be included in the County's countywide cost allocation plan (COWCAP). The Health Department will be allocated a building depreciation charge for the Seaside clinic. To avoid a double charge for the building purchase (repay loan and COWCAP charge), it is recommended that the Building Improvement and Replacement sub-fund refund Natividad. The Health Department will repay the Building Improvement and Replacement sub-fund through the COWCAP building depreciation charge.

DISCUSSION:

In Fiscal Year 2019-20, the Board authorized the purchase of the 18,500 square-foot clinic building located at 1156 Fremont Boulevard in Seaside. The County purchased the Seaside clinic from Montage Health, a California nonprofit for public benefit corporation, for \$11,810,000 for its continued use as the Health Department's Seaside Family Health Center. The Health Department did not have the financing resources to purchase the Seaside clinic. Financing for the clinic came from Natividad's enterprise fund. Natividad provided the cash for the purchase with the expectation that Natividad and the Health Department would operate the Seaside clinic similarly to the Laurel Clinics. The Health Department operates its Laurel clinics on Natividad managed property and buildings. It reimburses Natividad based on a pro-rated building use allocation.

Upon acquiring the Seaside clinic, the County recorded the asset in the General Fund's balance sheet as the

intention from inception was for the building to be a Health Department asset. The County's countywide cost allocation plan (COWCAP) allocates a building depreciation cost to departments based on capitalized buildings. Through discussion with the County Administrative Office and the Office of the Auditor-Controller, the Health Department confirmed that it would be overpaying for the Seaside clinic if it entered into a loan agreement with Natividad and paid for the building depreciation cost through the COWCAP.

The County Administrative Office recommends that funds from the Resource Planning Fund (Building Improvement and Replacement sub-fund) are used to reimburse Natividad. The Health Department will repay the Building Improvement and Replacement sub-fund through the COWCAP building depreciation charge

OTHER AGENCY INVOLVEMENT:

The County Administrative Office engaged the Health Department and Natividad.

FINANCING:

Refunding Natividad for the Seaside clinic's purchase will decrease the Building Improvement and Replacement sub-fund net position from \$23,306,110 to \$11,496,110. The Health Department will reimburse the Building Improvement and Replacement sub-fund through annual COWCAP charges for building depreciation of the Seaside clinic.

Prepared by: Juan Pablo Lopez, Administrative Analyst, ext. 5091

Approved by: Ezequiel Vega, County Budget Director, ext. 3078

Approved by: Dewayne Woods, Assistant County Administrative Officer, ext. 5309

Attachment: Purchase Agreement