

943

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: Executive Office

SUBMITTAL DATE:
January 24, 2005

SUBJECT: VLF Gap Loan Program

RECOMMENDED MOTION: That Resolution #2005-048 approving the form of and authorizing the execution and delivery of a Purchase and Sale Agreement and related documents with respect to the sale of the Seller's Vehicle License Fee Receivable from the State; and directing and authorizing certain other actions in connection therewith be approved.

BACKGROUND: Vehicle License Fees ("VLF") were historically assessed in the amount of 2% of a vehicle's depreciated market value. Beginning in 1999, the VLF paid by vehicle owners was offset to the effective rate of 0.65%. In connection with the offset of the VLF, the State Legislature authorized appropriations from the State General Fund to "backfill" the loss of VLF revenue local governments would experience from the VLF offset. The legislation also provided that if there were insufficient State General Fund moneys to completely "backfill" the VLF offset, the percentage offset would be reduced proportionally (i.e., the license fee paid by vehicle owners would be increased) to assure that local governments would not be disadvantaged.

(CONTINUED)

Departmental Concurrence

FORM APPROVED
COUNTY COUNSEL

JAN 25 2005

Dean Deines

Dean Deines

Dean Deines
Deputy County Executive Officer

**FINANCIAL
DATA**

Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: Revenue of not less than \$31.9 million will be placed into the Reserve for Economic Uncertainty Fund for future budget needs.

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: **APPROVE.**

County Executive Office Signature

William Lee

- Policy
- Policy
- Consent
- Consent

Dep't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: | **District:** All | **Agenda Number:**

3.1

In June 2003, the State suspended the VLF offsets due to a determination that insufficient State General Fund moneys would be available for the backfill, and beginning in October 2003, the VLF paid by vehicle owners was restored to the 2% level. On November 17, 2003, Governor Schwarzenegger rescinded the VLF offset suspension and the State resumed backfill payments to local governments. However, approximately \$1.2 billion was not received by local governments during the time period between the suspension of the VLF offset and the implementation of higher fees, and is still owed by the State (the "VLF Gap Repayment"). The County's share of the VLF Gap Repayment is \$34,985,432 (the "VLF Receivable"). As part of the 2004 Budget Act negotiations, an agreement was made between the State and local government officials under which the VLF rate will be permanently reduced from 2% to 0.65%, and the \$1.2 billion VLF Gap Repayment would be repaid by August 15, 2006.

Authorized under SB 1096, the VLF Program enables local governments to sell their respective VLF Receivables to the California Statewide Communities Development Authority ("CSCDA") for an upfront fixed purchase price estimated to be between 91% and 93% of their VLF Receivable. For Riverside County, this would mean receiving between approximately \$31.9 million and \$32.5 million of the \$34.9 million owed the County. CSCDA is planning to issue notes ("VLF Notes") and to use the note proceeds to purchase local governments' VLF Receivables and pay financing costs. The actual purchase price of the VLF Receivables will depend on the total amount of VLF Receivables that cities and counties sell to CSCDA and on bond market conditions at the time the VLF Notes are priced. If Riverside County sells its VLF Receivable under the VLF Program, the CSCDA will pledge the County's VLF Receivable to secure the repayment of a corresponding portion of the VLF Notes. The County's sale of its VLF Receivable will be irrevocable, and bondholders will have no recourse to the County if the State does not make the VLF Gap Repayment.

By participating in the VLF Program, the County shifts the risk of not receiving its VLF Receivable from the State to the bondholders, at a cost of approximately 7% (based on current market conditions) of the VLF Receivable; the ability to budget a known dollar amount in future budget years; and the ability to reinvest the VLF Note proceeds to mitigate the costs of selling the VLF Receivable. The 7% cost equates to an annual borrowing rate of approximately 4.3%.

Staff therefore recommends participating in the VLF Program. CSCDA anticipates pricing the VLF Notes on or about March 2, 2005 and disbursing the proceeds to participating local governments in mid-March 2005. It is being recommended that the proceeds be deposited into the Reserve for Economic Uncertainty for use in FY 2006-07, when the VLF Receivable is expected to be repaid by the State. Finally, it is being recommended that the County Treasurer invest the proceeds with the intention of recovering a portion of the issuance costs through interest earnings.

**BOARD OF SUPERVISORS
OF
RIVERSIDE COUNTY**

A RESOLUTION APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE AND SALE AGREEMENT AND RELATED DOCUMENTS WITH RESPECT TO THE SALE OF THE SELLER'S VEHICLE LICENSE FEE RECEIVABLE FROM THE STATE; AND DIRECTING AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, certain public agencies within the State of California (the "State") are entitled to receive certain payments payable by the State to each such local agency on or before August 15, 2006, in connection with vehicle license fees pursuant to Section 10754.11 of the California Revenue and Taxation Code ("VLF Gap Repayments");

WHEREAS, Riverside County (the "Seller") is entitled to and has determined to sell all right, title and interest of the Seller in and to the "VLF Receivable", as defined in Section 6585(i) of the California Government Code (the "VLF Receivable"), namely, the right to payment of moneys due or to become due to the Seller out of funds payable in connection with vehicle license fees to a local agency pursuant to Section 10754.11 of the California Revenue and Taxation Code;

WHEREAS, the California Statewide Communities Development Authority, a joint exercise of powers authority organized and existing under the laws of the State (the "Authority"), has been authorized pursuant to Section 6588(w) of the California Government Code to purchase the VLF Receivable;

WHEREAS, the Authority desires to purchase the VLF Receivable and the Seller desires to sell the VLF Receivable pursuant to a purchase and sale agreement by and between the Seller and the Authority in the form presented to this Board of Supervisors (the "Sale Agreement") for the purposes set forth herein;

WHEREAS, in order to finance the purchase price of the VLF Receivable from the Seller and the purchase price of other VLF Receivables from other local agencies, the Authority will issue its taxable and tax-exempt notes (the "Notes") pursuant to Section 6590 of the California Government Code and an Indenture (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), which Notes will be payable solely from the proceeds of the VLF Receivable and such other VLF Receivables;

WHEREAS, the Seller acknowledges that the Authority will grant a security interest in the VLF Receivable to the Trustee and any credit enhancer to secure payment of the Notes; and

WHEREAS, a portion of the proceeds of the Notes will be used by the Authority to, among other things, pay the purchase price of the VLF Receivable;

WHEREAS, the Seller will use the proceeds received from the sale of the VLF Receivable for any lawful purpose as permitted under the applicable laws of the State;

NOW THEREFORE, the Board of Supervisors of Riverside County hereby resolves as follows:

Section 1. All of the recitals set forth above are true and correct, and this Board of Supervisors hereby so finds and determines.

Section 2. The Seller hereby authorizes the sale of the VLF Receivable to the Authority for a price no less than the Minimum Purchase Price set forth in Appendix A. The form of Sale Agreement presented to the Board of Supervisors is hereby approved. An Authorized Officer (as set forth in Appendix A) is hereby authorized and directed to execute and deliver the Sale Agreement on behalf of the Seller, which shall be in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto, as such Authorized Officer shall approve, which approval shall be conclusively evidenced by the execution and delivery of the Sale Agreement.

Section 3. Any Authorized Officer is hereby authorized and directed to send, or to cause to be sent, an irrevocable written instruction to the State Controller notifying the State of the sale of the VLF Receivable and instructing the disbursement pursuant to Section 6588.5(c) of California Government Code of the VLF Receivable to the Trustee, on behalf of the Authority.

Section 4. The Authorized Officers and such other Seller officers, as appropriate, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including but not limited to one or more tax certificates, if required, appropriate escrow instructions relating to the delivery into escrow of executed documents prior to the closing of the Notes, and such other documents mentioned in the Sale Agreement or the Indenture, which any of them may deem necessary or desirable in order to implement the Sale Agreement and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 5. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the sale of the VLF Receivable or the issuance of the Notes, including without limitation any of the foregoing that may be necessary or desirable in connection with any default under or amendment of such documents, may be given or taken by an Authorized Officer without further authorization by this Board of Supervisors, and each Authorized Officer is hereby authorized and directed to give any such consent, approval, notice, order or request, to execute any necessary or appropriate documents or amendments, and to take any such action that such Authorized Officer may deem necessary or desirable to further the purposes of this Resolution.

Section 6. The Board of Supervisors acknowledges that, upon execution and delivery of the Sale Agreement, the Seller is contractually obligated to sell the VLF Receivable to the Authority pursuant to the Sale Agreement and the Seller shall not have any option to

revoke its approval of the Sale Agreement or to determine not to perform its obligations thereunder.

Section 7. This Resolution shall take effect from and after its adoption and approval.

PASSED AND ADOPTED by the Board of Supervisors of Riverside County, State of California, this _____ day of _____, 2005, by the following vote:

AYES:

NOES:

ABSENT:

Chair of the Board of Supervisors

Attest:

Clerk of the Board of Supervisors

Approved as to form :

SELLER'S COUNSEL

By _____

Dated: _____

FORM APPROVED
COUNTY COUNSEL

JAN 25 2005

BY _____

APPENDIX A

RIVERSIDE COUNTY

Minimum Purchase Price: An amount equal to or greater than \$31,900,000.00 (the "Minimum Purchase Price").

Authorized Officers: County Executive Officer
Assistant County Executive Officer
County Finance Director

any designee of any of them, as appointed in a written certificate of such Authorized Officer delivered to the Trustee.