

**SUBMITTAL TO THE FLOOD CONTROL AND
WATER CONSERVATION DISTRICT BOARD
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

5318



FROM: General Manager-Chief Engineer

SUBMITTAL DATE:
August 23, 2005

SUBJECT: 2005 Redevelopment Tax Allocation Bonds

RECOMMENDED MOTION:

That the Board approve and authorize the chairman to execute the Subordination Agreement between the Redevelopment Agency, the County of Riverside and the Riverside County Flood Control and Water Conservation District.

BACKGROUND:

Given the current historic low interest rates, the Agency has determined that a net savings of up to \$2 million can be obtained by doing an advanced refunding of the eligible portions of its 1997 non-housing bonds. The bonds which can be advance refunded are those that were issued for Project Area 1-1986, the Jurupa Valley Project Area, the Mid County Project Area and the Interstate 215 Corridor Project Area. Additionally, given the tremendous growth that has occurred in the last year, it has been determined that the Agency has the capacity to issue approximately \$100 Million in new non-housing bonds. Substantial savings can be achieved by refunding the 1997 bonds and is issuing new bonds at the same time, capturing the same low interest rate for both. (continued on page 2)

JRH:erf

WARREN D. WILLIAMS
General Manager-Chief Engineer

FINANCIAL DATA	Current F.Y. District Cost:	\$0.00	In Current Year Budget:	N/A
	Current F.Y. County Cost:	\$0.00	Budget Adjustment:	No
	Annual Net District Cost:	\$0.00	For Fiscal Year:	N/A

SOURCE OF FUNDS: Future debt service will be paid for with Redevelopment Funds	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

- Dep't Recomm.: Policy
- Per Exec. Ofc.: Policy
- Consent
- Consent

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

**ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD**

11.6

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BACKGROUND CONTINUED:

The approximate amount of new net bond proceeds that will be available to fund capital improvement projects for each of the project areas is as follows:

Project Area 1-1986: \$26,282,000
 Jurupa Valley Project Area: \$41,322,000
 Mid-County Project Area: \$5,276,000
 Desert Communities Project Area: \$13,907,000
 I-215 Corridor Project Area: \$15,853,000

The bonds will be structured as five separate Series on a parity with the outstanding 1997, 2001, and 2004 bonds. These Series will be pooled together and purchased by the County's Public Financing Authority who will resell them under a single Marks Roos Bond Series.

The final sizing of the Non Housing Pooled Series will be constrained by pre-established levels of tax increment available for debt service in each underlying project area. These levels assure sufficient tax increment, after existing and new debt service, to pay all subordinated pass-through payments, ERAF and administrative costs. The Agency's financing will be maximized based upon funds available for new debt service. The non-housing bonds will be insured by XL Capital and have a AAA rating from Standard and Poors and a Aaa rating from Moody's.

The Agency's goal is to receive the highest ratings and lowest interest rate possible. One way to accomplish this is by entering into subordination agreements with the taxing entities that receive tax increment pass through payments from the Agency to gain additional debt service coverage for the bonds. The Agency is seeking subordination of all statutory pass through payments (those made in project areas established after 1994). Additionally, the Agency desires to obtain subordination from the County, County Service Areas, Riverside County Regional Parks and Open Space District and the Flood Control and Water Conservation District for all pass through payments for all project areas including the negotiated pre-AB1290 pass through payments. Subordination of their pass through payments would mean that the taxing entities would agree that in the unforeseen circumstance that the Agency was unable to make the semi-annual debt service payments on the bonds, the Agency would be able to borrow the pass through payment amounts to make the debt service payments. The borrowed funds would be paid back with interest at the County's investment rate. Repayment of any borrowed funds would be senior to other Agency expenditures and debt other than the bonds. With the average coverage of 1.44 times or higher provided on the issuance, it is highly unlikely that the entities would ever be affected by the subordination.

It is recommended that the Board approve the subordination agreement as proposed.