

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

714



FROM: Executive Office

SUBMITTAL DATE:
November 18, 2005

SUBJECT: FY 2005-06 Teeter Notes

RECOMMENDED MOTION: That the Board of Supervisors:

- (1) Approve Resolution No. 2005-493, a resolution of the Board of Supervisors supplementing its Master Teeter Resolution, and providing for the Terms and Conditions of Additional Series B Teeter Plan Obligations.
- (2) Direct the Auditor-Controller to make the following budget adjustments:

Increase Appropriations:


10000-1103800000-551000 Operating Transfer Out \$4,652,571

Increase Estimated Revenue:

10000-1103800000-733010 Penalties & Interest - Del Taxes \$4,652,571

37050-1103400000-790500 Operating Transfer In \$4,652,571

BACKGROUND: Approval of Resolution No. 2005-493 provides for the financing of the FY 2005-06 Teeter Series B Obligations, estimated at \$65 million, utilizing the existing Commercial Paper Offering Program.
(CONTINUED)


Dean Deines
Deputy County Executive Officer

FINANCIAL DATA

Current F.Y. Total Cost:	\$ 2,300,000	In Current Year Budget:	Yes
Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	Yes
Annual Net County Cost:	\$ N/A	For Fiscal Year:	05-06

SOURCE OF FUNDS: Tax Loss Reserve Fund

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

C.E.O. RECOMMENDATION: APPROVE.

County Executive Office Signature



- Policy
- Policy
- Consent
- Consent

Dep't Recomm.:

Per Exec. Ofc.:

Prev. Agn. Ref. | **ATTACHMENTS FILED** | District: | **WITH THE CLERK OF THE BOARD**

Agenda Number:

3.2

FORMAL REVIEWED COUNTY COUNSEL

NOV 18 2005

Departmental Concurrence

Deputy

FISCAL PROCEDURES APPROVED
ROBERT E. BYRD, Auditor-Controller

BY  11/18/05

West LB is the current Letter of Credit Bank (LOC) for the Teeter Notes, which is capped at a maximum amount of \$34 million. A second Letter of Credit ("LOC") from Citibank is being recommended to provide additional credit and liquidity support on the County's Fiscal Year 2005-06 Teeter Program Commercial Paper ("CP").

Prior to a restructuring that occurred in 2002, WestLB LOCs included a guarantee from the German State of North Rhine-Westphalia. The restructuring eliminated the state guarantee from all future WestLB LOCs. The bank did, however, provide issuers such as the County the opportunity to retain the state guarantee for an extended period of time for a capped amount pursuant to an Amendment to the LOC. Given the Bank's high credit rating and strong trading value, in 2005 the County elected to amend its LOC under the state guarantee until 2015 at \$34 million, the amount of Teeter CP outstanding at the time. In September 2005 it became apparent, however, that the projected Fiscal Year 2005-06 Teeter CP requirement would be significantly larger than the capacity available under the WestLB LOC.

WestLB has indicated it is currently developing the capacity to provide LOCs in the future that will have similar ratings and trading value as the state-guaranteed product. Citigroup, who serves as dealer for the County's CP, proposed to provide in the interim a second LOC to cover the amount in excess of the WestLB LOC. The Citibank LOC proposal is only for three years recognizing the County's preference to have the WestLB LOC cover the entire amount when it is able to in the upcoming years. The proposed structure for the FY 2005-06 CP is to have a Series A backed by the WestLB LOC and a Series B LOC backed by the Citibank LOC, each series being sized at approximately \$32 million. Both banks are highly rated in the AA-category with similar top-tier trading value.

The Citibank LOC proposes the same pricing for the utilized portion (i.e. the actual amount of CP rolled out and covered by the LOC) as the West LB credit facility at 32 basis points annually. In addition, it also provides for additional capacity to cover the larger Teeter CP size, if necessary, over the next two fiscal years up to \$50 million in total (that in combination with the WestLB LOC is sufficient to cover a Teeter CP size of over \$80 million). The unutilized component covered in the Citibank LOC would cost 24 basis points annually unless it becomes necessary to be used, at which time it would become utilized and cost 32 basis points. The Citibank LOC provides for additional capacity under an unutilized component so the County does not face a similar capacity constraint in future years.

The recommended budget adjustment is necessary to transfer funds from the Teeter Tax Loss Reserve Fund to the Teeter Debt Service Fund to cover losses incurred from tax sales of delinquent properties.