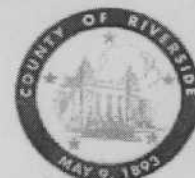




SUBMITTAL TO THE BOARD OF DIRECTORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



817

FROM: Regional Park & Open-Space District

SUBMITTAL DATE:

9/26/06

SUBJECT: Subordination Agreement between the Redevelopment Agency for the County of Riverside, the County of Riverside and the Regional Park and Open Space District

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 Regional Park and Open Space District.

BACKGROUND: Given the tremendous growth that has occurred in the last year, it has been determined that the Redevelopment Agency (Agency) has the capacity to issue approximately two hundred million in new bonds to fund capital improvement projects within the Agency's five redevelopment project areas. Additionally, given the tremendous growth in property values in the last year, the Agency has determined that a net savings of up to \$943,000 can be obtained by doing an advanced refunding of the outstanding bonds for the Desert Communities Project Area from the 1997 non-housing bonds. (continued on page 2)

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

Departmental Concurrence

Paul Frandsen

Paul Frandsen, General Manager

SEP 25 2006

46-Subordinate Agreement Bonds

FINANCIAL DATA n/a	Current F.Y. Total Cost:	\$	In Current Year Budget:
	Current F.Y. Net County Cost:	\$	Budget Adjustment:
	Annual Net County Cost:	\$	For Fiscal Year:

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

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: yes

C.E.O. RECOMMENDATION: APPROVE

County Executive Office Signature *Alex Hann*

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

Stamp: SEP 26 11 10 AM '06
COUNTY OF RIVERSIDE

13.1

SUBJECT: Subordination Agreement between the Redevelopment Agency for the County of Riverside, the County of Riverside and the Regional Park and Open Space District

The bonds will be on parity with the outstanding 1997, 2001, 2004, and 2005 bonds. The series for each project area will be pooled together and purchased by the County's Public Financing Authority who will resell them as two separate series of Marks Roos Bonds.

The final sizing of the Bond 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 and administrative costs. The Agency's financing will be maximized based upon funds available for new debt service. The bonds will be insured providing an AAA rating from Standard and Poors and an 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 1.25 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.