

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

6008



**FROM:** County Executive Office

**SUBMITTAL DATE:**  
July 9, 2007

**SUBJECT:** Tobacco Settlement Asset-Backed Bonds

**RECOMMENDED MOTION:** That Resolution No. 2007-323 approving the formation of a nonprofit corporation, approving the form of and authorizing the execution and delivery of a Purchase and Sale Agreement and a Joint Powers Agreement relating to the sale of a portion of the County's tobacco settlement revenues and directing and authorizing certain other actions in connection therewith be approved.

**BACKGROUND:** On May 21, 2007, the Board of Supervisors directed the Executive Office to securitize the County's tobacco settlement revenues ("Tobacco Assets") to finance the construction of the first phase (1200 beds) of a new jail.

To accomplish the securitization it is necessary for the County to form two financing entities, a Joint Powers Authority and a Nonprofit Public Benefit Corporation.

(CONTINUED)

COUNTY COUNSEL

JUL 10 2007

BY: *[Signature]*  
Dale A. Gardner

*[Signature]*  
Dean Deines  
Deputy County Executive Officer

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ N/A	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	N/A

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

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

APPROVE  
BY: *[Signature]*  
Bill Luria

County Executive Office Signature

- Consent
- Policy
- Consent
- Policy

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

Resolution 2007-323 (the "Resolution") approves the formation of the Inland Empire Tobacco Securitization Corporation (the "Corporation") and appoints the County Executive Officer and the Treasurer-Tax Collector as directors. The Resolution also appoints Mark Saladino as the Corporation's Independent Director and further delegates to the County Executive Officer the authority to appoint successors to the Independent Director to the Corporation on behalf of the County. The Resolution further approves a Joint Powers Agreement with the County of San Bernardino creating the Inland Empire Tobacco Securitization Authority (the "JPA") and appoints the County Executive Officer and the Treasurer-Tax Collector as members of the JPA board.

The JPA will issue approximately \$323 million of tobacco asset-backed bonds, the proceeds of which will be used to make a loan to the Corporation. The Corporation, in turn will use the proceeds of the loan to purchase a portion of the County's tobacco settlement revenues from the County.

Because the tobacco settlement revenues have been assigned to the Riverside County Regional Medical Center (RCRMC), the financing structure provides for continued support of the RCRMC's debt service. The RCRMC will continue to receive \$10 million of the tobacco settlement revenues until 2020, at which time the amount RCRMC receives will increase to \$11.5 million when the RCRMC's debt service increases.

As directed in the May 21, 2007 workshop county staff began the securitization process. As part of that process, the Board approved Reimbursement Resolution #2007-340 (July 3, 2007, #3.4) in order to comply with certain federal Treasury Regulations that require an authority issuing tax-exempt bonds for capital projects to have an expectation that the bond proceeds will be expended within three to five years. Since the new jail may not be completed within that time frame, and to remain in compliance with Treasury Regulations, Resolution 2007-340 identified certain county projects (Exhibit A) which the County intends to spend General Fund dollars and be reimbursed from the tobacco bond proceeds. Reimbursed funds will be deposited into a designated fund to offset the cost of constructing the new jail.

## EXHIBIT A

### Description

- 1 Desert Hot Springs Land Acquisition
- 2 Whitewater Land Acquisition
- 3 Monroe Building Acquisition
- 4 Smith Correctional Facility Expansion
- 5 Downtown Law Building
- 6 Cove Community Sheriff Station
- 7 Riverside Gas & Wash Facility
- 8 Riverside Animal Shelter
- 9 San Jacinto Animal Shelter
- 10 Riverside Transportation Yard
- 11 Rubidoux Fleet Services Facilities
- 12 Perris Land Acquisition
- 13 Public Safety Communications Project
- 14 Remodel Riverside County Administrative Center
- 15 Remodel Indio County Administrative Center
- 16 Hub Jail

2 **RESOLUTION NO. 2007-323**

3 **A RESOLUTION OF THE BOARD OF SUPERVISORS OF**  
4 **THE COUNTY OF RIVERSIDE APPROVING THE FORM**  
5 **OF AND AUTHORIZING THE EXECUTION AND**  
6 **DELIVERY OF A PURCHASE AND SALE AGREEMENT**  
7 **AND A JOINT POWERS AGREEMENT RELATING TO**  
8 **THE SALE OF A PORTION OF ITS TOBACCO**  
9 **SETTLEMENT REVENUES AND DIRECTING AND**  
10 **AUTHORIZING CERTAIN OTHER ACTIONS IN**  
11 **CONNECTION THEREWITH**

12 **WHEREAS**, the County of Riverside (the "County") is a political subdivision of  
13 the State of California;

14 **WHEREAS**, the County, upon authorization by this Board of Supervisors (this  
15 "Board"), acting pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1  
16 of the Government Code of the State of California (the "JPA Law"), may enter into a Joint  
17 Powers Agreement with one or more other public agencies to create a joint exercise of powers  
18 entity which has the power to exercise any power common to them as specified in such agreement  
19 and to exercise the additional powers granted to it pursuant to the JPA Law;

20 **WHEREAS**, the County has requested that the County of San Bernardino (the  
21 "Local Agency") enter into a Joint Exercise of Powers Agreement pursuant to the JPA Law (the  
22 "Joint Powers Agreement") pursuant to which the Inland Empire Tobacco Securitization  
23 Authority (the "Issuer") will be created to, among other things, finance and refinance various  
24 public capital improvements and working capital, both as defined in the Marks-Roos Local Bond  
25 Pooling Act of 1985 (the "Bond Pooling Act") constituting Article 4 (commencing with Section  
26 6584) of the JPA Law;

27 **WHEREAS**, under California law and the Joint Powers Agreement, the Issuer will  
28 be a public entity separate and apart from the parties to the Joint Powers Agreement and the  
debts, liabilities and obligations of the Issuer will not be the debts, liabilities or obligations of the  
County or any representative of the County serving on the governing body of the Issuer;

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1           **WHEREAS**, the County proposes to authorize the execution of the above-  
2 referenced Joint Powers Agreement, in substantially the form presented to this Board;

3           **WHEREAS**, the County is entitled to a portion of certain payments (the “County  
4 Tobacco Assets”) coming to the State of California (the “State”) pursuant to the Master  
5 Settlement Agreement among a number of jurisdictions and certain tobacco manufacturing  
6 companies, all pursuant to a Memorandum of Understanding dated August 5, 1998 (the “MOU”)  
7 and an Agreement Regarding Interpretation of the Memorandum of Understanding, dated January  
8 18, 2000 (the “ARIMOU”);

9           **WHEREAS**, the County has determined to sell or otherwise dispose of a portion  
10 of the County Tobacco Assets described as the “Sold County Tobacco Assets” (as such term is  
11 finally defined in the Purchase and Sale Agreement) consisting of (i) the County Tobacco Assets  
12 to the extent consisting of or relating to amounts due to the County after the first \$10,000,000 has  
13 been paid to the County in each year beginning on January 1, 2008 and ending on December 31,  
14 2020; (ii) the County Tobacco Assets to the extent consisting of or relating to amounts due to the  
15 County after the first \$11,537,208 has been paid to the County in each year beginning on January  
16 1, 2021 and ending on December 31, 2026; (iii) the County Tobacco Assets to the extent  
17 consisting of or relating to amounts due to the County from and after January 1, 2027; and (iv) the  
18 County Tobacco Assets to the extent consisting of or relating to the applicable percentage set  
19 forth in the Purchase and Sale Agreement of any Lump Sum Payments made during the period  
20 from and after the initial date of delivery of the Bonds and before January 1, 2027;

21           **WHEREAS**, the County has determined to sell or otherwise dispose of the Sold  
22 County Tobacco Assets to obtain money to finance and refinance certain County projects to be  
23 located in the geographical boundaries of the County (collectively, the “Projects”), all as provided  
24 by law;

25           **WHEREAS**, the County is authorized to sell or otherwise dispose of its property  
26 as the interests of its inhabitants require pursuant to the provisions of Section 23004 of the  
27 Government Code of the State;

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1           **WHEREAS**, the County has determined to authorize and approve the formation of  
2 the Inland Empire Tobacco Securitization Corporation as a California nonprofit public benefit  
3 corporation (the "Corporation"), and has reviewed draft articles of incorporation for the  
4 Corporation (the "Articles");

5           **WHEREAS**, the Corporation will purchase the Sold County Tobacco Assets from  
6 the County, and the County proposes to execute and deliver a Purchase and Sale Agreement in  
7 substantially the form presented to this meeting and incorporated herein by reference (the  
8 "Purchase and Sale Agreement"), for the purposes set forth herein and therein;

9           **WHEREAS**, this Board of Supervisors has heretofore adopted, on February 15,  
10 2000, Resolution Number 2000-55 (the "Initial Resolution") pursuant to which it authorized the  
11 acceptance and deposit of the County's portion of settlement proceeds under the MOU and  
12 authorized the individuals serving as the County Executive Officer, the Assistant County  
13 Executive Officer, the County Finance Director, and each of their successors in office as County  
14 Designees, as defined in the ARIMOU, as amended, to direct the transfer of the County's  
15 settlement funds on behalf of the County;

16           **WHEREAS**, two of the three authorized signatories specified in the Initial  
17 Resolution executed on behalf of the County and delivered to the office of the Attorney General,  
18 Wiring Instructions for the transferring of settlement proceeds of the County (the "Initial  
19 Instructions");

20           **WHEREAS**, in order to modify the Initial Instructions to allow for the  
21 transference of Sold County Tobacco Assets contemplated by the financing described herein, the  
22 County proposes to execute the Amendment to Agreement Regarding Interpretation of  
23 Memorandum of Understanding Affecting Only the State of California and Each Eligible City  
24 and Eligible County Which is a Signatory Thereto (the "Amendment to ARIMOU") modifying  
25 Section 4.B.(2)(i)(bb) of the ARIMOU and to execute wiring instructions modifying the Initial  
26 Instructions, both in substantially the forms presented to this Board;

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3           **WHEREAS**, the County acknowledges that the Corporation will pledge and  
4 assign all of its rights to the Sold County Tobacco Assets to the Issuer to secure repayment of a  
5 loan (the "Loan") made by the Issuer to the Corporation under the terms of a Secured Loan  
6 Agreement, tentatively dated as of August 1, 2007, by and between the Issuer and the  
7 Corporation;

8           **WHEREAS**, the Loan will be funded from the proceeds of revenue bonds (the  
9 "Bonds") issued by the Issuer pursuant to an Indenture, as supplemented by the Series 2007  
10 Supplement, both tentatively dated as of August 1, 2007 (collectively, the "Indenture"), between  
11 the Issuer and the corporate trustee bank specified therein (the "Bond Trustee"), which Bonds will  
12 be payable solely from the Loan Payments made by the Corporation from the Sold County  
13 Tobacco Assets;

14           **WHEREAS**, the moneys derived from the Loan will be used by the Corporation  
15 to pay, among other things, the purchase price to the County for the Sold County Tobacco Assets;

16           **WHEREAS**, the County has determined to use the proceeds of the sale of the Sold  
17 County Tobacco Assets to finance and refinance the Project;

18           **WHEREAS**, pursuant to the JPA Law, the County, on the date hereof held a  
19 public hearing, notice of which was published in a newspaper of general circulation in the County  
20 not less than five days prior to the hearing, on the proposed financing and hereby determines that  
21 there are significant public benefits and it furthers a public purpose for the Issuer to assist in the  
22 financing of the Project;

23           **WHEREAS**, the County has determined that (i) the organization of the  
24 Corporation by the County, (ii) the participation of the County in the Issuer, (iii) the limitation of  
25 the purposes of each of the Corporation and the Issuer, and (iv) the completion of the financing  
26 transaction contemplated herein represents a prudent course of action for the County and does not  
27 impair the rights or interests of the County's present or future creditors; and

28           **WHEREAS**, the financing described herein will result in significant public

1 benefits including, without limitation, demonstrable savings in effective interest rate, bond  
2 preparation, bond underwriting or bond issuance costs;

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4 **NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY**  
5 **OF RIVERSIDE**, in regular session assembled on July 17, 2007, does hereby resolve, find,  
6 determine and order as follows:

7 **Section 1. Findings.** The Board of Supervisors (the "Board") finds and  
8 determines that the foregoing recitals are true and correct

9 **Section 2. Approval of Corporation Formation.** The Board hereby authorizes  
10 and approves the establishment of the Corporation and the execution and delivery of all  
11 documents necessary or convenient in connection therewith including the filing of the Articles  
12 with the California Secretary of State. In anticipation of the formation of the Corporation, Mark  
13 Saladino is hereby designated, appointed and approved to serve as the Independent Director (as  
14 defined in Article VI of the Articles) of the Corporation, and the Board hereby designates and  
15 appoints the individual then serving as the County Executive Officer and the individual then  
16 serving as the Treasurer-Tax Collector of the County to serve as the other two directors of the  
17 Corporation during the period of time such individuals hold such County offices (each, a "County  
18 Director"), until the County subsequently removes the Independent Director or changes its  
19 designation of the other two directors. The Board hereby delegates to the County Executive  
20 Officer the authority on behalf of the County to (i) provide the Appointment Notice to the  
21 Corporation pursuant to the Bylaws naming the Independent Director and designating and  
22 appointing the County Directors, (ii) remove an Independent Director with or without cause  
23 subject to any limitations set forth in the Articles or the bylaws of the Corporation, (iii) change  
24 the designation and appointment of the other two directors, (iv) appoint a successor Independent  
25 Director of the Corporation, and (v) execute and deliver all documents necessary or convenient in  
26 connection with this provision.

27 **Section 3. Joint Powers Agreement.** The form of Joint Powers Agreement, as  
28 presented to the Board is hereby approved. The County Executive Officer and the Treasurer-Tax

1 Collector are hereby designated as members of the board of the Issuer and the Deputy County  
2 Executive Officer and the Assistant Treasurer-Tax Collector are hereby appointed as alternate  
3 members for the County Executive Officer and the Treasurer-Tax Collector, respectively. The  
4 County Executive Officer is hereby designated as Chair of the board of the Issuer. The Chair of  
5 the Board, the County Executive Officer (or his designee), or the Treasurer-Tax Collector of the  
6 County (or his designee) (each, an "Authorized Officer") is hereby authorized and directed to  
7 execute and deliver the Joint Powers Agreement on behalf of the County, which shall be in  
8 substantially the form presented at this meeting, with such changes therein, deletions therefrom  
9 and additions thereto as such Authorized Officers and the County Counsel shall approve.

10           **Section 4. *Purchase and Sale Agreement.*** The County hereby authorizes the sale  
11 of the Sold County Tobacco Assets to the Corporation for a Purchase Price (as defined in the  
12 Purchase and Sale Agreement) determined by the County Executive Officer of the County (or his  
13 designee) to be the current value of the Sold County Tobacco Assets, but in no case shall such  
14 Purchase Price be less than \$250,000,000 net to the County. The form of the Purchase and Sale  
15 Agreement, as presented to the Board, is hereby approved. An Authorized Officer is hereby  
16 authorized and directed to execute and deliver the Purchase and Sale Agreement on behalf of the  
17 County, which shall be in substantially the form presented at this meeting, with such changes  
18 therein, deletions therefrom and additions thereto as such Authorized Officers and the County  
19 Counsel shall approve, including any changes, deletions and/or additions required by the rating  
20 agencies in order to obtain the necessary or desirable ratings on the Bonds or a portion thereof,  
21 which approval shall be conclusively evidenced by the execution and delivery of the Purchase  
22 and Sale Agreement.

23           **Section 5. *Amendment to ARIMOU and Modification of Initial Instructions.*** The  
24 County Executive Officer is hereby authorized to execute the Amendment to ARIMOU, in  
25 substantially the form presented to this Board. The County Executive Officer and the Assistant  
26 County Executive Officer, both County Designees under the Initial Resolution, are hereby  
27 authorized and directed to execute, pursuant to Section 4.B.(2)(i)(bb) of the ARIMOU, as  
28 amended, wiring instructions modifying the Initial Instructions ("Modification No. 1"), in

1 substantially the form presented to this Board, with such changes therein, deletions therefrom and  
2 additions thereto as such County Designees and the County Counsel shall approve, and deliver  
3 the same to the Attorney General, concurrently with the issuance of the Bonds pursuant to the  
4 Indenture.

5           **Section 6. *Grant to Corporation.*** The Board hereby authorizes a grant to be  
6 made to the Corporation in an appropriate amount to serve the purposes of the County, as  
7 determined by the County Executive Officer of the County (or his designee), which amount may  
8 be netted against amounts payable under the Purchase and Sale Agreement, subject to Section 4  
9 of this Resolution.

10           **Section 7. *Additional Authorizations.*** Each Authorized Officer and such other  
11 County officers and employees, as appropriate, are hereby authorized and directed, jointly and  
12 severally, to do any and all things, and to execute and deliver any and all documents, including  
13 but not limited to a tax certificate, administrative services agreements and other documents,  
14 which any of them may deem necessary or desirable in order to implement the Purchase and Sale  
15 Agreement or the Joint Powers Agreement and otherwise to carry out, give effect to and comply  
16 with the terms and intent of this Resolution, including leasing space to the Corporation or the  
17 Issuer and/or providing management services to the Corporation or the Issuer; and all such  
18 actions heretofore taken by such officers are hereby ratified, confirmed and approved.

19           **Section 8. *Additional Authority of County Officers.*** All consents, approvals,  
20 notices, orders, requests and other actions permitted or required by any of the documents  
21 authorized by this Resolution, whether before or after the sale of the Sold County Tobacco Assets  
22 or the issuance of the Bonds, including without limitation any of the foregoing that may be  
23 necessary or desirable in connection with any default under or amendment of such documents,  
24 may be given or taken, without further authorization by this Board, by an Authorized Officer, and  
25 each of said officers is hereby authorized and directed to give any such consent, approval, notice,  
26 order or request and to take any such action which such officers may deem necessary or desirable  
27 to further the purposes of this Resolution.

28           **Section 9. *Authority to Attest.*** The Clerk of this Board is hereby authorized and

1 directed to attest the signature of any Authorized Officer in connection with the execution and  
2 delivery of documents they are authorized to sign under this Resolution.

3 **Section 10. Ratification of Prior Actions.** All actions heretofore taken by the  
4 officers and agents of the Board or the County with respect to the sale of the Sold County  
5 Tobacco Assets or the issuance of the Bonds are hereby ratified, confirmed and approved.

6 **Section 11. Effective Date of Resolution.** This Resolution shall take effect from  
7 and after its adoption and approval.

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14 **ADOPTED, SIGNED AND APPROVED** this 17th day of July, 2007, by the  
15 Board of Supervisors of the County of Riverside.

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18 \_\_\_\_\_  
Chairman of the Board of Supervisors

19 ATTEST:  
20 Nancy Romero  
21 Clerk to the Board of Supervisors

22 By: \_\_\_\_\_  
23 Deputy.

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FORM APPROVED  
COUNTY COUNSEL  
JUL 10 2007  
BY Dale A. Gardner  
Dale A. Gardner

1 STATE OF CALIFORNIA )  
2 ) ss.  
3 COUNTY OF RIVERSIDE )

4 I, Nancy Romero, Clerk to the Board of Supervisors of the County of Riverside,  
5 California, do hereby certify that the foregoing Resolution No. 2007-323 was duly adopted by the  
6 Board of Supervisors of said County at a meeting of said Board held on the 17th day of July,  
2007, and that it was so adopted by the following vote:

7 AYES:

8 NOES:

9 ABSTAIN:

10 ABSENT:

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Deputy Clerk to the Board of Supervisors of the  
County of Riverside