

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

406



FROM: COUNTY EXECUTIVE OFFICE

SUBMITTAL DATE:

September 2, 2008

SUBJECT: Certificates of Participation 2007 Series A and B (Public Safety Communication and Refunding Projects).

RECOMMENDED MOTION: That the Board of Supervisors approve Resolution No. 2008-405, authorizing and approving a Second Amendatory Supplement to the Trust Agreement governing the County's Certificates of Participation, 2007 Series A and Series B (Public Safety Communication and Refunding Projects); The conversion of the 2007 Series B Certificates to a fixed rate; the issuance and sale of the resulting Fixed Rate Certificates; execution of related Agreements and Documents, which are attached hereto in substantially complete form; and authorizing the preparation of a Preliminary Remarketing Circular and a Remarketing Circular and certain other matters related thereto.

BACKGROUND: The 2007 Series A and B COPs were issued to fund the Public Safety Enterprise Communication Project (PSEC), and to refund the 1997 lease refunding. The 2007 Series A & B COPs were issued both as fixed rate serial COPs (Series A) and as variable rate COPs (Auction Rate Securities – ARS) (Series B) (together the "Prior Bonds"). The goal of this structure was to provide the County with the lowest total cost of funds for the 2007 COPs and ensure savings for the refunding.

(Continued on page 2)


Jerry Norris, Principal Management Analyst

FINANCIAL DATA	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:	2008/09

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

C.E.O. RECOMMENDATION:

BY: 
Dean Deines

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
 BY:  DALE A. GARDNER
 DATE: 9/2/08
 Departmental Concurrence
 Policy Policy
 Consent Consent
 Dep't Recomm.:
 Per Exec. Ofc.:

Prev. Agn. Ref.:

ATTACHMENTS FILED District All Agenda Number:
WITH THE CLERK OF THE BOARD

3.34

The Prior Bonds are insured by Ambac which has been downgraded from AAA to AA. This, coupled with the volatility in the financial markets, has created an unstable environment for Auction Rate Securities (ARS). Although the average interest rate for the County' ARS is close to the anticipated long-term average, the County is at risk for potential increases in interest costs. To eliminate this risk it is being recommended that the County's ARS be converted to a fixed rate mode.

As part of the conversion the indenture will be amended to allow for remarketing of the COPs with a premium, which should increase their marketability. Proceeds from the premium will be used to fully fund a Debt Service Reserve Fund (DSRF). The invested proceeds will cover the DSRF requirement in full and be in addition to the existing \$2.4 million surety policy from Ambac which will remain in place.

RESOLUTION NO. C2008-004

RESOLUTION OF THE BOARD OF DIRECTORS OF THE COUNTY OF RIVERSIDE ASSET LEASING CORPORATION PROVIDING FOR THE EXECUTION AND DELIVERY OF A SECOND AMENDATORY SUPPLEMENT TO TRUST AGREEMENT, A LETTER OF REPRESENTATIONS AND CERTAIN OTHER MATTERS RELATED THERETO AND TO THE CONVERSION TO FIXED RATE AND REMARKETING OF COUNTY OF RIVERSIDE CERTIFICATES OF PARTICIPATION, 2007 SERIES B (PUBLIC SAFETY COMMUNICATION PROJECT)

WHEREAS, the County of Riverside (the "County"), the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Trustee") have entered into a Trust Agreement (Public Safety Communication and Refunding Projects 2007 Series A and 2007 Series B), dated as of August 1, 2007 (the "Trust Agreement"), pursuant to which the County provided for the execution and delivery by the Trustee of \$73,775,000 aggregate principal amount of County of Riverside Certificates of Participation, 2007 Series A (Public Safety Communication and Refunding Projects) (the "2007 Series A Certificates") and \$37,350,000 aggregate principal amount of County of Riverside Certificates of Participation, 2007 Series B (Public Safety Communication and Refunding Projects) (the "2007 Series B Certificates" and, together with the 2007 Series A Certificates, the "2007 Certificates"), all of which are currently outstanding, representing proportionate interests of the owners thereof (the "Owners") in the Sublease, including, without limitation, the right to receive payments of Base Rental; and

WHEREAS, the County, the Corporation and the Trustee have entered into a First Amendatory Supplement to the Trust Agreement dated as of June 1, 2008 to enable the County to hold the 2007 Certificates without causing such 2007 Certificates to be extinguished, redeemed or retired; and

WHEREAS, the proceeds of the 2007 Certificates are being used by the County, among other things, to pay the costs of acquisition, construction, installation and delivery of an 800 MHz public safety radio communication system for the County (the "Project") and to refinance and prepay all or a portion of the outstanding amount of the County's Certificates of Participation (1997 Lease Refunding Project) dated September 15, 1997 (the "1997 Certificates");

WHEREAS, the 2007 Series B Certificates are presently Auction Rate Certificates, the interest with respect to which is calculated at an Auction Period Rate pursuant to and as defined in the Trust Agreement; and

WHEREAS, the County has determined that the market for auction rate securities, including the Auction Rate Certificates, is causing interest with respect to the Auction Rate Certificates to be higher and more volatile than anticipated and the County has determined it is in the County's best interests to convert the 2007 Series B Certificates to a Fixed Rate pursuant to the procedures set forth in the Trust Agreement; and

WHEREAS, the Trust Agreement requires the converted 2007 Series B Certificates to be remarketed at par (plus any accrued interest) with a schedule of principal payments to achieve annual level debt service with respect to the converted 2007 Series B Certificates; and

WHEREAS, the County has determined it is in the County's best interests to remarket the converted 2007 Series B Certificates at a premium in order to achieve the best net interest cost and to provide funds to finance the costs of converting and remarketing the converted 2007 Series B Certificates, and the County has further determined that it is in the County's best interests to remarket the converted 2007 Series B Certificates with a schedule of principal payments to achieve substantially level aggregate annual debt service with respect to the converted 2007 Series B Certificates together with the 2007 Series A Certificates; and

WHEREAS, the Corporation, the County and the Trustee propose to enter into a Second Amendatory Supplement to the Trust Agreement to enable the remarketing agent to remarket the converted 2007 Series B Certificates at a premium and with a schedule of principal payments to achieve substantially level aggregate annual debt service with respect to the converted 2007 Series B Certificates together with the 2007 Series A Certificates;

WHEREAS, the Corporation desires to assist the County in the conversion and remarketing of the 2007 Series B Certificates pursuant to and in accordance with the Trust Agreement, as it may be supplemented from time to time in accordance with its terms, including as amended by the Second Supplement (as hereinafter defined) and to approve all proper and necessary documents and transactions in connection therewith; and

WHEREAS, the Corporation is authorized to undertake all of the above pursuant to the laws of the State of California.

NOW, THEREFORE, the Board of Directors of the County of Riverside Asset Leasing Corporation (the "Board of Directors") does hereby resolve, determine and order as follows:

Section 1. The proposed form of Second Amendatory Supplement to Trust Agreement (Public Safety Communication Project 2007 Series A and 2007 Series B) (the "Second Supplement"), by and among the County, the Corporation and the Trustee and in substantially the form attached hereto as Exhibit A, is hereby approved. The President and the Secretary of the Corporation, and any other authorized officers of the Corporation acting on behalf of the President and the Secretary (each an "Authorized Representative" and, collectively, the "Authorized Representatives") are, and each of them acting alone is, hereby authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver the Second Supplement substantially in the form attached hereto as Exhibit A, with such changes therein as the Authorized Representative executing and delivering such document may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The proposed form of Letter of Representations of the County of Riverside Asset Leasing Corporation (the "Letter of Representations"), to be delivered by the Corporation and accepted and confirmed by Lehman Brothers Inc., as representative of itself and certain other remarketing agents (collectively, the "Remarketing Agents"), and in substantially the form

attached hereto as Exhibit B, is hereby approved. The Authorized Representatives are, and each of them acting alone is, hereby authorized and directed to negotiate the final terms and conditions of, and to execute and deliver to the Remarketing Agents, the Letter of Representations, in substantially the form attached hereto as Exhibit B with such changes as such Authorized Representative may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. All actions heretofore taken by any officer of the Corporation with respect to the conversion to fixed rate and remarketing of the 2007 Series B Certificates, or in connection with or related to any of the agreements referred to herein, are hereby approved, confirmed and ratified.

Section 4. The Authorized Representatives are, and each of them acting alone is, authorized and directed to take any and all such actions, and to execute any and all such documents as may be necessary or desirable to effectuate the purposes of this Resolution.

Section 5. The Assistant Secretary of the Corporation shall certify to the passage of this Resolution, shall transmit a copy hereof to the County, and shall cause this action of the Board of Directors in adopting the same to be entered in the official minutes of the Board of Directors.

The foregoing Resolution was duly and regularly adopted by the Board of Directors of the County of Riverside Asset Leasing Corporation on the ____ day of _____, 2008.

Authorized Officer,
County of Riverside Asset Leasing Corporation

ATTEST:

BY: _____
Assistant Secretary,
County of Riverside Asset Leasing Corporation

EXHIBIT A
FORM OF SECOND AMENDATORY SUPPLEMENT
TO TRUST AGREEMENT

EXHIBIT B
FORM OF LETTER OF REPRESENTATIONS