

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

502B



**FROM:** General Manager-Chief Engineer

**SUBMITTAL DATE:**  
October 20, 2009

**SUBJECT:** Proposition 1A Sale Resolution and Purchase and Sale Agreement

**RECOMMENDED MOTION:**

Adopt the proposed Proposition 1A Sale Resolution and Purchase and Sale Agreement

**BACKGROUND:**

Proposition 1A Suspension: Proposition 1A was passed by California voters in 2004 to ensure local property tax and sales tax revenues remain with local government thereby safeguarding funding for public safety, health, libraries, parks, and other local services. Provisions can only be suspended if the Governor declares a fiscal necessity and two-thirds of the Legislature concurs.

The emergency suspension of Proposition 1A was passed by the Legislature and signed by the Governor as ABX4 14 and ABX4 15 as part of the 2009-10 budget package on July 28, 2009. Under the provision, the State will borrow 8% of the amount of property tax revenue apportioned to cities, counties and special districts. The state will be required to repay those obligations plus interest by June 30, 2013.

(continued)

Attachments

IMC:mc

**WARREN D. WILLIAMS**  
General Manager-Chief Engineer

<b>FINANCIAL DATA</b>	F.Y. 2009-2010 District Cost:	N/A	In Current Year Budget:	Yes
	Current F.Y. County Cost:	N/A	Budget Adjustment:	No
	Annual Net District Cost:	N/A	For Fiscal Year:	2009-2010

<b>SOURCE OF FUNDS:</b> Proposition 1A Sale	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

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

APPROVE

BY:   
Alex Gann

**County Executive Office Signature**

APPROVED COUNTY COUNSEL: \_\_\_\_\_ DATE: 10/16/09  
 APPROVED FINANCE DIRECTOR: Alex Gann 10/16/09  
 Departmental Concurrence: \_\_\_\_\_  
 DEPT. RECOMM.:  Policy  Consent  
 PER EXEC. OFF.:  Policy  Consent

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

ATTACHMENTS FILED  
WITH THE CLERK OF THE BOARD

11.2

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

**SUBJECT:** Proposition 1A Sale Resolution and Purchase and Sale Agreement

**SUBMITTAL DATE:** October 20, 2009

**Page 2**

**BACKGROUND contd.:**

The legislature is currently reviewing a clean-up bill, SB67, which would provide for a few critical changes to the enacted legislation, including but not limited to providing for: financing to occur in November; county auditor certification of amount of Prop 1A receivable; tax-exempt structure; California Communities as the only issuer; more flexibility on bond structure (interest payments, state payment date and redemption features); sales among local agencies; and revision to the hardship mechanism. While SB 67 has not yet been passed and signed into law, California Communities expects that to occur prior to funding the Program. If for any reason SB 67 is not enacted and the bonds cannot be sold by December 31, 2009, all approved documents placed in escrow with Transaction counsel will be of no force and effect and will be destroyed.

Proposition 1A Securitization Program: Authorized under ABX4 14 and ABX4 15, the Proposition 1A Securitization Program was instituted by California Communities to enable Local Agencies to sell their respective Proposition 1A Receivables to California Communities. Currently, SB67 is being considered to clarify specific aspects of ABX4 14 and ABX4 15. Under the Securitization Program, California Communities will simultaneously purchase the Proposition 1A Receivables, issue bonds ("Prop 1A Bonds") and provide each local agency with the cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010 (to coincide with the dates that the State will be shifting property tax from local agencies). The purchase price paid to the local agencies will equal 100% of the amount of the property tax reduction. All transaction costs of issuance and interest will be paid by the State of California. Participating local agencies will have no obligation on the bonds and no credit exposure to the State.

If the District sells its Proposition 1A Receivable under the Proposition 1A Securitization Program, California Communities will pledge the District's Proposition 1A Receivable to secure the repayment of a corresponding amount of the Prop 1A Bonds. The District's sale of its Proposition 1A Receivable will be irrevocable. Bondholders will have no recourse to the District if the State does not make the Proposition 1A Repayment.

Proposition 1A Program Sponsor: California Statewide Communities Development Authority ("California Communities") is a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. The member agencies of California Communities include approximately 230 cities and 54 counties throughout California.

**Benefits of Participation in the Proposition 1A Securitization Program:**

The benefits to the District of participation in the Proposition 1A Securitization Program include:

1. Immediate cash relief – the sale of the District's Proposition 1A Receivable will provide the District with 100% of its Proposition 1A Receivable in two equal installments, on January 15, 2010 and May 3, 2010.
2. Mitigates impact of 8% property tax withholding in January and May – Per ABX4 14 and ABX4 15 and the proposed clean-up legislation SB 67, the State will withhold 8% of property tax receivables due to Cities, Counties, and Special Districts under Proposition 1A. The financing outlines bond proceeds to be distributed to coincide with the dates that the State will be shifting property tax from local agencies.
3. All costs of financing borne by the State of California. The District will not have to pay any interest cost or costs of issuance in connection with its' participation.
4. No obligation on Bonds. The District has no obligation with respect to the payment of the bonds, nor any reporting, disclosure or other compliance obligations associated with the bonds.

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

**SUBJECT:** Proposition 1A Sale Resolution and Purchase and Sale Agreement

**SUBMITTAL DATE:** October 20, 2009

**Page 3**

**BACKGROUND contd.:**

Proceeds of the Sale of the District's Proposition 1A Receivable:

Upon delivery of the Proposition 1A Bonds, California Communities will make available to the District its fixed purchase price, which will equal 100% of the local agency's Proposition 1A Receivable. These funds may be used for any lawful purpose of the District and are not restricted by the program.

Proposed Proposition 1A Receivables Sale Resolution:

The proposed Proposition 1A Receivables Sale Resolution:

- (1) Authorizes the sale of the District's Proposition 1A Receivable to California Communities for 100% of its receivable;
- (2) Approves the form, and directs the execution and delivery, of the Purchase and Sale Agreement with California Communities and related documents;
- (3) Authorizes and directs any Authorized Officer to send, or to cause to be sent, an irrevocable written instruction required by statute to the State Controller notifying the State of the sale of the Proposition 1A Receivable and instructing the disbursement of the Proposition 1A Receivable to the Proposition 1A Bond Trustee;
- (4) Appoints certain District officers and officials as Authorized Officers for purposes of signing documents; and
- (5) Authorizes miscellaneous related actions and makes certain ratifications, findings and determinations required by law.

Proposed Purchase and Sale Agreement

The proposed Purchase and Sale Agreement:

- (1) Provides for the sale of the Proposition 1A Receivable to California Communities;
- (2) Contains representations and warranties of the District to assure California Communities that the Proposition 1A Receivable has not been previously sold, is not encumbered, that no litigation or other actions is pending or threatened to disrupt the transaction and that this is an arm's length "true sale" of the Proposition 1A Receivable.
- (3) Provides mechanics for payment of the Purchase Price
- (4) Contains other miscellaneous provisions.

Proposed Purchase and Sale Agreement Exhibits:

The proposed Proposition 1A Purchase and Sale Agreement Exhibits:

(B1) Opinion of Counsel: This is an opinion of the counsel to the District covering basic approval of the documents, litigation, and enforceability of the document against the Seller. It will be dated as of the Pricing date of the bonds (currently expected to be November 10, 2009).

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

**SUBJECT:** Proposition 1A Sale Resolution and Purchase and Sale Agreement

**SUBMITTAL DATE:** October 20, 2009

**Page 4**

**BACKGROUND contd.:**

(B2) Bringdown Opinion: This simply "brings down" the opinions to the closing date (currently expected to be November 19, 2009).

(C1) Certificate of the Clerk of the Local Agency: A certificate of the Clerk confirming that the resolution was duly adopted and is in full force and effect.

(C2) Seller Certificate: A certification of the Seller dated as of the Pricing Date confirming that the representations and warranties of the Seller are true as of the Pricing Date, confirming authority to sign, confirming due approval of the resolution and providing payment instructions.

(C3) Bill of Sale and Bringdown Certificate: Certificate that brings the certifications of C2 down to the Closing Date and confirms the sale of the Proposition 1A Receivable as of the Closing Date.

(D) Irrevocable Instructions to the Controller: Required in order to let the State Controller know that the Proposition 1A Receivable has been sold and directing the State to make payment of the receivable to the Trustee on behalf of the Purchaser.

(E) Escrow Instruction Letter: Instructs Transaction Counsel (Orrick) to hold all documents in escrow until closing, and if closing does not occur by December 31, 2009 for any reason, to destroy all documents.

**BOARD OF SUPERVISORS**

**RIVERSIDE COUNTY FLOOD CONTROL  
AND WATER CONSERVATION DISTRICT**

**RESOLUTION NO. F2009-31**

**APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION  
AND DELIVERY OF A PURCHASE AND SALE AGREEMENT AND  
RELATED DOCUMENTS WITH RESPECT TO THE SALE OF THE  
SELLER'S PROPOSITION 1A RECEIVABLE FROM THE STATE;  
AND DIRECTING AND AUTHORIZING CERTAIN OTHER ACTIONS  
IN CONNECTION THEREWITH**

WHEREAS, pursuant to Section 25.5 of Article XIII of the California Constitution and Chapter 14XXXX of the California Statutes of 2009 (Assembly Bill No. 15), as amended (the "Act"), certain local agencies within the State of California (the "State") are entitled to receive certain payments to be made by the State on or before June 30, 2013, as reimbursement for reductions in the percentage of the total amount of ad valorem property tax revenues allocated to such local agencies during the State's 2009-10 fiscal year (the "Reimbursement Payments"), which reductions have been authorized pursuant to Sections 100.05 and 100.06 of the California Revenue and Taxation Code;

WHEREAS, the Riverside County Flood Control and Water Conservation District, a local agency within the meaning of Section 6585(f) of the California Government Code (the "Seller"), is entitled to and has determined to sell all right, title and interest of the Seller in and to its "Proposition 1A receivable", as defined in Section 6585(g) of the California Government Code (the "Proposition 1A Receivable"), namely, the right to payment of moneys due or to become due to the Seller pursuant to Section 25.5(a)(1)(B)(iii) of Article XIII of the California Constitution and Section 100.06 of the California Revenue and Taxation Code, in order to obtain money to fund public capital improvements or working capital;

WHEREAS, the Seller is authorized to sell or otherwise dispose of its property as the interests of its residents require;

WHEREAS, the California Statewide Communities Development Authority, a joint exercise of powers authority organized and existing under the laws of the State (the "Purchaser"), has been authorized pursuant to Section 6588(x) of the California Government Code to purchase the Proposition 1A Receivable;

WHEREAS, the Purchaser desires to purchase the Proposition 1A Receivable and the Seller desires to sell the Proposition 1A Receivable pursuant to a purchase and sale agreement by and between the Seller and the Purchaser in the form presented to this Board of Supervisors (the "Sale Agreement") for the purposes set forth herein;

WHEREAS, in order to finance the purchase price of the Proposition 1A Receivable from the Seller and the purchase price of other Proposition 1A Receivables from other local agencies, the Purchaser will issue its bonds (the "Bonds") pursuant to Section 6590 of the California

FORM APPROVED COUNTY COUNSEL  
BY: Dale A. Gardner DATE: 10/6/09  
DALE A. GARDNER

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

1 Government Code and an Indenture (the "Indenture"), by and between the Purchaser and Wells  
2 Fargo Bank, National Association, as trustee (the "Trustee"), which Bonds will be payable solely  
3 from the proceeds of the Seller's Proposition 1A Receivable and other Proposition 1A  
4 Receivables sold to the Purchaser by local agencies in connection with the issuance of the  
5 Bonds;

6 WHEREAS, the Seller acknowledges that (i) any transfer of its Proposition 1A  
7 Receivable to the Purchaser pursuant to the Sale Agreement shall be treated as an absolute sale  
8 and transfer of the property so transferred and not as a pledge or grant of a security interest by  
9 Riverside County Flood Control and Water Conservation District to secure a borrowing, (ii) any  
10 such sale of its Proposition 1A Receivable to the Purchaser shall automatically be perfected  
11 without the need for physical delivery, recordation, filing or further act, (iii) the provisions of  
12 Division 9 (commencing with Section 9101) of the California Commercial Code and Sections  
13 954.5 to 955.1 of the California Civil Code, inclusive, shall not apply to the sale of its  
14 Proposition 1A Receivable, and (iv) after such transfer, the Seller shall have no right, title, or  
15 interest in or to the Proposition 1A Receivable sold to the Purchaser and the Proposition 1A  
16 Receivable will thereafter be owned, received, held and disbursed only by the Purchaser or a  
17 trustee or agent appointed by the Purchaser;

18 WHEREAS, the Seller acknowledges that the Purchaser will grant a security interest in  
19 the Proposition 1A Receivable to the Trustee and any credit enhancer to secure payment of the  
20 Bonds;

21 WHEREAS, a portion of the proceeds of the Bonds will be used by the Purchaser to,  
22 among other things, pay the purchase price of the Proposition 1A Receivable;

23 WHEREAS, the Seller will use the proceeds received from the sale of the Proposition 1A  
24 Receivable for any lawful purpose as permitted under the applicable laws of the State;

25 NOW THEREFORE, the Board of Supervisors of the Riverside County Flood Control  
26 and Water Conservation District hereby resolves as follows:

27 Section 1. All of the recitals set forth above are true and correct, and this Board of  
28 Supervisors hereby so finds and determines.

Section 2. The Seller hereby authorizes the sale of the Proposition 1A Receivable to the  
Purchaser for a price equal to the amount certified as the Initial Amount (as defined in the Sale  
Agreement) by the County auditor pursuant to the Act. The form of Sale Agreement presented to  
the Board of Supervisors is hereby approved. An Authorized Officer (as set forth in Appendix A  
of this Resolution, attached hereto and by this reference incorporated herein) is hereby  
authorized and directed to execute and deliver the Sale Agreement on behalf of the Seller, which  
shall be in the form presented at this meeting.

Section 3. Any Authorized Officer is hereby authorized and directed to send, or to cause  
to be sent, an irrevocable written instruction to the State Controller (the "Irrevocable Written

1 Instruction”) notifying the State of the sale of the Proposition 1A Receivable and instructing the  
2 disbursement pursuant to Section 6588.6(c) of California Government Code of the Proposition  
3 1A Receivable to the Trustee, on behalf of the Purchaser, which Irrevocable Written Instruction  
shall be in the form presented at this meeting.

4 Section 4. The Authorized Officers and such other Seller officers, as appropriate, are  
5 hereby authorized and directed, jointly and severally, to do any and all things and to execute and  
6 deliver any and all documents, including but not limited to, if required, appropriate escrow  
7 instructions relating to the delivery into escrow of executed documents prior to the closing of the  
8 Bonds, and such other documents mentioned in the Sale Agreement or the Indenture, which any  
of them may deem necessary or desirable in order to implement the Sale Agreement and  
otherwise to carry out, give effect to and comply with the terms and intent of this Resolution; and  
all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

9 Section 5. All consents, approvals, notices, orders, requests and other actions permitted  
10 or required by any of the documents authorized by this Resolution, whether before or after the  
11 sale of the Proposition 1A Receivable or the issuance of the Bonds, including without limitation  
12 any of the foregoing that may be necessary or desirable in connection with any default under or  
13 amendment of such documents, may be given or taken by an Authorized Officer without further  
14 authorization by this Board of Supervisors, and each Authorized Officer is hereby authorized and  
directed to give any such consent, approval, notice, order or request, to execute any necessary or  
appropriate documents or amendments, and to take any such action that such Authorized Officer  
may deem necessary or desirable to further the purposes of this Resolution.

15 Section 6. The Board of Supervisors acknowledges that, upon execution and delivery of  
16 the Sale Agreement, the Seller is contractually obligated to sell the Proposition 1A Receivable to  
17 the Purchaser pursuant to the Sale Agreement and the Seller shall not have any option to revoke  
its approval of the Sale Agreement or to determine not to perform its obligations thereunder.

18 Section 7. This Resolution shall take effect from and after its adoption and approval.  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**APPENDIX A**

**RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT**

**Authorized Officers:** Warren D. Williams, General Manager-Chief Engineer

Stephen C. Thomas, Assistant Chief Engineer

Ivan M. Chand, Finance Director

any designee of any of them, as appointed in a written certificate of such Authorized Officer delivered to the Trustee.