

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



**FROM:** Executive Office

**SUBMITTAL DATE:**  
November 10, 2009

**SUBJECT:** 2009 Refunding of Public Safety Communication Project and Woodcrest Library Certificates of Participation Anticipation Notes

**RECOMMENDED MOTION:** That the Board approve Resolution #2009-329 authorizing and approving the refunding of the County's Certificates of Participation, 2007 Series B (Public Safety Communication Project); the execution and delivery of the County's Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding); an official statement and other related agreements, documents and other matters related thereto.

**BACKGROUND:** On July 31, 2007, the Board approved the issuance of Certificates of Participation (COPs) to fund the Public Safety Enterprise Communication Project (PSEC), and refund the 1997 Lease Refunding Project. The COPs were issued as both fixed rate (2007 Series A) and variable rate (Auction Rate Securities) (2007 Series B), with the goal of providing the lowest total cost of funds for the PSEC project and refunding.

With the credit market turmoil and the collapse of the Auction Rate Securities (ARS) market it has become necessary to replace the ARS with a variable rate structure. The refunding (prepayment) will fix the interest rate the County pays thus eliminating future interest volatility.

(continued)

*Jerry Norris*  
*Lani Sison for*

Jerry Norris  
Principal Management Analyst

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ N/A	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	No
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	2009-1

<b>SOURCE OF FUNDS:</b> Repayment from User Department's Operating Budgets	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

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

**County Executive Office Signature**

BY: *Dean Deines*  
Dean Deines

FORM APPROVED COUNTY COUNSEL

BY: PAMELA J. WALLS

DATE  
Departmental Concurrence

- Policy
- Policy
- Consent
- Consent

Dept's Recomm.:  
Per Exec. Ofc.:

**Prev. Agn. Ref.:** 3.141 7/31/07 | **District:** ALL | **Agenda Number:**

**3.62b**

**2009 Refunding of Public Safety Communication Project and Woodcrest Library  
Certificates of Participation Anticipation Notes  
November 10, 2009**

The Prior Bonds are insured by Ambac which has been downgraded and this, coupled with the volatility of 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 or for the collapse of the auction rate market altogether. To eliminate this risk it is being recommended that the County's ARS be converted to a variable rate mode that is secured by a direct pay Letter of Credit (LOC) from Bank of America which is rated AA. As part of the conversion, the fixed rate Series A bonds will be left alone and will continue to be insured by Ambac.

The LOC will be for \$37,350,000 plus required interest coverage. BofA is offering the County three options:

- ❖ A one year facility at 5 basis points (bps) up front and 145bps annually, or 150bps annually with no upfront cost.
- ❖ A two year facility at 10 basis points (bps) up front and 155bps annually, or 160bps annually with no upfront cost.
- ❖ A three year facility at 15 basis points (bps) up front and 165bps annually, or 170bps annually with no upfront cost.

Staff is recommending the three year option with no upfront cost.

The LOC includes a downgrade penalty if the debt receives a downgrade from either S&P or Fitch. There is also an option for a 2 year extension if requested by the County.

In November 2006 the Corporation issued a certificates of participation anticipation note in an amount not to exceed \$6.5 million (the "Anticipation Note") that was purchased by the Treasurer and Tax Collector of the County for the County Treasury Pool to temporarily finance the costs of acquisition and construction of the Woodcrest Library (the "Woodcrest Library Project") and the costs of issuance of the Note.

The goal was to take out the Anticipation Note with long term debt as part of a capital improvement project. Unfortunately, the unstable financial market and the reduction of county revenue required staff to shelve any new capital project financing.

The original term of the Anticipation Note expires in November 2009, but was extended to allow staff the time to work a refunding of that note into this project. Currently, the notes principal balance is \$6,000,000

Staff have determined that it is in the County's best interest to prepay the 2007 Series B Certificates and to effectuate a long-term financing of the Woodcrest Library Project by retiring the Note through the issuance of new Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding) (the "2009 Certificates").

Due to the urgency and market sensitivity of this item it is necessary to present this to the Board of Supervisors on November 3, 2009 prior to review by the Debt Advisory Committee (DAC). The DAC is scheduled to review this item on November 5, 2009.