

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

868



FROM: Executive Office

SUBMITTAL DATE:
May 17, 2010

SUBJECT: California Health Facilities Financing Authority Revenue Bonds (County Program), 1986 Series B

RECOMMENDED MOTION: That the Board (1) approve the Termination of Site Lease between the California Health Facilities Financing Authority and the County of Riverside, and (2) approve the Termination of Lease Agreement between the California Health Facilities Financing Authority and the County of Riverside.

BACKGROUND: In 1986 the California Health Facilities Financing Authority (CHFFA) issued revenue bonds (1986 Series B) for the purpose of providing financial assistance to participating health institutions in financing the costs of equipment and capital improvements. The County of Riverside, on July 11, 1989, approved a Lease Agreement and Site Lease with CHFFA for the purpose of financing the construction of a public health clinic and psychiatric facility (outpatient and inpatient), collectively called the Indio Health Center using the 1986 Series B bond proceeds.
(Continued)

FORM APPROVED COUNTY COUNSEL
BY: Dale A. Gardner
DATE: 5/17/10

Dean Deines, Deputy County Executive Officer

FINANCIAL DATA

Current F.Y. Total Cost:	\$ 903,288	In Current Year Budget:	Yes
Current F.Y. Net County Cost:	\$ 22,288	Budget Adjustment:	No
Annual Net County Cost:	\$ 0	For Fiscal Year:	FY 09-10

SOURCE OF FUNDS: Tobacco Securitization Funds with partial reimbursement from Health and Mental Health departments in FY 10-11.	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

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

BY:
Ed Corser

County Executive Office Signature

- Policy
- Policy
- Consent
- Consent

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

3.7

As part of the bond issuance \$18 million in a Debt Service Reserve Fund (DSRF) was placed into a guaranteed investment contract (GIC) that provided interest earnings sufficient to cover the interest expense on the bonds and provided credit against the monthly lease payments.

When the GIC matured in 2009, market conditions made it impossible to secure a replacement investment contract that would provide earnings sufficient to cover the interest costs. This significantly increased the County's lease payment by \$90,000 per month.

CHFFA, with the concurrence of the participating entities (City of South San Francisco, County of Santa Cruz and Riverside County), has elected to call the bonds on July 1, 2010. All participating entities must have elected to pay off their portion of the outstanding bonds for the bonds to be called. Those entities that pre-pay their portion will be relieved from further lease payments. Any entity that elected not to pre-pay their portion would have been responsible for the interest payment on the \$19.8 million outstanding bonds, or \$1.44 million per year. Because the other participants have elected to pre-pay their portion it is in the county's best interest to do so as well.

Payment of the outstanding, \$19.8 million will be partially paid off by the \$18 million in the DSRF, leaving \$1.174 million owed by the participants. The County's portion of the \$1.174 million, \$903,288, must be deposited with CHFFA by June 10, 2010. The county Health and Mental Health departments have budgeted \$251,000 and \$630,000 respectively in their FY 10-11 budget for lease payments, leaving \$22,288 to be paid by the general fund. Therefore, it is recommended that tobacco securitization funds be used to pay off the CHFFA bonds with reimbursement by the Health and Mental Health departments in July.