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

**FROM:** Economic Development Agency

**SUBMITTAL DATE:**  
February 17, 2011

**SUBJECT:** Resolution Number 2011-054 Approving Issuance by the Redevelopment Agency for the County of Riverside Tax Allocation Bonds and Providing Other Matters Properly Relating Thereto

**RECOMMENDED MOTION:** That the Board of Supervisors adopt Resolution Number 2011-054 approving issuance of four series of bonds by the Redevelopment Agency for the County of Riverside and providing other matters properly relating thereto.

**BACKGROUND:** The Redevelopment Agency for the County of Riverside proposes to issue Jurupa Valley Project Area 2011 Tax Allocation Bonds, Series B, and Jurupa Valley Project Area 2011 Taxable Tax Allocation Bonds, Series B-T, in a combined initial amount not-to-exceed \$40,000,000; Interstate 215 Corridor 2011 Second Lien Tax Allocation Bonds, Series E, in an initial amount not-to-exceed \$15,000,000; and Desert Communities Project Area 2011 Second Lien Tax Allocation Bonds, Series D, in an initial amount not-to-exceed \$8,000,000 to fund various capital improvement projects within the respective redevelopment project areas mentioned above and within the County of Riverside.

Robert Field  
Assistant County Executive Officer/EDA

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2011/12

**COMPANION ITEM ON BOARD OF DIRECTORS AGENDA:** Yes

<b>SOURCE OF FUNDS:</b> RDA Tax Increment	<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:   
Jennifer L. Sargent

**County Executive Office Signature**

FORM APPROVED COUNTY COUNSEL

BY: Dale A. Gardner DATE: 2/17/11

Departmental Concurrence

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

**Prev. Agn. Ref.:**

**District:** ALL

**Agenda Number:** 3.36

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3 RESOLUTION NO. 2011-054

4 RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF  
5 RIVERSIDE APPROVING ISSUANCE BY THE REDEVELOPMENT AGENCY  
6 FOR THE COUNTY OF RIVERSIDE OF TAX ALLOCATION BONDS, AND  
7 PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

8 WHEREAS, the Redevelopment Agency for the County of Riverside (the "Agency")  
9 proposes to issue up to four (4) separate series of bonds (the "Bonds") under and pursuant to  
10 the provisions of Part 1 of Division 24 (commencing with Section 33000) of the Health and  
11 Safety Code of the State of California (the "Law") and other applicable laws, for the purpose of  
12 financing and refinancing redevelopment activities within and of benefit to the Agency's various  
13 redevelopment projects;

14 WHEREAS, Section 33640 of the Law requires the Agency to obtain the approval of the  
15 Board of Supervisors of the County of Riverside prior to issuance of the Bonds;

16 WHEREAS, the Board of Supervisors approves of the issuance of the Bonds as being  
17 in the public interests of the County of Riverside and of the Agency;

18 NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of  
19 Riverside as follows:

20 Section 1. Approval of Issuance of Bonds. The Board of Supervisors of the County  
21 of Riverside approves the issuance of the following bonds (collectively, the "Bonds") by the  
22 Agency:

23 (i) Redevelopment Agency for the County of Riverside Jurupa Valley  
24 Redevelopment Project Area 2011 Tax Allocation Bonds, Series B, in a combined initial  
25 amount with the Taxable Jurupa Bonds (as defined below) not to exceed \$40,000,000 (the  
26 "Tax-Exempt Jurupa Bonds");

27 (ii) Redevelopment Agency for the County of Riverside Jurupa Valley  
28 Redevelopment Project Area 2011 Taxable Tax Allocation Bonds, Series B-T, in a combined

FORM APPROVED COUNTY COUNSEL  
BY *Shirley A. Gardner* 2/17/11  
DATE  
SHEILA A. GARDNER

1 initial amount with the Tax-Exempt Jurupa Bonds not to exceed \$40,000,000 (the "Taxable  
2 Jurupa Bonds");

3 (ii) Redevelopment Agency for the County of Riverside Desert Communities  
4 Redevelopment Project Area 2011 Second Lien Tax Allocation Bonds, Series D, in an initial  
5 amount not to exceed \$8,000,000 (the "DCPA Bonds"); and

6 (iv) Redevelopment Agency for the County of Riverside Interstate 215  
7 Corridor Redevelopment Project Area 2011 Second Lien Tax Allocation Bonds, Series E, in an  
8 initial amount not to exceed \$15,000,000 (the "I-215 Bonds").

9 **Section 2. Subordination Agreements.** The appropriate officers of the County are  
10 also authorized to execute and deliver subordination agreements or acknowledgements with  
11 the Agency and, if appropriate, other taxing entities within the County pursuant to which such  
12 taxing entities subordinate their right to receive tax increment to the payment of debt service on  
13 the Bonds and other outstanding parity debt of the Agency.

14 **Section 3. Effective Date.** This Resolution shall take effect from and after its  
15 adoption.

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# MEMORANDUM

EXECUTIVE OFFICE, COUNTY OF RIVERSIDE

**Bill Luna**

County Executive Officer

**Jay E. Orr**

Assistant County Executive Officer

**TO:** Clerk of the Board

**FROM:** Christopher Hans, DAC Chair

**DATE:** February 23, 2011

**RE:** DAC Opinion of Items 3.36 and 4.2 and 5.1

Before the Board on March 1, 2011 for consideration and approval are four separate RDA bond issuances (See items 3.36 and 4.2 and 5.1). The items were reviewed at the Debt Advisory Committee (DAC) on Thursday, February 10. Per Board policy, unless the committee unanimously supports a proposal, the Board should be given an explanation of the minority opinion. A brief report from me as the committee's chair follows.

By a split vote (4 for, 1 against, and 1 abstention), the committee voted to send no recommendation to the Board regarding two of the 4 RDA bonds before the Board today. By a split vote (3 for, 2 against, and 1 abstention) the committee supported approval of the other two RDA bonds before the Board today.

As financial advisor, C.M. DeCrisis was hired by RDA both to provide logistical support and to identify potential risks. They provided a lengthy list of risks (see attached). The discussion of the risks led to a thorough debate which ultimately resulted in the split votes mentioned above.

**Regarding the I215 and Desert Communities Bonds. 4-1 vote to forward no committee opinion.**

As chair, I voted against this approach. Personally, I can't support the issuance of these bonds for three main reasons.

- First the margin of error is much smaller than for the other bonds. A fairly small (small in comparison to recent drops) decrease in property values would lead to bond default. This could potentially affect the bond rating on other RDA bonds.
- Second, these bonds will have poor ratings or no ratings at all and will be subordinate to existing bonds. This alone could potentially lower the ratings of existing RDA bonds.
- Additionally, all of the risks associated with the other two bonds – discussed below, and see attachment – apply to these bonds.

From the meeting's discussion, my opinion is that the other committee members agree with my position.

(continued on the next page)

**Regarding the Jurupa Valley Bonds. 3-2 vote in favor.**

Those in favor agreed:

- The worthy nature of the projects that would be built using proceeds was demonstrated
- The risks were significant
- The cash flow assumptions left enough cushion to make the risks tolerable

One dissenting opinion had the following main concern:

- The rushed process did not allow adequate time for review
- EDA financial data is integral in the CAFR. The credit rating services use CAFR to base credit ratings. This bond issuance could potentially impact the County's credit rating impacting future critical borrowing like the TRANS. (CAFR FY10 pgs. 31, 81-82, 120, 136).

The second dissenting opinion had several main concerns:

- The high expected borrowing costs – in the range of 7-9% are enough to warrant a delay
- There is a reasonable chance (should property values fall more than the projected 2%) that RDA would be unable to make debt service payments
- Issuing poorly rated bonds puts the County's reputation and credit rating at risk; though RDA is legally separate, the public and rating agencies might not see the distinction

# Risks of Financing Program

- ▶ Legislative Risk and Possible Impact on Agency
- ▶ Subordinated Pass-Through Agreement Risks to Bond Program
- ▶ Rating Downgrades on Existing Bonds.
- ▶ High debt levels and associated Risk for Subordinated Pass Through Payments and Bond Debt Service
- ▶ High Interest Rates – tax allocation credit spreads to other bonds are high
- ▶ Bond Program has risk to future bonding flexibility if State budget proposal on RDAs fails to be enacted
- ▶ Headline Risk of Bond Program – Rushing to Market
- ▶ Risk that Bonds are sold but not closed