

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE
REDEVELOPMENT AGENCY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

647



FROM: Redevelopment Agency

SUBMITTAL DATE:
February 17, 2011

SUBJECT: Resolution Number 2011-010 Authorizing the Issuance of Four Series of Bonds and Providing Other Matters Properly Relating Thereto

RECOMMENDED MOTION: That the Board of Directors adopt Resolution Number 2011-010 authorizing the purchase and sale of four series of bonds of the Redevelopment Agency for the County of Riverside with respect to the Jurupa Valley, Interstate 215 Corridor and Desert Communities Project Areas, authorizing the sale of bonds, approving official statements 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

Robert Field
Executive Director

FINANCIAL DATA	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 SUPERVISORS AGENDA: Yes

SOURCE OF FUNDS: RDA Tax Increment

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY: *Jennifer L. Sargent*
Jennifer L. Sargent

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: *Dale A. Gardner*
DALE A. GARDNER
DATE: 2/17/11
Departmental Concurrence

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

Prev. Agn. Ref.:

District: ALL

Agenda Number

4.2

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3 RESOLUTION NO. RDA- 2011-010

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5 RESOLUTION OF THE REDEVELOPMENT AGENCY FOR THE COUNTY OF
6 RIVERSIDE AUTHORIZING THE ISSUANCE OF FOUR SERIES OF BONDS
7 AND THE SALE THEREOF FOR THE PURPOSE OF FINANCING
8 REDEVELOPMENT ACTIVITIES, APPROVING AN OFFICIAL STATEMENT,
9 AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

10 WHEREAS, the Redevelopment Agency for the County of Riverside (the "Agency") has
11 adopted redevelopment plans for its Jurupa Valley Redevelopment Project Area, its Desert
12 Communities Redevelopment Project Area, and its Interstate 215 Corridor Redevelopment
13 Project Area (collectively, the "Redevelopment Projects") under Part 1 of Division 24 of the
14 Health and Safety Code of the State of California (the "Redevelopment Law"); and

15 WHEREAS, the Redevelopment Law, and particularly Chapter 6 thereof, authorizes
16 redevelopment agencies to incur indebtedness for any of their corporate purposes; and

17 WHEREAS, the Agency desires to issue four separate series of bonds (as further
18 described herein, the "Bonds") in order to obtain funds to finance and refinance redevelopment
19 activities with respect to the Redevelopment Projects (including the repayment to the County of
20 Riverside of amounts advanced by the County of Riverside to the Agency);

21 WHEREAS, Jones Hall, as disclosure counsel to the Agency, has caused to be
22 prepared a form of the Official Statement for each series of the Bonds (collectively, the "2011
23 Official Statements" and, individually, each a "Official Statement"), the preliminary forms of
24 which are on file with the Secretary;

25 WHEREAS, the Agency, with the aid of its staff, has reviewed the Official Statements,
26 and the Agency wishes at this time to approve such documents in the public interests of the
27 Agency;

28 WHEREAS, the Agency proposes to sell the Bonds to the Riverside County Public
Financing Authority (the "Authority") which will concurrently sell the Bonds to the Underwriter

FORM APPROVED BY COUNTY COUNSEL
BY: *[Signature]* DATE: 2/17/14
DALE A. GARDNER

1 (as defined below), all on the terms and conditions herein set forth and as provided in the forms
2 of Bond Purchase Agreements (the "Purchase Agreements") on file with the Secretary; and

3 **WHEREAS**, all conditions, things and acts required to exist, to have happened and to
4 have been performed precedent to and in the issuance of the Bonds and the sale of the Bonds
5 to the Authority, as contemplated by this resolution and the documents referred to herein exist,
6 have happened and have been performed in due time, form and manner as required by the
7 laws of the State of California, including the Redevelopment Law;

8 **NOW, THEREFORE, BE IT RESOLVED** by the Redevelopment Agency for the County
9 of Riverside, as follows:

10 **Section 1. Recitals True and Correct.** The Agency hereby finds and declares that the
11 above recitals are true and correct.

12 **Section 2. Approval of Issuance and Sale of Bonds.** The Agency hereby authorizes
13 and approves the issuance of the following four series of Bonds, as follows:

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

18 (ii) Redevelopment Agency for the County of Riverside Jurupa Valley
19 Redevelopment Project Area 2011 Taxable Tax Allocation Bonds, Series B-T, in a combined
20 initial amount with the Tax-Exempt Jurupa Bonds not to exceed \$40,000,000 (the "Taxable
21 Jurupa Bonds");

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

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

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1 The Agency hereby approves the sale of the Bonds on the terms and conditions set
2 forth in the Purchase Agreements, as provided below.

3 Pursuant to Section 5903 of the Government Code of the State of California, the Agency
4 hereby determines that the 2011 Taxable Series B-T Bonds will be subject to all applicable
5 federal income taxation;

6 **Section 3. Approval of Indentures.** The Indentures of Trust, one for each series of
7 Bonds and each by and between the Agency and The Bank of New York Mellon Trust
8 Company, N.A. (collectively, the "Indentures" and individually, each an "Indenture"), as trustee,
9 in the forms presented to this meeting, are hereby approved. The Executive Director, the
10 Deputy Executive Director and the Finance Director (the "Designated Officers") are, and each
11 of them acting alone is, hereby authorized and directed, for and in the name and on behalf of
12 the Agency, to execute and deliver the Indentures, and the Secretary is hereby authorized and
13 directed, for and in the name and on behalf of the Agency, to attest the Designated Officer's
14 signature to the Indentures, in said forms, together with such additions thereto or changes
15 therein as are recommended or approved by the Designated Officer, upon consultation with
16 bond counsel to the Agency, including such additions or changes as are necessary or
17 advisable in accordance with Section 7 hereof; provided that no additions or changes shall
18 authorize an aggregate principal amount of Bonds *in excess of the amounts set forth above*,
19 result in (i) a true interest cost on the Tax-Exempt Jurupa Bonds in excess of 9.50% per
20 annum, a true interest cost on the Taxable Jurupa Bonds in excess of 10.5% per annum, a true
21 interest cost on the DCPA Bonds in excess of 10% per annum or a true interest cost on the I-
22 215 Bonds in excess of 10% per annum, or (ii) an Underwriter's discount (exclusive of original
23 issue discount) on the combined Tax-Exempt Jurupa Bonds and Taxable Jurupa Bonds in
24 excess of 1.00%, an Underwriter's discount (exclusive of original issue discount) on the DCPA
25 Bonds in excess of 1.50%, or an Underwriter's discount (exclusive of original issue discount)
26 on the I-215 Bonds in excess of 1.50%. The approval of such additions or changes shall be
27 conclusively evidenced by the execution and delivery by the Agency of the Indentures. The
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1 date, maturity dates, aggregate principal amount, annual maturity amounts, interest rate or
2 rates, interest payment dates, denominations, form, registration privileges, manner of
3 execution, place of payment, terms of redemption and other terms of the Bonds shall be as
4 provided in the Indentures, as finally executed.

5 **Section 4. Parity Bonds; Subordinate Bonds.** the Tax-Exempt Jurupa Bonds and
6 the Taxable Jurupa Bonds will be issued as Parity Debt (as defined in the applicable
7 Indenture). The Designated Officers are hereby authorized to take such actions as are required
8 to issue the Tax-Exempt Jurupa Bonds and the Taxable Jurupa Bonds as Parity Debt. The
9 DCPA Bonds and the I-215 Bonds will be issued on a subordinate basis to the bonds currently
10 outstanding with respect to the Desert Communities Redevelopment Project Area and the
11 Interstate 215 Corridor Redevelopment Project Area

12 **Section 5. Sale of Agency Bonds.** The Agency hereby authorizes and directs the
13 Designated Officers to negotiate the sale of the Bonds to Stone & Youngberg LLC, on behalf of
14 itself and, with respect to the Tax-Exempt Jurupa Bonds and the Taxable Jurupa Bonds, E.J.
15 De La Rosa & Co. Inc., as underwriters (collectively, the "Underwriter"). The Purchase
16 Agreements are hereby approved, and the Designated Officers are hereby authorized and
17 directed to execute said documents, with such changes, insertions and omissions as may be
18 approved by such official, including modifications to provide for the private placement of all or a
19 portion of the Bonds and the payment of placement agent fees, if any, so long as the
20 aggregate principal amount of each series of Bonds (or combined series of Bonds in the case
21 of the Tax-Exempt Jurupa Bonds and the Taxable Jurupa Bonds) does not exceed the amount
22 set forth in Section 2 above, the true interest cost on a series of Bonds does not exceed the
23 maximum true interest costs set forth in Section 3, and the Underwriter's discount (exclusive of
24 original issue discount) on each series of Bonds (or combined series of Bonds in the case of
25 the Tax-Exempt Jurupa Bonds and the Taxable Jurupa Bonds) does not exceed maximum
26 Underwriter's discount set forth in Section 3.

27 **Section 6. Official Statements.** The Agency hereby approves the preliminary Official
28 Statements describing the Bonds, in substantially the forms on file with the Secretary.

1 Distribution of the preliminary Official Statements by the Underwriter is hereby approved. The
2 Agency hereby authorizes the distribution of the final Official Statements by the Underwriter.
3 The Designated Officers are hereby *authorized and directed* to approve any changes in or
4 additions to the final forms of the Official Statements, whose execution thereof shall be
5 conclusive evidence of approval of any such changes and additions. The final Official
6 Statements shall be executed in the name and on behalf of the Agency by a Designated
7 Officer, each of whom is hereby authorized and directed to execute and deliver the final Official
8 Statements on behalf of the Agency and to execute and deliver to the Underwriter the
9 Continuing Disclosure Certificates substantially in the forms appended to the final Official
10 Statements.

11 **Section 7. Official Action.** All actions heretofore taken by the officers and agents of
12 the Agency with respect to the preparation of the Official Statements and the Indentures, and
13 the sale and issuance of the Bonds, are hereby approved, confirmed and ratified, and the
14 proper officers of the Agency, including the Designated Officers, are hereby authorized and
15 directed, for and in the name and on behalf of the Agency, to do any and all things and take
16 any and all actions and execute and deliver any and all certificates, agreements and other
17 documents which they, or any of them, may deem necessary or advisable in order to
18 consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution,
19 including but not limited to those certificates, agreements and other documents described in
20 the Indentures and the other documents herein approved, and any certificates, agreements or
21 documents as may be necessary to further the purpose hereof or provide additional security for
22 the Bonds, but which shall not create any obligation or liability of the Agency other than with
23 respect to the tax revenues pledged as security for the Bonds in the Indentures and assets
24 derived from the proceeds of the Bonds.

25 **Section 8. Effective Date.** This resolution shall take effect *from and after* the date of
26 approval and adoption thereof.

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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