

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

647.c.c



FROM: Redevelopment Agency

SUBMITTAL DATE:
February 17, 2011

SUBJECT: Resolution Number 2011-03 Authorizing the Purchase and Sale of Four Series of Bonds from the Redevelopment Agency for the County of Riverside

RECOMMENDED MOTION: That the Board of Directors adopt Resolution Number 2011-03 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 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

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

Prev. Agn. Ref.: | **District:** ALL | **Agenda Number:** 5.1

2 RESOLUTION NO. 2011-03

3 RESOLUTION OF THE RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
4 AUTHORIZING THE PURCHASE AND SALE OF FOUR SERIES OF BONDS OF THE
5 REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE WITH RESPECT TO
6 THE REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE JURUPA VALLEY,
7 INTERSTATE 215 CORRIDOR AND DESERT COMMUNITIES REDEVELOPMENT
8 PROJECTS, AUTHORIZING SALE OF BONDS, APPROVING OFFICIAL STATEMENTS
9 AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

7 WHEREAS, the County of Riverside (the "County"), and the Redevelopment Agency
8 for the County of Riverside ("the Agency") have entered into a Joint Exercise of Powers
9 Agreement, dated as of March 20, 1990 (the "Agreement"), creating the Riverside County
10 Public Financing Authority (the "Authority");

11 WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the
12 Government Code of the State of California (the "Act") and the Agreement, the Authority is
13 authorized to purchase bonds issued by the Agency;

14 WHEREAS, pursuant to the Act and the Agreement the Authority is further authorized
15 to sell bonds so purchased to public or private purchasers at public or negotiated sale;

16 WHEREAS, the Agency has determined to issue four series of bonds (the "Bonds") to
17 fund various redevelopment activities within or of benefit to its Jurupa Valley Redevelopment
18 Project Area, its Desert Communities Redevelopment Project Area and its Interstate 215
19 Corridor Redevelopment Project Area;

20 WHEREAS, the Authority desires to purchase from the Agency the Bonds, but solely
21 from the proceeds received from the Authority's concurrent sale of the Bonds to the
22 Underwriter (as defined below);

23 WHEREAS, the Agency has caused a form of the Official Statement for each series of
24 the Bonds (collectively, the "2011 Official Statements" and, individually, each a "Official
25 Statement") to be submitted to the Authority for approval for distribution to purchasers of the
26 Bonds; and,

27 WHEREAS, the Board of Directors (the "Board") of the Authority has duly considered
28 such transactions and wishes at this time to authorize proceedings for the purchase and sale

FORM APPROVED COUNTY COUNSEL
BY: *[Signature]* DATE: 2/17/11
PALE A. GARDNER

1 of the Bonds in the public interests of the Authority;

2 **NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED** by the
3 Board of Directors of the Riverside County Public Financing Authority, as follows:

4 **Section 1. Sale of Bonds.** The Authority hereby approves the purchase and sale of
5 the Bonds by negotiation with Stone & Youngberg LLC, on behalf of itself and, with respect to
6 the Tax-Exempt Jurupa Bonds and the Taxable Jurupa Bonds (as defined below), E.J. De La
7 Rosa & Co. Inc., as underwriters (collectively, the "Underwriter") of the following four series of
8 Bonds:

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

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

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

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

23 The Bond Purchase Agreements (the "Purchase Agreements") for the Bonds, each by
24 and among the Authority, the Underwriter and the Agency, pursuant to which the Agency
25 agrees to sell the Bonds to the Authority, for re-sale to the Underwriter, and the Underwriter
26 agrees to purchase the Bonds from the Authority, in the form on file with the Secretary, be and
27 the same are hereby approved, and the Chairman, the Vice Chairman, the Executive Director,
28 the Assistant Executive Director and the Deputy Executive Director of the Agency (who is also

1 an Assistant Secretary of the Authority), are hereby separately authorized and directed to
2 execute said documents, with such changes, insertions and omissions as may be approved by
3 such official, so long as (i) the aggregate principal amount of a series of Bonds does not
4 exceed the amount set forth above, (ii) the true interest cost on the Tax-Exempt Jurupa Bonds
5 does not exceed 9.50% per annum, the true interest cost on the Taxable Jurupa Bonds does
6 not exceed 10.50% per annum, the true interest cost on the DCPA Bonds does not exceed
7 10% per annum, and the true interest cost on the I-215 Bonds does not exceed 10% per
8 annum, and (iii) the Underwriter's discount (exclusive of original issue discount) on the
9 combined Tax-Exempt Jurupa Bonds and Taxable Jurupa Bonds does not exceed 1.00%, the
10 Underwriter's discount (exclusive of original issue discount) on the DCPA Bonds does not
11 exceed 1.50%, and the Underwriter's discount (exclusive of original issue discount) on the I-
12 215 Bonds does not exceed 1.50%.

13 **Section 2. Official Statements.** The Official Statements relating to the Bonds,
14 together with such amendments and supplements as shall be necessary or convenient to
15 accurately describe the Bonds in accordance with the Purchase Agreements, this Resolution
16 and the other related proceedings and documents, is hereby approved for distribution to the
17 purchasers of the Bonds.

18 **Section 3. Official Action.** The Chairman, the Vice Chairman, the Executive
19 Director, the Assistant Executive Director, the Deputy Executive Director of the Agency, in his
20 capacity as Assistant Secretary of the Authority, and the Secretary and any and all other
21 officers of the Authority are hereby authorized and directed, for and in the name and on behalf
22 of the Authority, to do any and all things and take any and all actions, including execution and
23 delivery of any and all assignments, certificates, notices, consents, instruments of
24 conveyance, warrants and other documents, which they, or any of them, may deem necessary
25 or advisable in order to consummate the sale and delivery of the Bonds to the Authority for
26 resale and delivery to the Underwriter pursuant to the Purchase Agreements approved herein.

27 **Section 4. Effective Date.** This resolution shall take effect from and after the date of
28 approval and adoption thereof.



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 *CH*

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