

FORM APPROVED COUNTY COUNSEL 8/31/16  
 BY: GREGORY P. PRIAMOS DATE

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

526



**FROM:** Executive Office

**SUBMITTAL DATE:**  
 August 30, 2016

**SUBJECT:** Approval of Subordination Request from the March Joint Powers Authority - Successor Agency, for Tax Allocation Refunding Bonds, Series 2016, All Districts, [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Approve the subordination request from the March Joint Powers Authority – Successor Agency (the "JPA SA") for Riverside County to subordinate statutory pass-through payments deriving from the refunding of the outstanding March Joint Powers Redevelopment Agency Tax Allocation Bonds, Series 2011A and Series 2011B (collectively, the "2011 Bonds"); and,
2. Authorize the County Executive Officer or designee, to complete, execute, and return to the JPA SA the *Request for Subordination of Tax Revenues* JPA SA request letter.

**BACKGROUND:**  
Summary

(Background commences on next page)

*Rohini Dasika*  
 Rohini Dasika  
 Principal Management Analyst

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	
SOURCE OF FUNDS: N/A				Budget Adjustment: NO	
				For Fiscal Year: 16/17	

**C.E.O. RECOMMENDATION:** APPROVE  
 BY: *Alex Gann*  
 Alex Gann  
 County Executive Office Signature

**MINUTES OF THE BOARD OF SUPERVISORS**

- A-30
- Positions Added
- 4/5 Vote
- Change Order

Prev. Agn. Ref.: | District: All | Agenda Number:

3-4

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**  
**FORM 11: Approval of Subordination Request from the March Joint Powers Authority - Successor Agency, for**  
**Tax Allocation Refunding Bonds, Series 2016, All Districts, [\$0]**

**DATE: August 30, 2016**

**PAGE: 2 of 2**

**BACKGROUND:**

**Summary (continued)**

On June 27, 2016, the Riverside County Executive Office received the *Request for Subordination of Tax Revenues* letter ("Request Letter") from the JPA SA. Pursuant to section 34177.5(c)(1) of the California Health and Safety Code (the "Law"), prior to incurring any loans, bonds, or other indebtedness ("agency debt"), a successor agency may request that an affected taxing entity subordinate to the agency debt the amount of tax increment revenues required to be paid to the affected taxing entity, provided the affected taxing entity has approved the subordination pursuant to the Law.

Section 34177.5(c)(2) of the Law requires that, at the time of a request for subordination, the requesting successor agency must provide the affected taxing entity with substantial evidence that sufficient funds will be available to pay both the debt service on the agency debt and the payments required to be paid to the affected taxing entity when due. Attached to the Request Letter is a table of *Projected Tax Revenues and Estimated Debt Service Coverage* for the JPA SA 2016 Tax Allocation Refunding Bonds. The projections show debt service coverage ratio estimates ranging from 3.64 in FY 16-17 to 5.91 in FY 40-41; with annual growth estimated at 2%.

Section 34177.5(c)(3) of the Law requires that, within 45 days after receipt of a successor agency's request, the affected taxing entity must approve or disapprove the request for subordination. The Dissolution Act, and in particular, Section 34177.5(c), provides a limited basis upon which the taxing entity may disapprove the subordination request. An affected taxing entity may disapprove a request for subordination only if it finds, based upon substantial evidence, that the successor agency will not be able to pay the debt payments and the amount required to be paid to the affected taxing entity.

Based on the JPA's projections, approval of the subordination request will have no impact on the County's General Fund. The projections provide substantial evidence that sufficient funds will be available to pay both the debt service on the proposed JPA Refunding Bonds and on all statutory pass-through payments required to be paid to affected taxing entities. Staff recommends approval of the *Request for Subordination of Tax Revenues*.

**Impact on Residents and Businesses**

Approval of this item will reduce the debt service paid by the JPA SA, and subsequently increase residual property tax distributions to local taxing entities such as school districts, community college districts, and special districts, which ultimately benefits residents.

# MARCH JOINT POWERS AUTHORITY



June 27, 2016

Jay Orr, County Executive Officer  
County of Riverside  
4080 Lemon Street, 4<sup>th</sup> Floor  
Riverside, CA 92501

Re: Request for Subordination of Tax Revenues

March Joint Powers Authority – Successor Agency  
Tax Allocation Refunding Bonds, Series 2016

Dear Mr. Orr:

The March Joint Powers Authority – Successor Agency (the “Successor Agency”) plans to issue approximately \$32,830,000 of its Tax Allocation Refunding Bonds, Series 2016 (the “Bonds”), on or about September 1, 2016, under the provisions of section 34177.5 of the California Health and Safety Code and section 53580 et seq. of the California Government Code. The Bonds will be issued by the Successor Agency to refund the outstanding March Joint Powers Redevelopment Agency Tax Allocation Bonds, Series 2011A and Series 2011B (collectively, the “2011 Bonds”), solely for the purpose of achieving debt service savings, a portion of which may inure to the benefit of the County of Riverside (the “Taxing Entity”).

Pursuant to section 34177.5(c)(1) of the of the California Health and Safety Code (the “Law”), prior to incurring any loans, bonds, or other indebtedness (“agency debt”), a successor agency may request that an affected taxing entity subordinate to the agency debt the amount of tax increment revenues required to be paid to the affected taxing entity, provided the affected taxing entity has approved the subordination pursuant to the Law. The purpose of this letter is to request approval by the Taxing Entity of a subordination to the Bonds of the amount of tax increment revenues required to be paid by the Successor Agency to the Taxing Entity. A similar request was made to the Taxing Entity in 2011 in connection with the issuance of the 2011 Bonds, and the Taxing Entity agreed to the subordination.

Section 34177.5(c)(2) of the Law requires that, at the time of a request for subordination, the requesting successor agency must provide the affected taxing entity with substantial evidence that sufficient funds will be available to pay both the debt service on the agency debt and the payments required to be paid to the affected taxing entity when due. Attached hereto, as Exhibit A, is the evidence required by the Law to show that sufficient funds will be available to pay both the debt service on the Bonds and the payments required to be paid to the Taxing Entity. At this time, we do not, of course, foresee that the Successor Agency will ever require use of the Taxing Entity’s share of the tax revenues. The subordination would only come into play if there was a very major and completely unforeseen decrease in tax revenues.

Section 34177.5(c)(3) of the Law requires that, within 45 days after receipt of a successor agency's request, the affected taxing entity must approve or disapprove the request for subordination, but an affected taxing entity may disapprove a request for subordination only if it finds, based upon substantial evidence, that the successor agency will not be able to pay the debt payments and the amount required to be paid to the affected taxing entity.

If the affected taxing entity does not act within 45 days after receipt of the successor agency's request, the request to subordinate is automatically deemed approved and will be final and conclusive. We request, however, that you provide approval of the subordination request sooner than the 45 day period and that such approval be provided by return of this letter countersigned by the Taxing Entity.

Thank you very much for your assistance. If you have any questions, please feel free to call Mr. Matthew Schenk, Finance Manager/Controller, at (951) 656-7000.

Very truly yours,

MARCH JOINT POWERS AUTHORITY -  
SUCCESSOR AGENCY

By 

Danielle M. Wheeler  
Executive Director

APPROVED:

COUNTY OF RIVERSIDE

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

March Joint Powers Authority - Successor Agency  
 March Air Force Base Redevelopment Project

**2016 TAX ALLOCATION REFUNDING BONDS  
 PROJECTED TAX REVENUES AND ESTIMATED DEBT SERVICE COVERAGE**

FY	Incremental Assessed Valuation (1)	Gross Tax Increment Revenues (2)	County Admin. Fees (3)	Pledged Tax Revenues	2016 Bonds (Estimated) Debt Service	Projected Debt Service Coverage	Pass Through to All Taxing Entities (Subordinate)	Net Surplus Tax Increment
16-17	855,375,348	8,553,753	94,091	8,459,662	2,323,950	3.64	3,971,067	2,164,645
17-18	872,964,389	8,729,644	96,026	8,633,618	2,322,350	3.72	4,040,849	2,270,418
18-19	890,905,211	8,909,052	98,000	8,811,053	2,322,750	3.79	4,136,963	2,351,339
19-20	909,204,849	9,092,048	100,013	8,992,036	2,326,950	3.86	4,235,000	2,430,086
20-21	927,870,481	9,278,705	102,066	9,176,639	2,324,750	3.95	4,334,997	2,516,893
21-22	946,909,424	9,469,094	104,160	9,364,934	2,323,000	4.03	4,436,993	2,604,941
22-23	966,329,147	9,663,291	106,296	9,556,995	2,319,250	4.12	4,541,030	2,696,715
23-24	986,137,264	9,861,373	108,475	9,752,898	2,323,500	4.20	4,647,148	2,782,250
24-25	1,006,341,544	10,063,415	110,698	9,952,718	2,320,250	4.29	4,755,388	2,877,080
25-26	1,026,949,909	10,269,499	112,964	10,156,535	2,329,750	4.36	4,865,792	2,960,992
26-27	1,047,970,441	10,479,704	115,277	10,364,428	2,321,250	4.47	4,978,405	3,064,772
27-28	1,069,411,384	10,694,114	117,635	10,576,479	2,325,500	4.55	5,109,488	3,141,490
28-29	1,091,281,146	10,912,811	120,041	10,792,771	2,321,750	4.65	5,243,193	3,227,827
29-30	1,113,588,303	11,135,883	122,495	11,013,388	2,325,250	4.74	5,379,572	3,308,566
30-31	1,136,341,603	11,363,416	124,998	11,238,418	2,325,500	4.83	5,518,679	3,394,240
31-32	1,159,549,969	11,595,500	127,550	11,467,949	2,322,500	4.94	5,660,567	3,484,882
32-33	1,183,222,503	11,832,225	130,154	11,702,071	2,326,250	5.03	5,805,294	3,570,527
33-34	1,207,368,487	12,073,685	132,811	11,940,874	2,326,250	5.13	5,952,915	3,661,710
34-35	1,231,997,391	12,319,974	135,520	12,184,454	2,327,500	5.23	6,103,488	3,753,466
35-36	1,257,118,873	12,571,189	138,283	12,432,906	2,324,750	5.35	6,257,073	3,851,083
36-37	1,282,742,784	12,827,428	141,102	12,686,326	2,323,000	5.46	6,413,730	3,949,597
37-38	1,308,879,174	13,088,792	143,977	12,944,815	2,322,000	5.57	6,573,519	4,049,296
38-39	1,335,538,292	13,355,383	146,909	13,208,474	2,326,500	5.68	6,736,505	4,145,469
39-40	1,362,730,592	13,627,306	149,900	13,477,406	2,321,000	5.81	6,884,384	4,272,022
40-41	1,390,466,738	13,904,667	152,951	13,751,716	2,325,750	5.91	7,035,504	4,390,462

(1) Incremental valuation over Base Year valuation (\$24,076,708) based on actual FY 15-16 AV, with estimated 2% annual growth thereafter.

(2) Gross Tax Increment based on a tax rate of 1.00%.

(3) Estimated based on 1.10% of Gross Tax Increment Revenues.