

DEBT ADVISORY COMMITTEE

DAC Conference Call
Thursday, September 17, 2020
9:00 - 10:00 a.m.

AGENDA

IMPORTANT NOTICE REGARDING DAC MEETING

This meeting is being conducted utilizing teleconferencing and electronic means. This is consistent with State of California Executive Order N-29-20 dated March 17, 2020, regarding the COVID-19 pandemic.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Jennifer Kammerer at (951) 955-1136. Notification 48 hours prior to the meeting will enable us to make reasonable arrangements to ensure accessibility to the meeting [28 CFR 35.102.35.104 ADA Title II].

Submission of Public Comments: For those who wish to make public comments at this meeting, please submit your comments by email to Jennifer Kammerer at jkammerer@rivco.org prior to 9:00 a.m. on September 17. All email comments shall be subject to the same rules as would otherwise govern speaker comments at the meetings. All email comments shall not exceed three (3) minutes and will be read out loud at the meeting and become part of the record of the meeting.

1. Call to Order and Self-Introductions
2. Approval of the May 19, 2020 DAC Meeting Minutes
3. 2020 Teeter Notes
4. Public Comment on any item not on the agenda
5. Next Meeting (October 8, 2020) or as needed
6. Adjourn

SPECIAL DEBT ADVISORY COMMITTEE

MINUTES OF CONFERENCE CALL

May 14, 2020 9:00 a.m.

Webex Conference Call

Members Present:

Don Kent	County Executive Office (Chair)
Stephanie Persi	Community Facilities District/Assessment District
Jon Christensen	Treasurer-Tax Collector
Oscar Valdez	Auditor-Controller Office
Michael Thomas	County Counsel
Sunita Jain	Flood Control and Water Conservation District
Heidi Marshall	Housing, Homelessness Prevention and Workforce Solutions

Members Absent:

None.

Staff and Guests Present:

Matthew Jennings	Treasurer-Tax Collector
Giovane Pizano	Treasurer-Tax Collector
Isela Licea	Treasurer-Tax Collector
Tanya Harris	Auditor Controller
Rose Salgado	Facilities Management
Mike Williams	Columbia Capital
Anna Sarabian	Fieldman, Rolapp & Associates
Imelda Delos Santos	County Executive Office
Valerie Arce	County Executive Office

1. Call to Order and Self-Introductions

The Debt Advisory Committee meeting was called to order at 9:00 a.m. Those present made self-introductions.

2. Approval of the DAC Meeting Minutes for February 20, 2020 and April 9, 2020.

Michael Thomas of County Counsel informed that a minor date correction was needed in the second section of page 2 of the February 20, 2020 meeting minutes.

MOTION: Don Kent moved to approve the DAC meeting minutes from February 20, 2020 with the correction outlined and the meeting minutes from April 9, 2020.

Jon Christensen seconded this.

The motion approved unanimously.

3. FY 20/21 Tax and Revenue Anticipation Notes

Ana Sarabian of Fieldman, Rolapp & Associates reported that Riverside County is considering issuing tax and revenue anticipation notes (TRANs) in the amount of \$340 million. The county issues TRANs annually and has been doing so for many years. The TRANs provides funds to cover cash flow deficits of the general fund during the fiscal year in between the property tax cycle. Every year, the county reviews the option of prepaying its unfunded liability portion of its pension obligation. The county recently issued POBs. The refunding was approved by the Board of Supervisors in April and the bonds were successfully priced in the market. The total cost of issuance for TRANs, assuming the \$340 million par size, is estimated at \$330 thousand. The staff report states that the interest rate is projected on a tax-exempt basis to be approximately 1% for the 12-month note. However, as of the most recent sizing, a better indication of the interest rate would be .7% or .75%.

The FY 20/21 resolution authorizes the issuance of TRANs in an amount not to exceed \$400 million. A TRANs model analysis is prepared every year and is approved by tax counsel to ensure regulations in sizing the TRANs issuance are followed. If there are dramatic or unanticipated changes throughout the year, the resolution allows the county the flexibility to issue another series of notes if needed at a later time throughout the fiscal year. The resolution approves the following financing team: Orrick, Herrington & Sutcliffe LLP as bond counsel, Kutak Rock LLP as disclosure counsel and Fieldman, Rolapp and Associates, Inc. as financial advisor. The county conducted an RFP process and selected Wells Fargo as senior managing underwriter and UBS Financial Services Inc. as the co-manager. The DAC fact sheet provides additional information. The goal is to present to the BOS in early June, price in mid-June and close by July 1, 2020.

Mr. Kent reiterated that, should there be any shocks throughout the year, the resolution allows the amount to increase up to \$400 million should this be needed.

Mr. Christensen inquired if money market buyers/typical TRANS buyers would be sought. Ms. Sarrabian confirmed, but also noted that it is too early to tell. She shared that the new Federal Reserve Municipal Liquidity Facility will help with bringing in new buyers on the short end of the curve, and, as pricing is executed in June, will see if there will be cross-over buyers as well.

Ms. Marshall requested clarification on POBs.

Mr. Kent explained that this refers to the recent Pension Obligation Bonds (POBs) issuance. Back in February, this was presented to and approved by both the Pension Advisory Review Committee (PARC) and Debt Advisory Committee (DAC). The BOS initially approved it on March 17, 2020 and later an amended resolution was presented to allow additional flexibility. Ultimately, a total of \$719 million in pension obligation bonds was successfully priced and sold. The unfunded liability portion paid to CalPERS at 7% was reduced to 3.53%. This was a successful endeavor and closed on May 6, 2020.

Mr. Kent concluded by thanking the Auditor-Controller's Office, including Oscar Valdez and his team, for being successful in their efforts with a shorter than usual turn-around time frame for working on the cash flows which is needed in properly sizing the TRANS.

MOTION: Jon Christensen moved to approve.

Don Kent seconded.

All were in favor. The motion approved unanimously.

4. Public Comment

None.

5. Next Meeting

The next regularly scheduled Debt Advisory Committee Meeting is scheduled for Thursday, June 11, 2020 or as needed.

6. Adjourn

With no further business, Chairman Don Kent, adjourned the Debt Advisory Committee Meeting at 9:15 a.m.

**SUBMITTAL TO THE DEBT ADVISORY COMMITTEE
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: EXECUTIVE OFFICE **SUBMITTAL DATE:** Sept. 10, 2020

SUBJECT: 2020-21 Teeter Obligation Notes Series A

RECOMMENDED MOTION: That the Debt Advisory Committee recommends approval of the FY 20-21 Teeter Obligation Notes to the Board of Supervisors.

BACKGROUND: The 2020-21 Series A Teeter Obligation Notes are part of an ongoing program that has been in place since 1997. The Teeter financing program is open ended and continuously rolls over any unpaid property taxes, since it usually takes more than one year, for collection of delinquent accounts. The annual Note sizing is based upon the following: i.) delinquent property taxes collected in the prior year, pay down the previous year's maturing notes, ii.) The remaining note balance is rolled into the current year's financing and, iii.) The amount needed to fund the current advance of unpaid taxes is added to the financing, iv.) Cost of issuance.

The par amount of the FY 2020-21 Teeter Obligation Notes is estimated to be \$99.815 million. The Notes will be issued in fixed rate form in one tax exempt or taxable series, under the 1997 Master Resolution, with a maturity of one year. Interest will be paid upon maturity on October 21, 2021. Due to the economic impact of COVID 19, the County may be able to sell the Notes at a lower yield on a taxable basis due to premium pricing restrictions on the Teeter program. The decision about issuing the Notes on a taxable basis will be determined by market conditions prior to the pricing of the Notes. The par amount of the Teeter Note program expands and contracts as tax delinquencies rise and fall due to economic conditions and with changes to the size of the overall tax roll. Given the County's senior lien position on the tax delinquent property and the relationship between the amount of unpaid taxes, and property values, since the program's inception, the County collects over 99%+ of the taxes owed, in addition to penalties and interest. Unlike most other County financings which bear a net cost, the Teeter financing program results in net revenues to the County General Fund, which was \$16 million for this past year.

The Program generates ongoing revenue for the General Fund by capturing the penalties and interest on the unpaid taxes upon collection. Those are paid at an annual rate in excess of 20% per annum (10% late penalty plus 1½% per month of default). The County's cost to finance the program last year was 1.15% and is expected to be lower this year due to COVID 19's impact on the economy. The County's current year TRAN had a yield of .28%. We are anticipating the yield on the Teeter Notes to be in the .30% to .50% range, slightly higher than the TRAN due to premium note pricing restrictions on Teeter and depending on market conditions at time of sale. After calculating the statutorily required balance in the Tax Losses Reserve Fund and paying the interest cost for the year, the excess balance is transferred to the General Fund as unrestricted revenue. For FY 19-20 the transfer was \$16 million. For the 2020-21 fiscal year, the budgeted amount is \$16 million as well.

Stephanie Persi
Principal Management Analyst

COUNTY OF RIVERSIDE DEBT ADVISORY COMMITTEE FINANCING FACT SHEET

A. DESCRIPTION OF TYPE OF ISSUE (i.e., GO, COP, IDB, Single/Multi Family):

Name of Issue/Series County of Riverside Teeter Obligation Tax-Exempt or Taxable Notes, 2020 Series A

Aggregate Principal Amount \$99,815,000 estimated

Type of Sale (check one)

Negotiated Sale Competitive Sale _____ Private Placement _____

Estimated Issue Date October 21, 2020

Estimated Pricing Date week of October 5th 2020

Final Maturity Date October 21, 2021

Projected Rating of the Securities:

Moody's MIG1 Standard & Poor's NA

Fitch F1+ Non Rated _____

B. IDENTIFY THE PROJECT(S) TO BE FINANCED (including location):

Fund the 2020-21 Teeter Advance and Refund unpaid prior year notes.

C. IDENTIFY PARTICIPATING DEVELOPERS:

N/A

D. PRINCIPAL PARTIES TO THE TRANSACTION (firm/representative/location/phone):

Bond Counsel: Orrick, Herrington, Sutcliffe LLP

Trustee of Fiscal Agent and/or

Registrar/Transfer/Paying Agent: BNY Mellon

Underwriter: Wells Fargo and Bank of America.

Financial Advisor: Columbia Capital Management LLC

Property Appraiser: N/A

Credit Enhancement Provider/Form

of Credit Enhancement: None

E. INITIATING COUNTY DEPARTMENT AND AMOUNT OF PROCESSING FEES

RECEIVED: Executive Office/Cost Recovery estimated at \$70,000

F. ADMINISTRATING COUNTY DEPARTMENT & SOURCE OF ADMINISTRATIVE FUNDS:

Executive Office/Tax Loss Reserve Fund

**G. ANTICIPATED STRUCTURE OF DEBT:
 (check if applicable)**

Variable rate interest _____
 Fixed rate interest X
 Serial Bonds _____
 Term Bonds _____
 Capital Appreciation Bonds _____
 Other _____

**AMORTIZATION OF PRINCIPAL/DEBT
 SERVICE STRUCTURE:**

1st year of Amortization 2021
 Level debt service (yes/no) NA
 Escalating debt service (yes/no) NA
 Decreasing debt service (yes/no) NA
 Average annual debt service NA

H. CAPITALIZED COSTS:

	(\$)	(% Issue)	(# days)
Reserve Fund	<u> NA </u>	<u> NA </u>	<u> NA </u>
Capitalized Interest	_____	_____	_____
Contingencies	_____	_____	_____
Other Capitalized Accts.	_____	_____	_____

I. CREDIT ENHANCEMENT:

Type of Credit Enhancement:

None

J. SOURCES OF REPAYMENT (exclusive of credit enhancement): (Check if applicable)

Capitalized Interest	_____
Property Taxes	<u>From the Teeter Tax Account</u>
General Fund	<u>Pledged, but not anticipated</u>
Special Assessments	_____
Tax Increment	_____
Special Taxes	_____
Enterprise Revenue	_____
Mortgage Payments	_____
IDB/pvt Party	_____
Other	_____
Describe any revenue coverage	<u>Notes are secured by unpaid property taxes</u>

K. ATTACHMENTS:

1. None

IF MORE SPACE IS NEEDED TO CLARIFY AN ANSWER PLEASE ATTACH A SEPARATE SHEET OF PAPER.

The FY 2020-21 Teeter Obligation Notes Series A Notes are part of an ongoing program that has been in place since 1997. A commercial paper program was in place from 1997 to 2012.

Since 2012, one-year fixed rate notes have been issued for the financing.

The Teeter financing program is open ended and continuously rolls over any unpaid property taxes after applying secured prior year tax collections as a source of funds to reduce the Note size and adding the amount of the current year's advance of unpaid taxes. The size of the program expands and contracts as tax delinquencies rise and fall. The program peaked at \$266 million in 2008 and has been on a downward trend since then as delinquencies have declined year over year until last year with a \$10 million increase. The current year's par amount is expected to be approximately \$99.815 million, an increase from last year's amount of \$84.115 million. The Series A Notes will be issued on a tax-exempt or taxable basis due to unusual market conditions with extremely low interest rates and a premium pricing restriction on the Teeter Notes. There are no new participants this year.

SOURCES AND USES OF FUNDS

Riverside County Teeter Notes
Riverside County Teeter Obligation Notes Series 2020A (Tax Exempt)

Sources:

Bond Proceeds:	
Par Amount	99,815,000.00
Other Sources of Funds:	
Prior Year's Note Interest	1,153,368.52
Prior Year's Delinquent Tax Receipts	38,025,573.00
	<u>39,178,941.52</u>
	138,993,941.52

Uses:

Refunding Escrow Deposits:	
Cash Deposit	85,268,368.52
Delivery Date Expenses:	
Cost of Issuance	280,000.00
Underwriter's Discount	65,620.30
	<u>345,620.30</u>
Other Uses of Funds:	
Teeter Advance	53,376,862.75
Additional Proceeds	3,089.95
	<u>53,379,952.70</u>
	138,993,941.52

BOND SUMMARY STATISTICS

Riverside County Teeter Notes
 Riverside County Teeter Obligation Notes Series 2020A (Tax Exempt)

Dated Date	10/21/2020
Delivery Date	10/21/2020
Last Maturity	10/21/2021
Arbitrage Yield	0.499377%
True Interest Cost (TIC)	0.565315%
Net Interest Cost (NIC)	0.565742%
All-In TIC	0.847406%
Average Coupon	0.500000%
Average Life (years)	1.000
Duration of Issue (years)	1.000
Par Amount	99,815,000.00
Bond Proceeds	99,815,000.00
Total Interest	499,075.00
Net Interest	564,695.30
Total Debt Service	100,314,075.00
Maximum Annual Debt Service	100,314,075.00
Average Annual Debt Service	100,314,075.00
Underwriter's Fees (per \$1000)	
Average Takedown	0.400000
Other Fee	0.257419
	0.657419
Total Underwriter's Discount	0.657419
Bid Price	99.934258

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Note component	99,815,000.00	100.000	0.500%	1.000	9,981.50
	99,815,000.00			1.000	9,981.50

	TIC	All-In TIC	Arbitrage Yield
Par Value	99,815,000.00	99,815,000.00	99,815,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-65,620.30	-65,620.30	
- Cost of Issuance Expense		-280,000.00	
- Other Amounts			
Target Value	99,749,379.70	99,469,379.70	99,815,000.00
Target Date	10/21/2020	10/21/2020	10/21/2020
Yield	0.565315%	0.847406%	0.499377%

BOND PRICING

Riverside County Teeter Notes
 Riverside County Teeter Obligation Notes Series 2020A (Tax Exempt)

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Note component:	10/21/2021	99,815,000	0.500%	0.500%	100.000
		99,815,000			

Dated Date	10/21/2020		
Delivery Date	10/21/2020		
First Coupon	10/21/2021		
Par Amount	99,815,000.00		
Original Issue Discount			
Production	99,815,000.00	100.000000%	
Underwriter's Discount	-65,620.30	-0.065742%	
Purchase Price	99,749,379.70	99.934258%	
Accrued Interest			
Net Proceeds	99,749,379.70		

BOND DEBT SERVICE

Riverside County Teeter Notes
Riverside County Teeter Obligation Notes Series 2020A (Tax Exempt)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/21/2021	99,815,000	0.500%	499,075	100,314,075	100,314,075
	99,815,000		499,075	100,314,075	100,314,075

COST OF ISSUANCE

Riverside County Teeter Notes
Riverside County Teeter Obligation Notes Series 2020A (Tax Exempt)

Cost of Issuance	\$/1000	Amount
Bond counsel	0.49592	49,500.00
Disclosure counsel	0.38571	38,500.00
Fitch rating	0.12022	12,000.00
Moody's rating	0.22041	22,000.00
Municipal advisor	0.60111	60,000.00
Printing	0.03006	3,000.00
Trustee	0.01252	1,250.00
Trustee counsel	0.01503	1,500.00
County admin fee	0.70130	70,000.00
County counsel	0.10019	10,000.00
Cal Muni	0.00501	500.00
Contingency	0.11772	11,750.00
	2.80519	280,000.00

FORM 8038 STATISTICS

Riverside County Teeter Notes
 Riverside County Teeter Obligation Notes Series 2020A (Tax Exempt)

Dated Date 10/21/2020
 Delivery Date 10/21/2020

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Note component:	10/21/2021	99,815,000.00	0.500%	100.000	99,815,000.00	99,815,000.00
		99,815,000.00			99,815,000.00	99,815,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	10/21/2021	0.500%	99,815,000.00	99,815,000.00		
Entire Issue			99,815,000.00	99,815,000.00	1.0000	0.4994%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	345,620.30
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00
Proceeds used to refund prior tax-exempt bonds	85,268,368.52
Proceeds used to refund prior taxable bonds	0.00
Remaining WAM of prior tax-exempt bonds (years)	0.0028
Remaining WAM of prior taxable bonds (years)	0.0000
Last call date of refunded tax-exempt bonds	

2011 Form 8038 Statistics

Proceeds used to currently refund prior issues	85,268,368.52
Proceeds used to advance refund prior issues	0.00
Remaining weighted average maturity of the bonds to be currently refunded	0.0028
Remaining weighted average maturity of the bonds to be advance refunded	0.0000

FORM 8038 STATISTICS

Riverside County Teeter Notes
 Riverside County Teeter Obligation Notes Series 2020A (Tax Exempt)

Refunded Bonds

Bond Component	Date	Principal	Coupon	Price	Issue Price
Riverside County Teeter Obligation Notes Seris 2019A:					
BOND	10/22/2020	84,115,000.00	1.375%	100.271	84,342,951.65
		84,115,000.00			84,342,951.65

	Last Call Date	Issue Date	Remaining Weighted Average Maturity
Riverside County Teeter Obligation Notes Seris 2019A		10/23/2019	0.0028
All Refunded Issues			0.0028