

Rating Action: Moody's assigns MIG 1 to Riverside County, CA's 2022 Teeter Plan Obligation Notes

23 Sep 2022

New York, September 23, 2022 -- Moody's Investors Service has assigned a MIG 1 rating to Riverside County, CA's Teeter Plan Obligation Notes, 2022 Series A. The notes will be issued in the approximate par amount of \$84.1 million.

RATINGS RATIONALE

The MIG 1 rating is driven by the strong long-term credit quality of Riverside County, as reflected in its Aa2 issuer rating with a stable outlook. The MIG 1 rating also reflects the notes' pledge of Teeter program revenues, which are highly reliable despite a slight uptick in delinquencies in fiscal 2020 resulting from the coronavirus pandemic and permitted deferrals of property tax payments. Delinquencies have since declined and are returning to pre pandemic lows. The notes may be paid from lawfully available balances in the county's general fund, which will remain strong through the notes' maturity, supported by balanced operations, an adopted reserve policy, and conservative budgeting practices.

The county's Aa2 issuer rating reflects a healthy economy and continued expansion in a diverse tax base, as well as strengthened reserves and strong budget management. The rating also incorporates average resident income, manageable long-term liabilities, and the above-average legal strengths of California GO bonds.

RATING OUTLOOK

Outlooks are not assigned to short-term ratings.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Multi-notch downgrade of the county's long-term issuer rating
- Material weakening of the financial position of the Teeter program, the general fund, and other available reserves and liquidity

LEGAL SECURITY

The Teeter Plan Obligation Notes, 2022 Series A are a senior pledge of delinquent property taxes levied in fiscal 1994 through fiscal 2022 by taxing entities participating in the county's Teeter program and all amounts received by the county upon the redemption or sale of property to recover such property taxes or assessments. As of June 30, 2021, the outstanding balance of close to \$100 million for the 2021 Teeter note program was overcollateralized by unpaid taxes by \$8.2 million.

The notes are also payable from lawfully available moneys in the county's general fund, including available revenues generated in the prior, current or any subsequent fiscal year as well as close to \$1.5 billion of borrowable fund balances in its special revenue, capital project, enterprise and internal service funds. However, taxes pledged for repayment of the Teeter notes do not include the county's property tax revenues attributable to fiscal 2023, which are pledged to the county's \$360 million 2022 Tax Revenue Anticipation Notes due on June 30, 2023. With a fair market value of \$10.5 billion as of August 31, 2022, the county's Treasurer's Pooled Investment Fund has the authority and capacity to purchase the notes in the event market access to rollover the notes were not available.

USE OF PROCEEDS

The proceeds of the Teeter Plan Obligation Notes, 2022 Series A will refund approximately \$51.8 million of the outstanding County of Riverside Teeter Plan Obligation Notes, 2021 Series A (Tax-Exempt) constituting the

unpaid delinquent property taxes from prior years. Approximately \$32.3 million of note proceeds, down from \$37.6 million in the prior year, will fund an advance of unpaid property taxes for agencies participating in the county's Teeter Plan during fiscal 2023.

PROFILE

Located in southern California, Riverside County encompasses around 7,177 square miles. The county is the fourth largest in the state by area and stretches 185 miles from the Arizona (Aa1 stable) border to within 20 miles of the Pacific Ocean. There are 28 incorporated cities in the county, with an estimated population of 2.4 million as of 2020. The county provides a wide range of services to residents, including police and fire protection, medical and health services, education, library services, judicial institutions and public assistance programs. The county is governed by a five-member board of supervisors.

METHODOLOGY

The principal methodology used in this rating was Short-term Debt of US States, Municipalities and Nonprofits Methodology published in July 2020 and available at <https://ratings.moodys.com/api/rmc-documents/67339>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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