MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns MIG 1 to Riverside County, CA's 2021 Teeter Plan Obligation Notes

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New York, September 28, 2021 -- Moody's Investors Service has assigned a MIG 1 rating to Riverside County, CA's $87.4 million Teeter Plan Obligation Notes, 2021 Series A (Tax-Exempt).

RATINGS RATIONALE

The MIG 1 rating is driven by the strong long-term credit quality of Riverside County, as reflected in its Aa3 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. The notes may be paid from lawfully available balances in the county's general fund, which are expected to remain strong through the notes' maturity.

The county's Aa3 issuer rating reflects its robust and diverse tax base, average resident wealth measures, and stable financial profile with below-average reserves. The county consistently demonstrates prudent fiscal management with an adopted reserve policy, and a record of proactive cost-cutting and expenditure controls that are expected to continue. The Aa3 issuer rating further considers the county's moderate debt and OPEB burden, somewhat elevated pension 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 2021 A Teeter Obligation Notes are a senior pledge of delinquent property taxes levied in fiscal 1994 through fiscal 2021 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. Exclusive of fiscal 2021 taxes receivable, the total unpaid taxes securing the notes exceed the 2021 note amount by $6.7 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 over $1.3 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 2022, which are pledged to the county's $340 million 2021 Tax Revenue Anticipation Notes due on June 30, 2022. The county's $9.5 billion 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 2021 Series A Teeter Obligation Notes will refund approximately $49.7 million of the outstanding County of Riverside 2020 Series A Teeter Obligation Notes (Tax-Exempt) constituting the unpaid delinquent property taxes from prior years. Approximately $37.6 million of note proceeds will fund an advance of unpaid property taxes for agencies participating in the county's Teeter Plan during fiscal 2022.

PROFILE

Located in Southern California, Riverside County encompasses 7,177 square miles. The county is the fourth largest in the state by area and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean.

In 1993, the county adopted its Teeter plan, which is an alternative procedure for collecting and distributing property taxes and assessments levied on the secured roll by taxing entities within its jurisdiction. The Teeter plan provides for the county to disburse secured roll taxes to participating taxing entities based on the amount levied rather than the amount collected. The county then receives and retains all future delinquent tax payments, penalties, and interest. A Teeter plan provides participating taxing entities with greater certainty regarding annual property tax revenues, while a county managing a Teeter plan generally can realize more directly the financial benefit of its tax collection efforts.

Through the Teeter plan, the treasurer-tax collector bills property owners annually, with half of the total amount due in both December and April. Traditionally, late payments are subject to a 10% penalty, and unpaid taxes begin accruing a 1.5% per month interest charge if unpaid at the end of the fiscal year. As part of the COVID-19 related response from the State of California, Governor Newson signed Executive Order N-61-20 granting temporary waivers of delinquency penalties for certain property owners who were affected by the pandemic. This Executive Order expired in May 2021 and while in effect resulted in an estimated $1.29 million of cancelled penalties and interest, a relatively minor proportion of total pledged collections of over $90 million. Property owners are subject to tax sale if delinquent taxes and penalties are not paid within five years, but the vast majority are corrected within one or two years. Regardless of the tax payments actually received, the county disburses to Teeter program participants their proportionate share of taxes levied in December and April.

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://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1210749 . Alternatively, please see the Rating Methodologies page on www.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 at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

This rating is solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288435 .

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