

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # *B-4

Urgent Routine

AGENDA DATE January 18, 2011

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval of the Request of the Turlock Redevelopment Agency for the County to Subordinate AB1290 Payments and Tax Increment Pass-Through Payments to Support a Redevelopment Agency Debt Issuance, Not to Exceed Fifteen Million Dollars in Net Project Funding, by the Turlock Public Financing Authority for Tax Allocation Revenue Bonds, Series 2011

STAFF RECOMMENDATIONS:

Approve the request of the Turlock Redevelopment Agency for the County to subordinate AB1290 Payments and Tax Increment Pass-Through Payments to support a Redevelopment Agency debt issuance, not to exceed fifteen million dollars in Net Project Funding, by the Turlock Public Financing Authority for Tax Allocation Revenue Bonds, Series 2011

FISCAL IMPACT:

The Turlock Redevelopment Agency has proposed, and the Turlock City Council has approved, the construction of a new Public Safety Center in the City of Turlock. Funding for the project will include proceeds from a proposed debt issue, not to exceed fifteen million dollars, secured by the property tax revenue allocated to the Redevelopment Agency. Financial analyses indicate that, based on existing property values in the Redevelopment area, funding for the existing and proposed debt is available with an approximately ten percent margin, before RDA administrative fees, to address the potential that property values will continue to decline in the Redevelopment Area.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2011-053

On motion of Supervisor Chiesa, Seconded by Supervisor DeMartini
and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, DeMartini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION: THIS ITEM WAS REMOVED FROM THE CONSENT CALENDAR AND PLACED ON NON-CONSENT FOR DISCUSSION AND CONSIDERATION



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

FISCAL IMPACT (Continued):

The Redevelopment Agency has provided to the County a cash flow analysis outlining sources and uses of the Redevelopment tax increment, and has also provided a written commitment to fund all pass-through obligations prior to funding any agency administrative fees. Absent this latter commitment, the differential between the Agency tax revenue and debt service obligations would have been insufficient to recommend approval of the RDA's subordination request. As an example, in year three of the repayment term, total debt service and tax revenue pass-through obligations equals approximately \$4.7 million against estimated tax revenue of \$5.2 million, excluding the \$500,000 Agency Administrative fee. If revenues drop below \$5.2 million, the Agency Administrative fee is reduced in an amount necessary to cover funding obligations, up to the total \$500,000 administrative allocation. If proceeds drop more than \$500,000, the subordination agreement would trigger and pass-through revenues would be used to service the project debt. The revenue analysis and the commitment letter are attached.

DISCUSSION:

The Turlock Redevelopment Agency is proposing to incur debt to: (i) finance capital projects of benefit to the Turlock Redevelopment Project (the "Project Area") and (ii) if market conditions are favorable, to pay off a prior loan incurred by the Agency in 1999. The Proposed 2010 Loan would be incurred in conjunction with the issuance of bonds by the Turlock Public Financing Authority and will rank on a parity with a prior loan incurred by the Agency in 2006 (the "2006 Loan") and with the 1999 Loan (if not paid off). Proceeds from the proposed debt issue to be secured by the property tax revenue allocated to the Redevelopment Agency are not to exceed fifteen million dollars.

The requested subordination is authorized under two separate approval processes, (1) as permitted by Section 33607.5(e), the authority of the Redevelopment Agency to request that the County approve the subordination of the Agency's obligations with regard to the AB1290 Payments payable to the County, to the Agency's repayment of the Proposed 2010 Loan; and (2) the authority of the Redevelopment Agency, pursuant to a separate agreement entitled "Agreement Between the Redevelopment Agency of the City of Turlock and the County of Stanislaus Pursuant to the Health and Safety Code Section 33401," dated as of December 7, 1993 (the "Agreement") which provides that the Agency may request the County to subordinate its interests in the Agreement, and to allow the Agency to pledge all or any portion of the tax increments otherwise payable to the County under this Agreement in order to secure repayment of Agency indebtedness incurred for the Project, conditioned upon the

Approval of the Request of the Turlock Redevelopment Agency for the County to Subordinate AB1290 Payments and Tax Increment Pass-Through Payments to Support a Redevelopment Agency Debt Issuance, Not to Exceed Fifteen Million Dollars in Net Project Funding, by the Turlock Public Financing Authority for Tax Allocation Revenue Bonds, Series 2011
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Agency's anticipated ability to repay such indebtedness incurred for the Project without borrowing against the payments due to the County under the terms of this Agreement.

Financial analyses indicate that, based on existing property values in the Redevelopment area, funding for the existing and proposed debt is available with an approximately ten percent margin, before RDA administrative fees, to address the potential that property values will continue to decline in the Redevelopment Area. The Redevelopment Agency has provided to the County a cash flow analysis outlining sources and uses of the Redevelopment tax increment, and has also provided a written commitment to fund annual pass-through obligations prior to funding any Agency Administrative fees. Absent this latter commitment, the differential between the Agency tax revenue and debt service obligations would have been insufficient to recommend approval of the RDA's subordination request.

Pursuant to California Health and Safety Code Section 33607.5 (Section 33607.5"), the County is entitled to receive certain payments from tax increment revenues allocated to the Agency with respect to the portion of the Project Area that was added in 1996 (the "AB1290 Payments"). The Redevelopment Agency is requesting that the County approve the subordination of the Agency's obligations with regard to the AB1290 Payments to County to the Agency's repayment of the Proposed 2010 Loan, as permitted by Section 33607.5(e).

The Agency has provided in writing a commitment that the proposed 2010 debt issuance will not exceed fifteen million dollars in Net Project Funding and has further indicated their belief that tax increment revenues generated within the Project Area are sufficient to pay debt service on the Proposed 2010 Loan, the 2006 Loan and the 1999 Loan (if not paid off), and also pay in full the AB1290 Payments due to the County.

The requested subordination was initially received in a letter dated October 5, 2010 and received in the Chief Executive Office on October 11, 2010. The original request was for a debt issuance of up to \$30,000,000. Section 33607.5(e)(3) provides as follows:

"Within 45 days after receipt of the agency's request, the affected taxing entity shall approve or disapprove the request for subordination. An affected taxing entity may disapprove a request for subordination only if it finds, based upon substantial evidence, that the 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 agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive."

Based on the language of the statute, it is apparent that an affected agency is precluded from disapproving a request unless it finds, based upon substantial evidence, that the issuing agency would not be able to make required payments. Following an analysis of the available funding to support the request for subordination of a \$30 million debt issue, the Chief Executive Officer denied, within the 45 day window, the request to subordinate, citing the insufficiency of funds to meet the proposed debt obligation.

After discussions between City, County, and RDA representatives, the debt proposal was reduced from \$30 million to \$15 million, and the previous finding that the agency could not reasonably be expected to pay their obligations was no longer relevant.

Further, pursuant to a separate agreement entitled "Agreement Between the Redevelopment Agency of the City of Turlock and the County of Stanislaus Pursuant to the Health and Safety Code Section 33401," dated as of December 7, 1993, each year the Agency pays to the County of Stanislaus certain amounts from tax increment revenues allocated to the Agency with respect to the original territory of the Project Area (the "Pass-through Payments"). The Pass-through Payments are secured by a pledge of such tax increment revenues.

Section 3 of the Agreement states, in part, as follows:

"The Agency may request the County to subordinate its interests [in the Agreement] and to allow the Agency to pledge all or any portion of the tax increments otherwise payable to the County under this Agreement in order to secure repayment of Agency indebtedness incurred for the Project. The County agrees to comply with such request, provided that the Agency first demonstrates, to the satisfaction of the County, the Agency's anticipated ability to repay such indebtedness incurred for the Project without demand anticipated to be made on the payments due the County under the terms of this Agreement. Any such demonstration shall include, without limitation, revenue forecasts, debt service schedules and satisfactory assurance by the Agency that it will reimburse the County in full for any amounts which are due to the County and which the County agrees the Agency may use, if necessary, to repay any such indebtedness. Any tax increment revenues owed to the County under this Agreement so used by the Agency shall be treated as an advance by the County and shall be repaid by the Agency with interest and upon such

other terms as are agreed upon by the parties at the time such tax increment revenues are first advanced to the Agency.”

Pursuant to Section 3 of the Agreement and prior communication between the Agency and the County, the Agency's obligations with respect to the Pass-through Payments under the Agreement have been subordinated to the repayment of the 1999 Loan and the 2006 Loan.

Based on this contractual agreement, the Agency also requested that the County subordinate the Agency's obligations with respect to the Pass-through Payments under the separate Agreement to the Agency's repayment of the Proposed 2010 Loan. As in the earlier circumstance, the County initially declined to subordinate its pass-through payment, based on a proposed loan amount of \$30 million, but staff is recommending approval based on the revised amount of \$15 million.

Still unanswered is the question relating to the impact, if any, of the recent recommendation of Governor Jerry Brown to eliminate Redevelopment Agencies in their entirety. Based on the uncertainty of this proposal and absent any definitive guidance relative to the potential impacts of the proposal on existing RDA debt, staff's recommendation is to proceed with the request based on information known at this time, and to weigh the decision based on quantifiable factors.

The Redevelopment Agency has requested that the Board of Supervisors take official action, by resolution or motion, to formally approve this subordination.

POLICY ISSUES:

The proposal, if approved, will enhance the Board's priorities of a Safe Community and Effective Partnerships. Absent the County's agreement to subordinate to the proposed debt repayment, it is unlikely that the City of Turlock and the Turlock Redevelopment Agency would be successful in their efforts to issue debt to construct the City's new Public Safety Center. As described by the City representatives, the proposed project Public Safety Center will help to enhance the regional delivery of public safety services in and around the City of Turlock.

CONTACT PERSON:

Richard Robinson, Chief Executive Officer. Telephone: (209) 525-4305.



CHIEF EXECUTIVE OFFICE

TURLOCK REDEVELOPMENT AGENCY

2011 JAN 13 P 1:55

156 S. BROADWAY, SUITE 230 | TURLOCK, CALIFORNIA 95380 | PHONE 209-668-5540 | FAX 209-668-5668

January 11, 2011

STANISLAUS COUNTY

Mr. Richard Robinson, CEO
1010 Tenth Street, Suite 6800
Modesto, CA 95354

Subject: Subordination of AB 1290 Payments and Pass-Through Payments to debt service on the proposed Turlock Public Financing Authority Tax Allocation Revenue Bonds, Series 2011

Dear Rick:

The purpose of this letter is to provide the details of the terms and conditions by which the County of Stanislaus (the "County") will agree to subordinate its receipt of certain tax sharing payments to debt service on Tax Allocation Revenue Bonds, Series 2011 (the "2011 Bonds") proposed to be issued by the Turlock Public Financing Authority (the "Authority"). The Authority will loan the proceeds of the 2011 Bonds to the Turlock Redevelopment Agency (the "Agency") in order to provide financing for certain public capital improvements of benefit to the Turlock Project Area, and, if market conditions are favorable, to prepay a loan from the Authority to the Agency, relating to the Authority's Revenue Bonds, Series 1999.

The County has previously agreed to subordinate its receipt of certain tax sharing payments, to the Authority's outstanding tax allocation bonds issued in 1999 and 2006 (the "Prior Bonds"). The Authority has proposed to issue the 2011 Bonds in an amount necessary to provide net project funds of approximately \$15,000,000. The Agency will agree to limit the net project funds to an amount not to exceed \$15 million.

As long as the 2011 Bonds are outstanding, the Agency will agree to use its annual tax increment revenues in the following order (Section references are to the Health and Safety Code):

1. Section 33676 ("Inflationary") Payments
2. Deposits to the Agency's Low- and Moderate-Income Housing Fund
3. County collection/admin. fees
4. Debt Service on the Prior Bonds, the 2011 Bonds, and any future parity bonds
5. Section 33607.5 and 33607.7 Payments ("AB 1290 Payments") and Section 33401 Payments ("Negotiated Payments")
6. Other Agency expenses and projects/programs.

Subordination Letter to Stanislaus County

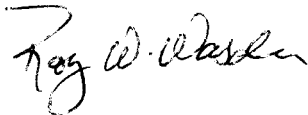
January 11, 2011

Page 2

The County will agree to subordinate its annual receipt of AB 1290 Payments and Negotiated Payments to the annual debt service payments on the 2011 Bonds.

The Agency and the County acknowledge that there remains a difference of opinion with respect to the calculation method of projecting future tax increment revenues and tax sharing payments. The County Auditor-Controller's Office will be responsible for the calculations of the various tax sharing payments, based on the actual tax increment amounts generated in the Turlock Redevelopment Project Area in any given fiscal year.

Sincerely,

A handwritten signature in cursive script, appearing to read "Roy W. Wasden".

Roy W. Wasden
City Manager

**Turlock Redevelopment Agency
Turlock Project Area
2010 Tax Allocation Revenue Bonds**

No Growth and Uniform Coverage

Fiscal Year (1)	Estimated FY10-11 Tax Revenue	Parity Obligations					Subordinate Obligations			Total Subordinate and Debt Service	Coverage Before Agency Admin Fee	Agency Admin Fee	Total of All Obligations	Remaining Cashflow	All-In Coverage
		Series 1999 Debt Service	Series 2006 Debt Service	Proposed 2010 TABs Debt Service	Total Parity Debt Service	Coverage from FY10-11 TI	AB 1290 Tax Sharing (3)	Negotiated Tax Sharing (4)	Total Subordinate Obligations						
2011	4,975,181	335,073	1,542,616	897,769	2,775,458	179.3%	929,581	438,288	1,367,869	4,143,327	120.1%	500,000	4,643,327	331,854	107.1%
2012	5,189,805	336,673	1,545,066	1,049,750	2,931,489	169.7%	929,581	438,288	1,367,869	4,299,358	120.7%	500,000	4,799,358	390,447	108.1%
2013	5,189,805	337,748	1,546,616	1,049,750	2,934,114	169.6%	929,581	438,288	1,367,869	4,301,983	120.6%	500,000	4,801,983	387,822	108.1%
2014	5,189,805	333,298	1,547,266	1,334,750	3,215,314	154.7%	929,581	543,809	1,473,390	4,688,704	110.7%	500,000	5,188,704	1,101	100.0%
2015	5,189,805	333,585	1,547,016	1,327,638	3,208,239	155.1%	929,581	547,174	1,476,755	4,684,994	110.8%	500,000	5,184,994	4,811	100.1%
2016	5,189,805	338,348	1,545,866	1,325,313	3,209,526	155.0%	929,581	547,174	1,476,755	4,686,281	110.7%	500,000	5,186,281	3,524	100.1%
2017	5,189,805	336,903	1,546,266	1,322,563	3,205,731	155.2%	929,581	547,174	1,476,755	4,682,486	110.8%	500,000	5,182,486	7,319	100.1%
2018	5,189,805	334,913	1,545,866	1,329,388	3,210,166	155.0%	929,581	547,174	1,476,755	4,686,921	110.7%	500,000	5,186,921	2,884	100.1%
2019	5,189,805	337,378	1,544,666	1,327,063	3,209,106	155.0%	929,581	547,174	1,476,755	4,685,861	110.8%	500,000	5,185,861	3,944	100.1%
2020	5,189,805	339,025	1,546,566	1,323,950	3,209,541	155.0%	929,581	547,174	1,476,755	4,686,296	110.7%	500,000	5,186,296	3,509	100.1%
2021	5,189,805	339,855	1,542,129	1,330,050	3,212,034	154.9%	929,581	547,174	1,476,755	4,688,789	110.7%	500,000	5,188,789	1,016	100.0%
2022	5,189,805	339,868	1,546,544	1,319,838	3,206,249	155.2%	929,581	547,174	1,476,755	4,683,004	110.8%	500,000	5,183,004	6,801	100.1%
2023	5,189,805	339,063	1,544,200	1,218,113	3,101,375	160.4%	929,581	652,695	1,582,276	4,683,651	110.8%	500,000	5,183,651	6,154	100.1%
2024	5,189,805	337,440	1,545,600	1,220,788	3,103,828	160.3%	929,581	652,695	1,582,276	4,686,104	110.7%	500,000	5,186,104	3,701	100.1%
2025	5,189,805	-	1,885,000	1,096,525	2,981,525	166.9%	929,581	774,949	1,704,531	4,686,056	110.7%	500,000	5,186,056	3,749	100.1%
2026	5,189,805	-	1,882,500	1,098,300	2,980,800	166.9%	929,581	774,949	1,704,531	4,685,331	110.8%	500,000	5,185,331	4,474	100.1%
2027	5,189,805	-	1,882,500	1,098,600	2,981,100	166.9%	929,581	774,949	1,704,531	4,685,631	110.8%	500,000	5,185,631	4,174	100.1%
2028	5,189,805	-	1,884,750	1,098,000	2,982,750	166.8%	929,581	774,949	1,704,531	4,687,281	110.7%	500,000	5,187,281	2,524	100.0%
2029	5,189,805	-	1,884,000	1,095,813	2,979,813	167.0%	929,581	774,949	1,704,531	4,684,343	110.8%	500,000	5,184,343	5,462	100.1%
2030	5,189,805	-	1,885,250	1,092,688	2,977,938	167.1%	929,581	774,949	1,704,531	4,682,468	110.8%	500,000	5,182,468	7,337	100.1%
2031	5,189,805	-	1,883,250	1,098,625	2,981,875	166.8%	929,581	774,949	1,704,531	4,686,406	110.7%	500,000	5,186,406	3,399	100.1%
2032	5,189,805	-	1,883,000	1,097,175	2,980,175	166.9%	929,581	774,949	1,704,531	4,684,706	110.8%	500,000	5,184,706	5,099	100.1%
2033	5,189,805	-	1,884,250	1,094,425	2,978,675	167.0%	929,581	774,949	1,704,531	4,683,206	110.8%	500,000	5,183,206	6,599	100.1%
2034	5,189,805	-	1,886,750	1,590,375	3,477,125	143.1%	929,581	774,949	1,704,531	5,181,656	100.2%	-	5,181,656	8,149	100.2%
2035	5,189,805	-	1,885,250	1,397,525	3,282,775	151.6%	929,581	970,295	1,899,876	5,182,651	100.1%	-	5,182,651	7,154	100.1%
2036	5,189,805	-	1,884,750	1,398,450	3,283,200	151.5%	929,581	970,295	1,899,876	5,183,076	100.1%	-	5,183,076	6,729	100.1%
2037	5,189,805	-	-	3,286,125	3,286,125	151.4%	929,581	970,295	1,899,876	5,186,001	100.1%	-	5,186,001	3,804	100.1%
2038	5,189,805	-	-	3,282,700	3,282,700	151.6%	929,581	970,295	1,899,876	5,182,576	100.1%	-	5,182,576	7,229	100.1%
2039	5,189,805	-	-	2,832,900	2,832,900	175.6%	929,581	970,295	1,899,876	4,732,776	109.7%	-	4,732,776	457,029	109.7%
2040	5,189,805	-	-	-	-	-	929,581	970,295	1,899,876	1,899,876	273.2%	-	1,899,876	3,289,929	273.2%

(1) Pledged Revenues presented on a fiscal year basis, bond debt service presented on the lagging bond year basis. (i.e. debt service due on September 1, 2011 will be paid from FY 2010-11 pledged revenues.)

(2) Additional bonds test is 125% of the maximum annual debt service service of the outstanding Series 1999 and 2006 bonds and the proposed 2009 bonds.

(3) AB 1290 payments for the Amendment Area.

(4) Payments per tax sharing agreements in the Original Area.



CHIEF EXECUTIVE OFFICE

OCT 11 P 2:20

TURLOCK REDEVELOPMENT AGENCY

156 S. BROADWAY, SUITE 230 | TURLOCK, CALIFORNIA 95380 | PHONE 209-668-5540 | FAX 209-668-5668

October 5, 2010

STANISLAUS COUNTY

Mr. Richard Robinson, CEO
1010 Tenth Street, Suite 6800
Modesto, CA 95354

Re: Request for Subordination of AB 1290 Payments to Proposed Indebtedness With Respect to Turlock Redevelopment Project

Dear Rick:

The Turlock Redevelopment Agency (the "Agency") is contemplating the incurrence of certain indebtedness (the "Proposed 2010 Loan") to: (i) finance capital projects of benefit to the Turlock Redevelopment Project (the "Project Area") and (ii) if market conditions are favorable, to pay off a prior loan incurred by the Agency in 1999 (the "1999 Loan"). The Proposed 2010 Loan will be incurred in conjunction with the issuance of bonds by the Turlock Public Financing Authority and will rank on a parity with a prior loan incurred by the Agency in 2006 (the "2006 Loan") and with the 1999 Loan (if not paid off).

As you are aware, pursuant to California Health and Safety Code Section 33607.5 ("Section 33607.5"), the County is entitled to receive certain payments from tax increment revenues allocated to the Agency with respect to the portion of the Project Area that was added in 1996 (the "AB1290 Payments"). The Agency is sending this letter to request approval to subordinate the Agency's obligations with regard to the AB 1290 Payments to County to the Agency's repayment of the Proposed 2010 Loan, as permitted by Section 33607.5(e).

The Agency estimates that the principal amount of the Proposed 2010 Loan will not exceed \$30,000,000. Attached please find certain tables prepared by the Agency's fiscal consultant. As shown in such tables, the Agency anticipates that there will be sufficient tax increment revenues with respect to Project Area for the Agency to pay debt service on the Proposed 2010 Loan, the 2006 Loan and the 1999 Loan (if not paid off), and also pay in full the AB 1290 Payments due to the County.

The Agency requests that the Board of Supervisors take official action, by resolution or motion, to formally approve this subordination. Upon the completion of such action, please sign the Acknowledgement attached at the end of the enclosed copy of this letter.

We would appreciate hearing from you at the earliest possible date, as this is a time sensitive endeavor. Section 33607.5(e)(3) provides as follows:

“Within 45 days after receipt of the agency’s request, the affected taxing entity shall approve or disapprove the request for subordination. An affected taxing entity may disapprove a request for subordination only if it finds, based upon substantial evidence, that the 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 agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive.”

If you desire any additional information or explanation regarding the attached tables or the Agency’s request, please feel free to contact me at the above number or Marie Lorenzi, Senior Accountant at (209) 668-5542 extension1318.

We appreciate your attention to this matter.

Sincerely,



Roy. W Wasden
Executive Director

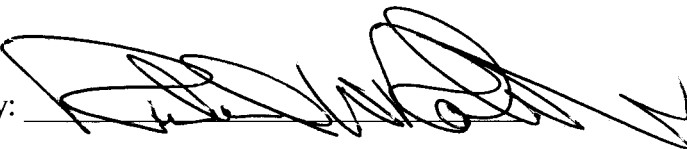
ACKNOWLEDGEMENT

In response to the request by the Turlock Redevelopment Agency (the "Agency") set forth in the attached letter, the County hereby confirms its approval to the subordination of the Agency's obligations with respect to the AB 1290 Payments to the County to the Agency's repayment of the Proposed 2010 Loan.

The County Board of Supervisors has taken formal action on January 18, 2011, to acknowledge and approve this subordination. A copy of the related [resolution / minute] is enclosed.

IN WITNESS WHEREOF, the undersigned has caused this Acknowledgement to be signed by its authorized representative on this 18th day of January, 2011.

STANISLAUS COUNTY

By: 

Name: Richard W. Robinson

Title: CEO

**Turlock Redevelopment Agency
Turlock Project Area
2010 Tax Allocation Revenue Bonds**

Maximum Capacity Based on Estimated FY 2010-11 Revenues (assuming annual Agency Admin of \$500,000)

Fiscal Year (1)	Estimated FY10-11 Tax Revenue	Parity Obligations					Subordinate Obligations				All Obligations	All-In Coverage	Remaining Cashflow
		Series 1999 Debt Service	Series 2006 Debt Service	Proposed 2010 TABs Debt Service	Total Parity Debt Service	Parity Coverage	AB 1290 Tax Sharing (3)	Negotiated Tax Sharing (4)	Agency Admin Fee	Total Subordinate Obligations			
2011	5,274,458	335,073	1,542,616	1,450,000	3,327,689	158.5%	946,352	485,624	500,000	1,931,976	5,259,665	100.3%	14,793
2012	5,274,458	336,673	1,545,066	1,450,000	3,331,739	158.3%	946,352	485,624	500,000	1,931,976	5,263,715	100.2%	10,743
2013	5,274,458	337,748	1,546,616	1,445,000	3,329,364	158.4%	946,352	485,624	500,000	1,931,976	5,261,340	100.2%	13,118
2014	5,274,458	333,298	1,547,266	1,335,000	3,215,564	164.0%	946,352	602,542	500,000	2,048,894	5,264,458	100.2%	10,000
2015	5,274,458	333,585	1,547,016	1,330,000	3,210,601	164.3%	946,352	606,270	500,000	2,052,622	5,263,224	100.2%	11,234
2016	5,274,458	338,348	1,545,866	1,330,000	3,214,214	164.1%	946,352	606,270	500,000	2,052,622	5,266,836	100.1%	7,622
2017	5,274,458	336,903	1,546,266	1,330,000	3,213,169	164.2%	946,352	606,270	500,000	2,052,622	5,265,791	100.2%	8,667
2018	5,274,458	334,913	1,545,866	1,330,000	3,210,779	164.3%	946,352	606,270	500,000	2,052,622	5,263,401	100.2%	11,057
2019	5,274,458	337,378	1,544,666	1,330,000	3,212,044	164.2%	946,352	606,270	500,000	2,052,622	5,264,666	100.2%	9,792
2020	5,274,458	339,025	1,546,566	1,325,000	3,210,591	164.3%	946,352	606,270	500,000	2,052,622	5,263,214	100.2%	11,244
2021	5,274,458	339,855	1,542,129	1,330,000	3,211,984	164.2%	946,352	606,270	500,000	2,052,622	5,264,606	100.2%	9,852
2022	5,274,458	339,868	1,546,544	1,325,000	3,211,411	164.2%	946,352	606,270	500,000	2,052,622	5,264,034	100.2%	10,424
2023	5,274,458	339,063	1,544,200	1,210,000	3,093,263	170.5%	946,352	723,188	500,000	2,169,540	5,262,803	100.2%	11,655
2024	5,274,458	337,440	1,545,600	1,210,000	3,093,040	170.5%	946,352	723,188	500,000	2,169,540	5,262,580	100.2%	11,878
2025	5,274,458	-	1,885,000	1,075,000	2,960,000	178.2%	946,352	858,646	500,000	2,304,999	5,264,999	100.2%	9,459
2026	5,274,458	-	1,882,500	1,075,000	2,957,500	178.3%	946,352	858,646	500,000	2,304,999	5,262,499	100.2%	11,959
2027	5,274,458	-	1,882,500	1,075,000	2,957,500	178.3%	946,352	858,646	500,000	2,304,999	5,262,499	100.2%	11,959
2028	5,274,458	-	1,884,750	1,075,000	2,959,750	178.2%	946,352	858,646	500,000	2,304,999	5,264,749	100.2%	9,709
2029	5,274,458	-	1,884,000	1,075,000	2,959,000	178.3%	946,352	858,646	500,000	2,304,999	5,263,999	100.2%	10,459
2030	5,274,458	-	1,885,250	1,075,000	2,960,250	178.2%	946,352	858,646	500,000	2,304,999	5,265,249	100.2%	9,209
2031	5,274,458	-	1,883,250	1,075,000	2,958,250	178.3%	946,352	858,646	500,000	2,304,999	5,263,249	100.2%	11,209
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2034	5,274,458	-	1,886,750	1,570,000	3,456,750	152.6%	946,352	858,646	-	1,804,999	5,261,749	100.2%	12,709
2035	5,274,458	-	1,885,250	1,355,000	3,240,250	162.8%	946,352	1,075,090	-	2,021,442	5,261,692	100.2%	12,766
2036	5,274,458	-	1,884,750	1,355,000	3,239,750	162.8%	946,352	1,075,090	-	2,021,442	5,261,192	100.3%	13,266
2037	5,274,458	-	-	3,240,000	3,240,000	162.8%	946,352	1,075,090	-	2,021,442	5,261,442	100.2%	13,016
2038	5,274,458	-	-	3,240,000	3,240,000	162.8%	946,352	1,075,090	-	2,021,442	5,261,442	100.2%	13,016
2039	5,274,458	-	-	3,240,000	3,240,000	162.8%	946,352	1,075,090	-	2,021,442	5,261,442	100.2%	13,016
2040	5,274,458	-	-	3,240,000	3,240,000	162.8%	946,352	1,075,090	-	2,021,442	5,261,442	100.2%	13,016

(1) Pledged Revenues presented on a fiscal year basis, bond debt service presented on the lagging bond year basis. (i.e. debt service due on September 1, 201 will be paid from FY 2010-11 pledged revenues.)

(2) Additional bonds test is 125% of the maximum annual debt service service of the outstanding Series 1999 and 2006 bonds and the proposed 2009 bonds.

(3) AB 1290 payments for the Amendment Area.

(4) Payments per tax sharing agreements in the Original Area.



TURLOCK REDEVELOPMENT AGENCY

156 S. BROADWAY, SUITE 230 | TURLOCK, CALIFORNIA 95380 | PHONE 209-668-5540 | FAX 209-668-5668

2010 OCT 11 P 2:20
October 5, 2010

STANISLAUS COUNTY

Mr. Richard Robinson, CEO
1010 Tenth Street, Suite 6800
Modesto, CA 95354

Re: Request to Subordinate County Pass-Through Payments to Proposed Indebtedness to be Incurred by the Turlock Redevelopment Agency With Respect to Turlock Redevelopment Project

Dear Rick:

The Turlock Redevelopment Agency (the "Agency") is contemplating the incurrence of certain indebtedness (the "Proposed 2010 Loan") to: (i) finance capital projects of benefit to the Turlock Redevelopment Project (the "Project Area"), and (ii) if market conditions are favorable, pay off a prior loan incurred by the Agency in 1999 (the "1999 Loan"). The Proposed 2010 Loan will be incurred in conjunction with the issuance of bonds by the Turlock Public Financing Authority and will rank on a parity with a prior loan incurred by the Agency in 2006 (the "2006 Loan") and with the 1999 Loan (if not paid off).

As you are aware, pursuant an agreement entitled "Agreement Between the Redevelopment Agency of the City of Turlock and the County of Stanislaus Pursuant to the Health and Safety Code Section 33401," dated as of December 7, 1993 (the "Agreement"), each year, the Agency pays to the County of Stanislaus (the "County") certain amounts from tax increment revenues allocated to the Agency with respect to the original territory of the Project Area (the "Pass-through Payments"). The Pass-through Payments are secured by a pledge of such tax increment revenues. Section 3 of the Agreement states, in part, as follows:

"The Agency may request the County to subordinate its interests [in the Agreement] and to allow the Agency to pledge all or any portion of the tax increments otherwise payable to the County under this Agreement in order to secure repayment of Agency indebtedness incurred for the Project. The County agrees to comply with such request, provided that the Agency first demonstrates, to the satisfaction of the County, the Agency's anticipated ability to repay such indebtedness incurred for the Project without demand anticipated to be made on the payments due the County under the terms of this Agreement. Any such

demonstration shall include, without limitation, revenue forecasts, debt service schedules and satisfactory assurance by the Agency that it will reimburse the County in full for any amounts which are due to the County and which the County agrees the Agency may use, if necessary, to repay any such indebtedness. Any tax increment revenues owed to the County under this Agreement so used by the Agency shall be treated as an advance by the County and shall be repaid by the Agency with interest and upon such other terms as are agreed upon by the parties at the time such tax increment revenues are first advanced to the Agency.”

Pursuant to Section 3 of the Agreement and prior communication between the Agency and the County, the Agency’s obligations with respect to the Pass-through Payments under the Agreement have been subordinated to the repayment of the 1999 Loan and the 2006 Loan.


This letter serves as the Agency’s request to subordinate the Agency’s obligations with respect to the Pass-through Payments under the Agreement to the Agency’s repayment of the Proposed 2010 Loan. The Agency estimates that the principal amount of the Proposed 2010 Loan will not exceed \$30,000,000. Enclosed please find certain projection tables prepared by the Agency’s fiscal consultant. As shown in such tables, the Agency anticipates that there will be sufficient tax increment revenues with respect to the Project Area for the Agency to pay in full debt service on the Proposed 2010 Loan, the 2006 Loan, the 1999 Loan (if not paid off), and the Pass-through Payments due to the County under the Agreement.

For completeness of record, the Agency would appreciate that the County Board of Supervisors take official action, by resolution or motion, to formally acknowledge this request and confirm the subordination pursuant to the Agreement. Upon the completion of such action, please sign the Acknowledgement attached to end of the enclosed copy of this letter.

This is a time sensitive endeavor. We would appreciate hearing from you at the earliest possible date. If you desire any additional information or explanation regarding the attached tables or the Agency’s request, please feel free to contact me at the above number or Marie Lorenzi, Senior Accountant at (209) 668-5542 extension 1318.

*If we do not hear back from you by **November 9, 2010**, the Agency will assume that the County is satisfied with the evidence presented regarding the Agency’s ability to repay the debt service on the Proposed 2010 Loan, the 2006 Loan, the 1999 Loan (if not paid off), and the Pass-through Payments due to the County under the Agreement and has agreed to the subordination. As such, pursuant to Section 3 of the Agreement, the Agency’s obligations with respect to the Pass-through Payments due to the County under the Agreement will be subordinate to the Proposed 2010 Loan.*

Sincerely,



Roy W. Wasden
Executive Director

ACKNOWLEDGEMENT

In response to the request by the Turlock Redevelopment Agency (the "Agency") set forth in the attached letter, the County of Stanislaus hereby confirms the subordination of the Agency's obligations with respect to the Pass-through Payments pursuant to the Agreement to the Agency's repayment of the Proposed 2010 Loan (as such terms are defined in the attached letter).

The County Board of Supervisors has taken formal action on _____, 2010, to acknowledge and confirm this subordination. A copy of the related [resolution / minute] is enclosed.

IN WITNESS WHEREOF, the undersigned has caused this Acknowledgement to be signed by its authorized representative on this ____ day of _____, 2010.

COUNTY OF STANISLAUS

By: _____

Name: _____

Title: _____

**Turlock Redevelopment Agency
Turlock Project Area
2010 Tax Allocation Revenue Bonds**

Maximum Capacity Based on Estimated FY 2010-11 Revenues (assuming annual Agency Admin of \$500,000)

Fiscal Year (1)	Estimated FY10-11 Tax Revenue	Parity Obligations					Subordinate Obligations					All Obligations	All-In Coverage	Remaining Cashflow
		Series 1999 Debt Service	Series 2006 Debt Service	Proposed 2010 TABs Debt Service	Total Parity Debt Service	Parity Coverage	AB 1290 Tax Sharing (3)	Negotiated Tax Sharing (4)	Agency Admin Fee	Total Subordinate Obligations				
2011	5,274,458	335,073	1,542,616	1,450,000	3,327,689	158.5%	946,352	485,624	500,000	1,931,976	5,259,665	100.3%	14,793	
2012	5,274,458	336,673	1,545,066	1,450,000	3,331,739	158.3%	946,352	485,624	500,000	1,931,976	5,263,715	100.2%	10,743	
2013	5,274,458	337,748	1,546,616	1,445,000	3,329,364	158.4%	946,352	485,624	500,000	1,931,976	5,261,340	100.2%	13,118	
2014	5,274,458	333,298	1,547,266	1,335,000	3,215,564	164.0%	946,352	602,542	500,000	2,048,894	5,264,458	100.2%	10,000	
2015	5,274,458	333,585	1,547,016	1,330,000	3,210,601	164.3%	946,352	606,270	500,000	2,052,622	5,263,224	100.2%	11,234	
2016	5,274,458	338,348	1,545,866	1,330,000	3,214,214	164.1%	946,352	606,270	500,000	2,052,622	5,266,836	100.1%	7,622	
2017	5,274,458	336,903	1,546,266	1,330,000	3,213,169	164.2%	946,352	606,270	500,000	2,052,622	5,265,791	100.2%	8,667	
2018	5,274,458	334,913	1,545,866	1,330,000	3,210,779	164.3%	946,352	606,270	500,000	2,052,622	5,263,401	100.2%	11,057	
2019	5,274,458	337,378	1,544,666	1,330,000	3,212,044	164.2%	946,352	606,270	500,000	2,052,622	5,264,666	100.2%	9,792	
2020	5,274,458	339,025	1,546,566	1,325,000	3,210,591	164.3%	946,352	606,270	500,000	2,052,622	5,263,214	100.2%	11,244	
2021	5,274,458	339,855	1,542,129	1,330,000	3,211,984	164.2%	946,352	606,270	500,000	2,052,622	5,264,606	100.2%	9,852	
2022	5,274,458	339,868	1,546,544	1,325,000	3,211,411	164.2%	946,352	606,270	500,000	2,052,622	5,264,034	100.2%	10,424	
2023	5,274,458	339,063	1,544,200	1,210,000	3,093,263	170.5%	946,352	723,188	500,000	2,169,540	5,262,803	100.2%	11,655	
2024	5,274,458	337,440	1,545,600	1,210,000	3,093,040	170.5%	946,352	723,188	500,000	2,169,540	5,262,580	100.2%	11,878	
2025	5,274,458	-	1,885,000	1,075,000	2,960,000	178.2%	946,352	858,646	500,000	2,304,999	5,264,999	100.2%	9,459	
2026	5,274,458	-	1,882,500	1,075,000	2,957,500	178.3%	946,352	858,646	500,000	2,304,999	5,262,499	100.2%	11,959	
2027	5,274,458	-	1,882,500	1,075,000	2,957,500	178.3%	946,352	858,646	500,000	2,304,999	5,262,499	100.2%	11,959	
2028	5,274,458	-	1,884,750	1,075,000	2,959,750	178.2%	946,352	858,646	500,000	2,304,999	5,264,749	100.2%	9,709	
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2034	5,274,458	-	1,886,750	1,570,000	3,456,750	152.6%	946,352	858,646	-	1,804,999	5,261,749	100.2%	12,709	
2035	5,274,458	-	1,885,250	1,355,000	3,240,250	162.8%	946,352	1,075,090	-	2,021,442	5,261,692	100.2%	12,766	
2036	5,274,458	-	1,884,750	1,355,000	3,239,750	162.8%	946,352	1,075,090	-	2,021,442	5,261,192	100.3%	13,266	
2037	5,274,458	-	-	3,240,000	3,240,000	162.8%	946,352	1,075,090	-	2,021,442	5,261,442	100.2%	13,016	
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