



County of Santa Cruz

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REDEVELOPMENT AGENCY

701 OCEAN STREET, ROOM 510, SANTA CRUZ, CA 95060-4000

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TOM BURNS, AGENCY ADMINISTRATOR

January 16, 2001

Agenda Date: January 23, 2001

Board of Directors
County of Santa Cruz Redevelopment Agency
701 Ocean Street
Santa Cruz, California 95060

Dear Board of Directors:

Subject: Approve Investment Agreements for Construction Fund Net Bond Proceeds of \$23,769,050.88

In December the Redevelopment Agency issued tax allocation bonds in the amount of \$27,415,000 to finance capital projects in the Live Oak/Soquel Community Improvement Project Area. It is anticipated that funds will be drawn down for project use over a period of three years, commencing in the 2001-02 fiscal year. It is expected that over the next three fiscal years funds will be drawn down in intervals of \$2,000,000, \$1 0,000,000, and the remainder respectively.

In order to maximize the reinvestment income and provide sufficient funds to offset interest expense and provide draw down flexibility, we recommend the use of a full flex investment agreement providing for collateralization equal to 105% of the amount invested at all times. The investment agreement has been approved by AMBAC the bond insurer. The investment agreement provider's credit rating will be monitored by Autumn Capital Investment Services. Under the terms of the agreement, the agency is protected because the investment provider must transfer qualifying collateral of U.S. Treasury and Agencies Bonds that will be held in safekeeping by the U.S. Bank Trust National Association as custodian for the benefit of the Agency in case of any credit rating down grade of the investment agreement provider. Under those conditions of a downgrade in rating by S&P of A-1, the investment provider is required to settle with the Agency within 5 working days or the securities will be transferred to another assignee with a credit rating of A-1 by S&P, or presented to the Agency, or the investment provider may transfer additional securities as agreed upon by the Agency and the Bond Insurer. The

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Custodian is required to report monthly to the Agency and Bond Insurer a listing of the securities in safekeeping segregated from other holdings.

We have received a favorable bid proposal from Bank of America that provides for positive arbitrage earnings that should be sufficient to pay for administrative costs related to rebate calculations. The attached agreements have been reviewed and approved by the Agency's Bond Counsel, Finance Officer, and AMBAC.

It is therefore recommended that your Board of Directors approve and authorize the County Executive Director or designee to execute the attached investment agreement between the Agency and Bank of America.

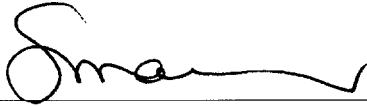
Sincerely,



Tom Burns
Redevelopment Agency Director



Gary Knutson
Financial Officer

Recommended By: 
Susan A. Mauriello, Executive Director

cc: County Counsel

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