



August 5, 2009

Proposition 1A Loan Securitization Project Launched

California Communities, a joint powers agency formed by the California State Association of Counties (CSAC) and the League of California Cities, took steps today to launch a project to securitize the Proposition 1A loan receivables that will provide local agencies with 100% of the funds loaned to the state. With the approval of their Board, California Communities is soliciting proposals to put together the financing team for this project and is prepared to move expeditiously to structure this project.

CSAC and the League have been in meetings with the Department of Finance and the State Treasurer's Office to work out amendments to the Proposition 1A repayment/securitization legislation (ABX4 15) to ensure timely and efficient bond issuance. We expect to have consensus amendments ready to go when the Legislature reconvenes on August 17.

You can access a flyer explaining the program and receive more information on the loan securitization project by visiting the California Communities Web site at www.psacommunities.org/fs/apps/?app=22.

Under ABX4 15, the first installment of property taxes would be transferred to the Supplemental Revenue Augmentation Fund by January 15, 2010. It is our goal to issue the bonds with which to purchase the Proposition 1A receivables by the end of November, thereby holding local agencies harmless from the impacts of the loan.

On or before September 28, 2009, the Director of the Department of Finance must establish a rate interest at which the state would pay a local agency that did not sell their Proposition 1A receivable to California Communities. This rate must be higher than the current Pooled Money Investment Account rate, but no higher than 6%. Based upon the setting of that rate, counties will be able to determine whether or not they want to hold the receivable as an investment or participate in the pool to sell their receivable at 100% of value. The state will pay the interest on bonds, plus the cost of issuance meaning the funds will be available to counties without discount. Counties will have a window of about 30 days to make that decision, likely required by the end of October 2009.

CSAC will continue to keep you apprised of any and all developments on this issue. In the meantime, if you have any questions, please feel free to contact me or Jean Hurst directly at jhurst@counties.org or (916) 327-7500 Ext. 515.

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