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September 23, 2009

The Honorable Darrell Steinberg
Senate President Pro Tem
Room 205, State Capitol
Sacramento, California 95814

The Honorable Dennis Hollingsworth
Senate Republican Leader
Room 305, State Capitol
Sacramento, California 95814

Dear Senator Steinberg and Senator Hollingsworth:

On behalf of the League of California Cities, the California State Association of Counties, and the California Special Districts Association, we write to communicate the necessity of swift enactment of SB 67. This morning, we were briefed by the finance team for the Proposition 1A Securitization Program and discussed the absolute latest date for Senate action on SB 67 in order to effectively accomplish a November 2009 securitization. In order to appropriately prepare for bond sale, we must have Senate concurrence on SB 67 **no later than October 15, 2009**. There are a number of reasons for this urgency, explained below.

Primarily, SB 67 requires that county auditors prepare certified Proposition 1A suspension amounts for every city, county, and special district in the state. The measure allows the Authority to rely on these certified amounts for purposes of securitization. Further, the certified amounts are made available to any local agency and the Department of Finance to determine the actual suspension amount for 2009-10. County auditors are currently in the process of preparing statewide uniform guidelines to ensure consistent calculation and application of the suspension amounts; however, it is critical to have a statutory requirement in place to ensure timely certification and notification to all parties. The deadline for certification is set in SB 67 as October 30, 2009; we believe that we need at least two weeks to allow for county auditors to prepare and submit the certified amounts and to vet them among local agencies and the finance team to ensure that there are no errors or omissions.

The October 30, 2009 deadline for certified suspension amounts underlies the dates necessary for a successful and timely securitization. The financing team must be prepared to establish the size of the total issue for pricing by November 9, 2009. The sale and closing need to occur the week of November 9th and November 16th. The transaction would not be able to close the week of November 23rd as this is the

Thanksgiving holiday week, and more importantly the state goes into its blackout period (the time during which the state closes its books for disclosure to the markets) the following week of November 30th which would prevent the transaction from closing.

Please keep in mind, too, that each local agency must review the securitization documents, have a legal opinion prepared either by in-house or contract counsel, and agendaize and adopt the resolution and documents in a public meeting that complies with the public notice requirements of the Brown Act. (These documents, of course, are predicated on SB 67 passing.) As you are undoubtedly aware, this process can be very time-consuming at the local level – both for the legal review and for the agenda development process. The League, CSAC, and CSDA are encouraging our members to enroll in the program as soon as possible to allow for the most time to review and prepare documents for the sale of the receivables. Still, the lack of action on SB 67 has created significant uncertainty and anxiety locally, which cannot help but result in additional delay. Our highest priority is to ensure that every local agency that wishes to can securitize; without SB 67, that goal becomes more and more difficult to achieve as the days progress.

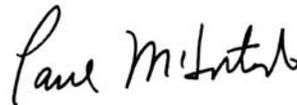
While we have not directly addressed it here, you are also aware that the financing structure contemplated in SB 67 results in a tax-exempt bond sale that we understand could save the state an estimated \$200 million. If we are not able to execute the bond sale in 2009 as planned, it is unlikely that we will be able to structure a tax-exempt issuance, resulting in increased interest costs to the state.

We hope this information is useful to you as you discuss plans to reconvene the Senate to consider SB 67.

Sincerely,



Christopher McKenzie, Executive Director
League of California Cities



Paul McIntosh, Executive Director
California State Association of Counties



Neil McCormick, Executive Director
California Special Districts Association

cc: Honorable Members of the California State Senate
The Honorable Karen Bass, Speaker of the Assembly
The Honorable Sam Blakeslee, Assembly Republican Leader
The Honorable Arnold Schwarzenegger, Governor, State of California
The Honorable Bill Lockyer, Treasurer, State of California
Mike Genest, Director, State Department of Finance