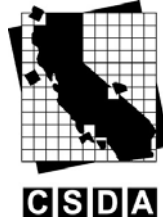




California State Association of Counties
1100 K Street, Suite 101
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(916) 327-7500



California Special Districts Association
1112 I Street, Suite 200
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1400 K Street, Suite 400
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September 15, 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 are writing to respectfully request that you take expedited action to reconvene the California State Senate immediately to approve two budget cleanup measures of critical importance to both local government agencies and the state. These measures were included among a number of urgency measures that were approved by the state Assembly, but they did not receive the required two-thirds vote in the Senate before recess early September 12, 2009.

The passage of SB 67 is of critical importance to local governments that desire to securitize the state's repayment obligation for the approximately \$1.9 billion in property taxes being borrowed by the state. This measure contains important changes to the language of AB X4 15 (Gaines) approved as part of the July budget agreement. These changes were deemed necessary by bond counsel and bond advisors for the transaction as well as the Department of Finance and the State Treasurer's Office. The bill represents a consensus effort agreed to by those agencies, our three associations, and legislative consultants from both parties.

SB 67 provides an accelerated schedule for the securitization of the Prop. 1A loan to occur no later than mid-November, ensuring that local agencies will receive this critical funding on exactly the same schedule as they would normally receive distributions of their property tax funds. Moreover, these same changes in SB 67 make it possible for the state to save an estimated \$200 million in interest costs because the bonds can then be issued on a tax-exempt basis. If SB 67 is not approved, we have been advised that this significant cost-saving advantage will most likely not apply to bonds issued next spring under AB X4 15 (Gaines) and local governments will suffer serious public safety and other service reductions as a result of a loss of their property tax funds.

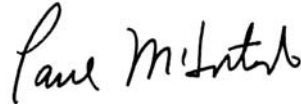
SB 65 is a state cash flow measure that allows the state to reduce its need for temporary borrowing through alterations to the schedule of existing deferrals to better match the state's needs for cash flow. This measure also includes helpful language on provisions related to gas tax revenues being deferred under existing law.

We urge you, as leaders of our state, to work together – and if necessary with the leadership of the State Assembly – to take immediate action to pass these measures that are so vital to providing local services and keeping our streets, our neighborhoods, and all Californians safe.

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