

County of Santa Clara
Finance Agency
Controller-Treasurer Department




F02 102009

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DATE: October 20, 2009

TO: Board of Supervisors

FROM: 
John V. Guthrie
Finance Agency Director

SUBJECT: Adoption of Resolution Authorizing Santa Clara County's Participation in the Statewide Proposition 1A Securitization Program Financing

RECOMMENDED ACTION

Accept presentation relating to participation in the Statewide Proposition 1A Securitization Program financing for the County of Santa Clara.

Possible action:

Adopt Resolution of the Board of Supervisors of the County of Santa Clara approving the form of and authorizing the execution and delivery of a Purchase and Sale Agreement and related documents with respect to the sale of Santa Clara County's Proposition 1A receivable from the State; and directing and authorizing certain other actions in connection therewith, including authorizing the Director of Finance and the Controller-Treasurer as Authorized Officers for this financing. (Roll Call Vote)

FISCAL IMPLICATIONS

Funds borrowed from the County by the State during the budget process for Fiscal Year 2009 -10 would be restored by participating in the California Communities Proposition 1A Securitization Program Financing in the amount of \$45,380,952.

REASONS FOR RECOMMENDATION

By participating in the Proposition 1A financing the County will be made whole for 100% of the \$45,380,952 that the State borrowed from the County during the fiscal year 2009 -10 budget process. The County will receive two equal installments on January 15, 2010 and May 3, 2010.

The State will pay the principal, interest and all costs of issuance associated with the Proposition 1A financing. The County has no obligation to pay any costs associated with this financing.

The legislature is currently reviewing a clean-up bill, SB 67, which is necessary to provide some critical changes to the enacted legislation. Among these changes are technical issues relating to the tax exempt status of the financing; changes which will allow the financing to proceed in November; changes regarding county auditor certification of the amount of the Proposition 1A receivable; changes allowing California Communities as the only issuer; and more flexibility on the bond structure. SB 67 has not been passed yet and California Communities expects that to occur prior to the financing. If SB 67 is not enacted and the bonds cannot be sold by December 31, 2009, all approved documents placed in escrow with bond counsel will not be used.

BACKGROUND

Proposition 1A was passed by California voters in 2004 to ensure local property tax and sales tax revenues remain with local government thereby safeguarding funding for public safety health, libraries, parks and other local services. Provisions can only be suspended if the Governor declared a fiscal necessity and two thirds of the Legislature agrees.

The emergency suspension of Proposition 1A was passed by the Legislature and signed by the Governor on July 28, 2009 as part of the State budget package. The State will borrow 8% of the amount of property tax revenue apportioned to cities, counties and special districts. The State will be required to repay those obligations, plus interest, by June 30, 2013.

The Proposition 1A Securitization Program was authorized under ABX4 14 and ABX4 15 to enable local agencies to sell their Proposition 1A receivable to California Communities. Under the Securitization Program California Communities will simultaneously purchase the Proposition 1A receivables, issue bonds (Proposition 1A bonds) and provide each local agency with the cash proceeds in two equal installments on January 15, 2010 and May 3, 2010 (to coincide with the dates the State will be shifting property tax from local agencies). All transaction costs and interest will be paid by the State. Participating local agencies will have no obligation on the bonds and no credit exposure to the State.

California Communities is a joint powers authority sponsored by the California State Association of Counties and the League of Cities. The County has worked with California Communities on numerous occasions.

Funds received from the Proposition 1A financing may be used for any lawful purpose and are not restricted by the financing. The Director of Finance and the Controller-Treasurer are authorized in the resolution for the purposes of signing documents.

CONSEQUENCES OF NEGATIVE ACTION

The County will not be able to participate in the Proposition 1A financing and will not be reimbursed for the \$45,380,952 in borrowed property taxes until the State repays the amount (the latest repayment date would be June 30, 2013).

STEPS FOLLOWING APPROVAL

The Finance Agency will work with the parties involved in the financing to ensure the issuance of the Proposition 1A bonds. One approved copy of the resolution should be sent to: Orrick, Herrington & Sutcliffe; 405 Howard Street; San Francisco, CA 94105 c/o Dulcie Cattrell (re: CSCDA Proposition 1A Securitization) by October 28, 2009.

ATTACHMENTS

- Resolution for Prop 1A Financing
- Purchase and Sale Agreement