



## Executive Director's Watch

CALIFORNIA  
*Counties*

April 13, 2009

Well, Spring Break is over and the Legislature is back in town. It was a little quiet while they were gone, but I am sure things will heat up a little bit.

There will be extensive legislative committee activity in the next few weeks as bills with costs only have until May 1 to clear their house of origin. Although it is unclear how the Appropriations Committee in each house will handle bills with costs this year.

For the past few weeks, we have been focused on the annual Tax and Revenue Anticipation Notes (TRANs) pool that CSAC does every year in conjunction with the League of California Cities. Last year, 29 municipal agencies joined the pool and issued over \$854 million in TRANs. With exhausted reserves and other financial issues at the local level, we are expecting the pool number to more than double this year with a combined issuance of more than \$1 billion. CSAC has participated in this program for the past 17 years and issued over \$17.8 billion for local agencies in California.

For those of you unfamiliar with the term, a TRANs is a short-term bond (nine months to one year) used to cover the variances in cash flow experienced by local agencies. With the largest chunk of county dollars coming in December and April, many counties will use a TRANs to smooth out their cash flow; and make a little interest earnings as well.

As I said, this year we expect the TRANs to be quite large. One of the problems we are experiencing, though, is credit enhancement. Historically, the pool is secured through the purchase of bond insurance. Such insurance, however, is not available in today's credit market. To provide a credit enhancement, we have secured a letter of credit from a national bank. The problem is getting this letter of credit extended to lower rated agencies.

CSAC developed a proposal for the federal government to guarantee the letter of credit through their Troubled Assets Relief Program (TARP) and we have been pressing this idea in Washington DC. Over the past couple of weeks, it has become clear that the State of California faces the same issue and CSAC has joined forces with the State Treasurer, Controller and Governor to push this issue with the California Congressional Delegation.

Next month, CSAC will participate in meetings with the National Federation of Municipal Analysts (investors) as well as the bond rating agencies regarding the TRANs issue. The TRANs will typically be priced in early June with a closing date of June 30 so that funds are deposited prior to the beginning of the fiscal year.

You can find out more about the TRANs issue through the CSAC Finance Corporation Web page.

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