

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

November 17, 2010

Consideration of Appeals and Applications for a Re-Allocation of American Recovery and Reinvestment Act – Recovery Zone Facility Bonds and Awards of Allocation
(Agenda Item No. 10)

ACTION:

Approve the reallocation of \$78,100,000 of American Recovery and Reinvestment Act – Recovery Zone Facility Bond authority to fund eight (8) projects (see agenda items 10.0, 10.1, 10.2, 10.3, 10.4, 10.5, 10.6) at the November 17, 2010 meeting.

BACKGROUND:

The Recovery Zone Facility Bond (RZFB) Program received seven (7) complete applications for projects requesting a total allocation of \$48,100,000. It is important to note that two (2) Tier 1 submissions (ARRA-066 and ARRA-079) and three (3) Tier 2 applications (ARRA-059, ARRA 060, ARRA-080) were received. Tier 1 respondents are municipalities that have voluntarily waived allocation and Tier 2 applicants are specific municipalities that did not receive an original award of allocation from the U.S. Treasury. These applicants have first and second priority respectively in the reallocation process.

Staff did not initially recommend the approval of application ARRA-080 for \$30,000,000 (see agenda item 10.3) due to legal status issues. At first, the project sponsor stated that they were unable to anticipate how a pending legal case would impact the viability of the project. On November 9, 2010, the applicant and project sponsor submitted a clarification to the statement; detailing how their original response reflected 'standard' disclosure language taken from their SEC filing statement, as opposed to their opinion of the relative risk associated with the pending related lawsuits. The project sponsor then went on to affirmatively state their belief that "the ultimate outcome of such matters will not have a material adverse effect on the Company or the viability of the project." Such statements have been historically accepted by staff as adequate justification for moving forward with a staff approval recommendation in similar situations. Therefore, staff now recommends approval of this application (ARRA-80).

RECOMMENDATIONS:

Staff recommends approval of \$78,100,000 in reallocated American Recovery and Reinvestment Act – Recovery Zone Facility Bond authority to fund eight (8) projects.

Prepared by Crystal Alvarez