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Memorandum  
City Manager's Office

TO: HONORABLE MAYOR AND  
CITY COUNCIL

FROM: Betsy Shotwell

SUBJECT: Intergovernmental Relations  
Report on State Issues  
Week of March 23, 2009

DATE: March 25, 2009

Approved

*Christine J. Shuply*

Date

*3/25/09*

### INFORMATION

#### STATE BUDGET UPDATE

**Thawing Funding Freeze on Infrastructure Projects.** State Treasurer Bill Lockyer announced Tuesday he had stopped taking orders for the state's \$4 billion general obligation bond sale after investors purchased \$6.54 billion. The additional money is expected to help fund the backlog of frozen, delayed construction projects and get new projects started. The success of the bond sale could also help to retire the \$6 billion in unreimbursed loan debt to improve the state's cash flow.

The Pooled Money Investment Board (PMIB) met on March 18 and voted to continue the freeze originally imposed in December on projects on AB 55 loan program disbursements for all loans with the exception of:

- (1) the remaining amount of the \$650 million that was authorized at the January 16 Board meeting to fund 286 high priority local public works projects (including San Jose's \$15 million traffic light synchronization project) will continue to be disbursed; and
- (2) the Board authorized an additional \$500 million in funds to be released contingent on the market response and successful sale of \$4 billion in GO bonds (noted above). The \$500 million will be distributed based on criteria determined by the Department of Finance for projects that are the highest priority and in the best interests of the State.

The PMIB is now scheduled to hold a Special Meeting in early April to consider the extent to which additional funds are available for disbursement. The Board will consider analyses by the State Controller's Office (SCO) and the State Treasurer's Office (STO), which will provide recommendations regarding additional funds that could be available for AB 55 loan disbursements. This week's GO bonds sale may be followed by another \$4 billion lease revenue bond sale in April. The Department of Finance will be providing a plan that prioritizes projects for restoration as funds become available.

**High-Speed Rail Project.** The PMIB on March 18 postponed consideration of a loan request from the California High Speed Rail Authority for \$29.1 million. The authorization is essential

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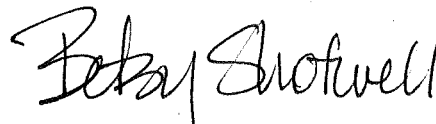
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to support continuation of the project delivery schedule. Release of these funds is also significant to the state's efforts to attract a major share of the \$8 billion high-speed rail funds under the American Recovery and Reinvestment Act of 2009 (ARRA). This new loan request is expected to be approved at the PMIB's early-April meeting.

**Federal Economic Stimulus – State Transportation Legislation.** This week, the Legislature is considering legislation to implement the ARRA. The Senate on Monday passed AB 20xxx (Bass) relating to Federal Transportation Economic Stimulus funds. The ARRA authorizes the expenditure of \$2.569 billion to the state for transportation infrastructure investments. AB 20xxx appropriates the \$2.6 billion in ARRA funds available to California for highways and roads through a sub-allocation formula with 37.5% of funds (\$935 million) to be allocated by the CA Transportation Commission. The remaining 62.5% (\$1.6 billion) will be made available to regional transportation agencies for allocation. The bill states legislative intent that at least 40 % of the funds (about \$640 million) apportioned to regional transportation agencies will be sub-allocated to cities, counties and a city and county for projects that meet the requirements of the ARRA. There are no specific project earmarks in the bill. The ARRA is expected to provide funding for some eligible Proposition 1B projects for which funding has been frozen due to the state's cash flow crisis and the delay in bond sales. AB 20xxx now moves back to the Assembly Floor for vote before going to the Governor's desk.



BETSY SHOTWELL

Director, Intergovernmental Relations