

AMENDED IN SENATE MAY 12, 2015

**SENATE BILL**

**No. 710**

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**Introduced by Senator Galgiani**  
**(Coauthors: Senators Cannella and Huff)**  
(Coauthors: Assembly Members Chávez, Gomez, and Jones)

February 27, 2015

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An act to amend, repeal, and add Section 6588 of the Government Code, relating to joint exercise of powers.

LEGISLATIVE COUNSEL'S DIGEST

SB 710, as amended, Galgiani. Joint exercise of powers: financing.

The Joint Exercise of Powers Act authorizes the legislative or other governing bodies of 2 or more public agencies to jointly exercise by agreement any power common to the contracting parties, as specified, and authorizes a joint powers authority to exercise various powers, including, among others, the power to issue bonds, including bonds bearing interest, to pay the cost of any public capital improvement, working capital, or liability or other insurance program, as specified.

This bill would, until January 1, 2022, authorize a joint powers authority to issue or cause to be issued bonds and enter into a loan agreement for the financing or refinancing of a project that is situated in another state, including working capital related to that project, if the project and its financing meets certain conditions. This bill would require the Legislative Analyst, on or before January 1, 2021, to prepare and submit to the Legislature a report on the issuance of those bonds and the financing of those projects. This bill would require, no later than July 1, 2020, authorities that issue those bonds to provide information concerning the bonds, the projects financed, the public benefits accruing

to this state and such other information requested by the Legislative Analyst’s Office for the purpose of preparing the report.

*The Personal Income Tax Law imposes a tax on an individual taxpayer’s taxable income for the taxable year, but excludes certain items of income from the computation of tax. That law, in conformity with federal income tax laws, exempts from tax interest on bonds issued by this state or a local government in this state. The Joint Exercise of Powers Act also provides that all bonds issued by a joint powers authority and the interest thereon or income therefrom are exempt from all taxation in this state, except as otherwise provided.*

*This bill would provide that the interest on an issue of bonds as authorized by this bill would not be exempt from tax.*

*This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.*

Vote: ~~majority~~ <sup>$\frac{2}{3}$</sup> . Appropriation: no. Fiscal committee: ~~no~~<sup>yes</sup>. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 6588 of the Government Code is amended
- 2 to read:
- 3 6588. In addition to other powers specified in an agreement
- 4 pursuant to Article 1 (commencing with Section 6500) and Article
- 5 2 (commencing with Section 6540), the authority may do any or
- 6 all of the following:
- 7 (a) Adopt bylaws for the regulation of its affairs and the conduct
- 8 of its business.
- 9 (b) Sue and be sued in its own name.
- 10 (c) (1) Issue bonds, including, at the option of the authority,
- 11 bonds bearing interest, to pay the cost of any public capital
- 12 improvement, working capital, or liability or other insurance
- 13 program.
- 14 (2) (A) In addition to paragraph (1), for any purpose for which
- 15 an authority may execute and deliver or cause to be executed and
- 16 delivered certificates of participation in a lease or installment sale
- 17 agreement with any public or private entity, the authority, at its
- 18 option, may issue or cause to be issued bonds, rather than

1 certificates of participation, and enter into a loan agreement with  
2 the public or private entity.

3 (B) (i) Notwithstanding Sections 6586 and 6586.5 or any other  
4 law, an authority may issue or cause to be issued bonds and enter  
5 into a loan agreement, pursuant to subparagraph (A), for the  
6 financing or refinancing of a project that is situated in another  
7 state, including working capital related to that project, if all of the  
8 following apply:

9 (I) The project is owned, developed, or operated by a private  
10 entity.

11 (II) The issuance of bonds by the authority and the financing  
12 of the project is approved by resolution, order, or other official  
13 action of the city, county, or other public body with land use  
14 planning authority over the project, or of the state in which the  
15 project is situated. This clause does not apply to the issuance of  
16 refunding bonds if a prior financing or refinancing of the project  
17 was approved by the city, county, public body, or state.

18 (III) The authority has at least 25 local agency members and  
19 the authority has issued bonds and entered into loan agreements  
20 to finance at least 25 separate projects.

21 (IV) The authority finds, based on the facts and circumstances  
22 attendant to the project or the financing or refinancing of the  
23 project, that the issuance of the bonds or the financing or  
24 refinancing of the project will result in a substantial public benefit  
25 to this state because one or more of the following is satisfied:

26 (ia) At least 20 percent of the net proceeds of the issue are  
27 allocated to the financing of one or more projects, including  
28 working capital related thereto, located in this state.

29 (ib) The borrower of the bond proceeds has its principal place  
30 of business in this state and, if that borrower is subject to income  
31 or franchise tax in this state or any other state, that borrower has  
32 paid to this state for the most recent tax year income or franchise  
33 tax of at least fifty thousand dollars (\$50,000) or one-half of its  
34 total income or franchise tax liability to all states, whichever is  
35 less. If the borrower has little or no assets other than the project  
36 to be financed and is owned by another company or companies,  
37 then the company or companies that own a majority of interest in  
38 the borrower shall have its or their principal place of business in  
39 this state.

1 (ic) The borrower of the bond proceeds or a controlled group  
2 of which it is a member has at least 50 full-time equivalent  
3 employees in this state.

4 (id) The borrower of the bond proceeds or a controlled group  
5 of which it is a member has paid to this state for the most recent  
6 tax year income or franchise tax of at least one hundred thousand  
7 dollars (\$100,000).

8 (ie) In the case of the financing of one or more multifamily  
9 rental housing projects, the developer of that project or projects  
10 has its principal place of business in this state, and any such  
11 developer subject to personal or corporate income tax in California  
12 or other states has paid to this state for the most recent tax year  
13 income or franchise tax of at least fifty thousand dollars (\$50,000)  
14 or one-half of its total income or franchise tax liability to all states,  
15 whichever is less.

16 (ii) For purposes of this subparagraph, the following definitions  
17 apply:

18 (I) “Controlled group” means a group of corporations,  
19 partnerships, limited liability companies or other persons that are  
20 wholly owned or controlled by a single corporation, partnership,  
21 limited liability company, or other person.

22 (II) “Developer” means a corporation, partnership, limited  
23 liability company, or other person that is the initial controlling  
24 party within the legal entity that owns the multifamily rental  
25 housing project to be financed with proceeds of the bonds and that  
26 is expected to be the primary economic beneficiary of, and to take  
27 the primary economic risks related to, development and  
28 performance of the project.

29 (III) “Financing” shall include refinancing of bonds of the  
30 authority or of bonds issued by any other state or local entity  
31 located within this state.

32 (IV) “Issue” shall have the same meaning as in ~~U.S.~~ *United*  
33 *States* Treasury Regulations Section 1.150-1(c), as in effect on  
34 July 1, 2014.

35 (V) “Net proceeds of an issue” means the aggregate principal  
36 amount of that issue, less the amount of that issue allocated to  
37 original issue discount, issuance costs, reserve funds, and credit  
38 enhancement costs.

1 (VI) “Principal place of business” of an entity means the  
2 principal place from which the trade or business of the entity is  
3 directed or managed.

4 (iii) The Legislative Analyst shall, on or before January 1, 2021,  
5 prepare and submit to the Legislature a report on the issuance of  
6 bonds and the financing of projects pursuant to this subparagraph.  
7 No later than July 1, 2020, authorities that issue bonds pursuant  
8 to this subparagraph shall provide information concerning those  
9 bonds, the projects financed, the public benefits accruing to this  
10 state, and such other information requested by the Legislative  
11 Analyst’s Office for the purpose of preparing the report. The report  
12 may include recommendations for modifying or extending the  
13 application of this subparagraph.

14 (iv) *There shall be no exclusion from California state income*  
15 *taxes for interest on bonds issued pursuant to this subparagraph.*

16 (d) Engage the services of private consultants to render  
17 professional and technical assistance and advice in carrying out  
18 the purposes of this article.

19 (e) As provided by applicable law, employ and compensate  
20 bond counsel, financial consultants, and other advisers determined  
21 necessary by the authority in connection with the issuance and sale  
22 of any bonds.

23 (f) Contract for engineering, architectural, accounting, or other  
24 services determined necessary by the authority for the successful  
25 development of a public capital improvement.

26 (g) Pay the reasonable costs of consulting engineers, architects,  
27 accountants, and construction, land-use, recreation, and  
28 environmental experts employed by any sponsor or participant if  
29 the authority determines those services are necessary for the  
30 successful development of public capital improvements.

31 (h) Take title to, sell by installment sale or otherwise, or lease  
32 lands, structures, real or personal property, rights, rights-of-way,  
33 franchises, easements, and other interests in lands that are located  
34 within the state that the authority determines are necessary or  
35 convenient for the financing of public capital improvements, or  
36 any portion thereof.

37 (i) Receive and accept from any source, loans, contributions,  
38 or grants, in either money, property, labor, or other things of value,  
39 for, or in aid of, the construction financing, or refinancing of public  
40 capital improvement, or any portion ~~thereof~~ *thereof*, or for the

1 financing of working capital or insurance programs, or for the  
2 payment of the principal of and interest on bonds if the proceeds  
3 of those bonds are used for one or more of the purposes specified  
4 in this section.

5 (j) Make secured or unsecured loans to any local agency in  
6 connection with the financing of capital improvement projects,  
7 working capital or insurance programs in accordance with an  
8 agreement between the authority and the local agency. However,  
9 no loan shall exceed the total cost of the public capital  
10 improvements, working capital or insurance needs of the local  
11 agency as determined by the local agency and by the authority.

12 (k) Make secured or unsecured loans to any local agency in  
13 accordance with an agreement between the authority and the local  
14 agency to refinance indebtedness incurred by the local agency in  
15 connection with public capital improvements undertaken and  
16 completed.

17 (l) Mortgage all or any portion of its interest in public capital  
18 improvements and the property on which any project is located,  
19 whether owned or thereafter acquired, including the granting of a  
20 security interest in any property, tangible or intangible.

21 (m) Assign or pledge all or any portion of its interests in  
22 mortgages, deeds of trust, indentures of mortgage or trust, or  
23 similar instruments, notes, and security interests in property,  
24 tangible or intangible, of a local agency to which the authority has  
25 made loans, and the revenues therefrom, including payment or  
26 income from any interest owned or held by the authority, for the  
27 benefit of the holders of bonds issued to finance public capital  
28 improvements. The pledge of moneys, revenues, accounts, contract  
29 rights, or rights to payment of any kind made by or to the authority  
30 pursuant to the authority granted in this part shall be valid and  
31 binding from the time the pledge is made for the benefit of the  
32 pledgees and successors thereto, against all parties irrespective of  
33 whether the parties have notice of the claim.

34 (n) Lease the public capital improvements being financed to a  
35 local agency, upon terms and conditions that the authority deems  
36 proper; charge and collect rents therefor; terminate any lease upon  
37 the failure of the lessee to comply with any of the obligations of  
38 the lease; include in any lease provisions that the lessee shall have  
39 options to renew the lease for a period or periods, and at rents as  
40 determined by the authority; purchase or sell by an installment

1 agreement or otherwise any or all of the public capital  
2 improvements; or, upon payment of all the indebtedness incurred  
3 by the authority for the financing or refinancing of the public  
4 capital improvements, the authority may convey any or all of the  
5 project to the lessee or lessees.

6 (o) Charge and apportion to local agencies that benefit from its  
7 services the administrative costs and expenses incurred in the  
8 exercise of the powers authorized by this article. These fees shall  
9 be set at a rate sufficient to recover, but not exceed, the authority's  
10 costs of issuance and administration. The fee charged to each local  
11 obligation acquired by the pool shall not exceed that obligation's  
12 proportionate share of those costs. The level of these fees shall be  
13 disclosed to the California Debt and Investment Advisory  
14 Commission pursuant to Section 6599.1.

15 (p) Issue, obtain, or aid in obtaining, from any department or  
16 agency of the United States or of the state, or any private company,  
17 any insurance or guarantee to, or for, the payment or repayment  
18 of interest or principal, or both, or any part thereof, on any loan,  
19 lease, or obligation or any instrument evidencing or securing the  
20 same, made or entered into pursuant to this article.

21 (q) Notwithstanding any other provision of this article, enter  
22 into any agreement, contract, or any other instrument with respect  
23 to any insurance or guarantee; accept payment in the manner and  
24 form as provided therein in the event of default by a local agency;  
25 and assign any insurance or guarantee that acts as security for the  
26 authority's bonds.

27 (r) Enter into any agreement or contract, execute any instrument,  
28 and perform any act or thing necessary, convenient, or desirable  
29 to carry out any power authorized by this article.

30 (s) Invest any moneys held in reserve or sinking funds, or any  
31 moneys not required for immediate use or disbursement, in  
32 obligations that are authorized by law for the investment of trust  
33 funds.

34 (t) At the request of affected local agencies, combine and pledge  
35 revenues to public capital improvements for repayment of one or  
36 more series of bonds issued pursuant to this article.

37 (u) Delegate to any of its individual parties or other responsible  
38 individuals the power to act on its behalf subject to its general  
39 direction, guidelines, and oversight.

1 (v) Purchase, with the proceeds of its bonds or its revenue, bonds  
2 issued by any local agency at public or negotiated sale. Bonds  
3 purchased pursuant to this subdivision may be held by the authority  
4 or sold to public or private purchasers at public or negotiated sale,  
5 in whole or in part, separately or together with other bonds issued  
6 by the authority.

7 (w) Purchase, with the proceeds of its bonds or its revenue, VLF  
8 receivables sold to the authority pursuant to Section 6588.5. VLF  
9 receivables so purchased may be pledged to the payment of bonds  
10 issued by the authority or may be resold to public or private  
11 purchasers at public or negotiated sale, in whole or in part,  
12 separately or together with other VLF receivables purchased by  
13 the authority.

14 (x) (1) Purchase, with the proceeds of its bonds or its revenue,  
15 Proposition 1A receivables pursuant to Section 6588.6. Proposition  
16 1A receivables so purchased may be pledged to the payment of  
17 bonds issued by the authority or may be resold to public or private  
18 purchasers at public or negotiated sales, in whole or in part,  
19 separately or together with other Proposition 1A receivables  
20 purchased by the authority.

21 (2) (A) All entities subject to a reduction of ad valorem property  
22 tax revenues required under Section 100.06 of the Revenue and  
23 Taxation Code pursuant to the suspension set forth in Section  
24 100.05 of the Revenue and Taxation Code shall be afforded the  
25 opportunity to sell their Proposition 1A receivables to the authority.

26 (B) If these entities offer Proposition 1A receivables to the  
27 authority for purchase and duly authorize the sale of the Proposition  
28 1A receivables pursuant to documentation approved by the  
29 authority, the authority shall purchase all Proposition 1A  
30 receivables so offered to the extent it can sell bonds therefor. If  
31 the authority does not purchase all Proposition 1A receivables  
32 offered, it shall purchase a pro rata share of each entity's offered  
33 Proposition 1A receivables.

34 (C) The authority may establish a deadline, no earlier than  
35 November 3, 2009, by which these entities shall offer their  
36 Proposition 1A receivables for sale to the authority and complete  
37 the application required by the authority.

38 (3) For purposes of meeting costs incurred in performing its  
39 duties relative to the purchase and sale of Proposition 1A  
40 receivables, the authority shall be authorized to charge a fee to

1 each entity from which it purchases a Proposition 1A receivable.  
2 The fee shall be computed based on the percentage value of the  
3 Proposition 1A receivable purchased from each entity, in relation  
4 to the value of all Proposition 1A receivables purchased by the  
5 authority. The amount of the fee shall be paid from the proceeds  
6 of the bonds and shall be included in the principal amount of the  
7 bonds.

8 (4) Terms and conditions of any and all fees and expenses  
9 charged by the authority, or those it contracts with, and the terms  
10 and conditions of sales of Proposition 1A receivables and bonds  
11 issued pursuant to this subdivision, including the terms of optional  
12 early redemption provisions, if any, shall be approved by the  
13 Treasurer and the Director of Finance, who shall not unreasonably  
14 withhold their approval. The aggregate principal amount of all  
15 bonds issued pursuant to this subdivision shall not exceed two  
16 billion two hundred fifty million dollars (\$2,250,000,000), and the  
17 rate of interest paid on those bonds shall not exceed 8 percent per  
18 annum. The authority shall exercise its best efforts to obtain the  
19 lowest cost financing possible. Any and all premium obtained shall  
20 be used for either of the following:

- 21 (A) Applied to pay the costs of issuance of the bonds.
- 22 (B) Deposited in a trust account that is pledged to bondholders  
23 and used solely for the payment of interest on, or for repayment  
24 of, the bonds.

25 (5) (A) In connection with any financing backed by Proposition  
26 1A receivables, the Treasurer may retain financial advisors, legal  
27 counsel, and other consultants to assist in performing the duties  
28 required by this chapter and related to that financing.

29 (B) Notwithstanding any other law, none of the following shall  
30 apply to any agreements entered into by the Treasurer pursuant to  
31 subparagraph (A) in connection with any Proposition 1A financing:

- 32 (i) Section 11040 of the Government Code.
- 33 (ii) Section 10295 of the Public Contract Code.
- 34 (iii) Article 3 (commencing with Section 10300) and Article 4  
35 (commencing with Section 10335) of, Chapter 2 of Part 2 of  
36 Division 2 of the Public Contract Code, except for the authority  
37 of the Department of Finance under Section 10336 of the Public  
38 Contract Code to direct a state agency to transmit to it a contract  
39 for review, and except for Section 10348.5 of the Public Contract  
40 Code.

1 (C) Any costs incurred by the Treasurer in connection with any  
2 Proposition 1A financing shall be reimbursed out of the proceeds  
3 of the financing.

4 (y) Set any other terms and conditions on any purchase or sale  
5 pursuant to this section as it deems by resolution to be necessary,  
6 appropriate, and in the public interest, in furtherance of the  
7 purposes of this article.

8 (z) This section shall remain in effect only until January 1, 2022,  
9 and as of that date, is repealed.

10 SEC. 2. Section 6588 is added to the Government Code, to  
11 read:

12 6588. In addition to other powers specified in an agreement  
13 pursuant to Article 1 (commencing with Section 6500) and Article  
14 2 (commencing with Section 6540), the authority may do any or  
15 all of the following:

16 (a) Adopt bylaws for the regulation of its affairs and the conduct  
17 of its business.

18 (b) Sue and be sued in its own name.

19 (c) Issue bonds, including, at the option of the authority, bonds  
20 bearing interest, to pay the cost of any public capital improvement,  
21 working capital, or liability or other insurance program. In addition,  
22 for any purpose for which an authority may execute and deliver  
23 or cause to be executed and delivered certificates of participation  
24 in a lease or installment sale agreement with any public or private  
25 entity, the authority, at its option, may issue or cause to be issued  
26 bonds, rather than certificates of participation, and enter into a  
27 loan agreement with the public or private entity.

28 (d) Engage the services of private consultants to render  
29 professional and technical assistance and advice in carrying out  
30 the purposes of this article.

31 (e) As provided by applicable law, employ and compensate  
32 bond counsel, financial consultants, and other advisers determined  
33 necessary by the authority in connection with the issuance and sale  
34 of any bonds.

35 (f) Contract for engineering, architectural, accounting, or other  
36 services determined necessary by the authority for the successful  
37 development of a public capital improvement.

38 (g) Pay the reasonable costs of consulting engineers, architects,  
39 accountants, and construction, land-use, recreation, and  
40 environmental experts employed by any sponsor or participant if

1 the authority determines those services are necessary for the  
2 successful development of public capital improvements.

3 (h) Take title to, sell by installment sale or otherwise, or lease  
4 lands, structures, real or personal property, rights, rights-of-way,  
5 franchises, easements, and other interests in lands that are located  
6 within the state that the authority determines are necessary or  
7 convenient for the financing of public capital improvements, or  
8 any portion thereof.

9 (i) Receive and accept from any source, loans, contributions,  
10 or grants, in either money, property, labor, or other things of value,  
11 for, or in aid of, the construction financing, or refinancing of public  
12 capital improvement, or any portion ~~thereof~~ *thereof*, or for the  
13 financing of working capital or insurance programs, or for the  
14 payment of the principal of and interest on bonds if the proceeds  
15 of those bonds are used for one or more of the purposes specified  
16 in this section.

17 (j) Make secured or unsecured loans to any local agency in  
18 connection with the financing of capital improvement projects,  
19 working capital or insurance programs in accordance with an  
20 agreement between the authority and the local agency. However,  
21 no loan shall exceed the total cost of the public capital  
22 improvements, working capital or insurance needs of the local  
23 agency as determined by the local agency and by the authority.

24 (k) Make secured or unsecured loans to any local agency in  
25 accordance with an agreement between the authority and the local  
26 agency to refinance indebtedness incurred by the local agency in  
27 connection with public capital improvements undertaken and  
28 completed.

29 (l) Mortgage all or any portion of its interest in public capital  
30 improvements and the property on which any project is located,  
31 whether owned or thereafter acquired, including the granting of a  
32 security interest in any property, tangible or intangible.

33 (m) Assign or pledge all or any portion of its interests in  
34 mortgages, deeds of trust, indentures of mortgage or trust, or  
35 similar instruments, notes, and security interests in property,  
36 tangible or intangible, of a local agency to which the authority has  
37 made loans, and the revenues therefrom, including payment or  
38 income from any interest owned or held by the authority, for the  
39 benefit of the holders of bonds issued to finance public capital  
40 improvements. The pledge of moneys, revenues, accounts, contract

1 rights, or rights to payment of any kind made by or to the authority  
2 pursuant to the authority granted in this part shall be valid and  
3 binding from the time the pledge is made for the benefit of the  
4 pledgees and successors thereto, against all parties irrespective of  
5 whether the parties have notice of the claim.

6 (n) Lease the public capital improvements being financed to a  
7 local agency, upon terms and conditions that the authority deems  
8 proper; charge and collect rents therefor; terminate any lease upon  
9 the failure of the lessee to comply with any of the obligations of  
10 the lease; include in any lease provisions that the lessee shall have  
11 options to renew the lease for a period or periods, and at rents as  
12 determined by the authority; purchase or sell by an installment  
13 agreement or otherwise any or all of the public capital  
14 improvements; or, upon payment of all the indebtedness incurred  
15 by the authority for the financing or refinancing of the public  
16 capital improvements, the authority may convey any or all of the  
17 project to the lessee or lessees.

18 (o) Charge and apportion to local agencies that benefit from its  
19 services the administrative costs and expenses incurred in the  
20 exercise of the powers authorized by this article. These fees shall  
21 be set at a rate sufficient to recover, but not exceed, the authority's  
22 costs of issuance and administration. The fee charged to each local  
23 obligation acquired by the pool shall not exceed that obligation's  
24 proportionate share of those costs. The level of these fees shall be  
25 disclosed to the California Debt and Investment Advisory  
26 Commission pursuant to Section 6599.1.

27 (p) Issue, obtain, or aid in obtaining, from any department or  
28 agency of the United States or of the state, or any private company,  
29 any insurance or guarantee to, or for, the payment or repayment  
30 of interest or principal, or both, or any part thereof, on any loan,  
31 lease, or obligation or any instrument evidencing or securing the  
32 same, made or entered into pursuant to this article.

33 (q) Notwithstanding any other provision of this article, enter  
34 into any agreement, contract, or any other instrument with respect  
35 to any insurance or guarantee; accept payment in the manner and  
36 form as provided therein in the event of default by a local agency;  
37 and assign any insurance or guarantee that acts as security for the  
38 authority's bonds.

1 (r) Enter into any agreement or contract, execute any instrument,  
2 and perform any act or thing necessary, convenient, or desirable  
3 to carry out any power authorized by this article.

4 (s) Invest any moneys held in reserve or sinking funds, or any  
5 moneys not required for immediate use or disbursement, in  
6 obligations that are authorized by law for the investment of trust  
7 funds.

8 (t) At the request of affected local agencies, combine and pledge  
9 revenues to public capital improvements for repayment of one or  
10 more series of bonds issued pursuant to this article.

11 (u) Delegate to any of its individual parties or other responsible  
12 individuals the power to act on its behalf subject to its general  
13 direction, guidelines, and oversight.

14 (v) Purchase, with the proceeds of its bonds or its revenue, bonds  
15 issued by any local agency at public or negotiated sale. Bonds  
16 purchased pursuant to this subdivision may be held by the authority  
17 or sold to public or private purchasers at public or negotiated sale,  
18 in whole or in part, separately or together with other bonds issued  
19 by the authority.

20 (w) Purchase, with the proceeds of its bonds or its revenue, VLF  
21 receivables sold to the authority pursuant to Section 6588.5. VLF  
22 receivables so purchased may be pledged to the payment of bonds  
23 issued by the authority or may be resold to public or private  
24 purchasers at public or negotiated sale, in whole or in part,  
25 separately or together with other VLF receivables purchased by  
26 the authority.

27 (x) (1) Purchase, with the proceeds of its bonds or its revenue,  
28 Proposition 1A receivables pursuant to Section 6588.6. Proposition  
29 1A receivables so purchased may be pledged to the payment of  
30 bonds issued by the authority or may be resold to public or private  
31 purchasers at public or negotiated sales, in whole or in part,  
32 separately or together with other Proposition 1A receivables  
33 purchased by the authority.

34 (2) (A) All entities subject to a reduction of ad valorem property  
35 tax revenues required under Section 100.06 of the Revenue and  
36 Taxation Code pursuant to the suspension set forth in Section  
37 100.05 of the Revenue and Taxation Code shall be afforded the  
38 opportunity to sell their Proposition 1A receivables to the authority.

39 (B) If these entities offer Proposition 1A receivables to the  
40 authority for purchase and duly authorize the sale of the Proposition

1 1A receivables pursuant to documentation approved by the  
2 authority, the authority shall purchase all Proposition 1A  
3 receivables so offered to the extent it can sell bonds therefor. If  
4 the authority does not purchase all Proposition 1A receivables  
5 offered, it shall purchase a pro rata share of each entity's offered  
6 Proposition 1A receivables.

7 (C) The authority may establish a deadline, no earlier than  
8 November 3, 2009, by which these entities shall offer their  
9 Proposition 1A receivables for sale to the authority and complete  
10 the application required by the authority.

11 (3) For purposes of meeting costs incurred in performing its  
12 duties relative to the purchase and sale of Proposition 1A  
13 receivables, the authority shall be authorized to charge a fee to  
14 each entity from which it purchases a Proposition 1A receivable.  
15 The fee shall be computed based on the percentage value of the  
16 Proposition 1A receivable purchased from each entity, in relation  
17 to the value of all Proposition 1A receivables purchased by the  
18 authority. The amount of the fee shall be paid from the proceeds  
19 of the bonds and shall be included in the principal amount of the  
20 bonds.

21 (4) Terms and conditions of any and all fees and expenses  
22 charged by the authority, or those it contracts with, and the terms  
23 and conditions of sales of Proposition 1A receivables and bonds  
24 issued pursuant to this subdivision, including the terms of optional  
25 early redemption provisions, if any, shall be approved by the  
26 Treasurer and the Director of Finance, who shall not unreasonably  
27 withhold their approval. The aggregate principal amount of all  
28 bonds issued pursuant to this subdivision shall not exceed two  
29 billion two hundred fifty million dollars (\$2,250,000,000), and the  
30 rate of interest paid on those bonds shall not exceed 8 percent per  
31 annum. The authority shall exercise its best efforts to obtain the  
32 lowest cost financing possible. Any and all premium obtained shall  
33 be used for either of the following:

34 (A) Applied to pay the costs of issuance of the bonds.

35 (B) Deposited in a trust account that is pledged to bondholders  
36 and used solely for the payment of interest on, or for repayment  
37 of, the bonds.

38 (5) (A) In connection with any financing backed by Proposition  
39 1A receivables, the Treasurer may retain financial advisors, legal

1 counsel, and other consultants to assist in performing the duties  
2 required by this chapter and related to that financing.

3 (B) Notwithstanding any other law, none of the following shall  
4 apply to any agreements entered into by the Treasurer pursuant to  
5 subparagraph (A) in connection with any Proposition 1A financing:

6 (i) Section 11040 of the Government Code.

7 (ii) Section 10295 of the Public Contract Code.

8 (iii) Article 3 (commencing with Section 10300) and Article 4  
9 (commencing with Section 10335) of, Chapter 2 of Part 2 of  
10 Division 2 of the Public Contract Code, except for the authority  
11 of the Department of Finance under Section 10336 of the Public  
12 Contract Code to direct a state agency to transmit to it a contract  
13 for review, and except for Section 10348.5 of the Public Contract  
14 Code.

15 (C) Any costs incurred by the Treasurer in connection with any  
16 Proposition 1A financing shall be reimbursed out of the proceeds  
17 of the financing.

18 (y) Set any other terms and conditions on any purchase or sale  
19 pursuant to this section as it deems by resolution to be necessary,  
20 appropriate, and in the public interest, in furtherance of the  
21 purposes of this article.

22 (z) This section shall become operative on January 1, 2022.