



NEWS RELEASE

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Treasurer Lockyer Announces Completion of Unprecedented \$194 Million Bond Sale to Fund Road Projects in Bay Area, Other Northern California Counties

SACRAMENTO – State Treasurer Bill Lockyer today announced the completion of an unprecedented \$194 million bond transaction with the Bay Area Toll Authority (BATA) to finance work on 11 road projects in Bay Area and other Northern California counties.

“We’re working hard to get California’s infrastructure program back in high gear, but it will take time” said Lockyer. “Meanwhile, we need to pursue innovate financing strategies to keep projects moving, people working and businesses thriving. This deal is the first of its kind, but it won’t be the last. The Toll Authority deserves credit for stepping forward to help the State recover from its long fiscal crisis.”

Under the transaction, the State sold BATA \$194 million of general obligation (GO) bonds authorized by Proposition 1B, the transportation project measure approved by voters in 2006. The State will spend the proceeds on 11 specified highway and traffic projects in Alameda, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma counties.

The State will pay BATA 3.34 percent interest over 18 months. At that time, the State plans to buy back the bonds and resell them into the market at long-term maturities.

The transaction is a “private placement,” in which the State offered the bonds only to BATA. Normally, the State sells GO bonds in open-market, public offerings in which individual and institutional investors have the opportunity to buy.

The BATA deal marks the first time the State has sold GO bonds to another public entity in a private placement. Lockyer said similar deals are under consideration, including a potential transaction with the Los Angeles County Metropolitan Transportation Authority.

Additionally, to get funds flowing to stem cell research, environmental protection and other projects, the State is exploring the possibility of entering private placement deals with foundations and other investors.

(MORE)

To help the State conserve cash during its protracted budget crisis, the Pooled Money Investment Board (PMIB) last Dec. 17 imposed a freeze on infrastructure financing. The action halted or delayed 5,300 projects with a combined value of \$18.1 billion. The jobs of 326,000 workers, and billions of dollars in revenues for the businesses which build the projects, have been lost or threatened. The freeze affects projects throughout California, including highways, bridges, schools, levees, housing, hospitals, conservation, fire stations, veterans homes and others.

The Governor on Feb. 20 signed a budget plan to resolve a projected \$40 billion deficit through fiscal 2009-10. Given the budget's enactment, the PMIB will meet as soon as possible in March to determine when, and to what extent, it will be able to thaw the infrastructure financing freeze.

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