

Georgia Environmental Facilities Authority Board Meeting Summary January 26, 2010

The GEFA Board met on Tuesday, January 26. During the meeting, the Board passed a resolution directing the GEFA staff to solicit request for proposals/request for qualifications to securitize, or sell off, **“all or part”** of the loans comprising the Georgia Fund.

During the discussion that preceded the vote, Bibb County Commissioner and GEFA Board member Elmo Richardson expressed concern that the need for these funds is only going to increase with additional demands on water infrastructure and capacity. He said it will cost local governments more to borrow in the private market, which will ultimately be paid by tax payers and rate payers. Commissioner Richardson was the only board member to vote against the proposal.

At this time, it is not clear how much of the Georgia Fund will be securitized. If any funding remains at all, it is likely to be directed for smaller governments that are not credit rated and cannot go the private market for loans. The Board also voted to cap future Georgia Fund loans at \$3 million (the previous cap was \$10 million).

The process to secure proposals is expected to take a few months. The Board will have very limited time to review the proposals or make recommendations. The amount of money generated from this proposal depends on the bids received from investment bankers willing to purchase the loans. The financial return to the state from this action must also account for any fees and closing costs. The return to the state will be far less than the current value of the loans sold.

The Governor's office has made it clear that the revenue generated from the sale of these loans is critical to address the projected budget deficit. They have also indicated that without the securitization of the Georgia Fund, drastic cuts are in store for education.

Other actions taken at the GEFA Board meeting included:

- Elimination of the interest rate discount for Signature Communities program;
- Reduction of emergency loans from \$500,000 to \$300,000;
- Elimination of the sewer grant program (no money);
- Elimination of the reservoir and water supply grant program (no money);
- Reduction of clean and drinking water loans to \$25 million.