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Butte County Successfully Obtains a Short-Term Cash Flow Loan

News Release

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Oroville, CA – Butte County officials announced that they successfully obtained a short-term cash flow loan, known as Tax and Revenue Anticipation Notes (TRANs), from US Bank for \$23,495,000 at an interest a rate of .75% for 12 months.

Most local governments, including Butte County, rely on TRANs to meet their cash flow needs because expenses are spread out through the year while revenues are received unevenly. The money, borrowed at the beginning of the year, allows the County to meet its ongoing financial obligations until property tax revenues are paid in December and April. Once the property tax installments are received, the County pays off the TRANs.

The economic slowdown and collapse of the financial markets have made TRANs difficult to obtain. Financial institutions required TRANs issuers to be in an exceptional financial position with a sound management plan and a top bond rating. Complicating this picture was the State facing its own budgetary and cash flow challenges, thus dragging down the bond ratings of all local governments in California. As a result, many local governments have been unable to obtain the necessary short term cash flow loans at favorable interest rates.

Despite these difficulties, Butte County was able to demonstrate a sound management plan and obtained the high ratings from two top bond rating agencies: Moody's and Standard & Poors. "I am delighted and relieved that we have finally obtained this necessary cash flow loan," said Linda Barnes, Butte County Treasurer-Tax Collector. "This was made possible because of the sound budgetary decisions implemented by the Board of Supervisors and the hard work put forth by the professional staff from many County departments. While the County is still facing budgetary challenges, it is comforting to know that we now have sufficient funds available to pay our vendors and employees."

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