



Professional Standards Committee Highlights

ASSEMBLY BILL NO. 2107 SECURITIZED LIMITED OBLIGATION NOTES



Assembly Bill 2107, by Rodriguez, was signed by the Governor on September 28, 2020. It amends Section 53839 of the Government Code and brings back the option (originally expired in 2019) for special districts in California to issue securitized limited obligation notes (SLONs). This is a type of debt secured by a dedicated revenue source, such as user fees and charges. Issuance requires a 4/5 vote of a district's governing board. SLONs can be used to finance acquisitions or improvements of land, facilities, or equipment. Any special district can borrow up to \$2 million for up to 10 years at interest rates not to exceed 12% per year. The notes must be paid only from pledged revenues. A district's general fund is not liable for repaying the principal and interest, and lenders cannot force a district to raise taxes to repay its SLONs. SLONs may be less risky and less costly to finance compared to promissory notes. They may also be more practical than long-term bonds that require 20 to 30 years of interest payments. The bill provides the ability for special districts to issue SLONs from now until December 31, 2024.

The full text of Assembly Bill 2107 can be found [here](#).

You can also find Committee Highlights on other topics at

<https://www.csmfo.org/professional-standards-committee-highlights/>.

If you have questions regarding this topic, contact Jason Al-Imam, Chair of the Professional Standards Committee at standards.chair@csmfo.org.

The Professional Standards Committee operates as a technical resource to CSMFO members. The Committee is comprised of municipal and commercial members whose mission is to keep members informed of emerging issues and best practices.
