

Board of Supervisors



COUNTY OF SAN MATEO

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February 16, 2010

Honorable Barbara Boxer
112 Hart Office Building
2nd & C Street, NE
Washington, D.C. 20510

Dear Senator Boxer,

Local public agencies across the United States have been harmed by the failure of Lehman Brothers Holding, Inc. on September 15, 2008. Cities, counties, schools and special districts had invested approximately \$1.7 billion of operating funds in conservative Lehman securities at the time of Lehman's bankruptcy.

San Mateo County alone had \$155 million of "pool" funds in Lehman invested on behalf of our 25 school districts, 20 cities and numerous special districts, including:

- \$25 million in San Mateo County Transit Agency road and public transit improvement project funds. This resulted in a compounding loss of badly needed state and federal funds because they no longer have the required match;
- \$25 million in San Mateo County Community College District funds that are the proceeds of a voter-approved construction bond. Our taxpayers will be required to pay off these bonds over the next 20 years, with no buildings to show for it, and a generation of community college students will be taught in inferior facilities;
- \$37 million of County of San Mateo operating funds resulting in reductions to health, human services and public safety programs and deferral of a necessary women's jail construction project.

San Mateo County's unemployment rate over the past year has doubled from previous levels. According to Beacon Economics Analysis, the Lehman loss has directly resulted in the loss of 1,658 jobs and will result in a projected future loss of \$216 million in our local economy and will stall our recovery.

Other local governments across are nation lost taxpayer dollars in the Lehman collapse. These include: the cities of Burbank, Long Beach, Costa Mesa, Vacaville and counties of Alameda, Santa Clara, Monterey, Ventura, as well as Los Angeles Power, Marin Water, Orange County Transit and Vallejo Sanitation district. Local governments in Illinois, New York, New Jersey, Ohio, Colorado, Arizona and Florida have also lost millions.

The biggest losers from the Wall Street greed and government inattention are those on Main Street – cities, counties and schools. These local governments have no way to recoup these funds. Bankruptcy proceedings will be a long and costly process resulting in the likely recovery of pennies on the dollar.

On behalf of the County of San Mateo and a local government coalition of 100 cities, counties and school districts, I ask that you provide relief to our communities. I am hopeful you will see the need to ensure individuals receive essential services while bolstering job creation and preserving of the jobs of teachers, police, fire, nurses and construction workers.

You are able to provide assistance through the jobs legislation pending in Congress by the following language at the appropriate place in the jobs bills:

“Provided, That the remaining or returned Troubled Asset Relief Program funds, \$1,360,000,000 to local governments impacted by the September 15, 2008 bankruptcy of Lehman Brothers Holding, Inc. The term ‘local government’ means a county, city, town, village, school district or other special district established under State Law.”

Our collective investments in Lehman would have been safe had we invested in any other major Wall Street bank. As those other banks failed or were on the verge of failure, tens of billions of dollars were used to prop them up to avoid financial collapse. Yet the federal government allowed Lehman, alone among the major banks, to fail.

Why is it that tax-paying residents of our local communities are suffering from this devastating decision while Wall Street is again showering bonuses on bankers?

Restore confidence in our government. Treat the troubled assets held by local governments on “Main Street,” just as you have those on Wall Street.

Thank you for your consideration. I look forward to discussing this important matter with you further.

Sincerely,



RICHARD S. GORDON
President of the Board

C: U.S. Senator Dianne Feinstein
U.S. Senator Barbara Boxer
Congressman Barney Frank
Congressman George Miller
Congresswoman Anna Eshoo
Congresswoman K. Jacqueline Speier
Congressman Sam Farr
Congressman Ed Perlmutter