

County Manager's Office



COUNTY OF SAN MATEO

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February 3, 2009

Honorable Timothy F. Geithner
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

RE: Local Agency Troubled Assets

Dear Secretary Geithner:

We, the undersigned, respectfully request that you purchase debt securities to eliminate exposure of losses of taxpayer dollars arising from investments in Lehman Brothers Holdings, Inc., and Washington Mutual. We represent cities, counties, schools and special districts throughout the State of California and we hold debt securities in these two institutions. By law, we can only invest in what are deemed conservative instruments that are rated at least investment grade. These investments represent taxpayer money that was intended to be used for all manner of local government needs including school classroom construction, health care, police and fire services.

Combined our par value exposure is \$350 million. Public agencies across the country have lost a minimum of an additional \$1.67 billion, including Sarasota County, Florida \$40 million, Mohave County, Arizona \$5 million, Massachusetts State College Building Authority \$5.2 million, Michigan State University \$10 million and the list goes on.

The securities we own meet the definition of "Troubled Assets" found in Section 3(9) of the Emergency Economic Stabilization Act of 2008. The ultimate purpose of the Act is to stabilize the financial system while protecting taxpayers. In other words, it is our position that there is no better way to protect the taxpayers than by the Secretary exercising the authority to purchase Troubled Assets that are directly owned by taxpayers.

The recital/preamble of the Emergency Economic Stabilization Act of 2008 states in part that the intent of the Act is:

[t]o purchase and insure certain types of troubled assets for the purpose of providing stability to and preventing disruption in the economy and financial systems and protecting taxpayers...

The Emergency Economic Stabilization Act of 2008, Troubled Assets Relief Program (TARP) contains specific provisions, including Section 103, authorizing the Secretary of the Treasury to take action to provide relief. In fact, at the behest of Congresswoman Eshoo, working closely with Financial Services Chairman Barney Frank, the language contained in that Section, subpart 7 was included to direct you to consider the stability of public instrumentalities, such as cities and counties that have suffered losses due to the bankruptcies. For instance, subparts 1 and 2 direct you to consider the interests of taxpayers and the protection of jobs and retirement security. Loss of these investments may mean teachers will be out of work instead of in the classroom. Subparts 4 and 5, require you to consider the long-term viability of financial institutions and ensure that all institutions are eligible to participate. It is a matter of equity that Lehman and Washington Mutual are able to participate in this rescue program and as a matter of fairness for the taxpayers of public agencies in California and across the nation.

It would be inequitable were the federal bailout to buy bad mortgages, shore up Wall Street financial institutions, yet fail to protect agencies' taxpayer money. Moreover, local governments operate in the open and are transparent to taxpayers and federal regulators. The elected officials that oversee these agencies are held accountable. As mandated investors of local agency funds, city, county and district treasurers are integral parts of the financial systems of this country. The purpose of the Act directly addresses our situation. We hold "troubled assets" the loss of which will disrupt and destabilize our local economy as well as these national and local "financial systems." Most importantly, purchase of these troubled assets would directly "protect taxpayers" since it is their tax dollars which are at risk. These assets do not represent complex financial instruments in which some people got rich while others got in over their heads. Rather, these instruments represent an attempt at conservative stewardship of public funds, the loss of which was caused by the sudden collapse of the oldest investment bank in our country. These investments appeared far from risky and represent the backbone of local government finance.

Our collective exposure represents a severe financial hardship to our agencies, and to all our local schools and special districts. Our Treasurers had invested in these assets in good faith and in conformance with all of our statutory limitations and conservative policy considerations. These losses have severely impacted the budgets of our local government entities. Without mitigation the losses will impact the delivery of all manner of local government programs and services, including police, fire, health care, transportation, education and the construction of classrooms.

We ask that you consider the effect of this potential loss and use your authority to equally protect Main Street as Treasury has already done for Wall Street, and protect taxpayer moneys held by local governments across the country that have become the unintended victims of the Lehman bankruptcy and the failure of Washington Mutual. U.S. Senator Dianne Feinstein and Representatives Barney Frank, Anna Eshoo and Jackie Speier, are working on legislation requiring federal TARP money be used to help local governments harmed by these investments in now-failed financial institutions. They believe, as do we, that the Treasury has the authority and more over, the responsibility under the Act to protect local taxpayers.

Accordingly, we respectfully request that you authorize the federal purchase or insurance of these assets under the provisions of the TARP program. We also request a meeting in Washington with you to discuss this urgent matter.

Sincerely,

National Association of Counties
Association of Public Treasurers of the United States and Canada
California State Association of Counties
California Municipal Treasurers Association
County of Madera
County of San Mateo
County of Monterey
County of Sacramento
County of Placer
County of Plumas
Tehama County Treasurer
County of Tuolumne
San Mateo County Transportation Authority
Peninsula Corridor Joint Powers Board
Bay Area Air Quality District
Beach Cities Health District
Calaveras Water District
Marin Municipal Water District
Metropolitan Water District of Southern California
Modesto Irrigation District
Orange County (California) Transportation Authority
South Bayside Waste Management Authority
Vallejo Sanitation and Flood Control District
Town of Atherton
City of Auburn
City of Burbank

City of Costa Mesa
City of Cerritos
Culver City
City of Burlingame
Daly City
City of El Segundo
City of Fremont
City of Folsom
City of Fontana
City of Glendale
City of Long Beach
City of Loomis
City of Millbrae
City of Moreno Valley
City of San Mateo
City of Santa Clarita
City of Shafter
City of South San Francisco
City of Ventura
Bayshore Elementary School District

C: Speaker Nancy Pelosi
Majority Leader Harry Reid
The Honorable Barbara Boxer
The Honorable Dianne Feinstein
The Honorable John Kerry
The Honorable Carl Levin
The Honorable Mel Martinez
The Honorable Bill Nelson
The Honorable Debbie Stabenow
The Honorable Anna Eshoo
The Honorable Barney Frank
The Honorable Jackie Speier
The Honorable Board of Supervisors, San Mateo County
The Honorable Lee Buffington, San Mateo County
Mike Murphy, County Counsel, San Mateo County
David Boesch, County Manager, San Mateo County
CSAC
NACO

111TH CONGRESS
1ST SESSION

S. 116

To require the Secretary of the Treasury to allocate \$10,000,000,000 of Troubled Asset Relief Program funds to local governments that have suffered significant losses due to highly-rated investments in failed financial institutions.

IN THE SENATE OF THE UNITED STATES

JANUARY 6, 2009

Mrs. FEINSTEIN introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To require the Secretary of the Treasury to allocate \$10,000,000,000 of Troubled Asset Relief Program funds to local governments that have suffered significant losses due to highly-rated investments in failed financial institutions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “TARP Assistance for
5 Local Governments Act of 2009”.

1 **SEC. 2. ASSISTANCE TO LOCAL GOVERNMENTS.**

2 Section 101(a) of the Emergency Economic Stabiliza-
3 tion Act of 2008 (12 U.S.C. 5211(a)) is amended by add-
4 ing at the end the following:

5 “(4) ASSISTANCE TO LOCAL GOVERNMENTS.—

6 “(A) PURCHASE AUTHORITY.—The Sec-
7 retary shall use \$10,000,000,000 of funds made
8 available for the TARP to assist public instru-
9 mentalities, such as counties and cities, that
10 have suffered significant increased costs or
11 losses due to investments with failed financial
12 institutions, as described in subparagraph (B).

13 “(B) LIMITED TO HIGHLY RATED INVEST-
14 MENTS.—Assistance under this paragraph shall
15 be limited to public instrumentalities that have
16 suffered due to investments that the Secretary
17 determines were highly rated in any failed fi-
18 nancial institution, whether or not the financial
19 institution is assisted under this Act.”.

○

DRAFT SUMMARY OF LEHMAN/WaMu LOSSES BY PUBLIC AGENCIES

FEBRUARY 6, 2009

Lehman/WaMu Losses By State*

State	Amount
Alaska	\$75,000
Arizona	\$61,600,620
California	\$789,427,528
Delaware	\$529,000
Florida	\$465,225,000
Georgia	\$697,220
Illinois	\$22,600,000
Massachusetts	\$5,218,524
Michigan	\$10,000,000
Minnesota	\$56,404,536
Mississippi	\$1,219
Missouri	\$50,000,000
Nevada	\$254,500
New Jersey	\$1,920
New York	\$6,375,102
Oregon	\$173,575,000
Pennsylvania	\$200,000
Tennessee	\$18
Texas	\$2,961
Washington	\$130,444,000
TOTAL	\$1,772,632,148

Lehman/WaMu Losses By Jurisdiction Type*

Jurisdiction Type	Amount
City	\$142,995,289
County	\$270,269,853
School	\$41,100,000
Special District	\$49,670,348
State	\$1,268,596,657
TOTAL	\$1,772,632,148

Lehman/WaMu Losses – States over \$20 million in losses*

State	Amount
California	\$789,427,528
Florida	\$465,225,000
Oregon	\$173,575,000
Washington	\$130,444,000
Arizona	\$61,600,620
Minnesota	\$56,404,536
Missouri	\$50,000,000
Illinois	\$22,600,000
TOTAL	\$1,749,276,684

*Includes tax liens, commercial paper, secured and unsecured notes, and may include some double counting as States/Counties/Cities belong to pools and may have each filed a claim with Lehman Brothers Holding, Inc.