

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-26

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December 2, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file Investment Report for Quarter Ending September 30, 2008.
(Citywide)

DISCUSSION

The Department of Financial Management, City Treasurer's Office, invests the City's funds in compliance with the California Government Code, Section 53600 et seq., and the City's Investment Policy. As of September 30, 2008, these funds had a market value of approximately \$1.70 billion, with approximately \$700 million, or 41 percent, maturing within six months, ensuring sufficient funds are available to meet the City's cash and liquidity needs.

Statutory Compliance

All investment transactions have been executed in conformance with the City's Investment Policy and the California Government Code. According to the California Government Code, the maturity term of all investments is limited to a maximum of five years unless the local agency legislative body gives prior approval to exceed this limitation. The City's Investment Policy currently requires that all funds invested in the City's investment pool not exceed a weighted average maturity of three years. In addition, the Investment Advisory Committee, composed of the Assistant City Manager, Assistant City Auditor, Assistant City Attorney, Director of Financial Management, City Treasurer, City Controller, and the Financial Officers of the Harbor, Water and Development Services Departments, meets quarterly, or as needed, to review investment policies, strategies and performance. The City Auditor's Office conducts quarterly audits of the City's investment portfolio to ensure compliance with all applicable laws and policies.

Investment Pool Rating

As previously reported, the City's investment portfolio carried the highest credit rating of AA Af and the lowest volatility rating of S1 by the Standard & Poor's rating agency on March 31, 2008. Given the current financial crisis, and the recent failure of Lehman Holdings, Inc., the Department of Financial Management contacted the Standard & Poor's rating agency to conduct an independent outside review of the City's investment portfolio holdings as of September 30, 2008. The City's investment portfolio has again received the highest credit rating of AA Af and best volatility rating of S1 meaning that the "Fund's portfolio holdings

provide extremely strong protection against losses from credit defaults” and “low sensitivity to changing market conditions,” respectively. This rating reflects the relative safety of the City’s investment portfolio and qualifies the Investment Pool as an alternative investment for proceeds from bonds issued by the City.

Investment Performance – Overall Portfolio

The City Treasurer's Office invests in a variety of fixed-income securities that vary in maturity from one day to five years (excluding the Health SAVRS loan) as authorized by the City’s Investment Policy and the California Government Code. The City's adopted 2008 Investment Policy divides the City’s investment portfolio into a short-term and a long-term portfolio whose benchmarks are the 3-Month Treasury Bill and the Merrill Lynch One-to-Three Year Treasury/ Agency Index, respectively. Both are market indices that change daily, therefore, actual returns can vary depending on book yields and security calls before the final maturity date. The weighted average book yield for the period was 3.39 percent. Book yield represents the actual earnings received on the total Investment Portfolio.

At September 30, 2008, the City’s investment pool market yield was 3.19 percent compared to 3.38 percent at June 30, 2008. The following table summarizes the Investment Pool market yield performance for the quarter ending September 30, 2008:

Portfolio Funds	Amount of Funds	Quarter End Values		
		Benchmark Return	Weighted Avg Maturity*	Yield**
Short-Term Investment Pool	\$ 649,914,108	1.54 percent	0.83 years	2.81 percent
Long-Term Investment Pool	\$ 1,051,854,969	2.58 percent	1.96 years	3.42 percent
Total Investment Pool	\$ 1,701,769,077	2.18 percent	1.55 years	3.19 percent

* Weighted Average Maturity assumes securities are not called or sold prior to the actual maturity date. ** Market Yield of Portfolio at quarter end.

The following table summarizes the purchase yield of the new investments vs. the average Benchmark Yield in the short-term portfolio by month for the quarter ending September 30, 2008.

SHORT-TERM PORTFOLIO

Month	Amount of Funds Invested	Benchmark vs. Purchase Yield Analysis		
		Benchmark Return*	Purchase Yield**	Over/(Under) Benchmark
July 2008	\$ 18,200,000	1.64 percent	2.39 percent	0.75 percentage points
August 2008	\$ 87,600,000	1.74 percent	2.23 percent	0.49 percentage points
September 2008	\$ 40,500,000	1.20 percent	2.65 percent	1.45 percentage points
Total Invested Funds *	\$ 146,300,000	1.58 percent	2.37 percent	0.79 percentage points

* 91-Day T-Bill and other returns listed are weighted averages for the period. Excludes overnight and short-term investments under 30 days. **Purchase Yields stated to maturity assume the securities are not called or sold prior to the maturity date.

The following table summarizes the purchase yield of the new investments vs. the average Benchmark Yield in the long-term portfolio by month for the quarter ending September 30,

2008. Due to unprecedented market volatility, City staff systematically shortened the maturities of the long-term portfolio (e.g. from average 18 – 24 month maturities to 6 month to one year maturities) resulting in lower yields.

LONG-TERM PORTFOLIO

Month	Amount of Funds Invested	Benchmark vs. Purchase Yield Analysis		
		Benchmark Return*	Purchase Yield**	Over/(Under) Benchmark
July 2008	\$ 100,000,000	2.73 percent	2.20 percent	(0.53) percentage points
August 2008	\$ 68,128,000	2.62 percent	2.75 percent	0.13 percentage points
September 2008	\$ 95,000,000	2.37 percent	2.17 percent	(0.20) percentage points
Total Invested Funds *	\$ 263,128,000	2.57 percent	2.33 percent	(0.24) percentage points

** Merrill Lynch One-to-Three Year Treasury/Agency Index and other returns listed are weighted averages for the period. Excludes overnight and short-term investments under 30 days. **Yields are stated to maturity and assume the securities are not called or sold prior to the maturity date.*

The State Treasurer’s Local Agency Investment Fund’s (LAIF) weighted average quarterly yield was 2.78 percent, which is down from 3.11 percent at June 30, 2008. As of September 30, 2008, the City had approximately \$160 million invested in the LAIF pool. It may be possible for the City to increase its investment in LAIF by an additional \$40 million with the creation of an additional account. Staff will be further considering this option this month.

A complete listing of investment balances, portfolio distribution and performance values can be found in Attachment A.

Investment Performance – Lehman Holdings, Inc.

As widely reported in the news, the current global financial crisis has led to the failure, sale, or significant restructuring of Bear Stearns, Merrill Lynch, Morgan Stanley, Lehman Holdings, Inc., American International Group (AIG), Fannie Mae and Freddie Mac, Washington Mutual Savings Bank, IndyMac Bank and Wachovia Bank. The \$700 billion bailout plan approved by Congress represents one of numerous Federal attempts to stabilize the financial sector, and in turn, the nation's economy. The Federal Reserve Bank has developed and implemented a host of other programs to provide liquidity and stability to the entire national banking system. All totaled, these programs exceed \$1.0 trillion in Federal assistance.

While many financial institutions and mortgage lenders were offered significant monetary relief to stabilize their balance sheets, Lehman Holdings, Inc., on Monday, September 15, 2008, filed for Chapter 11 Bankruptcy, representing the largest corporate bankruptcy in United States history. As previously reported to the City Council, a \$19.9 million short-term investment in Lehman Holdings, Inc., Commercial Paper, representing approximately 1.14 percent of the City’s investment portfolio, rated A1/P1 by Standard and Poor’s and Moody’s (the second highest rating), did not mature on September 30, 2008 as scheduled due to the Chapter 11 bankruptcy filing by Lehman Holdings, Inc.

City staff and the City Attorney’s Office, along with outside bankruptcy counsel have implemented a two-pronged approach to recover this potential loss: seeking restitution

through the \$700 billion Federal bailout legislation, and seeking recovery through the Federal bankruptcy court.

As such, the City of Long Beach has joined a coalition of 21 public entities including counties, cities and special districts with combined exposure to Lehman Holdings, Inc., and Washington Mutual exceeding \$250 million. We are pleased to report the working group has co-signed a letter to the United States Treasury Secretary, Henry M. Paulson Jr., seeking restitution of its potential losses through Section 3(9) of the Federal Emergency Economic Stabilization Act of 2008 (Attachment B). The language in the bill allowing public entities to potentially access the Troubled Assets Recovery Program was entered into law at the specific request of impacted cities and counties, including the County of San Mateo, which alone has an exposure to Lehman Holdings, Inc., of \$155 million. We would like to thank United States Senators Barbara Boxer and Dianne Feinstein for their support as evidenced in the attached letter dated October 24, 2008, urging Secretary Paulson to protect local governments and taxpayer funds currently at risk due to the current global financial crisis (Attachment C). In addition, Congresswoman Anna Eshoo, who was instrumental in including the local government protection language in the Federal bailout legislation, spearheaded an initiative to obtain the support of 20 California members of the United States House of Representatives to make California public entities impacted by the Lehman and Washington Mutual bankruptcies financially whole (Attachment D).

Short-Term Investment Strategy

The City has adopted an investment strategy for the short-term portfolio that maintains sufficient liquidity within a rolling 12-month period to satisfy the City's cash needs.

Long-Term Investment Strategy

Due to the uncertainty and the unprecedented volatility in the capital markets, shorter investment maturities are currently more favorable.

Cash Management Goals

The City's cash management goals are to maintain and preserve the safety of funds in custody and provide adequate liquidity for anticipated expenditure needs.

This matter was reviewed by Assistant City Attorney Heather A. Mahood, Budget Management Officer Victoria Bell and the City's Investment Advisory Committee on November 5, 2008.

TIMING CONSIDERATIONS

This item is not time critical.

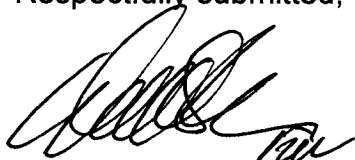
FISCAL IMPACT

There is no fiscal impact associated with this action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DAVID S. NAKAMOTO
CITY TREASURER



LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:



PATRICK H. WEST
CITY MANAGER

ATTACHMENTS

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ATTACHMENT A

City of Long Beach Asset Holdings

Month End: 9/30/2008

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
CASH & EQUIVALENTS									
Bank Deposits	NA	Total	56,849,034	56,849,034	56,849,034	55,136	1.0	1.20%	0.00
Money Market Funds	NA	Total	69,894,575	69,894,575	69,894,575	130,455	1.0	2.31%	0.00
L.A.I.F.	NA	Total	159,984,121	159,984,121	159,984,121	358,167	1.0	2.76%	0.00
CASH & EQUIVALENTS		TOTAL	286,727,730	286,727,730	286,727,730	543,758	1.0	2.34%	0.00

POOLED INVESTMENTS (SHORT)

Bankers Acceptances - Discount		Total	-	-	-	-	-	0.00%	-
FEDERAL HOME LN BK CON 0.0 14NOV08	GOVT	313384P52	15,000,000.00	14,900,587.50	14,909,323.12	54,676.88	11/14/2008	2.40%	0.12
FEDERAL HOME LN BK CONS 0.0 06NOV08	GOVT	313384N54	10,000,000.00	9,970,750.00	9,974,277.17	5,722.83	11/6/2008	2.30%	0.10
FEDERAL HOME LN BK CONS 0.0 12NOV08	GOVT	313384P37	10,000,000.00	9,939,750.00	9,945,219.78	31,780.22	11/12/2008	2.40%	0.12
FEDERAL HOME LN BK CONS 0.0 14OCT08	GOVT	313384K65	10,000,000.00	9,992,083.33	9,995,625.00	2,375.00	10/14/2008	1.43%	0.04
FEDERAL HOME LN MTG CO 0.00 05NOV08	GOVT	313396N41	20,000,000.00	19,947,611.11	19,954,515.87	7,484.13	11/5/2008	2.25%	0.10
FEDERAL HOME LN MTG CO 0.00 09JAN09	GOVT	313397AJ0	10,000,000.00	9,905,066.67	9,900,394.32	20,605.68	1/9/2009	2.68%	0.27
FEDERAL HOME LN MTG CO 0.00 12JAN09	GOVT	313397AM3	10,000,000.00	9,890,416.67	9,884,891.28	34,108.72	1/12/2009	2.64%	0.28
FEDERAL NATL MTG ASSN 0.00 20MAR09	GOVT	313589DG5	10,000,000.00	9,836,044.44	9,825,651.78	35,348.22	3/20/2009	2.76%	0.47
FEDERAL NATL MTG ASSN D 0.0 20OCT08	GOVT	313588L45	30,000,000.00	29,947,145.84	29,971,179.69	19,820.31	10/20/2008	1.98%	0.06
FEDERAL NATL MTG ASSN D 0.0 24OCT08	GOVT	313588L86	10,000,000.00	9,979,097.22	9,990,032.41	6,967.59	10/24/2008	2.09%	0.07
FEDERAL NATL MTG ASSN D 0.0 30OCT08	GOVT	313588M69	15,000,000.00	14,963,270.83	14,983,505.95	10,494.05	10/30/2008	2.10%	0.08
Agency Discount Notes		Total	150,000,000	149,271,824	149,334,616	229,383.63	49.0	2.23%	0.13
Commercial Paper Discount		Total	-	-	-	-	-	0.00%	-
Certificates of Deposits		Total	-	-	-	-	-	0.00%	-
Reverse Repurchase Agreements		Total	-	-	-	-	-	0.00%	-
Repurchase Agreements		Total	-	-	-	-	-	0.00%	-
FEDERAL FARM CR BKS C 4.0 16APR2012	GOVT	31331YC73	5,200,000.00	5,200,000.00	5,187,000.00	95,333.32	4/16/2012	4.01%	0.81
FEDERAL FARM CR BKS 4.125 22APR2013	GOVT	31331YF88	10,000,000.00	9,931,400.00	9,890,625.00	182,187.50	4/22/2013	4.17%	1.79

ATTACHMENT A

City of Long Beach Asset Holdings

Month End: 9/30/2008

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
FEDERAL HOME LN MTG 5.25 06OCT2011	GOVT	3128X5LP1	5,000,000.00	4,992,700.00	5,001,650.00	127,604.15	10/6/2011	5.25%	0.40
FEDERAL HOME LN MTG 4.25 06MAR2013	GOVT	3128X62G0	7,000,000.00	6,991,250.00	6,984,460.00	20,659.66	3/6/2013	4.26%	1.54
FEDERAL HOME LN MTG C 3.5 15AUG2011	GOVT	3128X62J4	7,000,000.00	6,975,500.00	6,964,426.00	31,305.54	8/15/2011	3.52%	1.36
FEDERAL HOME LN MTG 5.19 04JUN2010	GOVT	3128X6AF3	7,000,000.00	7,041,370.00	7,029,750.00	118,072.50	6/4/2010	5.17%	0.28
FEDERAL HOME LN MTG C 3.625 23DEC10	GOVT	3128X7B45	8,000,000.00	7,992,000.00	8,010,640.00	78,944.40	12/23/2010	3.62%	1.00
FEDERAL HOME LN MTG C 3.3 01APR2011	GOVT	3128X7DG6	7,900,000.00	7,887,656.25	7,859,078.00	130,350.00	4/1/2011	3.32%	1.04
FEDERAL HOME LN MTG 4.125 01APR2013	GOVT	3128X7EX8	5,000,000.00	4,998,750.00	4,895,400.00	103,125.00	4/1/2013	4.21%	2.50
FEDERAL HOME LN MTG CO 2.45 08MAY09	GOVT	3128X7KJ2	4,175,000.00	4,167,902.50	4,151,745.25	47,165.89	5/8/2009	2.46%	0.56
FEDERAL HOME LN MTG COR 3.0 28APR10	GOVT	3128X7LZ5	7,335,000.00	7,326,931.50	7,302,505.95	93,521.25	4/28/2010	3.01%	0.99
FEDERAL HOME LN MTG C 3.875 05MAY11	GOVT	3128X7PD0	7,000,000.00	7,000,000.00	7,005,530.00	110,006.89	5/5/2011	3.87%	0.63
FEDERAL HOME LN MTG CO 4.25 14MAY12	GOVT	3128X7PF5	7,000,000.00	7,000,000.00	7,013,300.00	113,215.27	5/14/2012	4.24%	0.77
FEDERAL HOME LN MTG CO 3.25 19MAY10	GOVT	3128X7RH9	6,000,000.00	5,991,000.00	5,993,268.00	71,499.96	5/19/2010	3.25%	0.78
FEDERAL HOME LN MTG COR 3.6 20MAY11	GOVT	3128X7TS3	8,000,000.00	7,983,200.00	7,999,120.00	104,800.00	5/20/2011	3.60%	1.34
FEDERAL HOME LN MTG COR 3.5 11JUN10	GOVT	3128X7WT7	8,000,000.00	7,993,600.00	8,007,360.00	85,555.52	6/11/2010	3.50%	0.75
FEDERAL HOME LN BKS 3.0 15APR09	GOVT	3133X4ZC8	10,000,000.00	10,050,700.00	9,987,500.00	138,333.30	4/15/2009	3.00%	0.53
FEDERAL HOME LN BKS 4.875 03NOV2011	GOVT	3133XMS77	10,000,000.00	10,000,000.00	10,015,625.00	200,416.60	11/3/2011	4.87%	0.61
FEDERAL HOME LN BKS 4.7 25JAN2013	GOVT	3133XNXY0	10,000,000.00	10,004,000.00	10,003,125.00	86,166.60	1/25/2013	4.70%	0.81
FEDERAL HOME LN BKS 2.83 03MAR09	GOVT	3133XPWJ9	2,600,000.00	2,598,934.00	2,597,562.50	5,722.89	3/3/2009	2.83%	0.42
FEDERAL HOME LN BKS 2.25 04MAR09	GOVT	3133XQ6D9	10,000,000.00	9,990,900.00	9,965,625.00	16,875.00	3/4/2009	2.26%	0.42
FEDERAL HOME LN BKS 3.75 24APR2012	GOVT	3133XQP63	10,000,000.00	9,998,437.50	9,928,125.00	163,541.60	4/24/2012	3.78%	1.40
FEDERAL HOME LN BKS 3.75 23APR2012	GOVT	3133XQQS4	7,670,000.00	7,607,106.00	7,614,871.88	126,235.39	4/23/2012	3.78%	1.39
FEDERAL HOME LN BKS 4.1 07MAY12	GOVT	3133XQWB4	4,460,000.00	4,451,080.00	4,455,818.75	73,144.00	5/7/2012	4.10%	0.83
FEDERAL NATL MTG ASS 5.16 24FEB2011	GOVT	3136F7UX3	5,000,000.00	4,939,800.00	5,040,625.00	26,516.65	2/24/2011	5.12%	0.59
FEDERAL NATL MTG ASSN 3.0 07APR2010	GOVT	3136F9EJ8	10,000,000.00	9,996,000.00	9,953,125.00	145,000.00	4/7/2010	3.01%	0.88
FEDERAL NATL MTG ASS 3.55 08FEB2011	GOVT	31398AMU3	10,000,000.00	9,982,500.00	9,993,750.00	52,263.80	2/8/2011	3.55%	0.78
U.S. Agencies		Total	199,340,000	199,092,718	198,851,611	2,547,563	950.4	3.78%	0.94
U.S. Treasuries		Total	-	-	-	-	-	0.00%	-
TOYOTA MTR CR CORP ME 4.8 06OCT2008	AAA	89233PL20	15,000,000.00	15,000,000.00	15,000,150.00	349,999.95	10/6/2008	4.80%	0.02
Corporate Notes		Total	15,000,000	15,000,000	15,000,150	350,000	6.0	4.80%	0.02
POOLED INVESTMENTS (SHORT)		TOTAL	364,340,000	363,364,541	363,186,378	3,126,946	542.8	3.18%	0.58
SHORT TERM FUNDS		TOTAL	651,067,730	650,092,272	649,914,108	3,670,704	304.7	2.81%	0.32

ATTACHMENT A

City of Long Beach Asset Holdings

Month End: 9/30/2008

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
POOLED INVESTMENTS (LONG TERM)									
FEDERAL FARM CR BKS C 3.3 05NOV2008	GOVT	31331SFP3	10,000,000	9,790,000.00	10,003,125.00	133,833.30	11/5/2008	3.30%	0.10
FEDERAL FARM CR BKS C 3.7 29DEC2008	GOVT	31331SKS1	5,000,000	4,905,350.00	5,007,812.50	47,277.75	12/29/2008	3.69%	0.24
FEDERAL FARM CR BKS 3.75 15JAN2009	GOVT	31331SNF6	11,990,000	11,852,016.00	12,012,481.25	94,920.75	1/15/2009	3.37%	0.29
FEDERAL FARM CR BKS 4.125 17JUL2009	GOVT	31331SQ89	5,000,000	4,993,100.00	5,037,500.00	42,395.80	7/19/2009	4.09%	0.77
FEDERAL FARM CR BKS 3.9 24FEB2009	GOVT	31331SQN6	5,000,000	4,918,603.36	5,015,625.00	20,041.65	2/24/2009	3.89%	0.39
FEDERAL FARM CR BKS C 4.0 16APR2012	GOVT	31331YC73	8,000,000	8,000,000.00	7,980,000.00	146,666.64	4/16/2012	4.01%	0.81
FEDERAL FARM CR BKS 4.875 05DEC2012	GOVT	31331YGL8	5,000,000	5,000,000.00	5,010,937.50	78,541.65	12/5/2012	4.86%	0.82
FEDERAL FARM CR BKS 3.25 10MAR2011	GOVT	31331YWW6	7,000,000	6,998,359.38	6,943,125.00	13,270.81	3/10/2011	3.28%	1.49
FEDERAL FARM CR BKS C 3.6 18MAR2011	GOVT	31331YYB0	10,000,000	9,995,000.00	9,971,875.00	13,000.00	3/18/2011	3.61%	0.54
FEDERAL FARM CR BKS 3.25 01APR2011	GOVT	31331YZT0	10,000,000	9,987,500.00	9,918,750.00	162,500.00	4/1/2011	3.28%	1.26
FEDERAL HOME LN BK CONS 0.0 03OCT08	GOVT	313384J34	10,000,000	9,987,808.33	9,989,470.83	10,529.17	10/3/2008	0.00%	0.01
FEDERAL HOME LN BK CONS 0.0 17OCT08	GOVT	313384K99	10,000,000	9,981,916.67	9,990,517.24	7,482.76	10/17/2008	0.00%	0.05
FEDERAL HOME LN BK CON 0.00 14NOV08	GOVT	313384P52	15,000,000	14,906,000.00	14,914,526.32	49,473.68	11/14/2008	0.00%	0.12
FEDERAL HOME LN BK CO 0.0 11FEB2009	GOVT	313385BT2	10,000,000	9,866,000.00	9,856,204.42	34,795.58	2/11/2009	0.00%	0.36
FEDERAL HOME LN BK CONS 0.0 03AUG09	GOVT	313385JY3	10,000,000	9,730,944.44	9,719,511.77	22,488.23	8/3/2009	0.00%	0.83
FEDERAL HOME LN BKS 5.823 06MAY2009	GOVT	3133M8JJ4	6,950,000	7,214,357.15	7,056,421.88	163,003.56	5/6/2009	5.74%	0.58
FEDERAL HOME LN BKS 3.5 13FEB2009	GOVT	3133X3YY3	4,105,000	3,999,542.55	4,111,414.06	18,358.46	2/13/2009	3.49%	0.36
FEDERAL HOME LN BKS 3.71 23DEC09	GOVT	3133X8RL8	7,000,000	7,081,410.00	7,032,812.50	70,696.08	12/23/2009	3.69%	1.18
FEDERAL HOME LN BKS 4.375 03OCT2008	GOVT	3133XDBY6	7,000,000	6,892,830.00	7,000,000.00	151,423.58	10/3/2008	4.38%	0.01
FEDERAL HOME LN BKS 5.25 05AUG09	GOVT	3133XGEQ3	7,000,000	7,204,400.00	7,120,312.50	57,166.62	8/5/2009	5.16%	0.82
FEDERAL HOME LN BKS 5.45 17OCT2011	GOVT	3133XH4Q2	2,415,000	2,423,452.50	2,417,264.06	59,959.06	10/17/2011	5.44%	0.12
FEDERAL HOME LN BKS 5.25 03NOV2009	GOVT	3133XHNL2	6,000,000	5,997,600.00	6,011,250.00	129,499.98	11/3/2009	5.24%	0.19
FEDERAL HOME LN BKS 5.5 21NOV2011	GOVT	3133XHP89	5,000,000	5,022,000.00	5,017,187.50	99,305.55	11/21/2011	5.48%	0.38
FEDERAL HOME LN BKS 5.33 03NOV2011	GOVT	3133XHPK2	12,000,000	12,024,850.00	12,022,500.00	262,946.64	11/3/2011	5.32%	0.75
FEDERAL HOME LN BKS 5.25 23JAN2012	GOVT	3133XJLH9	8,000,000	7,968,000.00	8,055,000.00	79,333.28	1/23/2012	5.21%	0.68
FEDERAL HOME LN BKS 5.45 09FEB2012	GOVT	3133XJSQ2	6,000,000	6,008,040.00	6,050,625.00	47,233.32	2/9/2012	5.40%	0.66
FEDERAL HOME LN BKS 5.28 27APR2012	GOVT	3133XKEX9	4,330,000	4,320,474.00	4,338,118.75	97,800.24	4/27/2012	5.27%	0.37
FEDERAL HOME LN BKS 5.375 21MAY2012	GOVT	3133XKVM4	7,845,000	7,820,680.50	7,874,418.75	152,269.25	5/21/2012	5.35%	0.64
FEDERAL HOME LN BKS 5.125 05AUG2009	GOVT	3133XLUM3	5,000,000	5,051,300.00	5,081,250.00	39,861.10	8/5/2009	5.04%	0.82
FEDERAL HOME LN BKS 5.25 16OCT2012	GOVT	3133XMG70	7,000,000	7,000,000.00	7,008,750.00	168,437.50	10/16/2012	5.24%	0.33
FEDERAL HOME LN BKS 5.02 22OCT2012	GOVT	3133XMKS9	5,000,000	5,000,000.00	5,098,437.50	110,858.30	10/22/2012	4.92%	1.51
FEDERAL HOME LN BKS 5.25 23OCT2012	GOVT	3133XMMN8	5,000,000	5,000,000.00	5,057,812.50	115,208.30	10/23/2012	5.19%	1.02
FEDERAL HOME LN BKS 5.05 01NOV2012	GOVT	3133XMR52	8,000,000	8,060,000.00	8,100,000.00	168,333.28	11/1/2012	4.99%	1.02
FEDERAL HOME LN BKS 4.25 20NOV2009	GOVT	3133XMSQ5	7,000,000	6,998,810.00	7,078,750.00	108,256.89	11/20/2009	4.20%	1.09
FEDERAL HOME LN BKS 4.875 27NOV2012	GOVT	3133XNBB4	7,000,000	7,000,000.00	7,118,125.00	117,541.62	11/27/2012	4.79%	1.78
FEDERAL HOME LN BKS 4.75 27NOV2012	GOVT	3133XNCG2	7,000,000	7,000,000.00	7,067,812.50	114,527.77	11/27/2012	4.70%	1.30
FEDERAL HOME LN BKS 4.375 07OCT2011	GOVT	3133XNWF2	10,000,000	10,000,000.00	10,003,125.00	211,458.30	10/7/2011	4.37%	0.49
FEDERAL HOME LN BKS 4.7 01FEB2013	GOVT	3133XNZ77	10,000,000	10,000,000.00	10,003,125.00	78,333.30	2/1/2013	4.70%	0.80

ATTACHMENT A

City of Long Beach Asset Holdings

Month End: 9/30/2008

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
FEDERAL HOME LN BKS 3.75 28JAN2011	GOVT	3133XP3G7	6,000,000	6,046,020.00	5,998,125.00	39,375.00	1/28/2011	3.75%	1.03
FEDERAL HOME LN BKS 4.2 28JAN2013	GOVT	3133XP4T8	10,000,000	10,000,000.00	9,971,875.00	73,500.00	1/28/2013	4.21%	1.69
FEDERAL HOME LN BKS 3.75 15FEB2011	GOVT	3133XP7H1	10,000,000	10,000,000.00	9,996,875.00	47,916.60	2/15/2011	3.75%	0.52
FEDERAL HOME LN BKS 3.625 08FEB2011	GOVT	3133XPAL8	8,000,000	7,998,000.00	7,987,500.00	42,694.40	2/8/2011	3.63%	0.71
FEDERAL HOME LN BKS 0.00 08FEB2013	GOVT	3133XPEV2	7,000,000	7,000,000.00	7,010,937.50	40,444.44	2/8/2013	0.00%	0.73
FEDERAL HOME LN BKS 4.45 12FEB2013	GOVT	3133XPH49	5,505,000	5,505,000.00	5,517,042.19	33,343.45	2/12/2013	4.44%	0.81
FEDERAL HOME LN BKS 4.125 22FEB2013	GOVT	3133XPLU6	10,000,000	10,000,000.00	9,940,625.00	44,687.50	2/22/2013	4.15%	1.34
FEDERAL HOME LN BKS 3.75 22FEB2012	GOVT	3133XPRJ5	10,000,000	9,975,000.00	9,940,625.00	40,625.00	2/22/2012	3.77%	1.23
FEDERAL HOME LN BKS 4.25 18MAR2013	GOVT	3133XQ6G2	10,000,000	10,000,000.00	9,965,625.00	15,347.20	3/18/2013	4.26%	1.75
FEDERAL HOME LN BKS 3.3 01APR2011	GOVT	3133XQFL1	10,000,000	10,000,000.00	9,928,125.00	165,000.00	4/1/2011	3.32%	1.20
FEDERAL HOME LN BKS 4.15 02APR2013	GOVT	3133XQKA9	10,000,000	10,000,000.00	9,946,875.00	206,347.20	4/2/2013	4.17%	1.74
FEDERAL HOME LN BKS 2.3 03APR2009	GOVT	3133XQMJ8	6,000,000	6,004,140.00	5,973,750.00	67,849.98	4/3/2009	2.31%	0.49
FEDERAL HOME LN BKS 2.32 28APR2009	GOVT	3133XQTN2	10,000,000	9,985,400.00	9,950,000.00	98,600.00	4/28/2009	2.33%	0.56
FEDERAL HOME LN BKS 3.0 11JUN10	GOVT	3133XR2Y5	14,000,000	13,965,720.00	13,938,750.00	177,333.24	6/11/2010	3.01%	1.62
FEDERAL HOME LN MTG 3.755 18MAR2009	GOVT	3128X2P90	5,000,000	4,940,274.00	5,007,812.50	6,779.85	3/18/2009	3.75%	0.46
FEDERAL HOME LN MTG 3.625 03FEB2009	GOVT	3128X2QF5	5,350,000	5,266,914.50	5,356,045.50	31,245.44	2/3/2009	3.62%	0.34
FEDERAL HOME LN MTG 4.125 01SEP2009	GOVT	3128X3VA8	3,000,000	2,974,380.00	3,020,490.00	10,312.50	9/1/2009	4.10%	0.90
FEDERAL HOME LN MTG 5.25 24FEB2011	GOVT	3128X4N56	5,000,000	4,938,900.00	5,039,450.00	26,979.15	2/24/2011	5.21%	0.61
FEDERAL HOME LN MTG C 4.9 03NOV2008	GOVT	3128X4ST9	10,000,000	9,990,500.00	10,014,300.00	201,444.40	11/3/2008	4.89%	0.09
FEDERAL HOME LN MTG 5.25 03APR2012	GOVT	3128X52N7	7,000,000	6,998,906.25	7,061,040.00	181,708.31	4/3/2012	5.20%	0.93
FEDERAL HOME LN MTG 5 28MAY2010	GOVT	3128X56P8	10,000,000	10,000,000.00	10,131,100.00	170,833.30	5/28/2010	4.94%	0.71
FEDERAL HOME LN MTG 5.125 24NOV2010	GOVT	3128X5PV4	13,000,000	12,998,437.50	13,044,460.00	235,038.18	11/24/2010	5.11%	0.33
FEDERAL HOME LN MTG 5.19 04JUN2010	GOVT	3128X6AF3	10,000,000	10,000,000.00	10,042,500.00	168,675.00	6/4/2010	5.17%	0.28
FEDERAL HOME LN MTG 3.64 04FEB2011	GOVT	3128X6P83	7,000,000	7,000,000.00	7,000,210.00	40,343.31	2/4/2011	3.64%	0.68
FEDERAL HOME LN MTG 0.00 07FEB2011	GOVT	3128X6R40	10,000,000	10,000,000.00	10,005,880.00	51,527.78	2/7/2011	0.00%	0.60
FEDERAL HOME LN MTG C 4.0 22FEB2012	GOVT	3128X6V60	10,000,000	10,000,000.00	10,002,400.00	43,333.30	2/22/2012	4.00%	0.99
FEDERAL HOME LN MTG 3.25 11FEB2011	GOVT	3128X6Y26	7,260,000	7,252,740.00	7,242,285.60	32,770.77	2/11/2011	3.26%	2.25
FEDERAL HOME LN MTG 3.05 12AUG2010	GOVT	3128X6Y59	10,000,000	9,982,500.00	9,963,800.00	41,513.80	8/12/2010	3.06%	1.08
FEDERAL HOME LN MTG C 4.5 09JAN2013	GOVT	3128X6YJ9	7,000,000	7,000,000.00	7,024,920.00	71,750.00	1/9/2013	4.48%	1.10
FEDERAL HOME LN MTG C 3.3 24MAR2011	GOVT	3128X7AZ7	7,000,000	6,993,000.00	6,960,625.00	4,491.62	3/24/2011	3.32%	1.39
FEDERAL HOME LN MTG 4.25 15APR2013	GOVT	3128X7DK7	10,000,000	10,000,000.00	9,978,700.00	195,972.20	4/15/2013	4.26%	1.00
FEDERAL HOME LN MTG 3.375 02APR2012	GOVT	3128X7DV3	30,000,000	29,955,000.00	29,545,500.00	503,437.50	4/2/2012	3.43%	2.31
FEDERAL HOME LN MTG CO 4.05 21NOV11	GOVT	3128X7UD4	8,000,000	7,998,000.00	8,012,500.00	117,000.00	11/21/2011	4.04%	0.80
FEDERAL HOME LN MTG C 4.625 03JUN13	GOVT	3128X7US1	7,000,000	7,000,000.00	7,015,050.00	106,118.04	6/3/2013	4.62%	1.08
FEDERAL HOME LN MTG CO 3.55 02DEC10	GOVT	3128X7UX0	7,000,000	7,000,000.00	7,005,740.00	82,143.04	12/2/2010	3.55%	0.93
FEDERAL HOME LN MTG CO 3.02 25AUG09	GOVT	3128X7V84	7,000,000	7,000,000.00	6,974,660.00	21,140.00	8/25/2009	3.03%	0.79
FEDERAL HOME LN MTG COR 2.6 04JUN09	GOVT	3128X7WF7	7,000,000	7,000,000.00	6,963,110.00	59,150.00	6/4/2009	2.61%	0.64
FEDERAL HOME LN MTG CO 0.00 08DEC08	GOVT	313396S53	20,000,000	19,763,694.44	19,759,282.81	146,717.19	12/8/2008	0.00%	0.19
FEDERAL HOME LN MTG CO 4.25 15JUL09	GOVT	3134A4US1	6,128,000	6,195,591.84	6,177,790.00	54,981.76	7/15/2009	4.22%	0.77
FEDERAL HOME LN MTG CO 5.25 21MAY09	GOVT	3137EAAE9	5,000,000	5,086,300.00	5,057,812.50	94,791.65	5/21/2009	5.19%	0.62
FEDERAL HOME LN MTG C 4.125 30NOV09	GOVT	3137EABB4	8,000,000	8,122,320.00	8,087,500.00	110,916.64	11/30/2009	4.08%	1.12
FEDERAL NATL MTG ASSN D 0.0 28OCT08	GOVT	313588M44	10,000,000	9,976,708.33	9,989,012.50	6,987.50	10/28/2008	0.00%	0.08

ATTACHMENT A

City of Long Beach Asset Holdings

Month End: 9/30/2008

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
FEDERAL NATL MTG ASSN D 0.0 29OCT08	GOVT	313588M51	10,000,000	9,977,902.78	9,990,766.45	5,233.55	10/29/2008	0.00%	0.08
FEDERAL NATL MTG ASSN D 0.0 31OCT08	GOVT	313588M77	15,000,000	14,965,062.50	14,986,139.06	7,860.94	10/31/2008	0.00%	0.08
FEDERAL NATL MTG ASSN D 0.0 10NOV08	GOVT	313588N92	10,000,000	9,973,750.00	9,976,779.07	1,220.93	11/10/2008	0.00%	0.11
FEDERAL NATL MTG ASSN D 0.0 14NOV08	GOVT	313588P58	15,000,000	14,891,350.00	14,901,043.93	62,956.07	11/14/2008	0.00%	0.12
FEDERAL NATL MTG ASSN 0.00 10JUL09	GOVT	313589HY2	10,000,000	9,746,086.11	9,730,868.92	32,131.08	7/10/2009	0.00%	0.77
FEDERAL NATL MTG ASS 4.75 19APR2010	GOVT	31359MB28	9,615,000	9,532,449.60	9,810,304.69	205,520.63	4/19/2010	4.66%	1.46
FEDERAL NATL MTG ASS 3.85 14APR2009	GOVT	31359MUW1	2,925,000	2,866,587.75	2,932,312.50	52,239.68	4/14/2009	3.84%	0.52
FEDERAL NATL MTG ASS 4.25 15MAY2009	GOVT	31359MVE0	16,035,000	16,332,097.70	16,125,196.88	257,450.74	5/15/2009	4.23%	0.60
FEDERAL NATL MTG ASSN 4.0 26JAN2009	GOVT	31359MXL2	17,908,000	17,588,311.06	17,952,770.00	129,335.52	1/26/2009	3.99%	0.32
FEDERAL NATL MTG ASSN 4.57 15JUN09	GOVT	31359MZE6	12,000,000	12,249,360.00	12,101,250.00	161,473.32	6/15/2009	4.53%	0.69
FEDERAL NATL MTG ASS 3.31 30MAR2009	GOVT	3136F5MG3	2,210,000	2,145,512.20	2,209,309.38	203.19	3/30/2009	3.31%	0.49
FEDERAL NATL MTG AS 5.625 19MAY2011	GOVT	3136F7B48	8,000,000	8,009,500.00	8,120,000.00	165,000.00	5/19/2011	5.54%	0.72
FEDERAL NATL MTG ASSN 3.5 04FEB2011	GOVT	3136F8Q40	10,000,000	10,000,000.00	10,006,250.00	55,416.60	2/4/2011	3.50%	1.08
FEDERAL NATL MTG ASS 5.35 10OCT2012	GOVT	3136F8TN5	12,000,000	12,000,000.00	12,007,500.00	304,950.00	10/10/2012	5.35%	0.58
FEDERAL NATL MTG ASS 5.27 10OCT2012	GOVT	3136F8TT2	5,000,000	5,000,000.00	5,003,125.00	125,162.50	10/10/2012	5.27%	0.58
FEDERAL NATL MTG ASSN 4.3 03DEC2012	GOVT	3136F8XV2	5,000,000	5,000,000.00	5,023,437.50	70,472.20	12/3/2012	4.28%	3.09
FEDERAL NATL MTG ASSN 4.0 20FEB2013	GOVT	3136F8Z73	8,000,000	7,981,250.00	7,937,500.00	36,444.40	2/20/2013	4.03%	2.08
FEDERAL NATL MTG ASSN 4.3 13FEB2013	GOVT	3136F8Z99	5,000,000	5,000,000.00	4,990,625.00	28,666.65	2/13/2013	4.31%	0.94
FEDERAL NATL MTG ASS 3.57 26AUG2011	GOVT	3136F9AK9	8,440,000	8,440,000.00	8,429,450.00	29,293.81	8/26/2011	3.57%	1.66
FEDERAL NATL MTG ASSN M 3.0 11JUN10	GOVT	3136F9RK1	7,000,000	6,998,600.00	7,000,000.00	63,583.33	6/11/2010	3.00%	0.68
FEDERAL NATL MTG ASSN M 4.0 23DEC11	GOVT	3136F9TV5	5,620,000	5,611,570.00	5,630,537.50	61,195.51	12/23/2011	3.99%	1.29
FEDERAL NATL MTG ASS 5.3 07MAY2012	GOVT	31398ABC5	12,000,000	11,986,560.00	12,022,500.00	254,400.00	5/7/2012	5.29%	1.07
FEDERAL NATL MTG ASS 3.25 25FEB2011	GOVT	31398ANH1	8,000,000	7,996,000.00	7,955,000.00	26,000.00	2/25/2011	3.27%	1.58
FEDERAL NATL MTG ASSN 3.0 10MAR2010	GOVT	31398APJ5	10,000,000	9,991,406.25	9,956,250.00	17,500.00	3/10/2010	3.01%	1.40
FEDERAL NATL MTG ASSN 3.0 01APR2011	GOVT	31398APM8	21,935,000	21,817,585.00	21,647,103.13	329,025.00	4/1/2011	3.04%	1.82
FEDERAL NATL MTG ASSN 4.0 17APR2013	GOVT	31398APT3	10,000,000	10,043,000.00	9,940,625.00	182,222.20	4/17/2013	4.02%	2.21
U.S. Agencies		Total	921,566,000	920,057,733	921,033,324	10,075,154	769.6	3.41%	0.87
UNITED STATES TREAS 3.125 OCT 15 08	GOVT	912828BM1	10,000,000	9,742,578.13	10,009,375.00	144,296.40	10/15/2008	3.12%	0.04
UNITED STATES TREAS 3.25 15JAN2009	GOVT	912828BV1	5,000,000	4,836,328.13	5,034,375.00	34,442.90	1/15/2009	3.23%	0.29
UNITED STATES TREAS 3.000 FEB 15 09	GOVT	912828BZ2	5,000,000	4,866,015.00	5,028,906.25	19,157.60	2/15/2009	2.98%	0.37
UNITED STATES TREAS 2.625 15MAR2009	GOVT	912828CC2	15,000,000	14,307,031.26	15,079,687.50	17,403.30	3/15/2009	2.61%	0.46
UNITED STATES TREAS 3.125 15APR2009	GOVT	912828CE8	15,000,000	14,640,234.38	15,124,218.75	216,444.60	4/15/2009	3.10%	0.53
UNITED STATES TREAS 3.625 15JUL2009	GOVT	912828CN8	5,000,000	4,904,687.50	5,069,900.00	38,417.10	7/15/2009	3.58%	0.77
U.S. Treasuries		Total	55,000,000	53,296,874	55,346,463	470,162	150.3	3.02%	0.41
GENERAL ELEC CAP COR 4.25 13SEP2010	AAA	36962GK78	5,000,000	4,894,400.00	4,778,300.00	10,625.00	9/13/2010	4.45%	1.87
GENERAL ELEC CAP CO 4.125 01SEP2009	AAA	36962GR48	10,000,000	9,987,900.00	9,884,100.00	34,375.00	9/1/2009	4.17%	0.86
GENERAL ELEC CAP CO 5.72 22AUG2011	AAA	36962GX82	12,500,000	12,541,650.00	12,099,750.00	137,041.63	8/22/2011	5.91%	2.38
GENERAL ELEC CAP CO 4.625 15SEP2009	AAA	36962GZH0	7,000,000	6,966,750.00	6,883,870.00	14,388.85	9/15/2009	4.70%	0.91
TOYOTA MTR CR CORP ME 2.4 15MAY2009	AAA	89233PV29	20,000,000	20,000,000.00	19,747,800.00	230,666.60	5/15/2009	2.43%	0.60
TOYOTA MTR CR C 2.60188 02JUN09 FRN	AAA	89233PW51	15,000,000	15,000,000.00	14,952,300.00	31,857.35	6/2/2009	2.61%	0.17

ATTACHMENT A

City of Long Beach Asset Holdings

Month End: 9/30/2008

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
Corporate Bonds		Total	69,500,000	69,390,700	68,346,120	458,954	440.2	3.71%	0.98
Asset Backed Securities		Total	-	-	-	-	-	0.00%	-
FEDERAL HOME LN BKS 4.375 22OCT2010	GOVT	3133XMES6	7,000,000	6,976,270.00	7,129,062.50	135,260.37	10/22/2010	4.30%	1.93
Great West Pledged Assets total		Total	7,000,000	6,976,270.00	7,129,062.50	135,260.37	10/22/2010	4.30%	1.93
POOLED INVESTMENTS (LONG TERM)		TOTAL	1,053,066,000	1,049,721,577	1,051,854,969	11,139,531	717.0	3.42%	0.86
POOLED INVESTMENTS (TOTAL)		TOTAL	1,417,406,000	1,413,086,118	1,415,041,347	14,266,477	672.3	3.36%	0.79
LONG TERM FUNDS		TOTAL	1,053,066,000	1,049,721,577	1,051,854,969	11,139,531	727.6	3.42%	0.89
TOTAL FUNDS	AAAF	TOTAL	1,704,133,730	1,699,813,849	1,701,769,077	14,810,234	566.6	3.19%	0.67
OTHER ASSETS									
Health SAVRS		572965	2,886,877	2,886,877	2,886,877	44,911	4/22/2019	3.35%	10.56
Other		Total	2,886,877.44	2,886,877.44	2,886,877.44	44,910.72	3,856.0	3.35%	10.56

Via Facsimile & U.S. Mail

October 20, 2008

Mr. Henry M. Paulson, Jr.
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

Re: California Public Agencies Request for Recovery of Troubled Assets

Dear Secretary Paulson:

We, the undersigned, respectfully request your consideration of federal purchase and/or insurance of securities to eliminate exposure to losses of taxpayer dollars arising from investments in Lehman Brothers Holding, Inc. and Washington Mutual Bank. We represent cities, counties, special districts, and school districts throughout the State of California and we hold securities in these two institutions. By law, we can only invest in what were deemed conservative instruments that were also highly rated. These investments represent taxpayer money used for all manner of local government needs, including police, fire and education.

Our total par value exposure could exceed \$250 million. The securities we own meet the definition of "Troubled Assets" found in Sec. 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. It is our position that there is no better way to protect the taxpayers than by the Secretary exercising his authority to purchase Troubled Assets that are directly owned by taxpayers; in other words, the securities owned by cities, counties, special districts and school districts. Alternatively, the U.S. Treasury could insure the value of these taxpayer-funded assets, as it has done recently with many other assets.

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....

We understand that 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 Anna Eshoo and Congressman Barney Frank, the language contained in that Section, subpart 7 was approved to direct you to consider the stability of public instrumentalities, such as counties and cities that have suffered losses in the current market turmoil. Most subparts to section 103 provide support for our position. 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 out on the street instead of in the classroom. In subparts 4 and 5, you shall consider the long-term viability of financial institutions and ensure that all institutions are eligible to participate. The viability of two institutions that have fallen into bankruptcy during this crisis is at stake. They should be able to participate in this rescue program in order for the taxpayers of California to be made whole.

Additionally, as mandated investors of local entity funds, city and county treasurers are integral parts of the financial system of this country. The purpose of the Act directly addresses our situation. We hold "troubled assets" the loss of which would destabilize and disrupt our local economy and these national and local

“financial systems.” More importantly, purchase of these assets would directly “protect taxpayers” since it is their tax dollars 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 investments represent an attempt at conservative stewardship of public funds, the loss of which was instigated 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 highly rated assets in good faith and in conformance with all governing statutes and policy considerations. These losses have severely impacted the budgets of our local government entities, schools, and special districts throughout the State of California and without mitigation will impact delivery of critical school and public safety programs. We ask that you consider the effect of this potential loss and use your authority to protect taxpayer moneys held by local governments.

Accordingly, we respectfully ask for federal purchase or insurance of these assets under the provisions of the TARP program. We also request a meeting in Washington with you, and with Neel Kashkari, Head of the Office of Financial Stability, Speaker Pelosi, Senators Feinstein and Boxer and our local Congresspersons. We will contact you soon to arrange this meeting. You may contact any of the undersigned to obtain further information.

Sincerely,

County of San Mateo
County of Monterey
County of Tuolumne
County of Placer
County of Sacramento
County of Tehama
Calaveras County Water District
City of Folsom
City of Costa Mesa
City of Loomis
City of Burbank

City of Cerritos
City of Fontana
City of Santa Clarita
City of Long Beach
Culver City
City of El Segundo
City of Fremont
Beach Cities Health District
City of Shafter
City of Ventura

cc: Senator Barbara Boxer
Senator Dianne Feinstein,
Speaker of the House Nancy Pelosi
Congresswoman Ana Eshoo
Congressman Sam Farr

United States Senate

WASHINGTON, DC 20510

October 24, 2008

The Honorable Henry M. Paulson, Jr.
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Paulson:

We write to follow up on the attached letter sent earlier this week by twenty California cities and counties regarding the Troubled Asset Recovery Program (TARP) in the Emergency Economic Stabilization Act of 2008.

California cities and counties could lose an estimated \$250 million as a result of investments with failed institutions such as Lehman Brothers and Washington Mutual. This is particularly troubling because these were highly-rated, conservative instruments designed to provide value to investors, including these local governments. The severe losses incurred by local governments now threatens not only retirement security and jobs, but also the availability of public health and safety services in communities throughout our state.

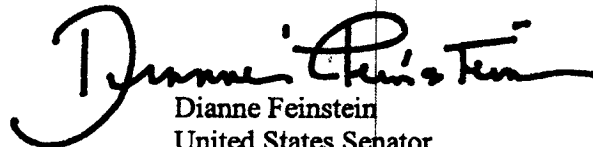
As you know, the economic rescue legislation included provisions that require Treasury to consider the impact of financial market losses on local governmental entities as part of the TARP. Accordingly, we request that you work constructively with California communities that are experiencing financial difficulties as a result of failed highly-rated investments to help develop solutions which keep local communities solvent and protect taxpayer investments.

We cannot ignore local communities that may become unable to provide essential public health and safety services for their citizens. Please do not hesitate to contact us to discuss how we can work together to address this situation. Thank you for your time and attention to this serious matter.

Sincerely,



Barbara Boxer
United States Senator



Dianne Feinstein
United States Senator



November 7, 2008

The Honorable Henry M. Paulson, Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Secretary Paulson,

We are writing to you with a great sense of urgency regarding the Troubled Asset Recovery Program (TARP) and request you exercise your authority under Section 103(7) of the recently passed *Emergency Economic Stabilization Act of 2008* to purchase the troubled assets held by local governments.

As you know, local governments provide critical services and programs that every American family and business relies on to protect public safety, provide healthcare services, respond to emergencies and educate our children. While these essential services are often taken for granted, our country cannot properly function without them.

Like businesses and governments at every level, county governments, city governments, and school districts have been hit hard by tightening economic conditions, a shrinking tax base and reduced federal support. Nineteen California counties and cities recently wrote to you with an exposure of \$250 million, and many of these governments invested in corporate bonds and notes issued by Lehman Brothers Inc. The catastrophic losses of these localities will result in massive job losses, termination of ongoing construction projects, and elimination or reduction in critical services. Hospitals will reduce services and staff. Schools will lay off teachers. Police and fire departments will have to reduce patrols and limit services.

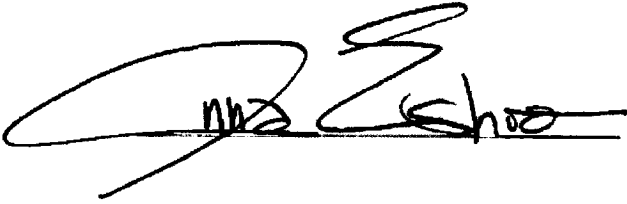
The *Emergency Economic Stabilization Act of 2008* was signed into law to stabilize our financial system, protect taxpayers, and mitigate the current losses to our economy. If local governments are forced to bear catastrophic losses, local economies will be severely impacted, which in turn will further exacerbate the ongoing problems with our economy and our financial system.

The Honorable Henry M. Paulson
November 7, 2008
Page 2

The Act in Sec. 103(7) explicitly provides you with the authority to purchase the troubled assets of local governments "that may have suffered significant increased costs or losses in the current market turmoil." It is clear that you have the authority to purchase troubled assets from local governments and such a purchase would also fulfill the Act's purpose.

We strongly urge you to use your authority to protect taxpayer funds and purchase the troubled assets held by local institutions. We would like to meet with you to discuss this matter, and our staff will follow up with your office to schedule a meeting as soon as possible.

Sincerely,


John E. Shoo

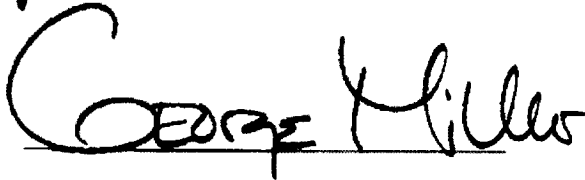

Jackie Spier

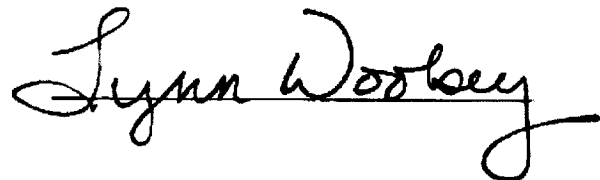

Jane Hamm


Ellen Tanskanen


Bob Fisher


Laura Richardson


George Miller


Lynn Woodsey


Barbara Lee


Michael Grafton

Loretta Sanchez

Sam Fara

Luis Cuper

Ch. O. Ford

Milu Thompson

Proctor

Diane E. Watson

Donis O. Watson

Jerry M. Nay

Mary Bono Mack

cc: The Honorable Benjamin S. Bernanke, Chairman of the Board of Governors of the
Federal Reserve System
The Honorable James B. Lockhart III, Director the Federal Housing Finance Agency
The Honorable Charles Christopher Cox, Chairman of the Securities Exchange
Commission
The Honorable Steve Preston, Secretary of Housing and Urban Development