



County Executive Office
Memorandum

S43A

October 2, 2008

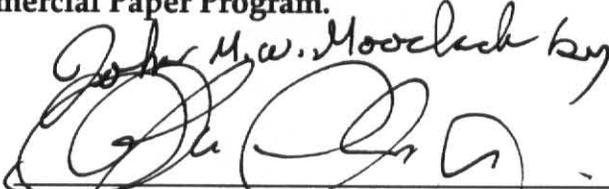
To: Supervisor John Moorlach, Chairman
From: Thomas G. Mauk, County Executive Officer
Subject: Exception to the Rule 21

RECEIVED
2008 OCT -2 PM 4: 30
CLERK OF THE BOARD
ORANGE COUNTY
BOARD OF SUPERVISORS

The County Executive Office is requesting a supplemental for the October 7, 2008 Board Hearing Meeting.

Agency: County Executive Office
Subject: Approval of Barclays Capital Inc. as Dealer Bank for the Teeter Plan Commercial Paper Program.
District: All

Reason for supplemental: Requested by CEO/Public Finance to maintain operation of Teeter Commercial Paper Program.

Concur: 
Supervisor John Moorlach,
Chairman Board of Supervisors

cc: Members, Board of Supervisors
Rob Richardson, Assistant County Executive Officer
Ben De Mayo, County Counsel



**SUPPLEMENTAL AGENDA ITEM
AGENDA STAFF REPORT**

S43A

ASR Control

METING DATE: 10/7/08
LEGAL ENTITY TAKING ACTION: Board of Supervisors
BOARD OF SUPERVISORS DISTRICT(S): All Districts
SUBMITTING AGENCY/DEPARTMENT: County Executive Office
DEPARTMENT CONTACT PERSON(S): Thomas Beckett 834-5969
Jane Snyder 834-2436/Faye Watanabe 834-3047

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CLERK OF THE BOARD
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SUBJECT: Approval of Barclays Capital Inc. as Dealer Bank for Teeter Plan Commercial Paper Program

CEO CONCUR

COUNTY COUNSEL REVIEW N/A

Nicholas Schuss

CLERK OF THE BOARD
Discussion

Budgeted: Yes **Current Year Cost:** Not to exceed \$142,640 **Annual Cost:** Est. \$142,640

Staffing Impact: N/A **# of Positions:** N/A **Sole Source:** N/A
Current Fiscal Year Revenue: (N/A – Teeter Plan Revenues)
Funding Source: Teeter Plan Revenues

Prior Board Action: 9/23/08 Adoption of Resolution Approving Potential Additional or Replacement Dealer Banks

RECOMMENDED ACTION(S)

Approve Barclays Capital Inc. as Dealer Bank for the Teeter Plan Commercial Paper Program, and replace Lehman Brothers Inc., by Barclays Capital Inc. on the approved Qualified Panel of Underwriters.

SUMMARY:

The County Executive Office requests the Board of Supervisors approve Barclays Capital Inc. as Dealer Bank for the Teeter Plan Commercial Paper Program and replace Lehman Brothers Inc., by Barclays Capital Inc. on the approved Qualified Panel of Underwriters.

BACKGROUND INFORMATION:

Teeter Plan Commercial Paper (CP) Program

On August 26, 2008, the County issued the Teeter Plan Obligation Commercial Paper Notes, Series A (CP Notes) in the total amount of \$178.3 million, which are backed by a Dexia letter of credit. The CP Notes are a County General Fund obligation payable by general purpose revenues and further secured by certain revenues of the Teeter program.

These initial CP Notes which were sold to institutional investors by the CP Dealer Bank, Lehman Brothers Inc., range in maturities from October 20 through December 4, 2008 and in principal amounts, which range from \$1 million to \$50 million. The interest rates on the Notes range from 1.45% to 1.52%.

Proceeds of the CP Notes plus Teeter program revenues, paid the Teeter Plan Revenue Bonds, 1995 Series A through E in the total principal amount of \$123.7 million; defeased \$75.6 million Teeter Plan Tax and Revenue Anticipation Notes issued on July 10, 2008 (and callable on November 10, 2008) to meet payment obligations to Teeter Plan participating agencies; and paid costs of issuance of the CP Notes.

The intent of the CP Program is that the CP Notes will be paid at maturity by newly issued CP referred to as "roll over" since this will pay the earlier debt and also finance new debt needed for the Teeter program. The first roll over date is October 20, 2008 for CP Notes in the amount of \$5 million (of the total \$178.3 million CP Notes).

Barclays Capital Inc. Acquisition of Lehman Brothers Inc.

On September 15, 2008, Lehman Brothers Holdings, Inc. filed for bankruptcy protection under chapter 11 of the U.S. Bankruptcy Code. U.S. subsidiaries, including Lehman Brothers Inc., were not included in this filing. On September 22, 2008, the municipal finance business of Lehman Brothers Inc. was acquired by Barclays Capital Inc. The bankruptcy court has since determined that Barclays could carry out Lehman's municipal finance business, including the County's CP Program. Additionally, since Barclays was not previously active in public finance, this business is being carried out by employees of formerly Lehman. Approximately 10,000 former Lehman employees joined Barclays through the acquisition.

Barclays which is based in the United Kingdom, employs over 140,000 people who serve over 42 million customers in approximately 60 countries in areas of retail and commercial banking, credit cards, investment banking and wealth and investment management services. Barclays Capital Inc. is the investment division, which has a long-term credit rating of AA and a balance sheet of approximately \$2.7 trillion.

Recent Board Actions and Current Request to the Board

Given the rapid changes in the financial markets, including, but not limited to, the Lehman Brothers Holding Inc.'s bankruptcy filing, your Board adopted a Resolution on September 23, 2008, which approved Citigroup Global Markets Inc. as a replacement Dealer Bank for the CP Program. Also based on the same or similar circumstances as the Lehman bankruptcy filing, or due to the dealer's consolidation or business termination, the other firms on the approved Qualified Panel of Underwriters effective December 12, 2006 were also approved as potential additional or replacement dealer banks (this list is attached for information).

Citigroup has not assumed the role of Dealer Bank. Additionally this week, Dexia Bank, the letter of credit bank was downgraded from AA+ to AA-, and received capital injections totaling approximately \$9 billion from the governments of France, Belgium and Luxembourg. This has extended the discussions which are ongoing with Citigroup.

Barclays is presently operating the County CP Program. Because it is not on the Qualified Panel of Underwriters, this agenda item requests approval of Barclays as the Dealer Bank for the CP Program, and further requests approval for Barclays to replace Lehman Brothers Inc. on the Qualified Panel of Underwriters. The immediate concern is that the CP Program complete the upcoming roll overs of CP Notes beginning on October 20, 2008 and continue to function uninterrupted.

Additionally, it should be noted that staff will continue to be advised by KNN Public Finance (Financial Advisor) and Orrick, Herrington & Sutcliffe LLP (Bond Counsel) in developing viable options for the CP Program and ensuring that it will be fully served.

FINANCIAL IMPACT:

N/A

STAFFING IMPACT:

N/A

APPROVED QUALIFIED PANEL OF UNDERWRITERS
IN PUBLIC FINANCE
AS OF OCTOBER 1, 2008

1. Citigroup Global Markets, Inc.
2. Goldman Sachs & Co.
3. J P Morgan Securities, Inc.
4. Morgan Stanley
5. Bank of America Securities, LLC
6. RBC Dain Rauscher
7. Morgan Keegan & Co. Inc.
8. Piper Jaffray & Co.
9. George K. Baum & Co., Inc.
10. Stone & Youngberg, LLC
11. Samuel A. Ramirez & Co., Inc.
12. Wedbush Morgan Securities
13. First Albany Capital, Inc. (Now DEPFA)
14. Kinsell, Newcomb & De Dios, Inc.
15. Siebert Brandford Shank & Co., LLC
16. De La Rosa Co., Inc.
17. Cabrera Capital Markets, Inc.
18. Loop Capital Markets, LLC
19. Subject to Board Approval - Barclays Capital Inc.