



# LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

ROBERT E. BUSH  
President

MICHAEL A. JIMENEZ  
Vice President

MAHESH PAREKH BONDIE O. GAMBRELL  
Secretary – Treasurer Director

ARTURO SNEIDER  
Director

## **MINUTES**

### **OCTOBER 30, 2008 MEETING**

Sybil Brand Conference Room 372  
Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

### **CALL TO ORDER – ROLL CALL**

President Bush called the meeting to order at 2:00 p.m. and the Assistant Secretary, George Britton, called the roll. The following Board Members were present, constituting a quorum:

#### **PRESENT**

Robert E. Bush, President  
Mahesh Parekh, Secretary-Treasurer  
Arturo Sneider, Director

#### **ABSENT**

Michael A. Jimenez, Vice President  
Bondie O. Gambrell, Director

### **APPROVAL OF JUNE 5, 2008 MINUTES**

On motion of Secretary-Treasurer Parekh, seconded by Director Sneider, and unanimously carried, the Corporation unanimously approved the June 5, 2008 minutes as submitted.

### **NEW COMMERCIAL PAPER PROGRAM DEALER AGREEMENTS – ADOPT RESOLUTION**

John Patterson, Treasurer and Tax Collector, reported the following:

- The chain of events started when one of the Commercial Paper Dealers filed for bankruptcy on September 15, 2008, which created significant issues for the Treasurer. The Lehman Brothers and the underwriting businesses were sold to Barclays Capital Incorporated; therefore a new Dealer Agreement was executed with Barclays to sell the rollover notes on October 2, 2008.
- The Barclays agreements had a significant change which is to the detriment of the County that will no longer require to purchase the notes if they cannot sell in a short term market. Morgan Stanley was also requesting a similar change to their agreement. Given the significant stress in the credit market, the Treasurer realized that they were vulnerable to concentration risk of having one or two commercial paper dealers. As a result, the Treasurer negotiate a new commercial paper deal agreement with J.P. Morgan; unfortunately, the Treasurer had to accept an increase in the remarketing fees from 5 basis point to 7.5 basis points due to the current market condition.

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- At the time the Treasurer was negotiating with J.P. Morgan, the focus of the global financial crisis turned to Europe and mainly to the solvency of the European Banks. Two of the three LOC banks for the commercial paper programs is the German Landen Bank and the reason the Treasurer is involved is because there is a state guaranteed on the letter of credit. Although the German state guaranteed no longer applies to new letters of credit, the new commercial paper program was grandfathered into the commercial paper program and the Treasurer was guaranteed; however, there is a lot of confusion in the investor community. When the investors saw German LOC they stayed away from the commercial paper program; the Treasury was having difficulties selling the commercial paper program. This problem came about the week of October 6, 2008, and the treasury was having problems with investors buying the notes. The problems worsen on October 8, 2008.
- J.P. Morgan had to take the commercial papers into inventory. The Treasurer stepped up to offer a back stop with the County Treasury Board. The Treasurer provided a reinvestment rate to purchase the notes. The rates dropped from 9% to 4.35% which was the reinvestment rate. With the addition of J.P. Morgan, they added significant value to the program and have been beating the comparators with the reinvestment rates.
- As a result of the J.P. Morgan Agreement, a new agreement was executed with Barclays so that Morgan Stanley can bring everybody up to speed. The new agreement has three significant differences from the old agreement; increase in the remarketing fees from 5 to 7.5 basis points, elimination of the warehousing provision, that required broker dealer to purchase the notes, and there is no longer a fixed allocation percentage for each of the dealers, the Treasurer has the flexibility to reward dealers that perform better. The resolution before the LAC-CAL Board ratified that President Bush executed the New Commercial Paper Program Dealer Agreements – Adopt Resolution.

**On motion of Secretary-Treasurer Parekh, seconded by Director Sneider, the Corporation approved the resolution of the New Commercial Paper Program, Dealer Agreements – Adopt Resolution.**

**LAC-CAL LEASE EQUIPMENT – INCREASE COSTS**

Peter Burgis, Chief Executive Office, reported the following:

- Overtime the Insurance costs have incurred for the LAC-CAL equipment leases. The LAC-CAL lease provides for the ability to recover the costs for the insurance that are held on the lease equipment leases. Recently, the percentage has increased from ½% to 1½% in order to recover insurance costs and adjustments have been made.

- Douglas Baron, Treasurer Tax Collector, explained that the lease increase insurance costs is solely for the equipment leasing program and does not include the commercial paper, but the lease revenue bonds and the bond anticipation notes issued from time to time throughout various County departments for the purchase of necessary equipment.

**COMMERCIAL PAPER PROGRAM PROPERTY SUBSTITUTION – ADOPT RESOLUTION AND EXECUTE 4<sup>TH</sup> AMENDMENTS TO SITE LEASE AND SUBLEASE**

John Patterson, Treasurer Tax Collector, reported the following:

- The Chief Executive Office (CEO) has not identified properties with sufficient collateral for the removal of the 10 courthouse properties. On June 5, 2008, the Treasurer received the resolution to remove the 8 courthouse properties. Santa Monica and Compton courthouses have not been removed. The CEO identified the replacement properties and were approved by the Board of Supervisors on June 17, 2008. Phase one was completed removing the 8 courthouse properties effective July 1, 2008. The Treasurer is planning to appear before the Board of Supervisors in September to proceed with phase two of the substitution.
- As the title process was reviewed, it was discovered that that the Treasurer does not own clear title of the fire station properties. The clear titles are owned by the Los Angeles County Consolidated Fire Protection District. The Treasurer explored the mythology to obtain the properties back into the custody of the County Commercial Paper Program Property Substitution.
- On November 5, 2008, the fire station properties were deed from the Los Angeles County Consolidated Fire Protection District back to the County. The Board of Supervisors is the governing board of the Consolidated Fire Protection District. In anticipation of the action, the Treasurer has the resolution to approve phase two of the property substitution and the property values have been identified. Upon approval of the adopt resolution of November 5, 2008, the Los Angeles County Board was able to actuate the property substitution.
- President Bush inquired if the adopt resolution include the courthouses granted to the State. Douglas Baron, Treasurer Tax Collector, explained that the CEO is moving rapidly to transfer the courthouses to the State. Sixteen courthouses will be transferred on November 18, 2008, including Santa Monica and Compton which are now released from the Commercial Paper Program. On December 16, 2008, the final 18 county courthouses will be transferred.

**On motion of Secretary-Treasurer Parekh, seconded by Director Sneider, the Corporation approved the resolution of the Commercial Paper Program Property Substitution – Adopt Resolution And Execute 4<sup>TH</sup> Amendments To Site Lease And Sublease.**

**COMMERCIAL PAPER PROGRAM PROPERTY SUBSTITUTION – EXECUTE QUIT CLAIM DEEDS TO RELEASE THE SANTA MONICA AND COMPTON COURTHOUSES**

Douglas Baron, Treasurer Tax Collector, stated the following:

- Finalized and execute Quit Claim Deeds to release the Santa Monica and Compton Courthouses to the County. Following the action of the Board of Supervisors on November 5, 2008, the Board Executive Office would accept the Quit Claim Deeds. Once the Quit Claim Deeds are filed with the County Registrar Records Office, the lease and sublease will become final as of November 7, 2008.

**On motion of Secretary-Treasurer Parekh, seconded by Director Sneider, the Corporation approved the Commercial Paper Program Property Substitution – Execute Quit Claim Deeds To Release The Santa Monica And Compton Courthouses.**

**PUBLIC COMMENT**

There were none.

**MATTERS NOT ON THE POSED AGENDA (to be Presented and Placed on the Agenda of a Future Meeting)**

President Bush inquired about upcoming future meetings. Mr. Baron stated that the next meeting will be scheduled sometime in the early summer of 2009 to discuss lease revenue bond issues for the LAC-CAL equipment program. Mr. Baron will notify Commission Staff of the date as soon as it becomes available.

**ADJOURNMENT**

The meeting was adjourned at 2:45 p.m.