



January 25, 2007  
(For Board: February 9, 2007)

## **REPORT OF THE FINANCE-AUDITING COMMITTEE**

Honorable Board of Directors  
Golden Gate Bridge, Highway  
and Transportation District

Honorable Members:

A meeting of the Finance-Auditing Committee was held in the Board Room, Administration Building, Toll Plaza, San Francisco, California, on Thursday, January 25, 2007, at 10:15 a.m., Chair Stroeh presiding.

**Committee Members Present (6):** Chair Stroeh; Vice Chair Pahre; Directors Cochran, Eddie and Middlebrook; President Moylan (Ex Officio)

**Committee Members Absent (3):** Directors Boro, Grosboll and Reilly

**Other Directors Present (1):** Director Martini

**Staff Present:** General Manager Celia G. Kupersmith; District Engineer Denis Mulligan; Auditor-Controller Joseph M. Wire; Secretary of the District Janet S. Tarantino; Attorney Madeline Chun; Deputy General Manager/Bridge Division Kary H. Witt; Deputy General Manager/Ferry Division James P. Swindler; Public Affairs Director Mary C. Currie; Assistant Clerk of the Board Karen B. Engbretson; Executive Assistant to the General Manager Amorette Ko

**Visitors Present:** Nancy Jones, Public Financial Management

### **1. Ratify Actions by the Auditor-Controller**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith outlined commitments, disbursements and investments made on behalf of the District. A copy of the staff report is available in the Office of the District Secretary and on the District's web site.

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At the meeting, Nancy Jones described the latest economic news and current interest rates for the District's portfolio. She distributed a handout to the Committee entitled, "Fed Funds Target Rate Forecasts," which depicted forecasts by economists from two leading Wall Street investment firms regarding the Federal Reserve Bank's benchmark interest rate for 2007. She explained the widely diverging predictions made by the two economists, noting that such differing opinions regarding interest rate trends underscore the recent uncertainty in the investment market.

Ms. Jones highlighted a chart in her report depicting yields for two-year U.S. Treasury Notes, which during December 2006 were trading at 4% to 4.5%. She stated that, according to recent economic indicators, there appears to be a slight recovery in process, with inflationary trends in employment, housing and retail sales. She noted that the District's Portfolio Manager has adjusted the investment strategy for the District's portfolio to meet changing market conditions, by moving more of the District's portfolio into longer-term securities. She further noted that the Portfolio Manager recently purchased \$5 million worth of securities at 5.22%, which is the highest rate that has been available in the investment market in several months.

Staff recommended and the Committee concurred by motion made and seconded by **Directors COCHRAN/EDDIE** to forward the following recommendation to the Board of Directors for its consideration:

**RECOMMENDATION**

The Finance-Auditing Committee recommends that the Board of Directors authorize the following actions by the Auditor-Controller:

- a. Ratify commitments and/or expenditures for the period for the period December 1, 2006, through December 31, 2006, totaling \$32,547.00;
- b. Ratify investments made by the Auditor-Controller during the period December 5, 2006, through January 15, 2007, as follows;

<b>SECURITY</b>	<b>PURCHASE DATE</b>	<b>MATURITY DATE</b>	<b>ORIGINAL COST</b>	<b>PERCENT YIELD</b>
Dexia Delaware LLC Commercial Paper	12/05/06	12/21/06	8,999,951.00	5.25
FHLMC Disc Note	12/13/06	12/26/06	2,167,960.68	5.16
Morgan Stanley Commercial Paper	12/18/06	01/16/07	7,780,827.40	5.29
Barclays Bank PLC NY Certificate of Deposit	12/21/06	03/21/07	10,000,000.00	5.32
Goldman Sachs Group Commercial Paper	12/21/06	01/31/07	8,413,006.75	5.29
Societe Generale NA Commercial Paper	12/26/06	03/01/07	7,224,595.56	5.32
UBS Fin Delaware LLC Commercial Paper	01/05/07	02/07/07	5,821,820.06	5.28

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- c. Authorize the Auditor-Controller to re-invest, within the established policy of the Board, investments maturing between January 15, 2007, and February 12, 2007, as well as the investment of all other funds not required to cover expenditures that may become available; and,
- d. Accept the Investment Report for December 2006 prepared by Public Financial Management.

**Action by the Board - Resolution**  
**CONSENT CALENDAR**

- AYES (6):** Chair Stroeh; Vice Chair Pahre; Directors Cochran, Eddie and Middlebrook; President Moylan (Ex Officio)  
**NOES (0):** None  
**ABSENT (3):** Directors Boro, Grosboll and Reilly

2. **Authorize a Budget Increase Relative to the Award of Contract No. 2007-FT-5, Larkspur Ferry Terminal Fuel Pipeline Replacement, to Stephens Construction, Inc.**

This item was referred to the Finance-Auditing Committee from the Building and Operating Committee meeting of January 25, 2007, for concurrence with a budget adjustment. In a memorandum to Committee, District Engineer Denis Mulligan and General Manager Celia Kupersmith reported on staff's recommendation relative to the award of Contract No. 2007-FT-5, *Larkspur Ferry Terminal Fuel Pipeline Replacement*, to Stephens Construction, Inc. The report stated that this project is included in the FY 06/07 Ferry Division Capital Budget in the amount of \$650,000, and is 100% District funded. The report further stated that a budget adjustment in the amount of \$68,000 is necessary in the FY 06/07 Ferry Division Capital Budget, in order to fully fund the estimated total project cost of \$718,000 for Contract No. 2007-FT-5. A copy of the staff report is available in the Office of the District Secretary and on the District's web site.

Staff recommended and the Committee concurred by motion made and seconded by **Directors EDDIE/COCHRAN** to forward the following recommendation to the Board of Directors for its consideration:

**RECOMMENDATION**

The Finance-Auditing Committee recommends that the Board of Directors authorize a budget increase in the amount of \$68,000, in the FY 06/07 Ferry Division Capital Budget, to be funded with a transfer from the FY 06/07 District Division Operating Budget relative to the award of Contract No. 2007-FT-5, *Larkspur Ferry Terminal Fuel Pipeline Replacement*, to Stephens Construction, Inc.

**Action by the Board – Refer to the**  
**Building and Operating Committee Meeting of January 25, 2007**

- AYES (6):** Chair Stroeh; Vice Chair Pahre; Directors Cochran, Eddie and Middlebrook; President Moylan (Ex Officio)  
**NOES (0):** None  
**ABSENT (3):** Directors Boro, Grosboll and Reilly

3. **Review of Golden Gate Bridge Traffic/Tolls and Bus and Ferry Transit Patronage/Fares for Six Months Ending December 31, 2006**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided a schedule comparing categories of Bridge traffic for six months ending December 31, 2006. A copy of the report is available in the Office of the District Secretary and on the District's web site.

**Action by the Board – None Required**

4. **Review of Financial Statements for Six Months Ending December 31, 2006**

a. **Statement of Revenue and Expenses**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided a financial statement entitled, *Statement of Revenues and Expenses for Six Months Ending December 31, 2006*. A copy of the report is available in the Office of the District Secretary and on the District's web site.

At the meeting, Mr. Wire reported that in the financial statement entitled, *Golden Gate Bridge, Highway & Transportation District, Budget to Actual – Summarized, for Period Ending 12/31/2006 (Bus Division)*, the line item previously listed under "Operating Assistance," relative to the Marin County Transit District (MCTD) agreement for local bus service, is now being listed as a line item under "Operating Revenues. He stated that this change was made at the direction of the Independent Auditor to better reflect the source of this revenue. Mr. Wire noted that the District is required to furnish reports to state and federal agencies, on behalf of the MCTD, identifying the sources of operating assistance funds received by the MCTD for local bus service.

**Action by the Board – None Required**

b. **Statement of Capital Programs and Expenditures**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided a financial statement entitled, *Statement of Capital Programs and Expenditures for Six Months Ending December 31, 2006*. A copy of the report is available in the Office of the District Secretary and on the District's web site.

- At the meeting, Ms. Kupersmith informed the Committee that she is working with staff to improve project delivery of capital projects that have been budgeted in any given fiscal year. She noted that at a District staff workshop scheduled for February 7, 2007, staff will discuss several topics, including ways to create a more realistic capital plan.

Discussion ensued, including the following:

- Chair Stroeh stated that managing capital expenditures can be challenging, and that the Board of Directors should be mindful of staff's time commitments to scheduled capital projects before embarking on new projects. Ms. Kupersmith noted that the District's budget document now includes a work plan that helps staff balance new projects with ongoing projects listed in the 10-year capital plan.
- Director Eddie noted that the District should be realistic about which capital projects can be accomplished, and that capital budget should reflect the work that needs to be done.

**Action by the Board – None Required**

**5. Review of Auditor-Controller's Quarterly Report on Authorized Budget Adjustments and Budget Transfers**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided a report summarizing budget adjustments and budget transfers authorized by the Board of Directors during the three-month period from October 1, 2006, through December 31, 2006. A copy of the report, including attached charts outlining applicable budget adjustments and transfers, is available in the Office of the District Secretary.

**Action by the Board – None Required**

**6. Review of Auditor-Controller's Quarterly Report on Contracts and Change Orders/Contract Amendments Executed Under the General Manager's Authority**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided a report summarizing all contracts and change orders executed under the General Manager's procurement authority, as set forth in the *Rules of the Board*, during the three-month period from October 1, 2006, through December 31, 2006. A copy of the report, including attached charts outlining applicable contracts and change orders, is available in the Office of the District Secretary.

**Action by the Board – None Required**

**7. Public Comment**

There was no public comment.

**8. Adjournment**

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All business having been concluded, the meeting was adjourned at 10:35 a.m.

Respectfully submitted,

J. Dietrich Stroeh, Chair  
Finance-Auditing Committee

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