



Agenda Item No. 1

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of January 25, 2007

From: Joseph M. Wire, Auditor-Controller  
Celia G. Kupersmith, General Manager

Subject: **RATIFICATION OF ACTIONS BY THE AUDITOR-CONTROLLER**

**Recommendation**

The Finance-Auditing Committee recommends:

- a. The Board of Directors ratifies commitments and/or expenditures totaling \$32,547.00 for the period December 1, 2006, through December 31, 2006 (See Attachment A for details).
- b. The Board of Directors ratifies investments made during the period December 5, 2006, through January 15, 2007 (See Attachment B for details).
- c. The Board of Directors authorizes the reinvestment, within the established policy of the Board, of any investments maturing between January 15, 2007, and February 12, 2007, as well as the investment of all other funds not required to cover expenditures which may become available.
- d. The Board of Directors accepts the Investment Report for December 2006 (see Attachment C for details).

**Fiscal Impact**

Disbursements in the amount of \$32,547.00 will be recorded as District Operations or Capital Expenditures. The investments made by the Auditor-Controller will earn the District investment income.

Attachments

**ATTACHMENT A**

**RATIFY PAYMENT OF BILLS**

**Summary**

This report reflects significant disbursements for the period December 1, 2006, through December 31, 2006. All commitments/expenditures in excess of \$10,000 that have not been previously approved by the Board are listed below.

<b>VENDOR</b>	<b>DESCRIPTION</b>	<b>DIVISION</b>	<b>AMOUNT</b>
Extra Team, Inc.	Cisco Catalyst Ethernet Labor	District	\$14,756.00
Dvorsons Food Services Equipment	Glass-sided Refrigerator	Café	\$17,791.00
<b>TOTAL</b>			<b>\$32,547.00</b>

**ATTACHMENT B**

**RATIFICATION OF PREVIOUS INVESTMENTS**

**Summary**

During the reporting period of December 5, 2006, through January 15, 2007, \$50,410,000 matured. This report lists investments made by the Auditor-Controller of maturing funds available for reinvestment and any other money made available during this period:

<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

**Market Summary**

Quotations as of January 16, 2007, for collateralized public time deposits over \$100,000 and representative money market securities are shown below:

<b>CATEGORY</b>	<b>90 DAYS</b>	<b>180 DAYS</b>	<b>360 DAYS</b>
Bank C.D.	5.30%	5.37%	5.23%
Treasury Bills	5.08%	5.14%	
Commercial Paper	5.22%	5.18%	



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January 17, 2007

# Memorandum

**To:** Finance-Auditing Committee of the Golden Gate Bridge,  
Highway and Transportation District

**From:** Nancy Jones, Managing Director  
PFM Asset Management LLC

**Re:** District Investment Report, December 2006

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Economic indicators in December again sent mixed signals about the state of the economy. The market reacted to the positive economic reports, notably employment, by tempering their earlier sentiment that an interest rate cut was imminent during the first half of 2007. Current Fed Funds Futures contracts are pricing in an interest rate cut in the summer or early fall; however, it should be noted that these contracts are historically inaccurate predictors of future Fed movements. The shift in economic outlook pushed the yield on the 2-year U.S. Treasury Note from 4.51% on December 5 to 4.81% on December 29.

## **GDP**

The U.S. economy, as measured by GDP, grew at 2% during the third quarter, reaffirming the modest slowdown that began in the second quarter. This level of GDP growth represents a reduction from its previous 3-year trend of 3.6% growth. Economists pointed to the lackluster housing and auto sectors as being the main contributors to this reduced level of GDP. Consumer spending, the main constituent of GDP, continues to exhibit strength, leading many economists to believe GDP will rebound in coming months.

## **Housing**

Sales of new and existing homes picked up in November; however, many analysts believe this was the result of unseasonably warm weather and not necessarily an indication of a recovery in the housing market. Recent decreases in home prices, driven by high levels of inventory, and low mortgage rates have contributed to increased volume, though the sector remains weak. The extent of the housing downturn and its ultimate effect on the economy remains uncertain.

## **Manufacturing**

Manufacturing slightly stabilized in December, reversing a one-month contraction in November. Increased exports and consumer demand helped manufacturers shed inventories, boosting economists' expectations of manufacturing growth in the coming months.

### **Consumer Confidence and Spending**

Consumers were unexpectedly more confident in the last month of 2006. Consumers spent more in November, both in stores and online; sales of electronics and sporting goods were especially high. Surprisingly, clothing retailers experienced no uptick in sales in November, the first “official” month of the holiday shopping season. Historically low levels of unemployment, rising wages, and steep retail discounts during the holiday season all contributed to the positive consumer confidence and spending levels.

### **Employment**

Unemployment remained near a five-year low and personal income continued to increase in December. This trend of rising wages and low unemployment is likely to create inflationary pressures if the economy regains traction.

### **Inflation**

While the Core Consumer Price Index (CPI), which excludes volatile food and energy prices, remained relatively unchanged during November, the Fed’s preferred measure of inflation, the Core PCE Deflator, remained above the Fed’s comfort zone of 1-2%. Additionally, the Core Producer Price Index (PPI) unexpectedly rose by the most since 1974. The rise in the Core PPI number, which also excludes food and energy, has the potential to increase inflationary pressures should producers decide to pass the increased costs on to consumers.

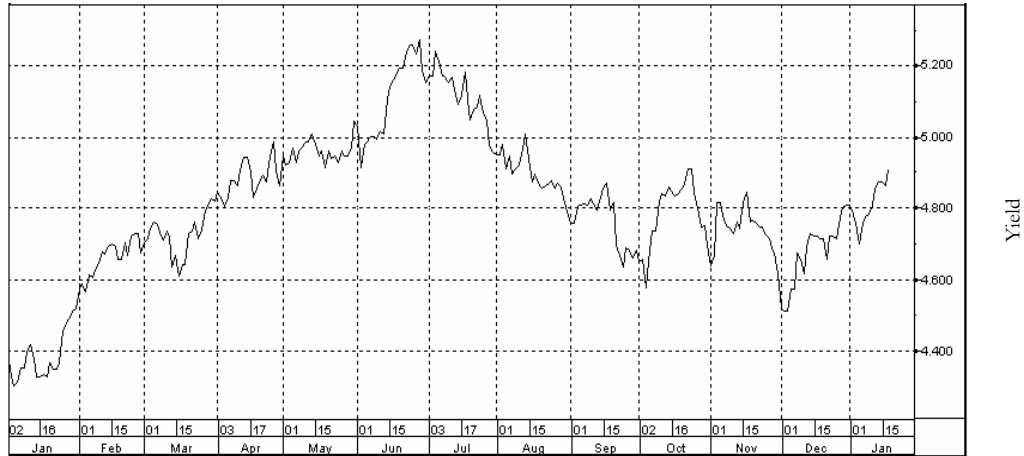
### **Federal Reserve Outlook**

The Federal Reserve Open Market Committee (FOMC), which sets monetary policy and short-term interest rates, met on December 12 and left the overnight borrowing rate at its current level of 5.25%. Though the FOMC believes inflationary pressures are likely to moderate in the coming year, the Committee “judges that some inflation risks remain.” The Fed Funds Futures market, however, remains convinced the FOMC will lower its target rate at least twice during 2007, though their timeframe for this prediction has steadily pushed into the future—a few months ago the market was predicting a rate cut in early 2007 and now they are predicting a cut in July at the earliest. Recent economic indicators have continued to show mixed signals as to the direction of the economy and inflation.

### **Interest Rates**

Interest rates rose during December. After falling at the beginning of the month due to news of contraction in the manufacturing sector, decreased unit labor costs, and falling factory orders, yields picked up on a series of unexpectedly positive data. Employment, retail sales, and housing numbers were all better than expected. The FOMC’s bias towards raising the Fed Funds target rate, as indicated in their statement following the December 12 meeting, also helped keep rates up. Market participants continue to forecast modest rate cuts by the Federal Reserve in 2007, but economists forecasts are quite divergent.

**2-Year U.S. Treasury Yield**  
January 1, 2006 – January 17, 2007



*Source: Bloomberg*

**Golden Gate Bridge’s General Fund Portfolio**

In December, we purchased short-term Federal Agency Discount Notes and high-quality commercial paper with yields ranging from 5.22% to 5.40%. In response to the general rise in interest rates over the past month, we allowed the portfolio’s effective duration to drift modestly shorter. At the end of December the portfolio had a duration of 1.33 years, compared with a duration of 1.36 years at the end of November. As rates begin to stabilize, we will look for opportunities to make extension trades and lock in rates, which will help protect the portfolio’s earnings going forward.

The portfolio’s yield at cost for December, including funds invested in LAIF, was 4.77%. Excluding LAIF, the yield at cost was 4.73%.



## **MEMORANDUM**

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From: Joseph M. Wire, Auditor-Controller  
Celia G. Kupersmith, General Manager

Re: District Investment Report, December 2006

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Attached to this memo is a listing of the District's investments.

The investment portfolio is in compliance with the District's Investment Policy and the California Government Code.

The District has sufficient cash and investments to meet its expenditure requirements for the next six months.

**GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT**  
**All four accounts combined**

As of December 31, 2006

PORTFOLIO OF INVESTMENTS

MATURITY	SECURITY	DATE OF INVESTMENT	YIELD	DESCRIPTION	TOTAL		
					MARKET VALUE	PAR	Cost
ON DEMAND	STATE	VARIOUS	5.13	LOCAL AGENCY INVESTMENT FUND	13,992,220	14,000,000	14,000,000.00
01/05/07	CP	11/22/06	5.29	UBS FINANCE DELAWARE LLC COMM PAPER	5,817,724	5,822,000	5,784,571.01
01/16/07	CP	12/18/06	5.29	MORGAN STANLEY COMM PAPER	7,795,645	7,814,000	7,780,827.40
01/31/07	CP	12/21/06	5.32	GOLDMAN SACHS GROUP INC COMM PAPER	8,425,509	8,464,000	8,413,006.75
02/15/07	NOTES	04/15/04	2.78	FHLB TAP NOTES	2,999,063	3,000,000	3,169,578.00
03/01/07	CP	12/26/06	5.32	SOCIETE GENERALE NA COMM PAPER	7,229,899	7,294,000	7,224,595.56
03/21/07	CD	12/21/06	5.32	BARCLAYS BANK PLC NY CERT DEPOS	9,999,549	10,000,000	10,000,000.00
05/18/07	NOTES	09/23/04	2.95	FHLB NOTES(CALLABLE)	2,976,563	3,000,000	3,005,490.00
08/15/07	NOTES	09/23/04	3.04	FHLB TAP NOTES	2,961,563	3,000,000	3,006,630.00
08/22/07	NOTES	04/26/04	3.26	FNMA NOTES	3,146,240	3,121,000	3,443,586.56
11/15/07	NOTES	01/05/04	3.25	FHLB TAP NOTES	4,926,563	5,000,000	5,044,874.78
01/15/08	NOTES	08/21/06	5.25	FNMA GLOBAL NOTES	10,028,125	10,000,000	10,032,200.00
01/15/08	NOTES	06/13/05	4.06	JP MORGAN CHASE CORP NOTE	4,925,630	5,000,000	4,956,300.00
02/15/08	NOTES	04/05/04	3.02	FHLB TAP NOTES	1,494,500	1,525,000	1,544,337.00
07/21/08	NOTES	09/26/05	4.38	FHLB NOTES (CALLABLE)	5,823,750	6,000,000	5,797,800.00
08/15/08	NOTES	05/20/05	4.22	WELLS FARGO FINANCIAL GLOBAL NOTES	3,262,088	3,229,000	3,389,029.24
08/25/08	NOTES	08/18/06	5.23	FNMA GLOBAL NOTES (CALLABLE)	5,333,200	5,360,000	5,311,534.88
10/14/08	NOTES	12/08/05	4.80	FHLB NOTES	4,953,125	5,000,000	4,960,850.00
11/01/08	NOTES	05/11/05	4.37	ASSOCIATES CORP N.A. GLOBAL SR NOTES	5,076,665	5,000,000	5,298,900.00
02/27/09	NOTES	09/14/06	5.17	FHLB NOTES (CALLABLE)	4,893,750	5,000,000	4,866,600.00
03/03/09	NOTES	02/01/06	4.84	FNMA NOTES(CALLABLE)	3,506,213	3,610,000	3,482,855.80
04/06/09	NOTES	02/01/06	4.82	FFCB NOTES	4,845,313	5,000,000	4,814,050.00
11/01/09	NOTES	05/22/06	5.52	HELLER FINANCIAL INC (GE) CORP NOTE	4,757,364	4,500,000	4,758,795.00
01/15/10	NOTES	09/22/06	5.19	WELLS FARGO CO GLOBAL NOTES	4,870,985	5,000,000	4,850,300.00
04/19/10	NOTES	05/22/06	5.35	FNMA GLOBAL NOTES (CALLABLE)	5,009,375	5,000,000	4,938,600.00
06/28/11	NOTES	07/19/06	5.53	FHLB NOTES	5,129,688	5,000,000	5,014,550.00
					144,180,304	144,739,000	144,889,861.98

<u>DESCRIPTION</u>	<u>INVESTMENT</u>	<u>PORTFOLIO COMPOSITION</u>	<u>YIELD</u>
Banker's Acceptance	-	0.00%	0.00%
Savings and Loan C.D.'s (C.D.)	9,999,549	6.94%	5.32%
Commercial Paper (C.P.)	29,268,777	20.30%	5.31%
U. S. Treasury Bills and Notes	-	0.00%	0.00%
Agency Discount Notes	-	0.00%	0.00%
Agency Coupon Notes	68,027,027	47.18%	4.50%
Corporate Notes	22,892,732	15.88%	4.69%
Municipal Bonds	-	0.00%	0.00%
Long Term CD	-	0.00%	0.00%
LAIF	13,992,220	9.70%	5.13%
	144,180,304	100.00%	
Average Investment Yield of Portfolio			4.81%
Average Maturity of Portfolio			431

Market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg or Telerate. Prices that fall between data points are interpolated.

Market Value for LAIF is derived from the NAV that is posted quarterly on the LAIF website.