



Agenda Item No. 1

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of February 22, 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 \$63,766.00 for the period January 1, 2007, through January 31, 2007 (See Attachment A for details).
- b. The Board of Directors ratifies investments made during the period January 16, 2007, through February 12, 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 February 12, 2007, and March, 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 January 2007 (see Attachment C for details).

**Fiscal Impact**

Disbursements in the amount of \$63,766.00 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 January 1, 2007, through January 31, 2007. 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>
Ogletree's, Inc.	LFT Fuel Line Berth 2	Ferry	\$10,974.00
Extra Team, Inc.	Annual maintenance on Cisco Smartnet	District	10,741.00
Dell Marketing, Inc.	15 Dell Optiplex FasTrak Computers	District	18,644.00
Sherwin-Williams	100 gallons of primer paint	Bridge	11,392.00
Sungard Bi-Tech, Inc.	Software maintenance	District	12,015.00
<b>TOTAL</b>			<b>\$63,766.00</b>

**ATTACHMENT B**

**RATIFICATION OF PREVIOUS INVESTMENTS**

**Summary**

During the reporting period of January 16, 2007, through February 12, 2007, \$20,196,000 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>
HSBC Commercial Paper	01/16/07	02/28/07	7,813,692.44	5.28
GECC Global Notes	01/29/07	02/01/11	4,996,750.00	5.22
Toyota Motor Credit Corp Commercial Paper	01/31/07	03/01/07	6,531,260.89	5.25
Dexia Delaware, LLC Commercial Paper	02/07/07	03/01/07	5,849,173.50	5.27
FHLMC Notes (Callable)	02/12/07	01/09/12	4,988,850.00	5.42

**Market Summary**

Quotations as of February 12, 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	5.15%	5.16%	
Commercial Paper	5.23%	5.20%	



February 15, 2007

## Memorandum

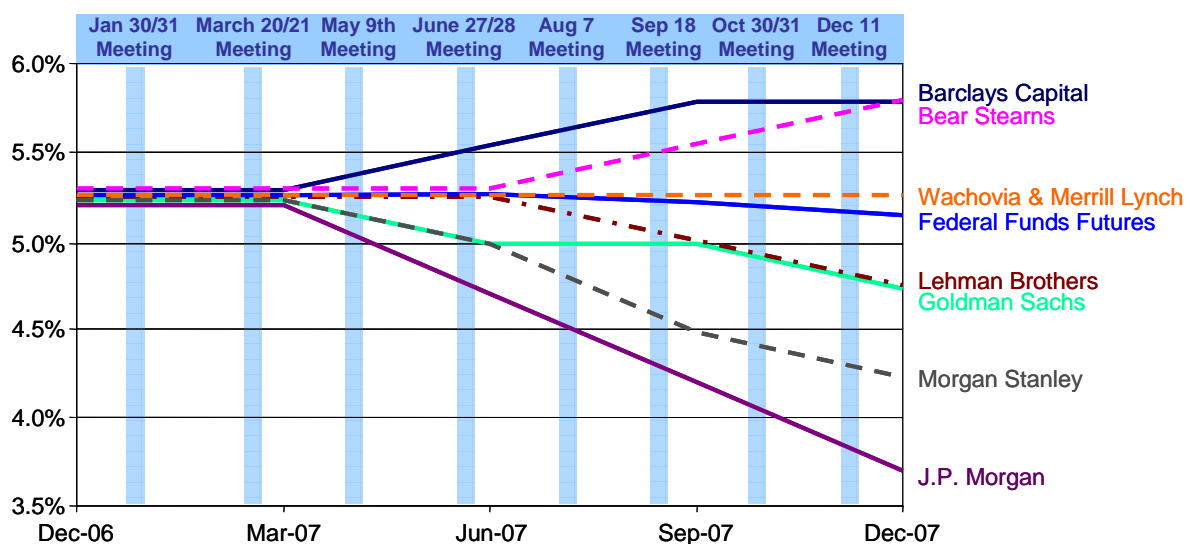
**To:** Finance-Auditing Committee of the Golden Gate Bridge,  
 Highway and Transportation District

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

**Re:** District Investment Report, January 2007

Fourth quarter GDP growth was stronger than expected, leading most economists to revise their expectations for growth going forward. Currently, the market is expecting modest economic growth in 2007. This level of growth, coupled with strong core CPI and employment numbers during the month pushed the yield on the 2-Year U.S. Treasury from 4.81% on January 2 to 4.92% on January 31. Leading economists still have widely divergent forecasts regarding the direction and extent of future Fed rate hikes, which is illustrated in the chart below.

**Federal Funds Forecasts and Meeting Dates**  
 January 2007



Source: Bloomberg

### GDP

Fourth quarter GDP grew at a strong rate of 3.5%, exceeding economists' forecast of 3.0%. Consumer spending during the holidays, bolstered by the recent drops in gasoline prices, propelled the robust growth in the economy. Unseasonably warm weather during the fourth quarter may have also boosted growth by sustaining economic activity in industries that typically slow down during winter.

## **Housing**

Sales of new homes picked up in December. The volume of new homes sold is being sustained by further decreases in housing prices and builder incentives. The number of existing home sales, however, declined after increasing the prior two months. The decrease in sales may be an indication that sellers of existing homes are less willing to drop prices in order to sell. This decrease in existing home sales volume, along with a recent jump in housing starts, may be an indication the housing sector is stabilizing.

## **Manufacturing**

Manufacturing contracted in January after briefly stabilizing in December. High levels of inventory in the housing and automobile sectors led manufacturers to cut back production of goods used in these two sectors.

## **Consumer Confidence and Spending**

In January, consumer confidence reached its highest level in five years. An expanding labor market and increased wages buoyed confidence and kept spending levels stable. January sales were unchanged from December, despite many consumers redeeming holiday gift cards. When excluding purchases of automobiles and gasoline, which declined in January, retail sales increased by 0.5%.

## **Employment**

Over the past three months, the economy has added an average of 171,000 jobs per month. While employers added fewer jobs than forecast in January, and the unemployment rate crept up to 4.6%, employment growth remains solid. January's employment report was a major contributing factor to the rise of interest rates in January because the current high level of employment has the potential to increase inflation.

## **Inflation**

Inflation remains above the Fed's comfort level of between 1-2%. In December, the core Consumer Price Index (Core CPI), which excludes volatile food and energy prices, was 2.6% while the core Producer Price Index (Core PPI) was 2.0%. The fact that inflation remained relatively stable while GDP rose at 3.5% during the fourth quarter may indicate inflation is currently contained.

## **Federal Reserve Outlook**

At the January Federal Open Market Committee (FOMC) meeting, the Fed kept the overnight rate at 5.25% and made the following comments:

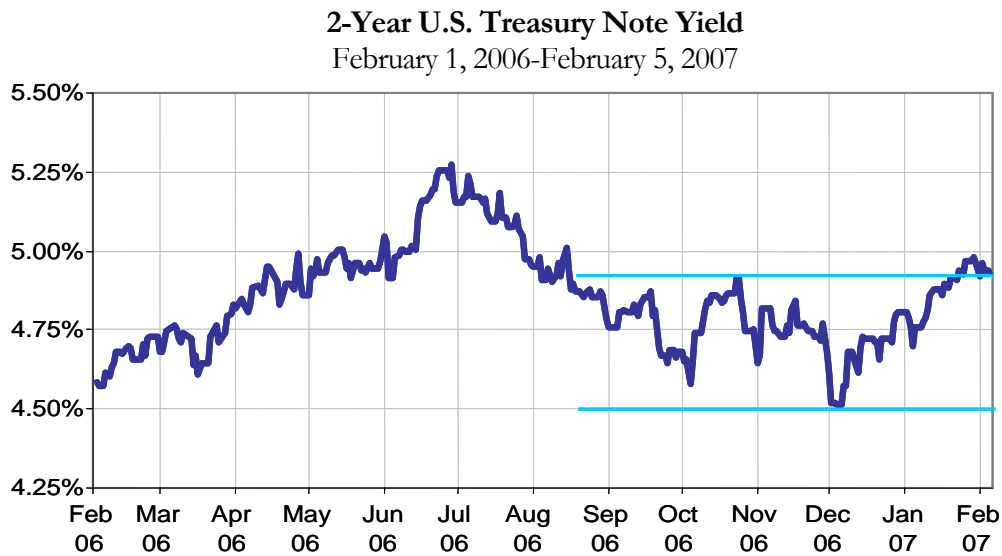
- "Recent indicators have suggested somewhat firmer economic growth."
- "...some tentative signs of stabilization have appeared in the housing market."
- "Readings on core inflation have improved modestly."
- "...some inflation risks remain."
- "The extent and timing of any additional firming that may be needed . . . will depend on the evolution of the outlook for both inflation and economic growth."

On balance, overall growth in the economy during 2006 was actually stronger than 2005. Looking forward, the Fed remains more concerned about inflation than slowing economic growth, and is firmly on hold. The FOMC Committee members actually appear to have a slight bias towards raising rates;

however, it is apparent given interest rate forecasts, that few market participants believe this. If anything, stronger economic growth argues against a rate cut, while moderating inflation argues against a rate hike.

### **Interest Rates**

From August 2006 through mid-January, interest rates traded in a range between 4.50% and 4.90% as shown on the chart below. At the end of January, interest rates broke out of this trading range, and it remains to be seen if this indicates a new, higher level of rates, or just a temporary surge in rates.



### **Golden Gate Bridge's General Fund Portfolio**

With the back-up in interest rates in January, and the FOMC apparently on hold, we are finding value in longer dated securities. This back-up in interest rates has provided an opportunity to place a portion of the District's funds in line with its expenditure schedule. We purchased \$5 million in AAA/Aaa rated General Electric Corporate notes maturing February 1, 2011 at a yield of 5.22%. In addition, we purchased \$6.5 million of high-quality short-term commercial paper at a yield of 5.35%. These trades diversified the District's holdings and increased the portfolio's yield.

The portfolio's yield at cost for January, including funds invested in LAIF, was 4.83%. Excluding LAIF, the yield at cost was 4.79%.



## **MEMORANDUM**

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of February 22, 2007

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

Re: District Investment Report, January 2007

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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 January 31, 2007

PORTFOLIO OF INVESTMENTS

MATURITY	SECURITY	DATE OF INVESTMENT	YIELD	DESCRIPTION	TOTAL MARKET VALUE	PAR	Cost
ON DEMAND	STATE	VARIOUS	5.16	LOCAL AGENCY INVESTMENT FUND	18,189,886	18,200,000	18,200,000.00
02/07/07	CP	01/05/07	5.28	UBS FINANCE DELAWARE LLC COMM PAPER	5,843,985	5,850,000	5,821,820.06
02/28/07	CP	01/16/07	5.28	HSBC COMM PAPER	7,830,698	7,863,000	7,813,692.44
03/01/07	CP	12/26/06	5.32	SOCIETE GENERALE NA COMM PAPER	7,262,967	7,294,000	7,224,595.56
03/01/07	CP	01/31/07	5.27	TOYOTA MOTOR CREDIT COMM PAPER	6,531,094	6,559,000	6,531,260.89
03/21/07	CD	12/21/06	5.32	BARCLAYS BANK PLC NY CERT DEPOS	9,999,753	10,000,000	10,000,000.00
05/18/07	NOTES	09/23/04	2.95	FHLB NOTES(CALLABLE)	2,979,375	3,000,000	3,005,490.00
08/15/07	NOTES	09/23/04	3.04	FHLB TAP NOTES	2,965,313	3,000,000	3,006,630.00
08/22/07	NOTES	04/26/04	3.26	FNMA NOTES	3,142,388	3,121,000	3,443,586.56
11/15/07	NOTES	01/05/04	3.25	FHLB TAP NOTES	4,931,250	5,000,000	5,044,874.78
01/15/08	NOTES	08/21/06	5.25	FNMA GLOBAL NOTES	10,018,750	10,000,000	10,032,200.00
01/15/08	NOTES	06/13/05	4.06	JP MORGAN CHASE CORP NOTE	4,929,160	5,000,000	4,956,300.00
02/15/08	NOTES	04/05/04	3.02	FHLB TAP NOTES	1,495,453	1,525,000	1,544,337.00
07/21/08	NOTES	09/26/05	4.38	FHLB NOTES (CALLABLE)	5,825,625	6,000,000	5,797,800.00
08/15/08	NOTES	05/20/05	4.22	WELLS FARGO FINANCIAL GLOBAL NOTES	3,258,190	3,229,000	3,389,029.24
08/25/08	NOTES	08/18/06	5.23	FNMA GLOBAL NOTES (CALLABLE)	5,326,500	5,360,000	5,311,534.88
10/14/08	NOTES	12/08/05	4.80	FHLB NOTES	4,948,438	5,000,000	4,960,850.00
11/01/08	NOTES	05/11/05	4.37	ASSOCIATES CORP N.A. GLOBAL SR NOTES	5,075,375	5,000,000	5,298,900.00
02/27/09	NOTES	09/14/06	5.17	FHLB NOTES (CALLABLE)	4,890,625	5,000,000	4,866,600.00
03/03/09	NOTES	02/01/06	4.84	FNMA NOTES(CALLABLE)	3,502,828	3,610,000	3,482,855.80
04/06/09	NOTES	02/01/06	4.82	FFCB NOTES	4,840,625	5,000,000	4,814,050.00
11/01/09	NOTES	05/22/06	5.52	HELLER FINANCIAL INC (GE) CORP NOTE	4,732,304	4,500,000	4,758,795.00
01/15/10	NOTES	09/22/06	5.19	WELLS FARGO CO GLOBAL NOTES	4,858,050	5,000,000	4,850,300.00
04/19/10	NOTES	05/22/06	5.35	FNMA GLOBAL NOTES (CALLABLE)	4,987,500	5,000,000	4,938,600.00
02/01/11	NOTES	01/29/07	5.22	GENERAL ELECTRIC CAP CORP GLOBAL NOTES	4,987,365	5,000,000	4,996,750.00
06/28/11	NOTES	07/19/06	5.53	FHLB NOTES	5,106,250	5,000,000	5,014,550.00
					<b>148,459,746</b>	<b>149,111,000</b>	<b>149,105,402.21</b>

<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.)	9,999,753	6.74%	5.32%
Commercial Paper (C.P.)	27,468,744	18.50%	5.29%
U. S. Treasury Bills and Notes	-	0.00%	0.00%
Agency Discount Notes	-	0.00%	0.00%
Agency Coupon Notes	64,960,919	43.76%	4.59%
Corporate Notes	27,840,444	18.75%	4.78%
Municipal Bonds	-	0.00%	0.00%
Long Term CD	-	0.00%	0.00%
LAIF	18,189,886	12.25%	5.16%
	<b>148,459,746</b>	<b>100.00%</b>	
Average Investment Yield of Portfolio			4.87%
Average Maturity of Portfolio			445

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.