



(For Board Meeting of April 25, 2008)

SUMMARY OF RECOMMENDATIONS
MEETING OF THE FINANCE-AUDITING COMMITTEE/
COMMITTEE OF THE WHOLE
THURSDAY, APRIL 24, 2008
(CHAIR J. DIETRICH STROEH)

Item No. 1

Approve the addition of the Larkspur Ferry Terminal Parking and Access Improvements Project to the FY 07/08 Ferry Division Capital Budget in the amount of \$2,530,000, to be financed with Federal Transit Administration funds in the amount of \$729,000, Urban Partnership Program funds in the amount of \$1,365,240 and District funds in the amount of \$435,760.

Action by the Board – Resolution

Item No. 2

Approve adoption of the Investment Policy, as amended, and amend RULE XI of the *Rules of the Board*, as outlined in the staff report.

Action by the Board – Resolution



Agenda Item No. 2.a.

To: Finance-Auditing Committee/Committee of the Whole
Meeting of April 24, 2008

From: Denis J. Mulligan, District Engineer
Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE BUDGET ADJUSTMENT(S) AND/OR TRANSFER(S)**
a) **BUDGET INCREASE IN THE FY 07/08 FERRY DIVISION CAPITAL
BUDGET FOR THE ADDITION OF THE LARKSPUR FERRY
TERMINAL PARKING PROJECT**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve the addition of the Larkspur Ferry Terminal Parking and Access Improvements Project to the FY 07/08 Ferry Division Capital Budget in the amount of \$2,530,000 to be financed with \$729,000 of FTA funds, \$1,365,240 of Urban Partnership Program funds and \$435,760 of District funds.

Summary

At its December 6, 2007, meeting, staff briefed the Building and Operating Committee regarding current and future parking needs at the Larkspur Ferry Terminal (LFT). The staff report and presentation discussed:

- an upcoming project to modify the existing at-grade site to increase the number of parking spaces;
- preliminary concepts for a multi-story parking garage at either the main lot at LFT or the District's property across the street that is currently leased to the Marin Airporter, while maintaining the continued use by the Marin Airporter; and,
- \$12.8 million of Urban Partnership Program (UPP) funds which provides an opportunity to further refine the parking structure concepts.

At the meeting staff presented an artist rendering for each of the above referenced sites which depicted a four-story parking garage. The Committee discussion including the artist renderings were reported in the *Marin Independent Journal* the day following the meeting. The story and renderings are at the web link below:

http://www.marinij.com//ci_7657140?IADID=Search-www.marinij.com-www.marinij.com

These renderings had been preliminarily presented to and discussed with Jean Bonander the Larkspur City Manager and Nancy Kaufman the Larkspur Planning Director at a meeting on November 16, 2007. A second meeting with Larkspur staff will be held prior to the April 24 Committee meeting and staff will be able to report on the outcome of that meeting.

Since November 2007, staff have been working with federal officials to determine the appropriate next steps for actually acquiring the UPP grant funds for this project. Federal officials required that a specific project in a specific location be identified in order to move forward in securing the funds. In order to meet this requirement and in response to both technical review of the potential sites and initial feedback from the Committee, the District indicated to federal officials that the project would be located on the existing LFT parking lot site. Staff then submitted the formal grant application paperwork for the UPP funds.

A key requirement of the UPP grant program is that all projects funded by the UPP, except for Doyle Drive reconstruction, must be completed by September 30, 2009. The District has received confirmation that our plan to undertake the project in two phases with only Phase I completed by September 30, 2009, is acceptable and meets the program requirements. Specifically, the project plan provides for a two-phased expansion of parking at LFT. The Phase 1 project, Contract No. 2008-FT-8, will modify the existing parking lot, by reconfiguring existing landscape strips, parking areas and driving lanes; to construct parking spaces, landscaping, pedestrian crosswalks, in-roadway warning lights, ADA and access improvements, and pavement and signage improvements. The purpose is to increase parking spaces, to improve pedestrian and bicyclist access and safety, to improve ADA ramps to current ADA standards, to resurface deteriorated pavement surface, and to replace portions of landscaping with native plants. This will result in an increase in approximately 200 parking spaces. Contract No. 2008-FT-8 is scheduled to be advertised in May 2008. Construction is scheduled to be completed December 2008.

The Phase 2 project contemplates a four-story parking structure located on a portion of the existing LFT at-grade parking lot. After adoption of the budget, staff will issue a Request for Proposals (RFP) and hire a consultant to perform the design, engineering and environmental work associated with the parking structure.

It is anticipated that Phase 2 will be ready to advertise for construction by September 2009. Actual construction is anticipated to take an additional eighteen months to complete. Please note that the UPP funds for the parking garage project make a substantial portion of the budget but additional funds must be found over the next year in order to fully complete the parking structure as planned. The District has submitted a request for additional federal funds in this year's appropriations cycle.

Fiscal Impact

It is proposed to add the Larkspur Ferry Terminal Parking and Access Improvements Project to the FY 07/08 Ferry Division Capital Budget in the amount of \$2,530,000 to be financed with \$729,000 of FTA funds, \$1,365,240 of Urban Partnership Program (UPP) funds and \$435,760 of District funds.

The proposed FY 08/09 Ferry Division Capital Budget which will be presented to the Board in May 2008 will include a new multi-year \$21 million project to construct a multi-story parking structure at LFT. The remainder of the \$12.8 million UPP monies, \$11,434,760, will provide partial funding to this project.



Agenda Item No. 4

To: Finance-Auditing Committee/Committee of the Whole
Meeting of April 24, 2008

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

Subject: **APPROVE REVISION TO THE INVESTMENT POLICY AND AMEND
RULE XI OF THE RULES OF THE BOARD**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve the Investment Policy, as amended, to reflect revisions to California Government Code pursuant to AB 1745, and amend Rule XI of the *Rules of the Board* accordingly.

Summary

Effective January 1, 2008, AB 1745 allows California public agencies to invest in registered treasury notes and bonds issued by any of the other 49 United States, in addition to California. Previously, the Government Code had restricted the purchase of registered state warrants or treasury notes or bonds to those issued by the State of California and local agencies within California.

Consequently, it is recommended that Rule XI, INVESTMENT POLICY, Section I, Permitted Investment Instruments, of the District's *Rules of the Board* be amended to incorporate the updated Government Code requirements.

Rule XI, INVESTMENT POLICY, Section I, Permitted Investment Instruments, Subsection 3, currently states the following:

Bonds, notes, warrants, or other evidences of indebtedness issued by any local agency, or the state, including evidences of indebtedness, payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

It is recommended that this section be revised to add the following::

(a) Bonds, notes, warrants, or other evidences of indebtedness issued by California or any local agency in California, including evidences of indebtedness, payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency or by the State of California; (b) registered treasury notes or bonds of any of the other 49 United

States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

The California Government Code no longer requires public agencies to submit their investment policy on an annual basis to their governing body for approval. Despite this change in California law, the annual review of the policy by the Board is still encouraged and is considered a prudent practice.

A copy of the investment policy is attached.

Fiscal Impact

There is no fiscal impact associated with this report.

Attachment

RULE XI. INVESTMENT POLICY

A. Introduction

The purpose of this Rule is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

The investment policies and practices of the Golden Gate Bridge, Highway & Transportation District are based on state law and prudent money management. All general funds will be invested in accordance with the District's Investment Policy and Article 2 of Chapter 4 of the California Government Code (commencing with Section 53600). The investment of bond or note proceeds will be governed by the provisions of the relevant bond documents. (Res. 01-148, 9/14/01.)

B. Scope

It is intended that this policy cover all funds (except retirement funds) and investment activities under the direction of the District.

C. Prudence

Investments shall be made with judgment and care—under circumstances then prevailing—which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

D. Objectives

The primary objectives, in priority order, of the District's investment activities shall be:

1. Safety. Safety of principal is the foremost objective of the investment program. The District's investments shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.

2. Liquidity. The District's investment portfolio will remain sufficiently liquid to enable the District to meet its cash flow requirements.

3. Return On Investment. The District's investment portfolio shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

E. Delegation of Authority

The management and oversight responsibility for the investment program is hereby delegated to the Auditor-Controller who shall monitor and review all investments for consistency with this investment policy. No person may engage in an investment transaction except as provided under the limits of this policy. The Board may delegate the day-to-day investment decision making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as are provided.

F. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Officers and employees involved in the investment process shall abide by the District's Conflict of Interest Code, California Government Code Section 1090 *et seq.* and the California Political Reform Act (California Government Code Section 81000 *et seq.*)

G. Internal Controls

The Auditor-Controller shall establish a set of internal controls. The internal controls will be reviewed with the independent auditor. The controls shall be designed to prevent employee error, misrepresentations by third parties, unanticipated changes in financial markets or imprudent actions by employees or officers of the District.

H. Selection of Financial Institutions and Broker/Dealers

To provide for the optimum yield in the District's portfolio, the District's procedures shall be designed to encourage multiple bids and offers on investment transactions from an approved list of broker/dealers. The Auditor-Controller, or the District's investment advisor, shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes, and it shall be the policy of the District to purchase securities only from those authorized institutions or firms.

I. Permitted Investment Instruments

1. Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. (Res. 02-027, 2/8/02.)
3. Bonds, notes, warrants, or other evidences of indebtedness issued by any state or local agency in the United States, including evidences of indebtedness, payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

4. Repurchase Agreements used solely as short-term investments not to exceed 90 days.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in subsections 1 and 2 above, will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the District's custodian bank versus payment or be handled under a tri-party repurchase agreement. The market value of securities that underlay a Repurchase Agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be reviewed on a regular basis and adjusted no less than quarterly.

Market value must be calculated each time there is a substitution of collateral.

The District or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The District may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York.

The District will have specific written agreements with each firm with which it enters into Repurchase Agreements.

Reverse repurchase agreements will not be offered without the prior specific consent of the District's Board of Directors. If a reverse repurchase agreement is authorized, it may be utilized only if the security to be sold on reverse repurchase agreement has been owned and fully paid for by the District for a minimum of 30 days prior to the sale; the total of all reverse repurchase agreements on investments owned by the District does not exceed 20 percent of the base value of the portfolio; and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of the security using a reverse repurchase agreement and the final maturity date of the same security.

The District may enter into Reverse Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York.

5. Bankers' Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by Moody's Investors Services or by Standard & Poor's Corporation.

Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the District's surplus money. However, no more than 15 percent of the District's surplus funds may be invested in the Banker's Acceptance of any one commercial bank. (Res. 01-036, 2/23/01.)

6. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating, as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

a. The entity meets the following criteria: (1) is organized and operating in the United States as a general corporation; (2) has total assets in excess of five hundred million dollars (\$500,000,000); and, (3) has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

b. The entity meets the following criteria: (1) is organized within the United States as a special purpose corporation, trust, or limited liability company; (2) has program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit, or surety bond; and, (3) has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their money in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635. (Res. 02-027, 2/8/02; Res. 04-023, 3/12/04.; Res. 05-016, 3/11/05)

7. Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state operating within the United States. Medium-term corporate notes shall be rated in a rating category "A" or its equivalent or better by a nationally recognized rating service.

Purchase of medium-term notes may not exceed 30 percent of the District's surplus money. (Res. 00-041, 2/25/00.)

8. FDIC-insured or fully collateralized time certificates of deposit in financial institutions located in California, including U.S. branches of foreign banks licensed to do business in California. All time deposits must be collateralized in accordance with California Government Code Section 53651, either at 150 percent by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under section (m) or at 110% by eligible marketable securities listed in subsections (a) through (l) and (n) and (o). The District, at its discretion and by majority vote of the Board of Directors, on a quarterly basis, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance. (Res. 03-035, 4/11/03)

Purchase of FDIC insured of fully collateralized time certificates shall not exceed a total of \$2 million.

9. Negotiable certificates of deposit or deposit notes issued by a nationally or state chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated "AA" or better by Moody's or Standard & Poor's.

Purchase of negotiable certificates of deposit may not exceed 30 percent of the District's surplus money.

10. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or any other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subsection may not exceed 20 percent of the District's surplus money that may be invested pursuant to this section.

11. State of California's Local Agency Investment Fund. Investment in LAIF may not exceed \$40 million. (Res. 01-054, 3/23/01; Res. 02-027, 2/8/02.)

12. Shares of beneficial interest issued by diversified management companies, as defined in Section 23701m of the Revenue and Taxation Code, investing in the securities and obligations authorized by sections a through l of Government Code section 53601. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services; or, (2) have an investment advisor registered with the Securities and Exchange Commission with not less than five years experience investing in securities and obligations authorized by Government Code Section 53601 and with assets under management in excess of \$500,000,000.

The purchase price of shares shall not exceed 15 percent of the District's surplus money.

Credit criteria listed to in this section refer to the credit of the issuing organization at the time the security is purchased. If a credit rating falls below the criteria stated, the Auditor-Controller shall notify the General Manager. In the event a rating drops below "A," the Auditor-Controller shall notify the General Manager, the Finance and Auditing Committee, and the Board along with a recommendation of whether to hold or sell the particular security.

J. Diversification

The District shall attempt to limit the District's investments in any one bank or corporation to no more than 15 percent of the District's total investments at the time of purchase.

K. Maximum Maturity

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the District to meet all projected obligations.

Unless otherwise specified in this section, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement as authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years.

Generally, not less than 20 percent of the District's portfolio, or a sufficient amount to enable the District to meet its cash flow requirements, whichever amount is greater, shall be placed in investments with maturity dates that do not exceed one year, with the understanding that the Chair of

the Finance-Auditing Committee and the Auditor-Controller may approve jointly a lesser percentage on an investment by investment basis. (Res. 96-151; Res. 00-155, 7/28/00.)

L. Ineligible Investments

Any security type or structure not specifically approved by this policy is hereby specifically prohibited. Security types which are thereby prohibited include, but are not limited to,

1. "Complex" derivative structures such as range notes, dual index notes, inverse floaters, leveraged or deleveraged floating-rate notes, or any other complex variable-rate or structured note.

2. Interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.

M. Sales Prior to Maturity

Sales prior to maturity are permitted. Certain investment opportunities may involve the recognition of value losses. Book value trading losses are permitted. Any trading loss greater than 1 percent of principal value of any investment holding requires the following: (1) explanation of source of loss; (2) rationale for transactions resulting in recognition of loss; and, (3) estimation of time necessary to recoup the loss.

N. Reporting Requirements

The Auditor-Controller shall provide to the General Manager, the Finance-Auditing Committee and the Board a monthly investment report, which shall include, at a minimum, the following information for each individual investment:

- Type of investment instrument;
- Issuer name;
- Maturity date;
- Par value;
- Purchase price; and,
- Current market value and the source of the valuation. (Res. 03-035, 4/11/03)

The monthly report also shall: (1) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance; (2) include a description of any of the District's funds, investments or programs that are under the management of contracted parties, including lending programs; and, (3) include a statement denoting the ability of the District to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

This monthly report shall be submitted within 30 days following the end of the month.

The Auditor-Controller shall annually render to the Board a statement of investment policy, which the Board shall consider at a public meeting.

O. Safekeeping and Custody

All securities, whether negotiable, bearer, registered, or nonregistered, whether purchased for the District by financial advisors, consultants or managers, shall be delivered, either by book entry or physical delivery, to the District's third party custodian.

P. Investment Sub-Committee

An Investment Sub-Committee shall be established that will include the Chair of the Finance-Auditing Committee, plus two other Directors and the Auditor-Controller, to periodically (at least quarterly) review the District's investment strategy and investment policy. (Res. 81-197, 5/29/81.)