



Agenda Item No. 1

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of July 25, 2008

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 \$10,000.00 for the period June 1, 2008, through June 30, 2008 (See Attachment A for details).
- b. The Board of Directors ratifies investments made during the period June 17, 2008, through July 14, 2008 (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 July 15, 2008, and August 11, 2008, 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 June 2008 (see Attachment C for details).

**Fiscal Impact**

Disbursements in the amount of \$10,000.00 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 June 1, 2008, through June 30, 2008. 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>
Nancy Whelan Consulting	Grant Management Services	District	\$10,000.00
<b>TOTAL</b>			<b>\$10,000.00</b>

## ATTACHMENT B

### RATIFICATION OF PREVIOUS INVESTMENTS

#### Summary

During the reporting period June 17, 2008, through July 14, 2008, \$21,140,000.00 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>
FHLB Tap Bonds	06/17/08	06/08/12	4,857,050.00	4.42
Toronto Dominion Certificate of Deposit	06/30/08	07/30/08	4,640,000.00	2.40
Banque National De Paris Certificate of Deposit	07/07/08	07/30/08	5,000,000.00	2.36
CBA (Delaware) Finance Commercial Paper	07/07/08	08/21/08	7,337,000.00	2.51

#### Market Summary

Quotations as of June 16, 2008 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.	3.10%	3.43%	3.91%
Treasury Bills	1.75%	2.05%	
Commercial Paper	2.50%	2.83%	



**The PFM Group**  
Public Financial Management, Inc.  
PFM Asset Management LLC  
PFM Advisors

50 California Street  
Suite 2300  
San Francisco, CA  
94111

415 982-5544  
415 982-4513 fax

July 14, 2008

## 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, June 2008

### Economic Summary

In June, investor sentiment took a decidedly negative turn as the market digested further news of economic weakness and increasing inflation pressures. Investors fled the equity markets, pushing prices down 12% during the first 6 months of 2008. The S&P 500 dropped 8.5% in June and officially slipped into “bear market” territory in early July by falling 20% from its high in October 2007.

In response to worries about the inflationary effect of escalating oil and commodity prices, interest rates rose to their highest levels of 2008. Yields on the U.S. Treasury Note closed June at 2.62%, after a mid-month high of 3.04%.

**2-Year U.S. Treasury Yield**  
July 1, 2007 – July 2, 2008



Source: Bloomberg

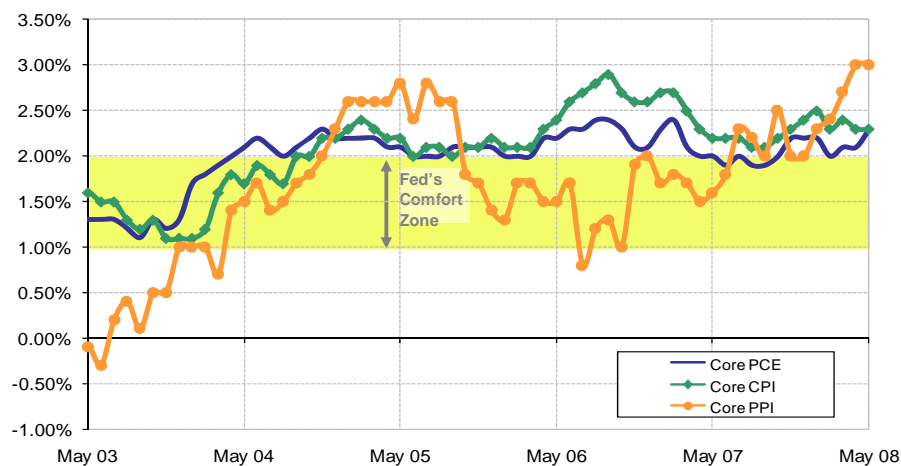


### Economic Weakness

Housing, the labor market, consumer confidence, and the financial sector all remain weak and appear to be worsening. Home foreclosures increased 53% in June from a year earlier; the labor market has had a net loss in jobs each month of 2008, after nearly 5 years of monthly gains; consumer confidence is at its lowest level since 1980; and the financial industry continues to suffer substantial losses due to sub-prime related debt.

Typically, the Federal Reserve Open Market Committee (FOMC) counters such an economic downturn by aggressively cutting short-term rates. Inflation, however, remains uncomfortably high and appears to be increasing. The high levels of inflation limit the FOMC's ability to stimulate the economy by cutting short-term interest rates because lower rates could potentially increase the already elevated levels of inflation. The chart below shows the three major core inflation statistics, which exclude volatile food and energy, hovering above the Fed's comfort zone of one to two percent.

**Year-Over-Year Inflation: Core PCE vs. Core CPI vs. Core PPI<sup>1</sup>**  
May 2003 – May 2008



### **Update on Government Sponsored Enterprises**

The District's portfolio holds 15% of its assets in Fannie Mae and Freddie Mac bonds. You have likely read recent news stories about these two Federal agencies.

Fannie Mae, Freddie Mac and other Government Sponsored Enterprises (GSEs) that provide liquidity to the mortgage industry have been under considerable strain due to the housing sector's downturn. Fannie and Freddie were created by Congress to provide liquidity to the residential mortgage market by guaranteeing or purchasing mortgages from the original lender. Fannie and Freddie are involved in originating about 70% of all residential mortgages. Because many of the mortgages they guaranteed or own have defaulted due to the weakness in housing, Fannie and Freddie have lost over \$11 billion since the summer of 2007. Their shareholders are now concerned that further writedowns will elicit a federal bailout that would wipe out shareholders' equity. Shares of both Freddie Mac and Fannie Mae have fallen over 80% in the past year.

While Freddie and Fannie shareholders have lost considerably, their bondholders have fared much better. Both Fannie and Freddie have an implied government backing due to their vital role in the U.S. economy. Recent statements and actions made by Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke have reassured Freddie and Fannie bond holders that the federal government would support these Federal agencies should their business prospects worsen. The Federal Reserve, for instance, announced that they will make credit available to Freddie and Fannie should it be required, and that they will assume a consultative role.

Market reaction to these steps has been very positive. Investors in the discount notes and bonds of the GSEs now have the assurance of the United States that there will be no "run on the bank." The spread (difference in yield) between Treasury and Federal agency debt with two-year maturities is now about 70-75 basis points, in from 85 basis points on July 10, while five-year spreads are about 85 basis points, in from 100-110 basis points. Another measure of the GSEs perceived risk, their credit default swap levels, has declined to 58-60 basis points, from levels of 80 basis points last week.

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

In June, we took advantage of the volatility in Federal agency securities by purchasing \$8.7 million of Federal Home Loan Bank (FHLB) notes to June 2012 with yields of 4.31% and 4.42%. We continue to look for opportunities to extend the District's portfolio to better align with the District's target maturity distribution. Because of the market's current lack of direction, we will take a cautious approach when purchasing longer-term securities.

The District's portfolio ended June with a yield at cost of 4.19%, excluding LAIF, and 4.11% including LAIF.

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<sup>i</sup> Consumer Price Index (CPI): The Consumer Price Index is a measure of the average price level of a fixed basket of goods and services purchased by consumers. Monthly changes in the CPI represent the rate of inflation. Core CPI excludes food and energy.

Producer Price Index (PPI): The Producer Price Index is a measure of the average price received by domestic producers of goods and services. Monthly changes in the PPI represent the rate of inflation. Core PPI excludes food and energy. Personal Consumption Expenditures (PCE): Similar to CPI, PCE is a measure of inflation in the average price level of consumer products. PCE, however, is not a fixed basket of goods and services purchased by consumers. Rather, it allows for substitution of products based on current consumer purchasing patterns. Core PCE excludes food and energy.

**MEMORANDUM**

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of July 25, 2008

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

Re: District Investment Report, June 2008

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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 June 30, 2008

PORTFOLIO OF INVESTMENTS

MATURITY	SECURITY	DATE OF		DESCRIPTION	TOTAL		
		INVESTMENT	YIELD		MARKET VALUE	PAR	Cost
ON DEMAND	STATE	VARIOUS	2.89	LOCAL AGENCY INVESTMENT FUND	8,999,552	9,000,000	9,000,000.00
07/07/08	CD	06/04/08	2.35	BANQUE NATIONAL DE PARIS (NY) CERT DEPOS	4,999,666	5,000,000	5,000,000.00
07/07/08	CP	06/04/08	2.31	CBA (DELAWARE) FINANCE COMM PAPER	3,498,292	3,500,000	3,492,588.75
07/07/08	CP	06/04/08	2.36	RABOBANK USA FIN CORP COMM PAPER	3,848,121	3,850,000	3,841,706.46
07/15/08	CP	06/12/08	2.51	SVENSKA HANDELSBANK INC COMM PAPER	6,250,430	6,257,000	6,242,661.04
07/17/08	CD	04/21/08	2.88	DEXIA CREDIT LOCAL SA NY CERT DEPOS	3,000,201	3,000,000	2,999,633.48
07/21/08	DN	06/05/08	2.16	FHLMC DISC NOTE	2,406,871	2,410,000	2,403,379.19
07/21/08	CP	04/21/08	2.88	HSBC USA INC COMM PAPER	3,060,442	3,065,000	3,042,841.75
07/30/08	CD	06/30/08	2.40	TORONTO DOMINION CERT DEPOS	4,639,035	4,640,000	4,640,000.00
08/04/08	CP	05/05/08	2.67	BNP PARIBAS FINANCE INC COMM PAPER	1,411,474	1,415,000	1,405,521.47
08/04/08	CP	05/05/08	2.78	UBS FINANCE DELAWARE LLC COMM PAPER	6,982,556	7,000,000	6,951,163.33
08/05/08	CP	05/07/08	2.59	CALYON NORTH AMERICA INC COMM PAPER	7,006,974	7,025,000	6,979,776.56
08/15/08	NOTES	05/20/05	4.22	WELLS FARGO FINANCIAL GLOBAL SR NOTES	3,234,896	3,229,000	3,389,029.24
08/25/08	NOTES	08/18/06	5.23	FNMA GLOBAL NOTES (EX-CALLABLE)	5,376,750	5,360,000	5,311,534.88
08/29/08	CD	05/30/08	2.70	BARCLAYS BANK PLC NY CERT DEPOS	5,549,477	5,550,000	5,550,000.00
10/14/08	NOTES	12/08/05	4.80	FHLB BONDS	5,026,563	5,000,000	4,960,850.00
11/01/08	NOTES	05/11/05	4.37	ASSOCIATES CORP NA (CITI) GL SR NOTES	5,040,855	5,000,000	5,298,900.00
03/03/09	NOTES	02/01/06	4.84	FNMA NOTES (EX-CALLABLE)	3,628,050	3,610,000	3,482,855.80
04/06/09	NOTES	02/01/06	4.82	FFCB BONDS	5,026,563	5,000,000	4,814,050.00
08/15/09	NOTES	05/09/07	5.11	SAN DIEGO CNTY CALIF PENS(FHIC CNTY GTD)	1,175,473	1,225,000	1,092,724.50
09/15/09	NOTES	03/07/08	3.50	HSBC BANK USA GLOBAL SR BANK NOTES	1,965,630	1,990,000	2,001,044.50
11/01/09	NOTES	05/22/06	5.52	HELLER FINANCIAL INC (GECC) GLOBAL 144A	4,704,557	4,500,000	4,758,795.00
01/15/10	NOTES	09/22/06	5.19	WELLS FARGO & COMPANY GLOBAL SR NOTES	5,014,575	5,000,000	4,850,300.00
04/19/10	NOTES	05/22/06	5.35	FNMA GLOBAL NOTES (EX-CALLABLE)	5,162,500	5,000,000	4,938,600.00
08/15/10	NOTES	05/09/07	5.02	SAN DIEGO CNTY CALIF PENS(FGIC CNTY GTD)	2,724,120	3,000,000	2,551,230.00
11/04/10	NOTES	05/29/07	5.28	MERRILL LYNCH & CO SR MTN	7,796,008	8,000,000	7,806,480.00
02/01/11	NOTES	01/29/07	5.22	GENERAL ELEC CAP CORP GLOBAL SR MTN	5,127,885	5,000,000	4,996,750.00
06/01/11	NOTES	09/12/07	5.19	JPMORGAN CHASE & CO SR NOTES	5,068,505	5,000,000	5,067,400.00
06/28/11	NOTES	07/19/06	5.53	FHLB BONDS	5,281,250	5,000,000	5,014,550.00
01/09/12	NOTES	02/12/07	5.35	FHLMC GLOBAL NOTES (CALLABLE)	5,048,790	5,000,000	4,988,850.00
03/09/12	NOTES	04/30/08	3.53	FHLB TAP BONDS	4,932,813	5,000,000	4,995,150.00
06/08/12	NOTES	06/17/08	4.42	FHLB TAP BONDS	4,943,750	5,000,000	4,857,050.00
06/08/12	NOTES	06/12/08	4.31	FHLB TAP BONDS	3,750,425	3,695,000	3,704,237.50
04/03/13	NOTES	04/03/08	4.06	FFCB BONDS (CALLABLE)	4,946,875	5,000,000	4,981,500.00
					156,629,923	156,321,000	155,411,153.45

DESCRIPTION	INVESTMENT	PORTFOLIO	
		COMPOSITION	YIELD
Banker's Acceptance	-	0.00%	0.00%
Savings and Loan C.D.'s (C.D.)	18,188,378	11.61%	2.56%
Commercial Paper (C.P.)	32,058,289	20.47%	2.59%
U. S. Treasury Bills and Notes	-	0.00%	0.00%
Agency Discount Notes	2,406,871	1.54%	2.16%
Agency Coupon Notes	53,124,328	33.92%	4.76%
Corporate Notes	37,952,911	24.23%	4.97%
Municipal Bonds	3,899,593	2.49%	5.05%
Long Term CD	-	0.00%	0.00%
LAIF	8,999,552	5.75%	2.89%
	156,629,923	100.00%	
	Average Investment Yield of Portfolio		3.96%
	Average Maturity of Portfolio		473

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.