



Agenda Item No. 1

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of August 21, 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 \$109,540.00 for the period July 1, 2008, through July 31, 2008 (See Attachment A for details).
- b. The Board of Directors ratifies investments made during the period July 15, 2008, through August 11, 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 August 12, 2008, and September 8, 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 July 2008 (see Attachment C for details).

**Fiscal Impact**

Disbursements in the amount of \$109,540.00 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 July 1, 2008, through July 31, 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>
Ana Laboratories, Inc.	Fluid Analysis	Bus	\$10,000.00
Julie Vetter Management	Site Maintenance Services	District	10,000.00
SF Chronicle	Advertising	District	10,000.00
Canon Financial Services	Lease of Three Copiers	District	10,500.00
Essential Staffing, Inc.	Workers' Comp Temporary	District	10,000.00
Tru Green Landcare	Landscaping Services	Ferry	10,500.00
Marin IJ	Advertising	District	10,000.00
Chiarolla Communications	Design and Graphics	District	10,000.00
Sky Climber	Rent 12 Air Hoist Motors	Bridge	18,540.00
Robert Half Technologies	Temporary IS Personnel	District	10,000.00
<b>TOTAL</b>			<b>\$109,540.00</b>

## ATTACHMENT B

### RATIFICATION OF PREVIOUS INVESTMENTS

#### Summary

During the reporting period July 15, 2008, through August 11, 2008, \$39,812,000.00 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>
Svenska Handelsbanken Commercial Paper	07/15/08	09/18/08	6,255,495.42	2.61
FNMA Disc Note	07/17/08	08/21/08	3,018,118.13	2.35
FHLB Disc Note	07/21/08	08/21/08	5,474,992.95	2.33
Banque National De Paris Certificate of Deposit	07/30/08	11/03/08	5,000,000.00	2.73
Royal Bank of Scotland (NY) Certificate of Deposit	07/30/08	10/15/08	4,640,065.62	2.74
FFCB Notes (callable)	08/01/08	07/15/13	4,995,000.00	4.77
Citigroup Funding, Inc., Commercial Paper	08/04/08	11/04/08	1,459,481.33	2.82
UBS Finance Delaware Commercial Paper	08/04/08	11/04/08	6,950,000.55	2.82
Societe Generale NA Commercial Paper	08/08/08	11/03/08	7,021,040.25	2.79

#### Market Summary

Quotations as of August 11, 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.	3.11%	3.52%	3.93%
Treasury Bills	1.75%	1.98%	
Commercial Paper	2.52%	2.81%	



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August 11, 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, July 2008

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### Economic Summary

The U.S. economy remains relatively unchanged since last month's memo. Housing, employment, consumer confidence, and the financial sector remain weak and appear to be worsening. Inflation remains uncomfortably high and also appears to be worsening.

The Federal Open Market Committee (FOMC) met in late June and again last week. The Committee left its target short-term interest rate—the Fed Funds rate—unchanged at both meetings. The Fed Funds rate has been 2.00% for the past five months. In their statement released with their August 5 decision to leave rates unchanged, the FOMC stated that both downside and upside risks remain in the economy. The FOMC's monetary policy options are limited due to the secondary effects of their policy tools. If the FOMC were to lower the Fed Funds rate to stoke economic activity, it would increase the already elevated inflationary pressures. If the FOMC were to increase the Fed Funds rate to combat inflation, it would exacerbate the current financial crisis, and potentially slowdown the already faltering economy. The current market consensus is that the FOMC will leave its overnight target rate unchanged at 2.00% in the short-term, and begin to increase rates by the end of 2008 or early 2009 to combat inflation.

Despite the stability of the Fed Funds rate, the equity and fixed-income markets were volatile. The S&P 500 dropped to a 2½-year low on July 15, but closed the month nearly unchanged. On the other hand, yields on the two-year U.S. Treasury note, which traded within a 37 basis point trading range, ended the month at 2.51%, 12 basis points lower than it was at the beginning of the month.

**2-Year U.S. Treasury Yield**  
August 1, 2007 – August 7, 2008



*Source: Bloomberg*

### **Update on Fannie Mae and Freddie Mac**

In early July, the stock market prices of both Fannie Mae and Freddie Mac plummeted after a report by a Lehman Brothers' analyst raised the possibility that the GSEs could be significantly under-capitalized if proposed Financial Account Standards Board ("FASB") changes were enacted and applied to the GSEs. The proposed FASB amendment would change the manner in which off-balance sheet securities are reported. If adopted without an exception for the GSEs, Freddie Mac and Fannie Mae would have to put back on their books approximately \$3.7 trillion mortgage-backed securities, which would force them to raise a combined \$75 billion in new capital for their reserve requirements.

The Federal Reserve, U.S. Treasury, Congress, and President all announced their intent to support the GSEs due to their vital importance to the U.S. economy. Congress passed the Housing and Economic Recovery Act of 2008, which was signed into law on July 30. The following is a summary of the steps that were taken to strengthen Fannie Mae and Freddie Mac:

1. The Federal Reserve will lend directly to Fannie Mae and Freddie Mac at the primary credit rate (now 2.25%) that it makes available to investment banks. This lending facility will be in place for at least 18 months.
2. The Federal Reserve will assume a "consultative role" in regulating the agencies.
3. President Bush signed the Housing and Economic Recovery Act of 2008 that:
  - a. increases the GSEs' line of credit from the Treasury,
  - b. authorizes the Treasury to make direct equity investments in the two GSEs if necessary,
  - c. creates a new, independent regulator called the Federal Housing Finance Agency, and
  - d. increases the loan limits the GSEs can insure, from \$417,000 to \$625,500.

Market reaction to these steps was very positive. This is reflected in the fact that spreads (difference in yield) between Treasury and agency debt with a two-year maturity stabilized at around 80 basis points, in from 85 basis points at the height of the crisis, while five-year spreads are about 85 basis points, in from 100-110 basis points. These spreads are wide by historical standards, but are not as wide as they have been, and they are stable. The cost of credit insurance—as measured by credit default swap levels—have declined to about 40 basis points, from levels of 80 basis points during the crisis. The major credit rating agencies have all reaffirmed their highest rating (AAA) on Fannie Mae and Freddie Mac senior debt, with stable outlooks. Trading in all GSE debt remains orderly with no evidence that markets are disrupted or impaired.

While these actions have been very favorable to GSE senior debt holders, such as the Golden Gate Bridge, Highway and Transportation District, the ultimate impact on stock holders may be less favorable. The share prices for Fannie Mae and Freddie Mac remain well below their levels of several months ago, although up from their recent lows.

Our Credit Committee will continue to closely monitor the financial condition of these GSEs, the commitments made by the Federal Reserve and U.S. Treasury, and any other developments that could impact the financial strength of these GSEs and the District's portfolio.

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

The District's portfolio is highly diversified and of excellent credit quality. Excluding LAIF, 76% of the District's portfolio was rated AAA or A-1+, Standard & Poor's highest ratings, as of July 31, 2008. 12% of the District's assets are in Fannie Mae senior debt obligations and 4% of its assets are in Freddie Mac senior debt obligations. Although these issuers are facing financial challenges, they remain well capitalized and are receiving a high level of Government support. PFM continues to recommend a diversified portfolio, including bonds and discount notes of these issuers.

In July, we purchased short-term investments for the District's portfolio, preferring to wait for rates to approach the high-end of their recent trading range before purchasing longer-term securities. 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 July with a yield at cost of 4.21%, excluding LAIF, and 4.14% including LAIF.

**MEMORANDUM**

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of August 21, 2008

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

Re: District Investment Report, July 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 July 31, 2008

PORTFOLIO OF INVESTMENTS

MATURITY	SECURITY	DATE OF INVESTMENT	YIELD	DESCRIPTION	TOTAL		
					MARKET VALUE	PAR	Cost
ON DEMAND	STATE	VARIOUS	2.79	LOCAL AGENCY INVESTMENT FUND	10,999,452	11,000,000	11,000,000.00
08/04/08	CP	05/05/08	2.67	BNP PARIBAS FINANCE INC COMM PAPER	1,414,645	1,415,000	1,405,521.47
08/04/08	CP	05/05/08	2.78	UBS FINANCE DELAWARE LLC COMM PAPER	6,998,243	7,000,000	6,951,163.33
08/05/08	CP	05/07/08	2.59	CALYON NORTH AMERICA INC COMM PAPER	7,022,794	7,025,000	6,979,776.56
08/15/08	NOTES	05/20/05	4.22	WELLS FARGO FINANCIAL GLOBAL SR NOTES	3,230,340	3,229,000	3,389,029.24
08/21/08	CP	07/07/08	2.51	CBA (DELAWARE) FINANCE COMM PAPER	7,349,865	7,360,000	7,337,000.00
08/21/08	DN	07/21/08	2.33	FHLB DISC NOTE	5,479,020	5,486,000	5,474,992.95
08/21/08	DN	07/17/08	2.35	FNMA DISC NOTE	3,021,151	3,025,000	3,018,118.13
08/25/08	NOTES	08/18/06	5.23	FNMA GLOBAL NOTES (EX-CALLABLE)	5,366,700	5,360,000	5,311,534.88
08/29/08	CD	05/30/08	2.70	BARCLAYS BANK PLC NY CERT DEPOS	5,550,869	5,550,000	5,550,000.00
09/18/08	CP	07/15/08	2.61	SVENSKA HANDELSBANKEN INC COMM PAPER	6,262,852	6,285,000	6,255,495.42
10/14/08	NOTES	12/08/05	4.80	FHLB BONDS	5,018,750	5,000,000	4,960,850.00
10/15/08	CD	07/30/08	2.74	ROYAL BANK OF SCOTLAND (NY) CERT DEPOS	4,640,534	4,640,000	4,640,065.62
11/01/08	NOTES	05/11/05	4.37	ASSOCIATES CORP NA (CITI) GL SR NOTES	5,030,380	5,000,000	5,298,900.00
11/03/08	CD	07/30/08	2.73	BANQUE NATIONAL DE PARIS (NY) CERT DEPOS	4,999,547	5,000,000	5,000,000.00
03/03/09	NOTES	02/01/06	4.84	FNMA NOTES (EX-CALLABLE)	3,626,922	3,610,000	3,482,855.80
04/06/09	NOTES	02/01/06	4.82	FFCB BONDS	5,025,000	5,000,000	4,814,050.00
08/15/09	NOTES	05/09/07	5.11	SAN DIEGO CNTY CALIF PENS(FHIC CNTY GTD)	1,180,888	1,225,000	1,092,724.50
09/15/09	NOTES	03/07/08	3.50	HSBC BANK USA GLOBAL SR BANK NOTES	1,982,080	1,990,000	2,001,044.50
11/01/09	NOTES	05/22/06	5.52	HELLER FINANCIAL INC (GECC) GLOBAL 144A	4,686,719	4,500,000	4,758,795.00
01/15/10	NOTES	09/22/06	5.19	WELLS FARGO & COMPANY GLOBAL SR NOTES	5,002,440	5,000,000	4,850,300.00
04/19/10	NOTES	05/22/06	5.35	FNMA GLOBAL NOTES (EX-CALLABLE)	5,157,813	5,000,000	4,938,600.00
08/15/10	NOTES	05/09/07	5.02	SAN DIEGO CNTY CALIF PENS(FGIC CNTY GTD)	2,741,130	3,000,000	2,551,230.00
11/04/10	NOTES	05/29/07	5.28	MERRILL LYNCH & CO SR MTN	7,778,880	8,000,000	7,806,480.00
02/01/11	NOTES	01/29/07	5.22	GENERAL ELEC CAP CORP GLOBAL SR MTN	5,115,405	5,000,000	4,996,750.00
06/01/11	NOTES	09/12/07	5.19	JPMORGAN CHASE & CO SR NOTES	5,108,860	5,000,000	5,067,400.00
06/28/11	NOTES	07/19/06	5.53	FHLB BONDS	5,279,688	5,000,000	5,014,550.00
01/09/12	NOTES	02/12/07	5.35	FHLMC GLOBAL NOTES (CALLABLE)	5,044,860	5,000,000	4,988,850.00
03/09/12	NOTES	04/30/08	3.53	FHLB TAP BONDS	4,939,063	5,000,000	4,995,150.00
06/08/12	NOTES	06/17/08	4.42	FHLB TAP BONDS	4,951,563	5,000,000	4,857,050.00
06/08/12	NOTES	06/12/08	4.31	FHLB TAP BONDS	3,753,889	3,695,000	3,704,237.50
04/03/13	NOTES	04/03/08	4.06	FFCB BONDS (CALLABLE)	4,943,750	5,000,000	4,981,500.00
					158,704,090	158,395,000	157,474,014.90

DESCRIPTION	INVESTMENT	PORTFOLIO	
		COMPOSITION	YIELD
Banker's Acceptance	-	0.00%	0.00%
Savings and Loan C.D.'s (C.D.)	15,190,950	9.57%	2.72%
Commercial Paper (C.P.)	29,048,399	18.30%	2.62%
U. S. Treasury Bills and Notes	-	0.00%	0.00%
Agency Discount Notes	8,500,171	5.36%	2.34%
Agency Coupon Notes	53,107,996	33.46%	4.76%
Corporate Notes	37,935,103	23.90%	4.97%
Municipal Bonds	3,922,018	2.47%	5.05%
Long Term CD	-	0.00%	0.00%
LAIF	10,999,452	6.93%	2.79%
	158,704,090	100.00%	
	Average Investment Yield of Portfolio		3.96%
	Average Maturity of Portfolio		450

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.